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FEB 25 1986

February 23, 1986

Senator Fred F. Zharoff
Chairman, Senate Labor & Commerce
Committee
Pouch V
Juneau, Ak. 99811

Dear Senator Zharoff:

Senator Eliason's office called and informed me that the "55 and Alive" bill was recently introduced in your committee.

The American Association of Retired Persons, which represents over 20 million members nationally and 20,914 in the State of Alaska, heartily endorse passage of the legislation.

Anything you can do as chairman to pass this out of your committee with a "Do Pass" recommendation will be greatly appreciated.

Sincerely,

A handwritten signature in dark ink, appearing to read "John E. Dapcevich", is written over a circular stamp or mark.

John E. Dapcevich
Chairman

cc: Senator Eliason

AARP



R E C E I V E D

FEB 10 REC'D

1984

OLDER ALASKANS COMMISSION

A Bill to be Entitled

1 An act to provide that any rates, rating schedules, or rating manuals
2 for the liability, personal injury protection, and collision cover-
3 ages of a motor vehicle insurance policy submitted to or filed with
4 the Insurance Commissioner shall provide for an appropriate reduction
5 in premium charges, determined by the individual insurer, as to such
6 coverages when the principal operator on the covered vehicle is an
7 insured 55 years of age and older for a three year period after suc-
8 cessfully completing a motor vehicle accident prevention course approved
9 by the Department of Motor Vehicles.

10
11 Be it Enacted by the Legislature of the State of

12
13 Section 1. Any rates, rating schedules, or rating manuals for the
14 liability, personal injury protection, and collision coverages of a
15 motor vehicle insurance policy submitted to or filed with the Insurance
16 Commissioner shall provide for an appropriate reduction in premium
17 charges as to such coverages when the principal operator on the covered
18 vehicle is an insured 55 years of age and older for a three year period
19 after successfully completing a motor vehicle accident prevention
20 course approved by the Department of Motor Vehicles. Any discount used
21 by an insurer shall be presumed appropriate unless credible data demon-
22 strates otherwise.

23
24 Section 2. The premium reduction required by this section shall be
25 effective for an insured for a three year period after successful
26 completion of the approved course, except that the insurer may require,
27 as a condition of providing and maintaining the discount, that the
28 insured:

- 29 (a) Not be involved in an accident for which the insured is at fault;
30
31 (b) Not be convicted, plead guilty or nolo contendere to a moving
32 traffic violation, or to a traffic related alcohol or narcotics offense;
33 and
34 (c) Have maintained a driving record free of violations and liable
35 accidents for a three year period prior to course completion;

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40 Section 3. Upon successfully completing the approved course, each
41 person shall be issued a certificate by the organization offering the
42 course which shall be used to qualify for the premium discount
43 required by this section.

44
45 Section 4. This section shall not apply in the event the approved
46 course is taken as punishment specified by a court or other govern-
47 mental entity resulting from a moving traffic violation.

48
49 Section 5, Each participant shall take an approved course every three
50 years to continue to be eligible for the reduction in premiums.

Position Paper

Automobile Insurance Discount

The State Legislative Committee of the American Association of Retired Persons proposes that legislative steps be taken to reduce automobile insurance premiums for motor vehicle operators age 55 and older who complete a state-approved driver education course.

Rationale: Motor vehicle operators age 55 and older are a unique population and have specific physiological considerations and driving problems. How do these individuals compare with age brackets in safe driving practice and incidence of accidents?

In order to obtain an accurate picture it is not enough to consider only age and number of accidents, its necessary to factor in the annual number of miles driven per year. Research shows that the number of annual miles driven by motor vehicle operators begins to decline significantly after age 55. Therefore, an important consideration with regard to the safe driving practices and abilities of older persons is the criteria used to determine accident involvement statistics.

The record of the older driver is good when calculated on the basis of accidents per driver. When the same figures are examined on the basis of miles driven annually, a different picture emerges. This more significant and meaningful statistic highlights the urgent need for corrective measures to re-educate older drivers.

Because older persons drive fewer miles, corrections must be made for driving exposure. When this factor is included in accident involvement rates, and the involvement per exposure is determined, a U-shaped curve of accidents versus age results. Violation and accident rates per mile are higher for the youngest and oldest drivers and lower for those in the middle ranges. Although one can quibble over the exact placement of the curve, a general "U" configuration has emerged in every major study undertaken during the past 10 years.

The National Safety Council reports that when the number of miles driven is taken into account, drivers age 55 and over have a poorer accident record than drivers in their middle years.

The U. S. Department of Transportation identifies the older driver as being age 60 and older and in a group which requires special consideration in the development of driver improvement training procedures. The National Highway Safety Forecast points out that the older driver is adjudged at fault more than middle aged drivers, and due to the population age shifting currently underway in America, is perhaps one of the fastest growing highway safety problem areas.

Older drivers have problems when involved in driving situations requiring quick response, full vision and interaction with other drivers. Typical violations include failure to yield right-of-way, improper turning, incorrect lane changing, passing, and entering and leaving expressways.

The older driver learned to drive during the first forty years of this century, well before the advent of formal driver education programs in the public school systems. The older driver that has completed a formal driver training course is the exception rather than the rule.

These individuals may experience physical changes which affect driving abilities and attitudes. People age at different rates, so age alone is not a fair criterion for determining driving competence. There is no question, however, that driving ability can be affected by the aging process. The gradual failure of sensory acuity associated with aging reduces the quantity and accuracy of information capable of being processed. This reduces the ability of the individual to respond or react to his environment with the speed and judgment current traffic often requires.

Eighty-five to ninety percent of all sensory input needed to drive comes via the eye. Unfortunately, as one ages the need for more illumination increases, glare sensitivity rises, dark adaptation lessens, and peripheral vision narrows. Hearing loss also presents problems for older drivers. It is also broadly accepted that as one ages muscles tend to weaken or atrophy.

Primary Objective: By passage of this legislation, will create an economic incentive for older drivers to take a driver improvement course and thereby improve their driving capabilities. This reduces their chances of accident and accident claim filings, and creates a safer driving environment for all. Notably, the proposed legislation brings this about without cost to the state.

The older driver earns the driver improvement discount by taking a positive, preventive step. This incentive discount is given in addition to any other marketing discounts, such as for non-smokers, seat-belt wearers, those reaching a certain age, etc.

The automobile insurance industry writes policies on accidents per age group, and thus considers older drivers to be a reduced risk because of the fewer miles that they drive. In fact, some insurance companies reduce premiums for drivers after age 55 or 65, much the same as they do for drivers after age 25. The issue is not whether some automobile insurance companies may or may not reduce rates for older drivers as a marketing tool. The primary issue is reducing accidents per mile involving drivers age 55 and older.

Action in other states: Legislation has been enacted in 16 states and the District of Columbia which require all automobile insurance companies conducting business in those states to provide a premium reduction to graduates of state-approved driver improvement courses. The list now includes:

<u>State</u>	<u>Discount</u>	<u>Age</u>	<u>Effective Date</u>
AR	Approp. 5-20%	55+	1981
CT	Approp. Min. 5%	62+	1983
DE	10% on liab. & personal injury protection	16+	1982
DC	Approp. 5-10%	55+	1985
FL	Approp. reduction	65+	1986
KY	Approp. reduction	55+	1984

<u>State</u>	<u>Discount</u>	<u>Age</u>	<u>Effective Date</u>
IL	Approp. 5-10%	55+	1982
LA	Approp. 5-10%	55+	1984
MN	Approp. reduction	65+	1985
ND	Approp. 8-10%	55+	1983
NY	Min. 10% on liability	16+	1981
OK	Approp. reduction	55+	1986
RI	Approp. reduction	55+	1984
TN	Approp. 8-10%	55+	1984
TX	10% of premium	16+	1974
VA	Approp. reduction	55+	1985
WY	Not less than 10% of premium	60+	1983

Many other state legislatures are considering this legislation. It is hoped that will add this legislation to its statutes.

CONCERNS AND RESPONSES REGARDING OLDER
DRIVER DISCOUNT LEGISLATION

Prepared by AARP's State Legislative Committee

- A. CONCERN: Since statistics seem to show drivers age 55 and older among the safest on the road, what is the rationale for legislation that would encourage participation at a driver improvement course?

RESPONSE: The National Safety Council finds that drivers age 55 and older have a poorer accident record, considering the number of miles driven, than do drivers in their middle years. The U. S. Department of Transportation statistics agree: older drivers are at fault more frequently than middle age drivers in accidents and violations reported by law enforcement officials.

It is not enough to consider only age and the number of accidents. From this limited perspective one sees that drivers 55 and older make up 24% of the driving population, yet are involved in only 18% of the accidents. But when driving exposure is considered, measured by the number of miles driven, older drivers have a higher percentage of accidents than their population warrants. Violation and accident rates per mile is higher for the youngest and oldest drivers, and lower for those in the middle range.

Research shows that the aging processes that affect driving generally become significant when persons reach their fifties. The U. S. Department of Transportation recommends that special consideration be given to older drivers when driver improvement courses are developed.

- B. CONCERN: Since a number of driver improvement courses already exist, why aren't older drivers enrolling?

RESPONSE: Older drivers do enroll in driver improvement courses, nationwide and here in . Many more will do so, however, when an economic incentive is available through legislative mandate. Experience in other states that have passed this type of legislation has shown that most people need an economic incentive to actively seek improvement of their driving skills. In of our neighboring states, experience with this legislation and of older drivers are now enrolling there. Should enact this bill, there will be accident claim reductions and fewer injuries and fatalities on our roads as well.

- C. CONCERN: It seems that older drivers are being singled out for special consideration. Isn't this age discrimination? Why not allow drivers of all ages to participate in any mandated insurance incentive program?

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RESPONSE: The American Association of Retired Persons is interested in resolving problems of older persons. However, if will pass legislation allowing discounts for all drivers attending driver improvement courses, we would not be opposed. We have been informed by numerous insurance companies and insurance trade associations that they are against legislation involving the younger driver. In fact they have fought against including drivers below age 55 in many states where legislation has been enacted for drivers age 55 and over. This legislation does not establish a special category of drivers in any discriminating sense. It simply recognizes an area of need and provides an incentive to help older drivers and the insurance industry reduce accidents and accident claims.

- D. CONCERN: Many automobile insurance companies already offer discounts for older drivers based on accidents per age group. Would this legislation jeopardize these discounts?

RESPONSE:

Sixteen states and the District of Columbia have already enacted similar legislation. The discount provided to graduates of approved driver improvement courses is the last discount applied. The automobile insurance industry writes policies on accidents per age group and thus considers older drivers a good risk, due to the fewer miles that they drive. In fact, some insurance companies reduce premiums for drivers after age 55 or 65, much the same as they do for drivers after age 25.

The goal of mandated legislation, however, is to provide an incentive discount on automobile insurance premiums that encourages older drivers to take a driver improvement course and to reduce the chances of accidents and claim filings. The driver earns the discount by taking a positive prevention step, unrelated to any other discount.

The discount given graduates of approved driver education courses is given in addition to any other marketing discounts provided to non smokers, seat belt wearers, those reaching a certain age, etc. None of these marketing discounts was dropped when states mandated this legislation.

- E. CONCERN: Would drivers not involved in driver improvement courses have to subsidize the discount provided to those who complete one of the approved courses by paying higher premiums?

RESPONSE: This has not been the case in the other mandated states. In Texas where the insurance discount has been in effect for 10 years, the phrase used by insurance companies is that the discount is "fully earned". Although most states recently enacted this legislation, it is our belief that time will show an accident and violation reduction. The insurance companies will save money due

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to fewer accident claim filings. As a consequence drivers not participating in the mandated insurance driver improvement program will not pay a higher premium, but will be encouraged by their insurance companies to enroll in a driver improvement course.

- F. CONCERN: Why must the word mandated to be included in the language? Can't the language be changed to allow voluntary participation?

RESPONSE: Any company may provide a voluntary discount at present. Unfortunately, few have chosen to do so. If all are required to participate, insurance companies have said that they would go along.

- G. CONCERN: The legislation includes the term "appropriate reduction" and contains a retake feature. What does this mean?

RESPONSE: The term "appropriate reduction" would allow competition within the insurance industry of _____ to set the reduction percentage. In other words, if the bill becomes law, no one would dictate the terms of an "appropriate reduction" to the state's insurance industry. Each company in the state would set its own discount rate and be able to raise or lower the percentage each year based on the accident claims experience of policyholders that graduate from approved driver improvement courses.

Experience in other states with similar legislation has demonstrated the competitiveness of this feature. Companies have selectively increased refresher course discounts as a marketing tool to attract new clients.

The insurance trade associations also feel that any individual graduating from an approved course should retake an approved curriculum every two or three years. This keeps information current, and also refreshes the driver on necessary skills and techniques to remember.

- H. CONCERN: What research is available to prove driver improvement courses work?

RESPONSE: Numerous studies have been conducted on the well known courses, and the results demonstrate effectiveness. It is worth noting that no state has rescinded this type of legislation, and to remember the 10 years' experience in Texas that finds discounts to be "fully earned".

The insurance industry, however, considers these evaluations to be limited tests that do not demonstrate 'statistical significance' in their accident or violation reduction findings. In order to

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satisfy the insurance industry, and demonstrate 'statistical significance', an older driver course evaluation must involve 20,000-30,000 students, randomly assigned to a control group that doesn't take the course and a treatment group that completes the course. Both groups need to be followed for a period of time via questionnaires and a sample of Department of Motor Vehicle records must be accessed to validate self report forms. Financially and logistically, this has proved impossible for course developers. The insurance industry has not been willing to initiate a study of this size or to work with course developers.

I. CONCERN: Does AARP make money on its driver improvement course?

RESPONSE: No. AARP actually subsidizes approximately two-thirds of overall program costs, and charges each participant a minimal fee to offset the balance of expenses. Sponsors' purpose behind driver improvement courses, at least for the major well-known programs, is education rather than financial reward. But AARP is not in a position to speak conclusively for other organizations.

J. CONCERN: Why is it that several of the states which have passed this legislation have only a small percentage of eligible drivers participating to date?

RESPONSE: Although approved courses are widely publicized, they need help from the insurance companies to notify potential participants. Automobile insurance companies doing business in _____ should be requested to notify their eligible policyholders that the discount can be obtained upon completion of an approved course.

K. CONCERN: How would the legislation be implemented?

RESPONSE: In the proposed legislation, an appropriate state agency is designated to select the courses that will be approved for the mandated insurance discount program. In most states the Department of Motor Vehicles has been selected. Program regulations and guidelines are usually drawn up in consultation with officials of states which have already passed similar legislation.

L. CONCERN: Will this legislation cost the state anything?

RESPONSE: There is no fiscal note for the state.

FOR FURTHER INFORMATION REGARDING THIS PROGRAM WRITE:

AARP
Traffic & Driver Safety Program
1909 K Street, N.W.
Washington, D.C. 20049

Summary Analysis 55 Alive/Mature Driving

AREA	# of 1983 Graduates	# of 1984 Graduates	# of 1985 Graduates	# + OR - 1984-1985	% + OR - 1984-1985	Penetration Rate (% Grads to 50+ Driver Population)	Rank Among 52 Jurisdictions			Penetration
							# Grads	+ #	- %	
IX	2,208	3,725	6,212	2,487	67%	.112%	7	6	6	9
AZ	871	900	1,461	561	62%	.249%	12	21	37	15
CA	1,212	2,661	4,599	1,938	73%	.099%	6	6	34	26
HI	113	70	76	6	9%	.051%	47	47	47	35
NV	12	94	76	-18	-19%	.043%	48	48	50	39
AREA										
X	710	1,087	2,973	1,886	174%	.185%	9	9	3	7
AK	-	28	128	100	357%	.272%	44	38	8	13
ID	33	19	70	51	268%	.038%	49	41	10	44
OR	130	390	1,165	775	199%	.209%	15	12	16	17
WA	547	650	1,610	960	148%	.197%	11	10	25	19
TOTAL	61,179	60,177	98,941	38,764	64%	.218%				