

SB

309

HOUSE COMMITTEE REPORT

D

(7)

Date Referred: March 23, 1990

FURTHER REFERRALS:

Date of Committee Action: 5/5/90

The LABOR & COMMERCE Committee considered:

CSSB 309(L&C) am

CS SENATE BILL NO. 309 (L&C) am

AUTO INSURANCE: DRIVER EXCLUSION

"An Act relating to excluding a named driver from a motor vehicle insurance policy; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with _____ the same title
- have attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact _____
- zero fiscal note _____
- zero with analysis _____

- fiscal note(s) _____
- zero fiscal note(s) DCED 3/15/90
- zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not Pass No Rec Amend

Donley

Donley

	Do Not Pass	No Rec	Amend
<u>Greenberg</u>			
<u>Collins</u>	X		
<u>Andrew A. Lewan</u>			

Donley

Chairman's Signature

6-0773J ✓
Ford
5/3/90

Original sponsor(s): SEN. FRANK, Duncan, Zharoff, Fischer, Binkley,
Uehling, Faiks

1 IN THE SENATE

BY THE LABOR & COMMERCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 309 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to excluding a named driver from a
7 motor vehicle insurance policy; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 21.36.210(a) is amended to read:

11 (a) An insurer may not exercise its right to cancel a policy of
12 personal automobile insurance except for the following reasons:

13 (1) nonpayment of premium; or

14 (2) the driver's license or motor vehicle registration of
15 either the named insured or of an operator who resides in the same
16 household as the named insured or who customarily operates a motor
17 vehicle insured under the policy has been under suspension or revoca-
18 tion during the policy period or, if the policy is a renewal, during
19 its policy period or the 180 days immediately preceding its effective
20 date; this paragraph does not apply to a person who is excluded from
21 coverage under AS 21.36.215.

22 * Sec. 2. AS 21.36 is amended by adding a new section to read:

23 Sec. 21.36.215. EXCLUDING NAMED DRIVER FROM AUTOMOBILE INSURANCE
24 POLICY. (a) An insurer may not refuse to exclude a person from
25 coverage under an automobile insurance policy, if the claim experi-
26 ence, classification, or driving record of the person would have
27 justified cancellation, nonrenewal, or an increase in the premium and
28 the person is not licensed to drive an automobile or provides proof of
29 coverage required by law under another automobile insurance policy. A

1 premium charged on a policy that excludes a person from coverage may
2 not reflect the claim experience, classification, or driving record of
3 the excluded person. This subsection does not apply to an automobile
4 liability insurance policy required under AS 28.20.

5 (b) An automobile insurance policy providing that a person is
6 excluded from coverage may also provide that the insurer is not liable
7 for any coverage, including defense or indemnity coverage under any
8 provision of the policy for claims or damages, including claims
9 against other persons insured under the policy, arising out of the
10 operation of the insured automobile by the excluded person. An auto-
11 mobile insurance policy providing that the insurer is not liable as
12 allowed under this subsection shall contain the following provision:

13 Exclusion of Named Driver: In consideration of the pre-
14 mium for which the policy is written, it is agreed that
15 the insurer is not liable for any coverage, including de-
16 fense or indemnity coverage under any provision of the
17 policy for claims or damages, including claims against
18 other persons insured under the policy or claims against
19 the excluded person, sustained while a vehicle insured
20 under this policy is operated by (name of excluded person)
21 following the effective date of this endorsement.

22 (c) The required policy provision contained in (b) this section
23 shall also be provided to the insured as a notice separate from the
24 policy and typed in bold face print. The notice must be signed by the
25 insured in order for the exclusion of the named driver and the limita-
26 tion of the insurer's liability under this section to be effective.

27 * Sec. 3. APPLICABILITY. This Act applies to automobile insurance
28 policies that are entered into or renewed on or after the effective date of
29 this Act.

1 * Sec. 4. This Act takes effect January 1, 1991.
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FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
 Title: An Act relating to excluding a named driver from a motor vehicle insurance policy; and providing for an effective date.
 Sponsor: Frank, et al. BRU: Insurance
 Requestor: Senate Labor & Commerce Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS. CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

This legislation will have no fiscal impact on the department in FY 90.

Prepared by: Bob Sims, Insurance Market Analyst Phone: 465-2517
 Division: Insurance Date: 1-18-89

Approved by Commissioner: Larry Mercurieff Date: 1/1/90
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Changes in CS SB 309 (L&C)
 have no fiscal impact. This
 fiscal note is appropriate.
 Projections of no fiscal impact
 would continue through 1996.

STEVE FRANK
DISTRICT K
SEAT A

119 N. Cushman, Rm 213
Fairbanks, Alaska 99701

While in Juneau
P.O. Box V
Juneau, Alaska 99811
(907) 465-3709
Capitol Rm 514

Alaska State Legislature



Senate

MEMBER
Finance Committee
Resources Committee
Legislative Council
Special Committee on Banking &
Economic Development

VICE-CHAIR
Community & Regional
Affairs Committee

MEMORANDUM

TO: Representative Dave Donley, Chairman
House Labor & Commerce Committee

FROM: Senator Steve Frank

RE: Request for scheduling - CS SB 309 "An Act relating to excluding a named driver from a motor vehicle insurance policy; and providing for an effective date."

DATE: March 23, 1990

Yesterday, SB 309 passed the Senate unanimously and the measure is now in Labor & Commerce committee awaiting scheduling. I respectfully request that you calendar it for a hearing at your earliest convenience.

Senate Bill 309 would require that an insurance company not refuse to exclude a named driver from a automobile policy.

We introduced this legislation because the existing system penalizes an entire family for the bad driving record of one of its members. Currently, if someone in the family has a number of violations, such as accidents, DWI, etc. their insurance company may either cancel or increase the premium to cover the risk from the bad driver. The problem is that the rest of the family is forced into the high risk pool along the bad driver.

SB 309 would give families the opportunity to decide if they wish to exclude a member of the household from the main policy, thus keeping the family in the preferred market. The family could then purchase a second policy for the excluded individual, if they chose to drive.

The intent of the legislation is to lower insurance costs for consumers. Rate information indicates that there would be a sizeable savings by families who chose to have someone excluded under this bill.

Thank you for your consideration.

Amended: 3/22/90
Offered: 3/15/90
Referred: Rules

6-0773E

Original sponsor(s): SEN. FRANK, Duncan, Zharoff, Fischer, Binkley,
Uehling, Faiks

1 IN THE SENATE BY THE LABOR & COMMERCE COMMITTEE
2 CS FOR SENATE BILL NO. 309 (L&C) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

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14 (2) the driver's license or motor vehicle registration of
15 either the named insured or of an operator who resides in the same
16 household as the named insured or who customarily operates a motor
17 vehicle insured under the policy has been under suspension or revoca-
18 tion during the policy period or, if the policy is a renewal, during
19 its policy period or the 180 days immediately preceding its effective
20 date; this paragraph does not apply to a person who is excluded from
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25 coverage under an automobile insurance policy, if the claim experi-
26 ence, classification, or driving record of the person would have
27 justified cancellation, nonrenewal, or an increase in the premium. A
28 premium charged on a policy that excludes a person from coverage may
29 not reflect the claim experience, classification, or driving record of

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 2/8/90
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

4/28/89

DATE TURNED INTO OFFICE 3/15/90

Mr. President:

Labor and Commerce Committee considered SB 309

Excluding a named driver from a motor vehicle insurance policy; efd.

and recommended:

- replace with CS SB 309 (L+C) same titl
- attached amendment(s) and new titl
- _____ letter of intent adopted

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to

FISCAL NOTE(S) Dept of Commerce 1/19/90 fiscal impact
 attached zero Gov. FN introduced w/ bill
 appropriation no FN attached

MEMBERS SIGNING, DO PASS for SB 309 + CS SB 309(L+C) OTHER RECOMMENDATIONS

~~_____~~

 Chair signature and recommendation

Committee backup attached

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
 Title: An Act relating to excluding a named driver from a motor vehicle insurance policy; and providing for an effective date.
 Sponsor: Frank, et al. BRU: Insurance
 Requestor: Senate Labor & Commerce Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
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EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

This legislation will have no fiscal impact on the department in FY 90.

Prepared by: Bob Sims, Insurance Market Analyst Phone: 465-2517
 Division: Insurance Date: 7-18-89
 Approved by Commissioner: Larry Merchlioff Date: 7/19/89
 Agency: Department of Commerce & Economic Development

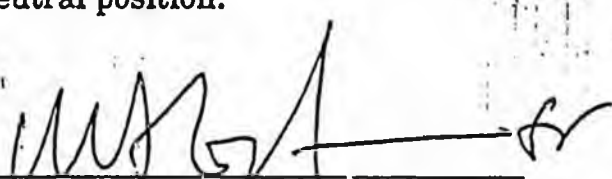
Distribution (by preparer):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

SB 309: "An Act relating to excluding a named driver from a motor vehicle insurance policy; and providing for an effective date."

The position of the department on this bill is neutral. The primary reason for this position is the concern for a person injured by an uninsured, judgement proof driver. The presumption that a person excluded from coverage would not drive is suspect. For example, if the habitual abuser of alcohol and drunk excluded driver injures another person in an automobile accident, the remainder of the family, though insured, may lose all of its assets (e.g., equity in a home) through a judgement. As a public policy matter, is it better to force the excluded person to be covered and have the household rated accordingly and take the risk of the entire household going uninsured due to cost? Or, is it better to hope that the excluded driver does not drive and does not injure someone else?

From the standpoint of encouraging more people to have automobile liability insurance coverage, SB 309 has merit. However, it is questionable whether the benefit exceeds the social and economic costs that may occur when an excluded driver operates a car without coverage and injures another innocent party. The division does not have a factual basis on which to solve this "risk equation." Therefore, this has resulted in our neutral position.



Larry Merculieff, Commissioner

Date: 19/1/90

LM/DPK/dgl6151D
11990a

STEVE COWPER, GOVERNOR

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**

P. O. BOX D
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2515

DIVISION OF INSURANCE

December 26, 1989

Honorable Steve Frank
Alaska State Senate
1125 Sunset Drive
Fairbanks, AK 99709

Dear Senator Frank:

RE: SB 309

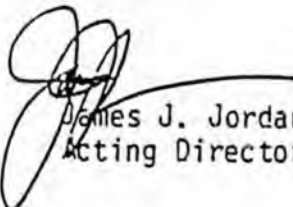
Your staff person, Rick Solie, contacted me several weeks ago inquiring about the division's position on SB 309. Enclosed is a copy of the Bill Analysis for SB 309.

As you can see, the position on this bill is neutral. The primary reason for this position is the concern for a person injured by an uninsured, judgement proof driver. The presumption that a person excluded from coverage (while the remaining drivers in a household were covered) would not drive is suspect. Should, for example, the habitual abuser of alcohol and drunk, excluded driver injure another person in an automobile accident, the remainder of the family, though insured, may lose all of its assets (e.g., equity in a home) through a judgement. The question remains whether, as a public policy matter, it is better to, in effect, force the excluded person to be covered and have the household rated accordingly and take the risk of the entire household going uninsured due to cost or to hope the excluded driver does not drive and does not injure someone else possibly leaving both the injured party and the excluded driver's household destitute.

From the standpoint of encouraging more people to have automobile liability insurance coverage, SB 309 has merit. However, it is questionable whether the foregoing benefit exceeds the social and economic costs that may occur when an excluded driver operates a car without coverage and injures another innocent party. The division does not have a factual basis on which to solve this "risk equation." Therefore, this has resulted in our neutral position.

Let me know should you wish to engage in further discussion pertaining to SB 309.

Sincerely,


James J. Jordan
Acting Director

JJJ/dg16095D/122689b
Enclosure



Pate Insurance Agency, Inc.

355 WEST PIONEER AVENUE • HOMER, ALASKA 99603

PHONE (907) 235-8105
FAX (907) 235-7074

F A C S I M I L E T R A N S M I T T A L

NO of PAGES: 1

DATE: 1/21/90

TO: Steve Frank

RE: Driver Exclusions / Insurance

Dear Steve:

Please excuse the 'informality' of this Fax Transmission, however given the fact that your legislation will apparently be discussed this week, I did at least want to include a couple final points for your consideration.

If it can be made to work, to be accepted by both the legal and insurance industries, the exclusion of drivers under an auto policy would be tremendous 'consumer' legislation. The insurance industry would still be able to insure the 'preferred' client in the 'preferred' market, the consumer would save on his insurance premiums and the 'surcharged' driver would also be in the appropriate market. The hurdles, if you will, would all seem to be on the legal side of the issue. To my knowledge the courts have regularly held that family members, residents of the household, and in fact any permissive driver are insured under the policy that lists the vehicle in question. It is also my understanding that 'waivers & exclusions' are not valid in court, especially when they involve third party liability. I would think that the legislation in question should address this issue explicitly. If the legislation passes and the legal issues are not addressed, I am certain that it will only cause problems, to restrict the automobile insurance market for all drivers. Insurance companies will find a way to protect their risk, even if it means withdrawing from a market. We have relatively few good insurance markets writing automobile coverages at this time, and I would not want us to jeopardize any of those that are now doing business in the State.

As I mentioned to Rick, Allen Shattuck and Roger Grummett in Juneau may be of some further assistance. Rick Hardcastle in Juneau is the AIIAB, Inc. President this year and Phil Dressen in Anchorage is the President-Elect. The insurance agents in the State have a good deal of 'grass roots' contact, and I believe they would be in a position to support this legislation if you feel that it is needed.

Again, thank you for your consideration. Best of luck with this issue!

Nike Pate

18 December 1989

Attn: Mr Steve Frank

Re: Insurance Legislation

Dear Steve:

The following is a letter in support of Senate Bill 309. I guess my reasons for supporting this bill are twofold. First, if an individual is willing to sign an exclusion on a person, or persons, from their auto insurance policy, then I believe that exclusion should be unbreakable and not negotiable in court as things now stand. What is the point of an exclusion if an attorney can break it whenever it is convenient and worthwhile financially to them and their client. If we had more black and white rules and laws regarding auto insurance our rates would not be so expensive.

The main reason I support SB309 is because it would be much more equitable to the insurance consumer and to the insurance companies whenever there happens to be a one problem driver in a household. As it stands now, most insurance companies do not dare to exclude someone in the household from coverage on any of the family cars because it will not stand up in court. Therefore, most of the time, all family cars are lumped on a higher priced policy because of one bad driver. I feel we should be able to cleanly exclude the bad driver from the good drivers' cars and rate them with our preferred companies and rates. We can then cover the problem driver in the assigned risk pool, or higher risk companies, which ever fits his problem. Having a large book of business, our office sees this problem arise on a regular basis. It has always bothered me to see the wife, daughter or son penalized because of dad's DWI or vice versa. I feel very strongly that this legislation could be of benefit to everyone but the attorneys who, of course, want everything open to litigation.

Sincerely,



Art Carroll

P.S. The savings to a family in this situation could run anywhere from a minimum of hundreds of dollars a year to well over a thousand dollars a year.

STEVE FRANK
DISTRICT K
SEAT A

119 N. Cushman, Rm. 213
Fairbanks, Alaska 99701

While in Juneau
P.O. Box V
Juneau, Alaska 99811
(907) 465-3709
Capitol Rm. 514

Alaska State Legislature

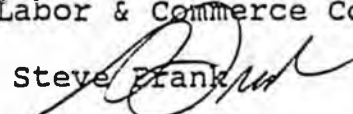


Senate

MEMBER
Finance Committee
Resolutions Committee
Legislative Council
Special Committee on Banking
Economic Development

VICE-CHAIR
Community & Regional
Affairs Committee

TO: Senator Dick Eliason, Chairman
Senate Labor & Commerce Committee

FROM: Senator Steve Frank 

RE: SB 309 - excluding named drivers from auto
insurance policies

DATE: January 8, 1990

Senate Bill 309 would require an automobile insurance company to offer an exclusion to named drivers on an auto insurance policy.

Initially, this idea was brought to my attention by an insurance agent who felt that having the ability to exclude individuals from a policy would enhance his ability to serve his customers. This reasoning is best illustrated in the case of a spouse who has had a number of drunk driving convictions. In the absence of this legislation, an insurance company would either cancel the family's policy or raise the rates through the roof instead of offering to exclude the individual with the poor driving record.

Another area of concern that has surfaced involves parents who are required to carry their child or children (of driving age) on their policy even though they are not driving the vehicle that is insured. This bill would allow them to be excluded as well.

The subject of this bill came up during a Senate Finance Committee hearing last session and enjoys the co-sponsorship of all Senate Finance members present at that meeting.

I respectfully request that you schedule a hearing on SB 309 in the Labor & Commerce Committee at your earliest convenience.

Thank you for your consideration.

STEVE FRANK
DISTRICT K
SEAT A

119 N. Cushman, Rm. 213
Fairbanks, Alaska 99701

While in Juneau
P.O. Box V

Juneau, Alaska 99811
(907) 465-3709

Capitol Rm. 514

Alaska State Legislature



Senate

MEMBER
Finance Committee
Resources Committee
Legislative Council
Special Committee on Banking &
Economic Development

VICE-CHAIR
Community & Regional
Affairs Committee

MEMORANDUM

TO: Senate Labor & Commerce Committee

FROM: Senator Steve Frank

RE: CS SB 309 - Auto Insurance Exclusions

DATE: March 5, 1990

During the last hearing on SB 309 in this committee, questions arose about what would happen to insurance rates if this legislation were passed and whether the courts would uphold the exclusionary provision. In your packet are some hypothetical rate quotes from a local Insurance Agent and also a letter from the Department of Law reviewing other state's experience.

The rate information shows a savings of about \$400 per year, over what would be paid without the exclusion benefits if the bad driver is excluded from the policy, but continues to drive under a second policy.

An even larger savings, approximately \$1,000. would result if the bad driver chose not to drive and were excluded. Without this legislation, most companies will not exclude someone even when they choose not to drive if they reside in the same household.

The Assistant Attorney General summarizes a number of states that have exclusions laws now in effect. In those states with laws on the books "the courts in those states have generally upheld the exclusions." In all of the court cases relating to exclusions, the courts placed a tremendous weight on their perception of the Legislature's intent.

The New Mexico Legislature even put the language necessary to exclude an individual right in the statute. We have followed that approach in the proposed CS by adopting the same language in hopes to make Legislative intent very clear.

shattuck & grummett, inc.

ESTABLISHED 1898
insurance • bonds

101 SEWARD STREET

Juneau, Alaska 99801

CURTIS G. SHATTUCK
ALLEN D. SHATTUCK
ROGER R. SHATTUCK, C.P.C.U.
BUD JAEGER

MICHAEL A. GRUMMETT
ROGER GRUMMETT
NANCY L. BURNS

February 9, 1990

Senator Steve Frank
State of Alaska
PO Box V
Juneau, Alaska

Re: Senate Bill #309
Excluding Named Drivers from Auto Insurance Policies

Dear Senator Frank

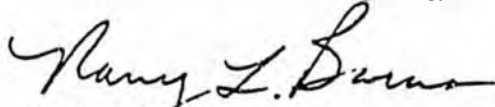
At the request of Rick Solie of your office, I am forwarding samples of automobile insurance premiums comparing some varied situations such as applicants meeting preferred risk rating criteria, and then dealing with the same risk except with adverse driving record, and with and without the proposed Exclusion Endorsement being applied.

I hope the committee will find this practical type of information to be helpful in deliberating SB #309.

If our office can be of further help in this regard, we hope you will contact us again.

Sincerely

SHATTUCK & GRUMMETT INC


Nancy L. Burns
Agent/Broker

NLB/kj

Encl

The following figures are premium ESTIMATES only.

YOUR LIABILITY

BODILY INJURY covers your legal liability for Injury to persons. Limits \$50,000 per person and \$100,000 per accident where more than one person is injured, including legal costs. Auto 1/Auto 2 \$ 64.50* & 57.00*
or
\$100,000 per person, \$300,000 per acc... \$ _____

PROPERTY DAMAGE covers your legal liability for damages to property of others. Limit, \$25,000 including legal costs. *Included \$ _____
or
\$50,000 \$ _____
or
\$ _____ Combined Single Limit Bodily Injury AND Property Damage Liability \$ _____

UNINSURED MOTORIST — covers you and your family for Bodily Injury done by an uninsured motorist with limits of \$50,000/100,000 and for damage to your car (\$250 deductible) \$ 11.30 & 20.20

MEDICAL PAYMENTS will cover all medical costs of anyone hurt in your car regardless of liability. It also covers each family member injured in or by any other car.

\$1,000 per person limit \$ 2.00 & 2.00
\$2,000 per person limit \$ _____
\$5,000 per person limit \$ _____

Most of our programs offer higher limits of Liability, Uninsured Motorist and Medical Payments coverages than those shown above, as well as various Deductibles on your car. We also urge you to inquire re our Personal Catastrophe Policy — minimum limits \$1,000,000. In addition, most programs offer Towing, Auto Death and Disability, Rental Reimbursement, Customized Auto Endorsement and other coverages. Inquire for details.

In order to effect this coverage, a completed and signed application is required, and premium or downpayment (inquire re available payment plans.) We will need information including the serial number of your car, odometer reading, dates of birth and drivers license numbers of all drivers, and prior insurance information, if any.

AUTO #1 = 1990 Buick Century Cstm — Loan requires Comprehensive & Collision
AUTO #2 = 1982 Ford F150 Pickup 4WD — No Comprehensive or Collision required

TOTAL SIX MONTHS PREMIUM \$338.00 (= \$676.00 IN A YEAR'S TIME)

YOUR CAR

COMPREHENSIVE pays for all damage to your car from any cause except collision or upset. It includes fire, theft, glass breakage, vandalism, windstorm, etc. (but excludes sound equipment not permanently installed.) If you pay the first \$100 of each claim \$ 50.00 — Buick

COLLISION OR UPSET pays for all damage to your car from these two hazards except that you pay the amount of deductible on each claim. If you pay the first \$100... \$ _____
or
\$250 Deductible \$ 131.00 — Buick
\$500 Deductible \$ _____

DESCRIPTION OF THIS RISK IS

Adult married couple
Clear driving records (or driving records acceptable in Preferred market)
Allstate Insurance Co Preferred Risk Market (both vehicles included on policy)

(The same vehicles are used on each sample)

Samples #2

The following figures are premium ESTIMATES only.

YOUR LIABILITY

YOUR CAR

BODILY INJURY covers your legal liability for Injury to persons. Limits \$50,000 per person and \$100,000 per accident where more than one person is injured, including legal costs. \$ 85.50* Buick Only

or

\$100,000 per person, \$300,000 per acc. \$ _____

COMPREHENSIVE pays for all damage to your car from any cause except collision or upset. It includes fire, theft, glass breakage, vandalism, windstorm, etc. (but excludes sound equipment not permanently installed.) If you pay the first \$100 of each claim \$ 50.00 Buick Only

PROPERTY DAMAGE covers your legal liability for damages to property of others. Limit, \$25,000 including legal costs \$ *Included

or

\$50,000 \$ _____

or

\$ _____ **Combined Single Limit Bodily Injury AND Property Damage Liability** \$ _____

COLLISION OR UPSET pays for all damage to your car from these two hazards except that you pay the amount of deductible on each claim. If you pay the first \$200. \$ _____

or

\$250 Deductible \$ 146.00

\$500 Deductible \$ _____

UNINSURED MOTORIST — covers you and your family for Bodily Injury done by an uninsured motorist with limits of \$50,000/100,000 and for damage to your car (\$250 deductible) \$ 11.30

MEDICAL PAYMENTS will cover all medical costs of anyone hurt in your car regardless of liability. It also covers each family member injured in or by any other car.

\$1,000 per person limit \$ 4.00

\$2,000 per person limit \$ _____

\$5,000 per person limit \$ _____

Most of our programs offer higher limits of Liability, Uninsured Motorist and Medical Payments coverages than those shown above, as well as various Deductibles on your car. We also urge you to inquire re our Personal Catastrophe Policy — minimum limits \$1,000,000. In addition, most programs offer Towing, Auto Death and Disability, Rental Reimbursement, Customized Auto Endorsement and other coverages. Inquire for details.

In order to effect this coverage, a completed and signed application is required, and premium or downpayment (inquire re available payment plans.) We will need information including the serial number of your car, odometer reading, date of birth and drivers license numbers of all drivers, and prior insurance information, if any.

TOTAL SIX MONTH PREMIUM \$296.80 (Six Month Premium x 2 = \$593.60)
BUICK ONLY

DESCRIPTION OF THIS RISK IS

Insured's spouse has been convicted of Drunk Driving within the past 3 year period with the standard SR-22 (Proof of Insurance) Filing required by the State to reinstate the driver's license.

This spouse has now been EXCLUDED AS A DRIVER ON THE PREFERRED RISK POLICY DUE TO THE DWI, AND HAS A SEPARATE POLICY ON THE PICKUP - SEE PAGE TWO

The policy on the Buick remains in Allstate Insurance Co's Preferred Risk market (with the spouse excluded from driving) and with the deletion of the two car discount.

- COMPLUS #2 (cont.)

The following figures are premium ESTIMATES only.

YOUR LIABILITY

YOUR CAR

BODILY INJURY covers your legal liability for Injury to persons. Limits \$50,000 per person and \$100,000 per accident where more than one person is injured, including legal costs \$ 362.00
 or
 \$100,000 per person, \$300,000 per acc. . . \$ _____

COMPREHENSIVE pays for all damage to your car from any cause except collision or upset. It includes fire, theft, glass breakage, vandalism, windstorm, etc. (but excludes sound equipment not permanently installed.) If you pay the first \$100 of each claim \$ _____

PROPERTY DAMAGE covers your legal liability for damages to property of others. Limit, \$25,000 including legal costs \$ 224.00
 or
 \$50,000 \$ _____
 or
 \$ _____

COLLISION OR UPSET pays for all damage to your car from these two hazards except that you pay the amount of deductible on each claim. If you pay the first \$200 \$ _____
 or
 \$250 Deductible \$ _____
 \$500 Deductible \$ _____

\$ _____ Combined Single Limit Bodily Injury AND Property Damage Liability \$ _____

UNINSURED MOTORIST — covers you and your family for Bodily Injury done by an uninsured motorist with limits of \$50,000/100,000 and for damage to your car (\$250 deductible) \$ 21.00

MEDICAL PAYMENTS will cover all medical costs of anyone hurt in your car regardless of liability. It also covers each family member injured in or by any other car.
 \$1,000 per person limit \$ 32.00
 \$2,000 per person limit \$ _____
 \$5,000 per person limit \$ _____

Most of our programs offer higher limits of Liability, Uninsured Motorist and Medical Payments coverages than those shown above, as well as various Deductibles on your car. We also urge you to inquire re our Personal Catastrophe Policy — minimum limits \$1,000,000. In addition, most programs offer Towing, Auto Death and Disability, Rental Reimbursement, Customized Auto Endorsement and other coverages. Inquire for details.

In order to effect this coverage, a completed and signed application is required, and premium or downpayment (inquire re available payment plans.) We will need information including the serial number of your car, odometer reading, dates of birth and drivers license numbers of all drivers, and prior insurance information, if any.

PLUS SR-22 FILING SURCHARGE = \$50.00 FULLY EARNED (Paid once in three years provided policy is renewed without lapse)

TOTAL ANNUAL PREMIUM = \$689.00 (Ford Pickup only)

DESCRIPTION OF MARKET

This policy is being issued through the Alaska Automobile Insurance Plan, commonly known as the Assigned Risk Plan.

PREMIUMS THROUGH OTHER MARKETS AVAILABLE TO THIS RISK

Allstate Indemnity Co = \$341.20 per SIX MONTHS (x 2 = \$682.40)

*****Progressive Ins Co = \$631.00 ANNUAL (Less 5% if Paid in Full)

The following figures are premium ESTIMATES only.

YOUR LIABILITY

BODILY INJURY covers your legal liability for injury to persons. Limits \$50,000 per person and \$100,000 per accident where more than one person is injured, including legal costs. \$ 288.50/\$100.00
 Auto 1/Auto 2
 or
 \$100,000 per person, \$300,000 per acc. . . \$ _____

PROPERTY DAMAGE covers your legal liability for damages to property of others. Limit, \$25,000 including legal costs \$ *Included
 or
 \$50,000 \$ _____
 or
 \$ _____ Combined Single Limit Bodily Injury AND Property Damage Liability \$ _____

YOUR CAR

COMPREHENSIVE pays for all damage to your car from any cause except collision or upset. It includes fire, theft, glass breakage, vandalism, windstorm, etc. (but excludes sound equipment not permanently installed.) If you pay the first \$100 of each claim \$ 88.00-Buick Or

COLLISION OR UPSET pays for all damage to your car from these two hazards except that you pay the amount of deductible on each claim. If you pay the first \$200 . . . \$ _____
 or
 \$250 Deductible \$ 341.00-Buick
 \$500 Deductible \$ _____

UNINSURED MOTORIST — covers you and your family for Bodily Injury done by an uninsured motorist with limits of \$50,000/100,000 and for damage to your car (\$250 deductible) \$ 11.30/20.20

MEDICAL PAYMENTS will cover all medical costs of anyone hurt in your car regardless of liability. It also covers each family member injured in or by any other car.

\$1,000 per person limit \$ 4.00/4.00
 \$2,000 per person limit \$ _____
 \$5,000 per person limit \$ _____

Most of our programs offer higher limits of Liability, Uninsured Motorist and Medical Payments coverages than those shown above, as well as various Deductibles on your car. We also urge you to inquire re our Personal Catastrophe Policy — minimum limits \$1,000,000. In addition, most programs offer Towing, Auto Death and Disability, Rental Reimbursement, Customized Auto Endorsement and other coverages. Inquire for details.

In order to effect this coverage, a completed and signed application is required, and premium or downpayment (inquire re available payment plans.) We will need information including the serial number of your car, odometer reading, dates of birth and drivers license numbers of all drivers, and prior insurance information, if any.

TOTAL SIX MONTH PREMIUM \$857.00 (x 2 = \$1,714)

DESCRIPTION OF THIS RISK IS

Spouse has the Drunk Driving Conviction & SR-22 Filing Requirement

This sample shows both vehicles insured in Allstate Indemnity Co (i.e. no exclusion applies)

ANOTHER MARKET AVAILABLE (besides the Alaska Auto Ins Plan) is Progressive Ins Co

Same coverages etc as above = \$1,260 ANNUAL (Less 5% if paid in full)

PROGRESSIVE INS CO ALLOWS EXCLUSIONS

Policy issued under above based on the Buick only with the spouse excluded would require an annual premium of \$1,260 (less 5% if paid in full)

STEVE COWPER, GOVERNOR

REPLY TO

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

1031 W 4th AVENUE SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 276-3550
FAX: (907) 276-3697

1st NATIONAL CENTER
100 CUSHMAN ST SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE (907) 452-1568
FAX (907) 456-1317

PO BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE (907) 465-3600
FAX (907) 463-5295

February 12, 1990

The Honorable Steve Frank
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Re: SB 306 -- excluding a named driver
from a motor vehicle insurance policy
Our file: 663-90-0295

Dear Senator Frank:

You have asked for our opinion on the likelihood that the named driver exclusion provision of SB 309 would be upheld if challenged in court. Senate Bill 309 (SB 309) relates to the exclusion of a named driver from a motor vehicle insurance policy. Although named driver exclusions are not uncommon in individual automobile insurance policies, we have found few states which have enacted statutes to provide for such exclusions.

The purpose of a named driver exclusion is to exclude from coverage insured automobiles while they are driven or operated by a particular individual. Such exclusions are typically used in policies covering automobiles which may be driven by more than one person where an individual (typically a family member) has a poor driving record.

You have specifically asked for our opinion as to whether a named driver exclusion provision would be upheld by the Alaska courts. Our research has revealed no case law in Alaska that addresses the validity of either named driver exclusions or of the related "household" or "family" exclusions. Without such case law precedent, it is difficult to predict the reaction of the Alaska courts to such provisions with any degree of certainty. However, we have reviewed the treatment of named driver exclusions in other states which provide for them by statute, and our opinion is based on the experiences in those states.

In general, courts in those states which do not have statutory provisions for named driver exemptions on automobile insurance policies have held that such exemptions are valid only

in relation to coverage exceeding the minimum level of liability of coverage mandated, so that the public policy of mandatory uninsured motorist coverage is maintained. See, e.g., Allstate Insurance Co. v. United States Fidelity & Guaranty Co., 619 P.2d 329 (Utah 1980). The underlying tenet is that if any provision of an automobile liability insurance policy conflicts with the requirements of the statute regulating such policies, it is invalid.

Our research has revealed six states (Colorado, Arizona, Pennsylvania, New Mexico, Maryland, and Michigan) having statutes which provide for named driver exclusions in automobile insurance policies similar to that in SB 309. The courts in those states have generally upheld the exclusions. See Parsons v. Erie Insurance Group, 569 F.Supp. 572 (D. Maryland 1983)(if the uninsured motorist coverage on a vehicle was deemed applicable when the driver is excluded from the vehicle's ordinary liability coverage, then the insurer would in effect still be insuring the liable driver, who had a bad claims or driving record, but the insurer would be denied the appropriate premium); Sersion v. Dairyland Insurance Co., 757 P.2d 1169 (Colo, App. 1988)(the application of the statute cannot be limited or invalidated on public policy grounds where the language of the legislative intent is clear and unambiguous); Nationwide Mutual Insurance Co. v. Miller, 505 A.2d 1338 (Md. 1986)(named driver exclusion prevented insured passenger from collecting uninsured motorist benefits when insured in car driven by the excluded driver); Garza v. Glen Falls Insurance Co., 731 P.2d 363 (N.M.1986)(policy which denied liability coverage in accident caused by named driver excluded in the policy upheld); Muxlow v. Auto Club Insurance Association, 394 N.W.2d 121 (Mich. App. 1986)(the named driver exclusion statute permits the vehicle owner to be named as the excluded driver on policy).

In a strong decision, the court in Allstate Insurance Co. v. Detroit Automobile Inter-Insurance Exchange, 369 N.W.2d 908 (Mich. App. 1985) held that the named driver exclusion in a policy permitted the exclusion of the car owner from liability coverage when injured as a passenger in his own car driven by the named individual. The court reasoned that the opposite result would defeat one of the primary purposes of permitting the exclusion, which is to reduce premiums, and that even if there was a conflict between the named driver exclusion statute and the mandatory liability coverage, the statute on exclusions would prevail since it is a specific statute enacted subsequent to a more general statute covering the same subject matter.

The Honorable Steve Frank
Alaska State Legislature
663-90-0295

February 12, 1990
Page 3

An exception has been found in Arizona, another state which has a named driver exclusion statute. The Supreme Court of Arizona held that the named driver exclusion in an individual insurance policy is void as far as mandatory uninsured motorist coverage is concerned. See Employers Mutual Casualty Co. v. McKeon, 765 P.2d 513 (Ariz.1988) (insurance contract was held contrary to public policy and therefore void as it purported to exclude insureds' son from all coverage including mandatory uninsured motorist coverage where son was injured in accident while driving insured car but was not at fault).

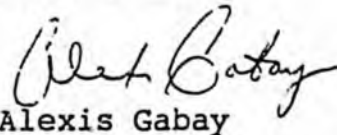
The courts in each of these cases have repeatedly looked at the language of the policy and to legislative intent in reaching their decisions. Therefore, the clearer the legislative intent, the more likely the provision will survive such a challenge.

Thank you for seeking our opinion on this matter. Please do not hesitate to contact this office if you have further questions.

Sincerely,

DOUGLAS B. BAILY
ATTORNEY GENERAL

By:



Alexis Gabay
Assistant Attorney General

AG:nb

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 22, 1990

SUBJECT: Excluding a named driver from
automobile insurance (SB 309)

TO: Senator Steve Frank

FROM: Michael F. Ford *M.F.*
Legislative Counsel

You have asked if it is possible that an exclusion from insurance coverage, as provided in SB 309, could be rejected by the courts. While it is certainly possible to create a fact situation under which an apparent exclusion from coverage as contemplated by SB 309 is found by the court not to have occurred, this would be the exception and not the rule. Assuming that there was a clear and unambiguous exclusion of a named person by the insured, the court should uphold the exclusion.

Please contact me if you have further questions.

MFF:gc
G13/052

COLORADO

- NOTICE OF NON-RENEWAL
- NOTICE OF CANCELLATION

- ALLSTATE INSURANCE COMPANY
- ALLSTATE INDEMNITY COMPANY

5401 South Valley Highway
 Greenwood Village
 Englewood, Colorado 80110

NAMED INSURED AND ADDRESS

DATE OF NOTICE
APPLICATION OR POLICY NUMBER
AGENT
DATE OF CANCELLATION OR NON-RENEWAL 12:01 A.M. Standard Time

You are hereby notified in accordance with the terms and conditions of the policy identified above that this policy is terminated effective on the DATE OF CANCELLATION OR NON-RENEWAL shown hereon and after that date no further protection will be provided thereunder.

You have the right to replace the insurance through the Colorado Motor Vehicle Insurance Plan. Your Agent, Broker or Company should be able to provide you with information regarding this plan.

ONLY THE AREAS MARKED "X" APPLY

<input type="checkbox"/> Colorado Law provides that the reason or reasons for cancellation or refusal to renew a "Policy of Automobile Insurance" accompany the notice of such cancellation or refusal to renew. (Reason disclosure not required if coverage has been in effect less than sixty days at the time notice of cancellation is mailed.) REASON OR REASONS FOR CANCELLATION OR REFUSAL TO RENEW:
<input type="checkbox"/> EXCLUSION OFFER: See reverse side for further details regarding an offer to provide a policy excluding _____ from coverage. Under such a policy we would not be liable for damages, losses or claims arising out of the operation of the insured motor vehicle by the named excluded person or persons, whether or not such operation was with the expressed or implied permission of a person insured under the policy. Premium \$ _____
<input type="checkbox"/> See reverse side for details regarding your RIGHT TO PROTEST ACTION AND REQUEST HEARING before the Commissioner of Insurance.
<input type="checkbox"/> (Applicable only to individually owned policies of insurance used for personal, family or household purposes.) This termination was influenced by information in a Consumer Report furnished to us by: _____

THE FOLLOWING ADDITIONAL INFORMATION IS APPLICABLE ONLY WHEN THE POLICY IS A POLICY OF AUTOMOBILE INSURANCE AND WHEN THE BOX TO THE LEFT OF THE APPROPRIATE PARAGRAPH ON THE FRONT SIDE OF THIS NOTICE IS MARKED WITH AN "X".

RIGHT TO PROTEST ACTION AND REQUEST HEARING

This Notice has been sent to you in triplicate. You have the right to protest this action and request a hearing thereon before the Commissioner by signing two copies of the Notice in the space provided and sending them to the Commissioner of Insurance, Colorado Division of Insurance, State of Colorado, 303 W. Colfax Avenue, Suite 500, Denver, Colorado 80204, within ten (10) days after receipt of this Notice.

If protest is filed this policy will remain in effect until a determination is made by the Commissioner upon payment of any lawful premium due or becoming due prior to such determination.

The Commissioner has authority to award reasonable counsel fees to the insured for services rendered to the insured in connection with any such hearing if he finds the proposed action to be unjustified.

.....
I hereby request a hearing. I believe the company is not justified for the following reason(s):

DATE _____ SIGNED _____

EXCLUSION OFFER

If you are desirous of having a policy which will exclude from coverage the person or persons identified on the front side of this Notice, indicate acceptance by signing below and return this Notice together with a remittance in the amount of the premium specified prior to the effective date of cancellation or non-renewal. It should be understood that a similar limitation will be included within any subsequent transfer, reinstatement or renewal of such policy or policies.

DATE _____ SIGNED _____