HB

44

FILE 2

PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: BILL NORRIS
TITLE:
ADDRESS: P.O. BOX 112441
CITY: ANCHORAGE ZIP: 99511
PHONE: 344-4876
BILL NO: HB 105
SUBJECT: MANDATORY SEATBELTS
MESSAGE: I OPPOSE HB 105. I THINK YOU ARE WASTING THE STATE'S TIME AND MONEY INFORCING SOMETHING LIKE THIS IN THE FUTURE. THERE ARE MORE IMPORTANT ISSUES THE STATE SHOULD CONCENTRATE ON.

POMID: 03101609
DATE: 05/05/89
TIME: 10:16:09
LIONAME: ANCHORAGE LIO

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ZHAROFF

PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: ARLEEN BURGESS
TITLE:
ADDRESS: 3721 SILVER LEAF AVE.
CITY: NORTH POLE ZIP: 99705
PHONE: 488-0577
BILL NO: HB 44
SUBJECT: MANDATORY AUTOMOBILE INSURANCE
MESSAGE: ALASKA HAS THE SECOND HIGHEST INSURANCE PREMIUM COSTS IN THE NATION. HB44 WILL CAUSE PREMIUM RATES TO ESCULATE HIGHER. A BETTER ALTERNATIVE CAN BE FOUND TO ADDRESS THIS ISSUE. CALIFORNIA HAS DONE IT. ALASKA CAN TOO. BEFORE VOTING ON HB44, REMEMBER YOU TOO WILL PAY THESE EXORBITANT COST FOR COVERAGE.
EON-FZ-C

POMID: 07101110
DATE: 05/05/89
TIME: 10:11:10
LIONAME: FAIRBANKS LIO

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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: CYNTHIA ATHEARN
TITLE:
ADDRESS: 9503 ANTLER WAY
CITY: JUNEAU, AK ZIP: 99801
PHONE: 789-2331
BILL NO:
SUBJECT: MANDATORY AUTO INSURANCE
MESSAGE: I AM AGAINST MANDATORY AUTO INSURANCE. I FEEL IT'S A HARDSHIP ON LOW INCOME PEOPLE AND IT HASN'T REDUCED MY INSURANCE AT ALL, I STILL HAVE TO CARRY INSURANCE ON UNINSURED MOTORISTS BECAUSE THERE ARE STILL PEOPLE WHO GO WITHOUT INSURANCE. POSSIBLY THERE COULD BE A WAY OF RESTRICTING LICENSES ON PEOPLE WHO HAVE BEEN INVOLVED IN AT FAULT ACCIDENTS AND DO NOT CARRY INSURANCE AND ALSO DO NOT MAKE AN EFFORT TO PAY FOR DAMAGES.

POMID: 00160950
DATE: 05/04/89
TIME: 16:09:50
LIONAME: JUNEAU LIO

COPIES: SENATORS

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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: LARRY PEPPER
TITLE:
ADDRESS: BOX 1043
CITY: AUKE BAY, AK ZIP: 99821
PHONE: N/R-
BILL NO: SB 15
SUBJECT: NEGOTIATIONS BY PUBLIC SCHOOL EMPLOYEES
MESSAGE: I URGE YOU SUPPORT SB 15, IT PROVIDES EQUALL ACCESS TO EQUITABLE BARGAINING. THE ISSUE IS FAIRNESS AND QUALITY NOT CONTROL. THE PRESENT SYSTEM HAS LEFT HARD FEELINGS, WE NEED A NEUTRAL ARBITRATOR TO AVOID EMOTIONAL CONFRONTATIONS.

POMID: 00152116
DATE: 05/04/89
TIME: 15:21:16
LIONAME: JUNEAU LIO

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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: ARLEEN BURGESS
TITLE:
ADDRESS: 3721 SILVER LEAF AVE.
CITY: NORTH POLE ZIP: 99705
PHONE: 488-0577
BILL NO: HB 44
SUBJECT: MANDATORY AUTOMOBILE INSURANCE
MESSAGE: BEFORE VOTING ON HB44, PLEASE CONTACT SENATOR STEVE FRANK'S OFFICE FOR A COPY OF THE LETTER I WROTE REGARDING MY EXPERIENCE WITH THE PREVIOUS MANDATORY INSURANCE LAW AND THE EXTREME IMPACT IT PLACED UPON STATE CITIZENS. AFTER READING THIS LETTER I KNOW YOU WILL NOT, IN GOOD CONSCIENCE, PASS HB44.

POMID: 07091330
DATE: 05/01/89
TIME: 09:13:30
LIONAME: FAIRBANKS LIO

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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: KAREN POST
TITLE:
ADDRESS: 1925 GOLDSTREAM ROAD
CITY: FAIRBANKS ZIP: 99709
PHONE: 455-6828
BILL NO:
SUBJECT: BUDGET FOR STATE PARKS
MESSAGE: I AM VERY CONCERNED ABOUT THE BUDGET APPROPRIATION TO STATE PARKS. IT IS VITAL THAT THERE BE DIVERSE SERVICES FOR ALASKA'S VISTORS. STATE PARK IS ONE SERVICE THAT IS INCREASINGLY NCESSARY AND WE CANNOT AFFORD TO CUT THEI BUDGET. PLEASE CONSIDER STATE PARKS AS THE BUDGET PROCEEDS. THANK YOU.
EOM/FZ

POMID: 07104803
DATE: 05/01/89
TIME: 10:48:03
LIONAME: FAIRBANKS LIO

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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: RICHARD FORD
TITLE:
ADDRESS: H C 78 BOX 1052
CITY: CHUGIAK ZIP: 99567
PHONE: 688-9205
BILL NO: SB 8
SUBJECT: ALASKA WOMEN'S COMMISSION
MESSAGE: PLEASE SUPPORT EITHER THE SENATE OR FINANCE COMMITTEE AMENDMENTS TO THE WOMEN'S COMMISSION OR VOTE NO ON THE BILL. THE COMMISSION DOES NOT PROVIDE EQUAL REPRESENTATION FOR ALL ALASKAN WOMEN.

POMID: 03125655
DATE: 03/17/89
TIME: 12:56:55
LIONAME: ANCHORAGE LIO

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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: ERICA MAHNEY
TITLE:
ADDRESS: 2221 MULDOON RD
CITY: ANCHORAGE ZIP: 99504
PHONE: 338-4506
BILL NO:
SUBJECT: CAR INSURANCE BILL
MESSAGE: YOU WANT MANATORY AUTO INSURANCE FORCED ON AN IMPOVISHED PUBLIC. HOW ABOUT MANDATORY PAYMENT OF CLAIMS BY THE INDUSTRY. NOT JUST AUTO CLAIMS, BUT WORKERS COMP CLAIMS. WHAT HAPPENED TO INSURANCE REFORM LOWER RATES AVAILABILITY. NEED LEGISLATION TO PROTECT THE PUBLIC AND ASSISTANCE FOR THE DISABLED. NEED PUBLIC HEARINGS.

POMID: 03130026
DATE: 03/17/89
TIME: 13:00:26
LIONAME: ANCHORAGE LIO

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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: MRS. W. H. STEPHAN
TITLE:
ADDRESS: P.O.BOX 112114
CITY: ANCHORAGE ZIP: 99511
PHONE: N/R-
BILL NO:
SUBJECT: CAR INSURANCE
MESSAGE: I HAVE ALWAYS HAD INSURANCE BUT WAS HIT TWICE WHILE THE LAW WAS IN EFFECT EACH TIME AN ACCIDENT THAT WASN'T MY FAULT. THE POOR CAN'T BUY I NSURANCE ANYWAY. YOU ARE DISCRIMINATING AGAINST THE POOR.

POMID: 03104243
DATE: 03/17/89
TIME: 10:42:43
LIONAME: ANCHORAGE LIO

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SHARP	SHULTZ	SZYMANSKI
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TAYLOR	ULMER	ZHAROFF
WALLIS	ZAWACKI	

PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: MRS. W.H. STEPHAN
TITLE:
ADDRESS: P.O.BOX 112114
CITY: ANCHORAGE ZIP: 99511
PHONE: N/R-
BILL NO:
SUBJECT: TAXES
MESSAGE: I KNOW ALOT OF YOUR FRIENDS HAVE SCHOOL AND GOVERNMENT JOBS AND WE APPRECIATE THEM BUT WHY, DURING HARD TIMES CAN'T WAGES AND BENEFITS BE CUT AS NECESSARY. NO NEW TAXES NEEDED. CUT OUT GOVERNOR'S OLD AND NEW PROGRAMS THAT AREN'T NEEDED AND DON'T IMPLEMENT ANY OTHERS INCLUDING ALASKA WOMEN'S COMMISSION.

POMID: 03105237
DATE: 03/17/89
TIME: 10:52:37
LIONAME: ANCHORAGE LIO

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SHARP	SHULTZ	SZYMANSKI
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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: R.M. SPENCER
TITLE:
ADDRESS: 3013 WILLOW
CITY: ANCHORAGE ZIP: 99517
PHONE: 277-0850
BILL NO:
SUBJECT: TAXATION PROPOSALS
MESSAGE: I AM FIRMLY AGAINST ANY NEW TAXES, PERIOD! LET'S GET THE FAT OUT OF STATE GOVERNMENT FIRST. DOES STEVE REALLY THINK HE CAN CON US INTO ACCEPTING HIS NEW HIRE THEORY ON THE BASIS THAT WE REALLY NEED MORE DEAD WEIGHT ON THE PAYROLL? WHERE DO YOU STAND ON THIS?

POMID: 03110153
DATE: 01/18/89
TIME: 11:01:53
LIONAME: ANCHORAGE LIO

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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: T. W. FOUCH
TITLE:
ADDRESS: P.O. BOX 311
CITY: FAIRBANKS ZIP: 99707
PHONE: 479-3495
BILL NO: SB 44
SUBJECT: MANDATORY INSURANCE
MESSAGE: I AM TOTALLY OPPOSED TO THE MANDATORY INSURANCE LAW. BUT I ALSO FEEL THAT IF YOU ARE GOING TO PASS A MANDATORY INSURANCE LAW, IT SHOULD BE A CONSTITUTIONAL LAW THAT INCLUDES EVERY VEHICLE OWNER IN THE STATE. EOM/CLS

POMID: 07095308
DATE: 01/18/89
TIME: 09:53:08
LIONAME: FAIRBANKS LIO

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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: LARRY KITTLESON
TITLE:
ADDRESS: BOX 2881
CITY: SOLDOTNA ZIP: 99669
PHONE: 283-9102
BILL NO: HB 44
SUBJECT: MANDATORY AUTOMOBILE INSURANCE
MESSAGE: I FEEL THAT BILL 44 IS A POOR BILL. I WOULD SUGGEST AND ASK THAT YOU VOTE AGAINST THIS BILL.

POMID: 13114049
DATE: 01/18/89
TIME: 11:48:49
LIONAME: SOLDOTNA LIO

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RODEY
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PUBLIC OPINION MESSAGE

DEAR: SENATOR ELIASON

NAME: ERIN OBA
TITLE:
ADDRESS: 14144 HANCOCK DR.
CITY: ANCHORAGE ZIP: 99515
PHONE: 265-6523
BILL NO:
SUBJECT: BALANCED BUDGET
MESSAGE: MY PREFERENCE TO BALANCE THE BUDGET IS IN SEQUENCE, 1)REDUCE SPENDING, 2) INCREASE CORPORATE TAXES (NOT OIL INDUSTRY EXCLUSIVELY) 3)IMPOSE 1% SALES TAX 4) ELIMINATE PERMANENT FUND DIVIDEND. BY NO MEANS SHOULD STATE INCOME TAX BE IMPOSED.

POMID: 03123620
DATE: 01/18/89
TIME: 12:36:28
LIONAME: ANCHORAGE LIO

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BECKY LONG
Box 344
Talkeetna, AK 99676

America the Beautiful USA 15

Save Shaila

Senator Dick Eliason
Chair of Labor and Commerce
Box V
Juneau, Ak. ~~99676~~

1/14/89 Dear Senator Eliason,

We are opposed to HB 44 the mandatory insurance law. Poor people cannot afford it. So a segment of the population will be outlaws because they are unable to comply with the law.

The insurance industry promotes this law in order for them to increase their profits and thus their investments and thus become richer. Let us be realistic.

Becky Long

P.O. Box 100171
Anchorage, AK 99510
May 14, 1988

Senator Dick Eliason
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Sen. Eliason,

I was disgusted to read in yesterday's Anchorage Daily News that you had singlehandedly killed the mandatory auto insurance law. This is not a non-issue with me, particularly since a little over a year ago my car was hit by an uninsured driver who went through a red light. Although my insurance company paid all of my repairs except the $200 deductible, it goes on my record and should I be involved in another accident, regardless of blame, my rates go up. I should not have to have gone to my insurance company and this should not have gone on my record. I was not at fault in the accident and all repairs should have been taken care of by the person who was at fault. I wrote Rep. Dave Donley at that time pointing out weaknesses in the current law and offering suggested improvements. One such suggestion was to require proof of insurance at the time a vehicle is registered - no vehicle could be registered unless it was insured. That would ensure compliance and reduce administration costs associated with the current program.

I don't know the content of Donley's House bill, but if it didn't have a provision requiring proof of insurance prior to registration, it should have. And you should have paid attention to the problem. It enrages me when individuals who are trying to do the right thing and take responsibility for themselves and their actions must bear the financial burden for irresponsible ~~peop~~ people who just don't care or who just want to weasle out of something. The concept that an individual should bear responsibility for his or her self is so fundamental to me that I'm astounded that an elected official, yourself, could endorse the opposite. What possible justification can there be for allowing uninsured drivers and vehicles on the road? I'm sure you'll feel

May 21, 1988

Senator Dick Eliason
P. O. Box 143
Sitka, AK 99835

Dear Senator Eliason:

You are a hero! Thousands of Alaskans owe to you a deep debt of gratitude for your courage in defying the powerful influence of the insurance mob by scuttling their outrageous exhorbitant subsidy known as the "Alaska Mandatory Automobile Liability Insurance Law of 1984".
Keep up the good work.

Yours Sincerely,

Marcus Sanford Bultz

Marcus Sanford Bultz

House Bill #44 Page 1 of 3
Mandatory Ins.

Ronald Thompson
P.O. Box 82076
Frbs AK. 99708

Dick Eliason-Sitka

Dear Sir

Good work - slow it down and take a good long hard look at it,

If insurance is necessary in order to have financial responsibility, then please Lets make it palatable.

Things that are very ouviously wrong with it.

It forces innocent people to pay cost they would not have to pay under other circumstances. The driver without insurance is held hostage by the other insurance co. No pay no license right or wrong

It cost too many driving points. It is not a life endangering act, and not comparable to other life endangering acts that are bad driver caused. If not in the wrong in the accident, it forces the uninsured driver to receive harsher treatment then a less skill ful driver

Driving license is lost without regaurds to a fault or a lack of fault. More important a person loses their license with out due process of law. No one should lose a drivers ~~license~~ License by process of a regulatory agency. You lose your license without provision for appeal or adjustment of any kind. How much information would a person need before it becomes obvious that this law needs to be put in the hands of the court and absolutely out of the hands of the department of public safety

People who use a driving license to make their living if involved in an accident thats not their fault and possible driving a borrowed car without knowledge of a lack of insurance will lose their license, their job and possible all else that they own. This is a terrible thing to have happen to someone through no fault of their own

It causes people to insure non running vehicles in order to maintain a driving license.

There are many more reasons to overhaul this bill. If financial Responsibility is not enough (should be) at least reasonable thinking people should be able to put somethingless monsterous out, and should be able to keep it garbage free - seat belts ect.

It is refreshing to find that not all the people in goverment are out to make felons of the average Alaskan citizen.

Rep Dave Donnley was news paper quoted as saying "this bill makes responsible people responsible for their actions." Nonesense. He voted for this peice of junk. A responsible rep would have investigated this bill by public comment and by accumulated facts and if inteligent would have seen the areas that are grossely lacking. I have sent him a letter stating that in the future based on preformance of this type I would find it difficult to support him should he desire a office that I could influence or vote on.

Irresponsible voting leads me to believe that he is not caring and is feeling very powerful

I have been a victom of this law, I know others who have unjustly suffered because of the careless wording and desighn of this bill.

Thank you for attempting to make this law people responsible.

If I can be of future aid or assistence please call on me

yours

Ron Thompso

JOSEPH L. KASHI
ATTORNEY AT LAW
35477 SPUR HIGHWAY, SUITE 207,
SECOND FLOOR, 4-D COMMERCIAL BUILDING
SOLDOTNA, ALASKA 99669

907-262-4604

January 30, 1989

Senator Dick Eliason
Chairman - Labor and Commerce Committee
P.O. Box V
Juneau, AK 99811

RE: Mandatory Automobile Insurance

Dear Senator Eliason:

I recollect that the state's mandatory automobile insurance law was allowed to sunset last year because it was held up in the Senate. I think that this is a very bad idea. The persons most likely to not have insurance are usually those people who have the least to lose and who have a tendency to be the less-responsible segments of our state. These are, as well, the people who are most likely, in my experience, to drive in a reckless fashion and injure other people. Although it is all very well to claim that they should be required to have some sort of nebulously defined financial responsibility in the event that they injure someone, this in fact does not occur. The same people who are most likely to have accidents and least likely to have insurance to protect their victims are also the least likely to be able to help the victims in any way with even such things as minimal medical bills. I have had the opportunity the last few years to deal with numerous people who have been injured in accidents and almost without exception, these people would be bereft of any ability to pay serious medical bills, surgery costs, hospital bills and the like without insurance by the offending driver. Usually a person's own automobile insurance policy may have a limit of $5,000.00 per accident. In addition, these people are frequently unable to work for a long time as a result of their injuries. As a result, the state ends up picking up many of these expenses through Medicare/Medicaid or by some form of welfare, disability payments or other support. Indirectly, such uninsured accidents result in costs to the state arising from losses to medical insurance companies and the like. I think that it is a very poor idea to allow the least responsible members of our society to roam the streets without at least some sort of insurance. Otherwise, the apparent rights of the victims tend to be lost as a practical matter. Medical bills and lost wages needed for living expenses just don't get paid because there is some law on the books that says that an irresponsible person "shall be responsible" for medical and wage payments to his victim when he likely has no significant assets. If sued, that sort of person can simply declare bankruptcy, shifting the burden of his own negligence to the victim and to the state. That's not fair. The state's prior system of mandatory insurance was not perfect but it was at least a minimal start toward protecting the interests of both the innocent injured party and of the state. I would urge you to provide for the prompt reinstatement of this program.

Yours very truly,

Joseph L. Kashi

Joseph L. Kashi
Attorney at Law

JLK/mp

Western Rentals, Inc.

P.O. BOX 415
YAKUTAT, ALASKA 99689

Feb 3, 1989

Senator Dick Eliason
Alaska State Capitol
Juneau, Alaska

Dear Dick:

Tough winter here. Record January snowfall -- 114 inches. Down to minus 17 two nites recently.

I have a real interest in proposed insurance bills pending before the legislature.

Be advised that if the bill passes requiring PL and PD insurance on my vehicles, it will probably put me out of business. What will I do with 55 units in a small community like Yakutat?

There is absolutely no insurance available for small car rental companies. My last policy cost $11,000 annually. If it were available it would be in the $50,000 annual range, but is not available anywhere. I have tried. With an annual gross income in the $90,000 range, we are very limited in our ability to take on programs, that large rental companies can.

The only possible future for me would be to try securing a franchise with someone like Rent-a-Dent. Their fees would range in the $25,000 annual range.

Most of our customers have their own coverages for rental cars. Altho we keep cars available all year around, we actually are busy only 5 months of the yea r. During January we only rented one car for one day.

If I can provide you with more backup info, you can contact me by phone in the evenings at 907-784 3425

Regards
Marlys
M. R. Koroch

P.S. In the 7 years of operation, we have not had a single claim as a result of collision or damage to another vehicle or property. Also in the small community of Yakutat in spite of many local vehicles, an accident is almost unheard of. Less than one accident per year. Police records would document this statement.

new, more powerful 80286 microprocessors to old personal computers, giving the older machines more speed and memory and allowing them to run the new OS/2 operating system. Microsoft was the first to offer this product, but similar technology is now available from other vendors, and the company's profit margins are likely to fall as prices drop on systems using the 286 chip. "It's questionable whether they're going to make a lot

CHART OF THE WEEK

Bureaucrat Bulge

(Percent change in government employment, 1980-87)

State	Percent	Rank in Nation
Wyoming	31.7	1
Alaska	25.5	2
Arizona	19.1	4
Utah	14.3	7
Nevada	11.2	8
Nebraska	10.2	11
New Mexico	8.6	15
WASHINGTON	8.1	17
Hawaii	7.6	18
Colorado	7.5	19
Idaho	7.1	21
California	6.5	23
North Dakota	6.1	25
South Dakota	4.3	34
Oregon	2.8	36
Montana	−0.7	42
West Average	8.2	
50 State Average	5.3	

SOURCE: InfoWest

lining [*sic*] is a felony. No one seems to be concerned that sodomy is classified as 'mental illness' under our laws yet our schools are treating it as 'an alternative lifestyle,' the solution being to dispense free condoms in our schools, public health clinics, and in some churches. A serious equal protection issue comes to mind on the free needles. Those that have to pay for them for legal use are being discriminated against."

Maybe the much-maligned state judiciary conduct commission should have been looking into judicial qualifications after all.

The votes will be in the mail

Come March 14, nearly 100,000 residents of unincorporated King County will decide whether they want to form their own cities. Three big incorporation elections—Federal Way, Woodinville, and Sea-Tac (the area bounded by I-5 and Highway 509 south of Burien)—are scheduled for the same day. Instead of casting votes at voting booths, every registered voter living in those three areas will receive a mail-in ballot. Under a motion passed unanimously by the King County Council in December, every incorporation election and annexation will, from now on, be conducted by mail-in voting.

Supposedly, the cost of conducting the vote-by-mail elections is about the same as opening polls. The council reasons that mail-in ballots will increase voter participation, since turnout at special incorporations tends to be low. The 35 mail-in elections (almost all concerning property levies) that have taken place in other counties around the state have had voter participation rates of higher than 50 percent. The proponents of incorporations, however, aren't pleased with the council's new directive. "Getting out the vote is a Mom-

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1/10/89

DEAR SENATOR ELIASON -

I'M ENCLOSING AN ARTICLE PREPARED BY OUR COMPANY THAT SHOULD BE VERY USEFUL TO YOU - PLEASE CALL ME OR OUR HOME OFFICE IF YOU HAVE ANY QUESTIONS -

SINCERELY -

CURT GREEN.

Insurance BACKGROUNDER

Background information on insurance topics for the news media
Published by the Public Relations Department of the State Farm Insurance Companies
One State Farm Plaza, Bloomington, Illinois 61710. . .Phone (309) 766-2625

Should Auto Liability Insurance Be Required By Law?

It's become part of the folklore of our motorized society: A responsible citizen is driving down the street when an aging clunker roars past a stop sign and slams into Mr. Citizen's car, sending it to the junkyard and its owner to the hospital. The driver of the clunker has no assets, little income, and—of course—no liability insurance.

Stories about uninsured drivers usually bring expressions of outrage from listeners, along with comments like: "There oughta be a law!" In most states there **are** laws that make it a crime to drive without liability insurance. This type of law has been on the books more than 60 years in Massachusetts and more than 20 years in New York and North Carolina. Whether these laws are in the best interest of the public, however, is a subject of great controversy.

No one doubts that uninsured drivers are a widespread problem in the United States. The actual number of these drivers is not known, however, and estimates vary considerably. Many observers would agree that somewhere around 20 percent of the automobiles on the road are not covered by liability insurance, with the percentage differing sharply from one state to another. There are indications that the number has been growing recently, perhaps because inflation is putting a squeeze on the pocketbooks of more car owners, who gamble on not having an accident rather than paying the price of insurance.

Historical Background

Uninsured motorists weren't a serious problem during the first decades of the automobile. The new motor cars were playthings of the affluent, who had the assets to pay for any harm caused by their negligence. By 1920, car ownership had spread to many low-income families with little property that could be seized to pay for damages they caused in accidents. Liability insurance seemed to offer the only solution to this problem.

As early as 1919, proposals were made in Massachusetts for a law requiring all drivers to carry liability insurance. By 1925, compulsory insurance bills were introduced in half of the nation's state legislatures. Massachusetts enacted a compulsory bodily injury liability insurance law that took effect in 1927.

Most states, however, took a different approach to the problem. A proposal for a financial responsibility law had been included in the Uniform Vehicle Code adopted in 1924 by the National Conference on Street and Highway Safety. Instead of requiring all drivers to carry liability insurance, this proposal would require motorists who were in an accident to show that they had the financial means to compensate their future victims. In practice, most drivers could demonstrate the required financial means only by carrying a liability insurance policy. In 1928 the American Automobile Association issued a model financial responsibility bill, which was endorsed by many insurance companies and other groups. Instead of taking the compulsory insurance route, the other states enacted financial responsibility laws.

Three decades passed before another state followed Massachusetts' lead. In 1956 a compulsory insurance system was established in New York and in 1957 North Carolina became the third state with a compulsory system.

Today some 39 states have compulsory liability insurance laws. Many of these laws were passed in the 1970s as part of some type of no-fault package; many legal authorities believed no-fault laws would have a stronger constitutional footing if they compelled motorists to buy auto insurance.

How Are Compulsory Insurance Laws Designed to Operate?

Compulsory insurance laws provide that driving a car without the required amount of liability insurance is a criminal offense—a misdemeanor, like battery or driving while intoxicated. In theory, conviction of violating the law can result in a fine or even a jail sentence in many states, although in reality jail sentences are extremely rare.

Some compulsory insurance laws require motorists to show evidence of insurance to public authorities at least once a year before their vehicles can be registered and license tags issued. Usually the proof of insurance is in the form of an identification card or sticker from the insurance company. Most compulsory states use a self-certification procedure in which motorists are required to sign affidavits attesting that they have, and will maintain, liability insurance coverage. The state may verify a random sample of these affidavits with the insurance companies that issued the policies.

But either system causes problems. Even though a motorist has liability insurance when he gets his license plates, he can still drop the coverage later. In an attempt to prevent this, some compulsory laws require insurance companies to send a notice to state regulatory authorities when a policy is cancelled or not renewed. The state then sends a notice to the motorist asking for an explanation of the cancellation. If the motorist doesn't respond within the required time, the state sends a notice suspending his license after a certain date. Failure of the motorist to respond by the effective date causes his license tags to be subject to seizure by any police officer. In theory, a state police officer will be sent to pick up the tags. In practice, because of manpower shortages, tags are seized in most states only when the motorist commits other traffic offenses that bring him to the attention of the police.

Compulsory insurance laws usually provide harsher penalties for uninsured motorists found to be at fault in an accident and for motorists who drive after their licenses are suspended.

Arguments For Compulsory Insurance Laws

Advocates of compulsory liability laws base their case on the concepts of fairness and justice. Their attitude is rooted in traditional tort liability legal doctrine, which holds a person financially responsible for any harm that his negligence may cause to others. Since liability insurance offers the only practical way for most drivers to pay compensation, advocates of compulsory insurance believe the state should force motorists to buy liability coverage by making it a criminal offense to drive without it.

Proponents of compulsory insurance argue that it is unfair to expect people to pay for uninsured motorist coverage to protect themselves from irresponsible drivers who are at fault in accidents. They also point out that a portion of the collision coverage on automobiles goes to pay for vehicle damage caused by uninsured drivers. On a national average, each insured driver may be paying somewhere around $20 a year to protect himself from uninsured motorists. If these uninsured motorists are compelled to buy liability coverage, proponents say, responsible drivers won't have to pay that extra money.

Arguments Against Compulsory Insurance Laws

Those who oppose compulsory liability insurance laws tend to base their opposition on pragmatic grounds, although they may also use ethical or philosophical arguments.

Opponents' main arguments are that compulsory insurance laws: (1) can't be enforced well enough to remove uninsured drivers from the roads, (2) are costly to administer, and (3) increase insurance premiums for responsible drivers. Many opponents of compulsory insurance also argue that the state has no right to force low-income motorists, who have no assets to protect, to buy liability insurance merely for the benefit of more affluent drivers.

Compulsory Laws Don't Work

The core of the case against compulsory insurance laws is the argument that they simply don't work, that they don't compel motorists to buy insurance. These laws are hard to enforce because of the nature of liability insurance itself. Liability coverage is designed to protect the policyholder from losing his assets and income if he causes an accident that harms someone. Drivers with no property, no savings, and little income have nothing to lose in a lawsuit. They have no economic incentive to buy liability insurance.

"They perceive the liability insurance policy as taking care of other people," Dr. John W. Hall, chairman of the insurance department at Georgia State University, reported to the South Carolina Joint Legislative Automobile Liability Insurance Study Committee in 1979. "The compulsory liability insurance system forces these people to pay high premiums relative to their own income for benefits for others when they cannot themselves afford adequate benefits to cover their own losses."

Critics of compulsory laws maintain that the compulsory insurance states, faced with determined resistance by drivers who neither need nor want liability insurance, have failed in their efforts to enforce the laws. As proof, they point to the experiences of the three states that have had compulsory laws the longest and have made the strongest efforts to enforce them.

Massachusetts, the first state to enact a compulsory insurance law, watched its auto insurance rates climb until they became the highest in the nation. In 1968, Gov. John Volpe told the Massachusetts legislature that "the people of the commonwealth have lost confidence in our compulsory automobile insurance system." After over half a century of compulsory insurance, the number of uninsured vehicles in Massachusetts still presents a serious problem.

New York adopted a compulsory liability insurance law in 1956. In 1963, a study by the University of Michigan found that there were twice as many uninsured drivers in New York as there were before the compulsory law was passed. A 1978 study found that 6.5 percent of a sample of 9,345 cars were uninsured.

The *New York Daily News* studied the state's compulsory insurance system in 1963 and reported: "The compulsory insurance law. . .(has) failed miserably to achieve its aims. Insurance companies despise it, the Motor Vehicles Department is suffering with it, the district attorneys won't prosecute on it and police departments don't enforce it. . .as far as *News* reporters could determine, no uninsured driver has ever been sent to jail, no matter what human or property damage he has caused. . . ."

Even in North Carolina, the state regarded by many observers to have done the most effective job of enforcing compulsory liability insurance, many vehicles are still uninsured after many years of well financed and highly sophisticated enforcement efforts.

The most damning proof that compulsory liability laws don't work, opponents maintain, is the fact that all the compulsory states require insurers to offer uninsured motorist coverage and that most drivers buy it. Drivers in compulsory states are carrying a double burden: paying the premiums for uninsured motorist coverage and also bearing the cost of trying to enforce the compulsory insurance law.

Drivers who don't want to buy liability insurance find it easy to evade compulsory insurance laws.

Probably the most common technique of evading compulsory laws is called insurance dodging. The motorist goes to an insurance agent and applies for liability coverage in order to get an insurance identification card. The motorist uses the card to get his license tag, but then either cancels the coverage or fails to pay the balance of the premium. Although in some states the insurance company must send a notice to the proper state agency that the driver's coverage has lapsed, much times goes by before the overworked state bureaucracy gets around to taking any action. Even then the police, who must give priority to more serious crimes, don't have enough manpower to send officers out to confiscate the license tags.

Even if they are prosecuted and convicted of violating the compulsory law, insurance dodgers have little to fear. Judges, who deal with an endless stream of more serious offenders, are very lenient with someone who does nothing worse than refuse to buy insurance. In short, insurance dodgers face little risk.

Compulsory Laws Are Costly

The second major argument made by opponents of compulsory laws is that they are too costly to administer. Proper enforcement of these laws would require a large state bureaucracy, an extensive data processing system, and enough state police officers to go out and confiscate the license tags of uninsured drivers. No state has been willing or able to spend the vast amount of money that would be required for this kind of enforcement program.

Of all the states with compulsory laws, North Carolina has carried out the most extensive and effective enforcement program. The program is supervised by the Department of Motor Vehicles at a cost of about $1.3 million a year. All of the record-keeping and forms preparation is done by a sophisticated computer system provided by the state Department of Transportation at an annual cost of about $1.6 million. The Department of Public Safety employs 50 state police officers to confiscate about 19,000 sets of license plates a year at an annual cost of more than half a million dollars.

After New York passed its compulsory law, the cost of enforcement rose to more than $7 million a year. In an effort to cut these high costs, New York went to a self-certification program in 1974. This simplified procedure shaved about $3 million off the cost.

South Carolina, with a much smaller population than New York, reported that it spent $1.3 million in the fiscal year ending April 30, 1979, to enforce its compulsory law.

The magazine *National Underwriter* reported in 1979 that enforcement of Pennsylvania's compulsory insurance law was "bogged down in a bureaucratic morass" in the Department of Transportation because of "poverty and lack of staff to administer the program." A department official said 40,000 notices of cancellation or lapses poured into the department every month and declared: "We'll never be current." Today, however, Pennsylvania requires cancellation notices only during the first six months of the policy and the department is quite current.

The California Department of Motor Vehicles, after studying California's compulsory insurance law in 1976, reported that "if all social costs associated with this program are considered, this program is almost certainly a social liability from the cost-benefit standpoint." The department found that "less than one-half of one percent of the drivers in California are financially responsible as a consequence of this program."

Higher Rates For Responsible Drivers

Opponents of compulsory insurance laws argue that these laws cause insurance premiums to go up for responsible drivers.

Part of this increase comes from the higher operating costs of insurance companies, which must issue identification cards or stickers to all their policyholders and may have to notify the state every time a customer fails to renew, or cancels, a policy or doesn't pay the balance of his premium.

But most of the increase, opponents maintain, results from the higher accident rates among many of the formerly uninsured drivers who are forced to buy insurance.

"Insurers that provide insurance to the overwhelming majority of safe and responsible drivers," said Dr. Hall, "are forced to include high-risk drivers among their insureds. As these high-risk drivers incur losses, the rating structure will be affected and the overall rates must rise."

Massachusetts adopted compulsory insurance in 1927. By 1938, its claim frequency per thousand insured vehicles had increased 33 percent—while the countrywide frequency declined 21 percent.

Massachusetts Gov. Volpe attributed much of his state's high insurance cost to its compulsory law in 1968 when he reported: "The personal injury claims frequency in the commonwealth is 1.8 times that of the next highest state (which also happens to be a compulsory state), and twice the national average. This claims frequency may be directly related to our high insurance costs and also supports the conclusion that under our compulsory system, Massachusetts motorists have become more claims conscious than those in other states."

Alternatives to Compulsory Insurance

Those who oppose compulsory liability insurance laws offer two alternatives: (1) strong financial responsibility laws and (2) insurance coverages that motorists can buy to protect themselves from losses caused by uninsured drivers.

Financial responsibility laws have been in use since the 1920s. These laws do not require insurance before cars can be licensed and they do not make it a criminal offense to drive without insurance. When motorists are involved in an accident (generally one resulting in bodily injury or in more than a specified amount of property damage), financial responsibility laws require them to show proof that they will be able to pay damages that might be awarded to other accident victims. Generally, they can do this with a liability insurance policy providing minimum required benefit limits, by posting a bond for the same amount, or by depositing cash or securities in that amount. Failure to do one of these leads to suspension of licenses of at-fault drivers for a certain length of time.

Opponents of compulsory insurance see several advantages in financial responsibility laws. They are aimed only at drivers who cause accidents, not at every driver in the state. As a result, the cost of enforcement is greatly reduced, insurance company operating costs are cut, and the great majority of responsible motorists are not subjected to the state's efforts to enforce compulsory insurance. The pressure is removed from those who can't afford to buy insurance and those who have no need for liability coverage.

Opponents maintain that a well-administered financial responsibility law is just as effective as a compulsory law—at a fraction of the cost. Virginia, generally regarded as having one of the most effective financial responsibility systems, is estimated to have about the same percentage of its cars insured as neighboring North Carolina, with the nation's best-enforced compulsory law.

Since neither compulsory laws nor financial responsibility laws can remove all uninsured drivers from the road, those who oppose compulsory laws recommend that motorists buy their own insurance coverage to protect themselves from irresponsible drivers.

Uninsured motorist coverage has long been available in every state. Often it can be purchased with limits as high as the liability limits carried by the driver. When the driver is in an accident with an uninsured motorist, his own insurance company will pay him damages that the uninsured driver is legally obligated to pay.

Underinsured motorist coverage is now available in most states. This new coverage comes into play if the policyholder is injured by an at-fault driver who is insured, but has limits of liability coverage that are inadequate.

Uninsured motorist coverage in many states does not provide protection for damage to property. In those states, of course, motorists can still protect their vehicles by buying collision coverage.

In states with no-fault laws, personal injury protection coverage is provided to all insured drivers. This coverage reimburses policyholders for their own medical expenses and lost wages without regard to fault. In states without no-fault laws, medical payments coverage is available. A loss-of-income coverage is also available from auto insurers.

Opponents of compulsory laws argue that it's better to let affluent drivers provide their own insurance protection rather than try to force drivers without assets to buy liability coverage they don't need and can't afford. This approach, they believe, is less costly than the financial burden of trying to enforce a compulsory law, plus paying the higher premiums that result from compulsory laws.

Conclusion

It seems clear that no state has been able to solve the problem of uninsured drivers with a compulsory insurance law. Even the best-enforced compulsory laws have been no more successful at removing uninsured drivers than good financial responsibility laws. In a free society, it is impossible to force large numbers of people to buy something they don't need and can't afford. No state government is willing or able to take the steps that would be necessary to fully enforce a compulsory liability insurance law.

Since compulsory laws are no more effective than financial responsibility laws, there seems to be no point in spending vast amounts of money and harassing millions of motorists in futile attempts to enforce them.

For responsible motorists, the more practical route is to look after their own protection, rather than relying on unenforceable laws. Protection is readily available at moderate cost in the form of uninsured and underinsured motorist coverage, medical payments coverage, and loss-of-income coverage. In no-fault states, personal injury protection coverage offers even greater protection.

Compulsory Auto Insurance

Does It Work?

"The compulsory liability insurance system is expensive to enforce, with only minimal increase in the percentage of drivers who are insured" *. . .South Carolina Legislative Insurance Study Committee Report.*

"The law is a farce". . .*Louisiana Insurance Commissioner Sherman Bernard.*

". . .almost certainly a social liability from a cost-benefit standpoint. . . .less than one-half of one percent of the drivers in California are financially responsible as a consequence of this program". . .*California Department of Motor Vehicles program analysis.*

"Pennsylvania's mandatory no-fault insurance law is bogged down in a bureaucratic morass . . .from 800,000 to 2 million motorists are able to get their licenses without having insurance or cancel it once the registration is issued" *. . .National Underwriter*

"In order for the act to be properly enforced, 28 commissioned South Carolina highway patrolmen have been assigned solely to financial responsibility enforcement. . .the cost of administration and enforcement. . .for the current fiscal year. . .approximately $1,308,000". . .*South Carolina Financial Responsibility Administrator Fred Sojourner.*

"The compulsory insurance law. . .(has) failed miserably to achieve its aims". . .*New York Daily News.*

‘Failed miserably. . .’

New York then. . .

Excerpts from a *New York Daily News* series done six years after the state had put a compulsory insurance law on the books. Although it appeared some time ago (1963) it demonstrates how dismally the system was working:

> "The compulsory insurance law. . .(has) failed miserably to achieve its aims. Insurance companies despise it, the Motor Vehicles Department is suffering with it, the district attorneys won't prosecute on it and police departments don't enforce it. . .as far as *News* reporters could determine, no uninsured driver has ever been sent to jail, no matter what human or property damage he has caused. . .the best official estimate of just how many deadbeats are menacing our streets and highways at this very moment. . .puts the figure at 226,000."

New York now. . .

Time apparently has not improved that condition. A study was ordered in 1978 for the New York Department of Motor Vehicles on the uninsured motorist problem in the state. In a spot check of just over 9,000 vehicles, 606 were discovered to be uninsured. That percentage, projected on total vehicles registered in the state (7,556,000) would indicate that there could be 491,000 uninsured cars on the road in New York.

. . .Meanwhile, back in Michigan

Another 1978 survey for the Michigan Department of State on compliance with the state's compulsory no-fault insurance law turned up similar results. Of 1,000 cars sampled, 116 were proven uninsured and owners of another 43 were listed as "uncooperative" to the extent that no determination could be made. With 4.5 million passenger cars registered in Michigan at that time, the projection of that percentage gets the potential uninsured total to well over the half-million mark.

'Bogged down in a bureaucratic morass'

Excerpts from a *National Underwriter* story, March 16, 1979:

"Enforcement of Pennsylvania's mandatory no-fault insurance law is bogged down in a bureaucratic morass in the automobile licensing agency—the Pennsylvania Department of Transportation...the Insurance Federation of Pennsylvania estimated that because of gaping loopholes in enforcement, from 800,000 to 2,000,000 motorists are able to get their licenses without having insurance or cancel it once the registration is issued.

"...Reports of cancellations are sent to Penn DOT but the agency pleads poverty and lack of staff to administer the program...Robert Mustin, assistant director of the traffic safety bureau, said the 40,000 notices that come in from companies each month on cancellations or lapses are just too much for the staff to handle. 'We'll never be current,' he declares."

28 Patrolmen, $1.3 million = 76,000 uninsured

Excerpts from remarks by Fred E. Sojourner, financial responsibility administrator, Motor Vehicle Division, South Carolina Department of Highways, at the American Association of Motor Vehicle Administrators conference in Clearwater Beach, Fla., June 19, 1979:

"In order for the act to be properly enforced, 28 commissioned South Carolina Highway Patrolmen have been assigned solely to financial responsibility enforcement...

"Since enactment of the compulsory law in October of 1974, the estimated percentage of uninsured motor vehicles on South Carolina's highways has fallen...to approximately 4.4 percent.

"The cost for the administration and enforcement of the South Carolina Motor Vehicle Financial Responsibility Act and the South Carolina Automobile Reparation Reform Act for the current fiscal year through April 30, 1979, has totaled approximately $1,308,000."

(Editor's Note: The 4.4 percent uninsured motorist estimate becomes about 76,000 motorists driving without insurance when applied to vehicles registered in South Carolina.)

'...You can't legislate responsibility'

Excerpts from the *Lexington, Ky., Leader*, Sept. 12, 1979:

"This week marks the first anniversary of a state law that was aimed at reducing uninsured auto injuries and deaths—the Kentucky insurance sticker law...according to numbers supplied by detectives assigned to the police department's hit-and-run unit, more than half of the drivers in Lexington's fatal accidents through August had no insurance.

"...State Rep. Bobby Richardson, D-Glasgow, majority leader and legislator who sponsored the bill in last year's Kentucky General Assembly, contends the law is directly responsible for 'improving the automobile coverage rate in Kentucky.' But Fayette County's statistics of death involving uninsured drivers stand in silence alongside those conflicting claims. ...State Police Lt. Ernest Blevins offered the theory of the uninsured driver: "You just can't legislate responsibility."

Not in consumer's best interest

Excerpts from testimony of Dr. John W. Hall, chairman, Insurance Department, Georgia State University, before Financial Responsibility Subcommittee of Tennessee's Senate Commerce and Labor Committee, Sept. 23, 1981:

". . .There is substantial evidence that law enforcement efforts typically fail to assure compliance in states where affordability of insurance is of major concern. The cost of administering such a program effectively is great, with disappointing increases in the number of drivers insured.

"The enactment of compulsory liability insurance statutes. . .was, in my opinion, not in the best interest of the consumer.

"It is my opinion. . .that low hazard drivers will eventually pay more under compulsory liability than under the present (non-compulsory) system, perhaps substantially more.

"In my opinion, most drivers would be better off financially under the present system, with the option to purchase uninsured and underinsured motorist coverages equal to their own policy limits, for additional premiums. . .(T)he additional premiums for these options will be less than the added cost of liability insurance where it is compulsory."

95 percent of warnings were wrong, says West Virginia DMV

Excerpts from *Associated Press* story, Feb. 3, 1982, datelined Charleston, W. Va.:

(West Virginia) Motor Vehicles Commissioner Virginia Roberts said Wednesday that her office has been forced to mail 196,000 warnings to drivers that their insurance is about to expire, and that almost all of the warnings were wrong.

Mrs. Roberts said her department has been snowed under by paperwork, and that her office now looks like "the biggest ant hill in Charleston."

She said that since October, when the law took effect, the DMV (Department of Motor Vehicles) has mailed 196,000 notices but "95 percent were to people who never had their insurance terminated, but paid late."

In addition, Mrs. Roberts said, state police have been asked to confiscate 2,584 driver's licenses from people who, according to DMV records, have failed to renew their insurance. But once again, 95 percent of those policies probably have been brought up to date, she said.

The additional paper work heaped on the DMV has forced the agency to seek more office space, which will cost $94,000 a year to rent, she said.

'Biggest mistake I've made,' says legislator

Excerpt from *Associated Press* story, Feb. 3, 1982, datelined Charleston, W. Va.:

Delegate William Carmichael, R-Jackson (W. Va.), confessed that he voted for the (compulsory insurance) law last year but called that decision "the biggest mistake I've made since I've been in the House of Delegates for eight years."

'People are upset out there'

Excerpt from *Charleston (W. Va.) Daily Mail*, Feb. 3, 1982:

Delegate George Farley, D-Wood, also an insurance agent, said: "I don't remember anything this Legislature has ever passed that has upset the citizens of this state as much as this (compulsory insurance) law has. . .I've been close to fist fights at times. My only out is to tell them I didn't vote for it. People are upset out there."

Clippings assembled by Public Relations Department, State Farm Insurance Companies
Home Offices: Bloomington, Illinois

'. . .The law is a farce'

Excerpts from a *National Underwriter* story, Jan. 5, 1979:

"The (Louisiana) law was not put into effect until July 1, 1978. The Office of Motor Vehicles was allocated $1.2 million for the 1978-79 fiscal year to enforce the law. Beginning in January, 1979, 16 special officers will begin picking up licenses of offenders, another 10 officers were expected to be in the field by March and their full-time job will be following up revocation notices. Leroy Havard, assistant secretary of state, estimated there is about 83 to 84 percent compliance with the liability law."

• • • • •

Louisiana Insurance Commissioner Sherman Bernard commented on the law later in the article: "I honestly believe the law is a farce. It has been forced on the people. I don't believe it is fair for a state to say you have to buy insurance. . ."

'MORALLY AND SOCIALLY WRONG'

Excerpts from a report commissioned by the Joint Legislative Automobile Liability Insurance Study Committee, State of South Carolina. The report was prepared by Dr. John W. Hall, chairman, Insurance Department, Georgia State University.

> "The compulsory liability insurance system is expensive to enforce, with only minimal increase in the percentage of drivers who are insured. . .
>
> "The system forces people to pay high premiums relative to their income for benefits for others when they cannot themselves afford adequate benefits to cover their own loss. . .the more affluent. . .must carry relatively high liability insurance limits for the benefit of others. At the same time, the less economically well-to-do will purchase the minimum benefits which are totally unsatisfactory. . .for these reasons it appears morally and socially wrong to require liability insurance as a condition precedent to enjoying the privileges of automobile driving and ownership."

Practically anyone who chooses to drive without insurance can do so

The lead editorial from *The Journal of Commerce and Commercial*, Nov. 20, 1981:

ON THE FACE OF IT, laws requiring automobile owners to carry liability insurance—financial protection for others—seems to be the only route to follow.

However, closer examination of the such legislation, which prevails in one form or another in some 30 states, leads to a number of questions and more often than not produces answers that do not support compulsory automobile liability coverage.

While many laws are difficult to enforce, compulsory auto coverage, in many instances, is virtually impossible to enforce.

Insurance is designed to protect the assets of prudent people. To fulfill that objective the insured must (1) have assets to protect and (2) be prudent. Persons meeting those criteria invariably voluntarily buy liability or third party automobile insurance.

But there are those in our society who neither have assets nor are prudent. Yet often they own and operate cars. They simply do not insure them—regardless of the law.

There are so many ways to circumvent compulsory auto coverage laws that for the purposes of this community suffice to say that practically anyone who chooses to drive without insurance, where the statute requires it, can do so almost with impunity.

With law enforcement agencies being pressed from every side to crack down on crimes of violence it is most difficult to get the police or even the state's motor vehicle departments into high gear to chase uninsured motorists.

WHILE WE BELIEVE all motorists should be strongly encouraged to act as prudent people, which is akin to being in favor of country and motherhood, we do not see how that ideology can be enforced.

We would rather see broad first party coverages provided for the insurance buying motorist and family. In this manner the prudent person can act to protect his own interests and that of his family by having his own insurance company come in with coverage not carried by the other driver.

We also would look for a no-fault system with a realistic threshold and some type of uninsured motorists assessment, which probably would be easier to enforce and be less onerous for all involved than compulsory insurance.

In our view it is unrealistic to expect a person without assets to spend as much as $1,000, or even more, to protect what he does not have. Rather, we think that the prudent motorist with something to lose should act to protect himself against the uninsured.

Simply stated, you can't legislate morality and, in our opinion, that is what compulsory liability insurance attempts to do.

THE RESULT IS predictable. The immoral or amoral ignore or skirt the law but continue to drive while the bulk of the motoring public continue to pay the insurance bill.

For our part we think it's more economic and more intelligent to establish and support a system that provides a more realistic alternative.

Meanwhile, we would rather see governmental authorities marshal more time and effort to clearing the highways of drunk and reckless drivers—areas we believe are far more sensitive and cry out much louder for police action than do matters of mandated insurance coverage.

Misdirected. . .Inefficient. . .Ineffective

Following is the conclusion from the "summary analysis of program effectiveness and efficiency of the California Compulsory Financial Responsibility Program," conducted for the California Department of Motor Vehicles, December, 1976:

> "From an overall standpoint, the Compulsory Financial Responsibility Program shows indications of being:
>
> **Misdirected**. . .The program is punishment oriented rather than protection or prevention oriented.
>
> **Inefficient**. . .If all social costs associated with this program are considered, this program is almost certainly a social liability from a cost-benefit standpoint.
>
> **Ineffective**. . .Less than one-half of one percent of the drivers in California are financially responsible as a consequence of this program."

Alaska State Legislature

SENATE

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

To: Senator Dick Eliason
Senate Labor and Commerce Committee

From: Senator Jack Coghill

Re: Mandatory Auto Insurance

Date: April 5, 1989

Attached you will find a copy of a letter from another one of my constituents that has experiences a problem with our present system of motor vehicle laws, as they relate to auto insurance.

I suggest that lengthy Labor & Commerce hearings be held this interim to address the ten points raised in Arleen Burgess's attached letter.

You will note that several of the issues raised in the letter also have bearing on Judiciary Committee work. Therefore, I have also notified Senator Faiks of my concern in this area.

488-0577

(1)

March 18, 1989

Robert & Arleen Burgess
3721 Silver Leaf Ave.
North Pole, Ak 99705

Senator Jack Coghill
~~Pouch~~ P.O. Box V
Juneau, Ak 99801

Dear Mr. Coghill,

I would like to update you as to the results of my husband's appeal in the District and Superior Courts to the action taken by the D.M.V. against his driver's license. As you may recall, my husband and I spoke to you briefly in North Pole about a six point speeding citation he received while operating a motorcycle in Sept. 1986. After numerous attempts by us to get liability coverage for this vehicle at the time we placed it on the highway system (April 1986), and for several months after, we could not find an independent insurance agent in Fairbanks to provide coverage, or an alternative for us to meet state requirements. The grave implications of the department's action on my husband's means to provide a livelihood for our family, left us no choice but to exercise his right of appeal against the department's decision to suspend his driver's license. He is a proffessional truck driver and was employed as such at that time. He is now ~~time~~ unemployed and work in his field looks pretty bleak with a suspended license.

After more than two years in the court system, we found his right to appeal amounted to no right at all. The District Court questioned the constitutionality of the mandatory insurance law and ruled in our favor. The Superior Court overturned the lower court's decision and we ran out of money to appeal higher. Imagine how we felt when the District Court Judge had no athority to establish degree of penality or to consider our circumstances when pronouncing sentence. After several appeals to the Attorney General Representative during sentencing to consider the circumstances of our case and two other cases being heard along with ours and drop the penality, the representative's unwillingness to do so left him no choice but to suspend the drivers' licence and require proof of future financial responsibility.

My husband's persecution by the administration was a massive abuse of their power over a person's drivers license. Our circumstances included the attempt to the best of our ability to get coverage on this type of vehicle, the fact that our other vehicles had continues coverage for the previous 14 years, we were misled by several insurance companies that coverage for this vehicle was not available, no liability was incurred, and we had sellable assits to cover the state's minimum requirements for liability.

Not only was their abuse directed at my husband, but I too suffer because of regulations by insurance companies toward married women, I am now considered a high risk because we occupy the same household. I have a clean driving record and have never been stopped let alone had any action taken against my record. What happened to my right to fair and equal treatment? Did I receive it by being punished along with my husband?

Please ask your colleagues the following questions. I cannot get them answered by the administration.

1. Why are insurance companies allowed to practice in this state when they cannot provide the coverage the state's law required? Getting the required coverage available to drivers six to eight months after the law went into effect victimizes those drivers.

2. Why was the enforcement of this law selective to those unfortunate few who found themselves involved in an accident or issued a six point citation?

3. Why did the law apply only to those living in urban areas? Are there no accidents involving liability in rural areas?

4. Why were drivers not informed of ~~a~~ mandatory insurance when purchasing

current registration on their vehicles?
5.) Why were we given the right to appeal the departments decision through the court system when there is no working or speaking relationship between the administrative and judicial branches of government? The only way our circumstances could be considered was for the courts to find the law unconstitutional. What kind of right to appeal because of circumstances is this?
6.) Why were we allowed to be persecuted by the administration's abuse of power? My husband's persecution is directly caused by the states inability to regulate insurance practices. My persecution is only because of association to my husband.
7.) Are the legislators so intent in placing a mandatory insurance law in effect that a bad and unfair law is better than no law?
8.) Why was a hearing held in Anchorage District Court when this citation was issued in Fairbanks and we reside in Fairbanks? We were not informed of such a hearing. Was my husband denied basic rights to a fair hearing? What other action will be taken against his license of which he is not informed? Is Juneau District Court next?
9.) Why were we informed by the Financial Responsibility Supervisor's office two days after my husband surrendered his license,

that proof of financial responsibility was required when such proof had been filed with that office 10 months prior to my husband's license surrender? Was this to entrap my husband for further punishment?

10. Why is the penality so harsh it causes sus to lose the very thing we are unjustly punished for. A suspension on one's drivers record can cause an insurance company to cancel all coverage. In our case cancellation will be on vehicles that were insured at the time of the citation.

I am appalled by the treatment we have received by the Attorney General's office and the D.M.V. During the time we spent through the court system, the Attorney General's office misconstrued our action to make their case look better, at the expense of my husband's character. The D.M.V. refused to answer any of my correspondence, nor would they give me any information regarding the insurance law and availibility of coverage.

In my opinion we were not punished because of no coverage. We proved to the court we were financially responsible had liability occurred. We were punished for questioning the legality of the department to enforce that law fairly. I implore the Senate to investigate the cases coming before the courts regarding the insurance law. To place the residents of the State at the mercy of the insurance companies and then close your eyes to their unfair practices is criminal. In order for a mandatory insurance law to work it has to be enforced on every driver and more regulations must p.be placed on the insurance companies to prevent people like us from being punished for these companies and the state's inadequacies.

I apoligize for the length of this letter, but I had to have my say. I thank you for your concern and time regarding this matter.

Sincerely,
Arleen Burgess

(1)

STATE OF ALASKA

PUBLIC DEFENDER AGENCY

STEVE COWPER, GOVERNOR

912 BARNETTE STREET
SUITE 1
FAIRBANKS, ALASKA 99701-4510
PHONE: (907) 452-1621

November 2, 1988

Bruce Geraghty
P.O. Box 55028
North Pole, Alaska 99705

Dear Mr. Geraghty:

Earlier today, we discussed the problem Ms. Starr Tucker has encountered in attempting to secure a driver's license. Ms. Tucker and I both appreciate your interest in her situation and your prompt response to her request for help.

In September of 1985, Ms. Tucker was involved in a motor vehicle accident; the other vehicle was driven by a gentleman named Cleve Davis, Jr. Because she didn't have insurance, Ms. Tucker's license was revoked for ninety days, pursuant to AS 28.22.240(a)(1), and she will be required to satisfy the SR-22 insurance requirement described in AS 28.22.260(b) until January 1989. She understands these provisions and is fully prepared to comply with them. The problem relates to the additional requirement of a security deposit which appears in AS 28.20.150. Under that provision, she must also post security in an amount specified by DMV in order to get her license back. Ms. Tucker has been, and continues to be, financially unable to satisfy that requirement.

As Mr. Delaney told me this morning, the obvious purpose of that requirement is to protect the other person involved in the accident; it is inapplicable in the event of execution of a release, AS 28.20.100, entry of judgment, AS 28.20.110, or settlement of the claim, AS 28.20.120. Ms. Tucker has been unable to settle the claim or obtain a release because Mr. Davis appears to have left Alaska for parts unknown. Normally, under these circumstances, it would be a simple matter for her to go to court and obtain an adjudication of nonliability. But she is precluded from doing that by the fact that the relevant statute of limitations has already run. <u>See</u> AS 09.10.070.

Ms. Tucker's predicament seems to be the result of an inconsistency within the statutory scheme. Any liability she might have had toward Mr. Davis was extinguished as of September 1987. Yet the security requirement, which is supposed to protect Mr. Davis, remains effective until January 1989. That requirement is obviously pointless with regard to the period between those dates. What is worse, though, is that it deprives Ms. Tucker of the opportunity to regain her driving privileges during that period and there is apparently nothing she can do about it.

Alaska State Legislature
Senate

Official Business

P.O. BOX V
State Capitol
Juneau, Alaska 99811

January 31, 1989

Michael F. Combs, President
Combs Insurance Agency
Box 1108
Palmer, Alaska 99645

Dear Michael:

Thank you for writing me with your suggestions on the Mandatory Automobile Insurance legislation.

House Bill 44, which is the companion version to my Senate Bill 4, has already passed the House and is presently in the Senate Labor and Commerce Committee. I am taking the liberty of forwarding your letter and comments to Senator Dick Eliason, who chairs this committee.

I appreciate your taking the time to be so specific with your suggestions; it is certainly helpful. Again, my thanks.

Sincerely,

Jay

Senator Jay Kerttula

JK:pt
cc: Senator Eliason

Combs Insurance Agency, Inc.

AUTO | FIRE | CASUALTY | LIFE

BOX 1108 PALMER, ALASKA 99645 PHONE (907) 745-2144

01-25-89

Senator Jay Kerttula
Alaska State Senate
P.O. Box V
Juneau, Ak. 99811

JAN 27 1989

Re: Senate Bill #4.
Mandatory Automobile Insurance Act.

Dear Jay,

I have had a chance to read over your proposed bill for the Mandatory Automobile Insurance Act, and I feel that you have done a very good job on this presentation.

I would like to offer one suggestion for a change in the bill, and that would be regarding the limit of liability required, under Article 2. General Policy Provisions, on page 6.

I would like to suggest that the limit of liability be changed to require a "Combined Single Limit of Liability for Bodily Injury and Property Damage, in an amount not less than $125,000.00".

In referring to page 9, of the same General Policy Provisions, you will see that (2) states that the limit of liability for Uninsured/ Underinsured Motorist Coverage shall be a single combined coverage;.

The general practice of the insurance industry is to offer a combined single limit of liability for automobile liability, as well as other liability coverages.

The premium difference between the "Split Limit" of $50,000.00/ $100,000.00 Bodily Injury and $25,000.00 Property Damage, to $125,000.00 Combined Single Limit is very minor, yet provides for the same total limit of liability coverage, but allowing for a single major injury, or single major property loss to have $125,000.00 available.

The situation that is occurring with alarming frequency is that with one insurance company offering a "Split Limit" and one offering a

01-25-89

Senator Jay Kerttula
Cont.

Re: Senate Bill #4.
Mandatory Automobile Insurance Act.

Combined Single Limit, there is always the exposure to the Combined Single Limit company to an Underinsured loss each time there is any bodily injury.

Example: Company A Providing "Split Limits" $50,000./$100,000./ $25,000. Bodily Injury and Property Damage. Involved in an at fault accident with Company B which is Providing "Combined Single Limit" $125,000. Bodily Injury and Property Damage.

Same total limit of liability for each, and little, if any, difference in premium.

Company A renders policy limit settlement to injured person in Company B vehicle. Total payment $50,000.00. Injured person in Company B vehicle then turns in claim against "Underinsured Motorist" coverage under Company B, and receives additional $75,000.00. (The difference between $50,000.00 and $125,000.00.)

This then exposes Company A insured to a subrogation claim from Company B for $75,000.00, and causes "Underinsured Motorist" coverage to provide a higher settlement than the primary liability coverage, causing "Underinsured Motorists" coverage to eventually skyrocket in price for everyone.

Had both Company A, and Company B had the same "Combined Single Limit", then there would have been no claim to the innocent driver's insurance, as Company A would have paid the entire $125,000.00 claim, thereby putting the expense with the at fault party.

Please consider this change in your bill, and I would suggest that AS 28.20 the Motor Vehicle Safety Responsibility Act, and Bulletin Order #78-7 the Alaska Automobile Insurance Plan be changed to this same minimum limit of liability.

If I can be of any further assistance to you, please let me know.

Sincerely,

Michael F. Combs

MFC/mc

Michael F. Combs
President

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Reply to: JUNEAU

March 1, 1989

HAND DELIVERY

Senator Eliason
P.O. Box V
Juneau, Alaska 99811

Re: Compulsory Automobile Liability Insurance
Statute in Alaska
Our File No: 220-92 and 30-213

Dear Senator Eliason:

I enclose herewith a copy of the written comments I referred to in my testimony on February 27, 1989, as well as the testimony I gave before you back in 1983, which I think is also applicable. As I indicated to your Committee, uninsured and underinsured motorist coverage in the amount of $50,000 per person, $100,000 per incident, and $25,000 for property damage is available from State Farm at a cost of $14.10 for every six months for those persons who have the same liablility coverage and a deductible of $250.00 or less. If the deductible is $250.00 or more, the cost is $15.10, and if there is no collision coverage, the cost is $16.60.

Senator Faiks inquired about our experience of rate changes, I believe regarding uninsured motorist rates, after the passage of compulsory insurance. The only figures I have available right now concern the uninsured motorist rate change history for State Farm Mutual in Alaska, which indicate the following:

January 15, 1980	11.9% decrease
July 1, 1981	8.1% increase
April 15, 1984	19.2% increase
November 1, 1985	18.2% increase
June 1, 1987	0.0%

As I also indicated to your committee, the automobile insurance rates in Alaska have been quite stable. For example, State Farm Mutual has had a 13.1% overall rate decrease over the last ten years. I also told your committee that the ratio of uninsured motorist bodily injury claims to bodily injury claims for the State Farm Mutual Company for the year 1988 was in excess of 20%.

Finally, if this Committee does choose to move the legislation before you, we recommend the following change to Section 28.22.301:

> A provision in this chapter may not be interpreted to prohibit a motor vehicle liability policy from including limitations, conditions, exceptions, exclusions, or other provisions. [that do not violate the requirements of this chapter or other applicable laws.] <u>This chapter is not intended to modify, amend, or invalidate existing motor vehicle liability insurance policy terms, conditions, limitations, or exclusions, or to preclude insurance companies from using similar terms, conditions, limitations, or exclusions in existing or future contracts.</u>

We recommend this language because of the difficulties we had in other states where by judicial decision courts have interpreted mandatory coverage as meaning absolute or total coverage regardless of policy conditions, limitations, or exclusions. We do not believe that to be the intent of this law, and this small change would simply clarify that.

Sincerely,

HUGHES, THORSNESS, GANTZ,
POWELL & BRUNDIN

By: Michael L. Lessmeier
Michael L. Lessmeier

MLL:srs/0034L
Enclosure: Statement dated Febrary 27, 1989
Statement dated May 31, 1983

STATEMENT IN OPPOSITION TO

THE ENACTMENT OF A COMPULSORY AUTOMOBILE LIABILITY

INSURANCE STATUTE IN ALASKA

HEARING BEFORE THE

SENATE LABOR AND COMMERCE COMMITTEE

FEBRUARY 27, 1989

Mr. Chairman, Members of the Labor and Commerce Committee, my name is Michael Lessmeier. I am a Lawyer from Juneau and am here on behalf of Allstate Insurance Company and State Farm Insurance Company. Almost six years ago I was here before you when this Committee was first considering the adoption of Compulsory Insurance. At that time I told you that both Allstate and State Farm had had a long and generally negative experience with Compulsory Insurance. That experience has not changed. We told you that we felt that Compulsory Insurance laws aren't needed, create more problems then they solve, don't benefit the public or our policyholders and in the final analysis don't work. We continue to feel the same way today. I am here to again urge that this Committee not adopt Compulsory Insurance in Alaska.

I have brought with me the testimony I gave before this Committee in 1983 and I will not repeat what I said there. Instead I will try to respond as specifically as I can to some of the concerns that were raised at the first hearing this Committee had on

Compulsory Insurance. Before I do so, I want to make clear that we have historically opposed and will continue to oppose compulsory insurance. The philosophy of compulsory insurance is inconsistent with the concepts of free enterprise and a competitive market, both of which we fully support. We do not believe that compulsory insurance can be justified on any social, philosophical or economic grounds.

The fact of the matter is that compulsory insurance simply does not work in practice. To date, no state has found a way to remove the uninsured motorist from their highways. For example the state of New York in fiscal year 1986-1987 spent $11,220,000 to enforce their compulsory insurance law. This information is from the data reported by the New York Motor Vehicle Dept. Our most recent contacts with representatives of that Department indicate that they still believe that approximately 12% to 15% of their motorists are uninsured. In 1986-1987 South Carolina spent $3,795,000 to enforce their law. They have 29 state patrolmen whose sole job is the enforcement of compulsory, the picking up of license tags, registrations, etc., and at last report it appeared that in excess of 10% of the South Carolina motorists were still uninsured. It appears that at the very most, compulsory insurance is a deterrent that affects only a small percentage of the uninsured population.

Why does compulsory insurance not work? To answer this question one need only look at the traditional reasons people buy liability insurance. Most people buy liability insurance because they feel they need it to protect assets, not to protect others. In other words, people who had few assets had little incentive to purchase liability insurance. In fact, the primary reasons people don't buy liability insurance is either they can't afford it or don't feel they need it because they have few assets to protect. Requiring insurance of low income households will not compel them to purchase something they do not feel they can afford.

Others who are commonly found in the uninsured category include those who do not have a driver's license, do not register their vehicles, are driving stolen vehicles or vehicles involved in hit and run accidents. Many of these people will not purchase liability insurance regardless of whether there is a compulsory law. Others in this category include out of state drivers and new residents with vehicles registered elsewhere. Experience shows us that 4% to 5% of the public will continue to drive even in an unlicensed status or will continue to operate an unregistered vehicle.

Compulsory automobile insurance affects low income households in another way, for it in effect, forces such households to buy protection for others which they may not be able to afford for their own families. Even though these individuals may have few or no assets to protect, compulsory insurance forces them to buy insurance, largely in an effort to protect others. Because of their economic status, people with low incomes may well be forced to pay high premiums relative to their income in order to obtain benefits for others, which those others could more readily afford.

Compulsory insurance has other negative effects as well. Often, after the enactment of compulsory nsurance, we see some form of cross subsidization, where certain categories of the market pay more in order to subsidize others. We have seen the residual market pressures increase, and unless the residual market rates are actuarially sound, the additional costs are spread across the voluntary market. We have seen coverage expanded more frequently through judicial decision after compulsory insurance is enacted, and while the insurance industry may initially suffer from expansions of coverage, ultimately, it is the policy holder who pays for such expansions in terms of increased cost.

Finally, the judicial trend in many areas seems to be that mandatory coverage means absolute or total coverage regardless of policy conditions, limitations, or exclusions, at least up to the financial responsibility limits. In a number of states, courts have through a judicial decision, eliminated the exclusions and conditions of the insurance contract to extend coverage to risks that were never contemplated to be insured.

If you proceed with this legislation, and we hope that you don't, we have some language that we would propose, that would recognize the need for the existing motor vehicle liability insurance policy terms, conditions, limitations, and exclusions. However, before you choose to proceed, we would urge you to take a careful look at why people buy insurance, and the current incentives which already exist to do so.

One of the things you should look at is the Motor Vehicle Safety Responsibility Act set forth at Alaska Statute 28.20.010 et seq.. We believe this Act provides as much incentive to purchase insurance as does virtually any mandatory insurance proposal. If an individual involved in an accident resulting in bodily injury to, or death of a person, or damage to property exceeding $500.00, is not financially responsible to the limits set forth there for damages negligently caused, that person's license is suspended until such financial responsibility is provided and established for the future. The suspension can continue for three years. It is hard to understand how a compulsory insurance law would provide more incentive than this. A further advantage of such an Act is that it directs state resources to the minority of motorists who cause problems, rather than the majority who don't.

We also urge you to consider the fact that there is an eminently affordable mechanism of dealing with the uninsured and underinsured driver through a mandatory offer of uninsured motorist coverage and underinsured motorist coverage. By purchasing uninsured and underinsured motorist coverage, a vehicle owner is assuring that all drivers and passengers in the insured automobile will have protection against losses caused by an uninsured motorist. Because compulsory insurance, at the most, is a deterrent, even with the enactment of compulsory insurance uninsured motorist coverage and underinsured motorist coverage is necessary. A compulsory uninsured and underinsured requirement does not impose the administrative cost to either the public or private sector that compulsory liability insurance would impose. We furthermore believe that any deterrent effect of compulsory liability insurance can be achieved through similar publication of the Motor Vehicle Safety Responsibility Act.

We thank you for the opportunity to address this issue, and are open to any questions you might have. If we don't have the answer or the information you desire, we can probably obtain it shortly.

STATEMENT IN OPPOSITION TO

THE ENACTMENT OF A COMPULSORY AUTOMOBILE LIABILITY

INSURANCE STATUTE IN ALASKA

HEARING BEFORE THE

SENATE LABOR AND COMMERCE COMMITTEE

MAY 31, 1983

Mr. Chairman, members of the Labor and Commerce Committee, my name is Michael Lessmeier. I am a lawyer from Juneau and I am here on behalf of Allstate Insurance Company and State Farm Insurance Company. Both Allstate and State Farm have had a long and generally negative experience with compulsory insurance. We believe compulsory insurance laws, such as the bill before you, aren't needed, create more problems than they solve, don't benefit the general public or our policyholders, will unnecessarily raise premium rates and in the final analysis, don't work.

The real question is whether the cost of compulsory insurance justifies the realistic benefit we can hope to achieve from it. We believe the answer to this question is no and we want to explain why.

The theoretical goal of compulsory insurance is to guarantee that innocent victims of automobile accidents are compensated for their injuries. But we know that the enactment of compulsory insurance does not guarantee that these people will be so compensated. Compulsory insurance has never in any state reached the objectives sought by its sponsors.

One of the reasons compulsory insurance has not been effective, is that uninsured drivers are generally made up of those who can't afford insurance, have no drivers license, do not register their vehicles,are driving stolen vehicles or vehicles involved in hit-and-run accidents. Many of these people will not purchase liability insurance regardless of whether there is a compulsory law. Others in this category include out-of-state drivers and new residents with vehicles registered elsewhere. Most of these people will continue to remain uninsured even after passing a compulsory law and this is shown by experience in other states.

For example, California spent \$2.32 million to increase the percentage of its insured drivers by five (5) percent. Maryland spent \$1.5 million to increase its percentage of insured drivers by the same five (5) percent. South Carolina paid \$1.3 million for an eight (8) percent increase. Massachusetts, which has had a compulsory insurance law longer than any other state, still has an estimated 10 -15 percent level of uninsured drivers. Current estimates of uninsured drivers in compulsory states still range from five (5) percent to 15 percent, depending upon the level of enforcement.

Nor is the concept of compulsory insurance related to safety. The enactment of a compulsory insurance law won't reduce the number of accidents. By its very nature, compulsory insurance relates to what happens after an accident. Compulsory insurance laws simply require insurance, they do not provide a means to remove high-risk drivers from the road.

We do not believe that uncompensated injuries are reduced by the enactment of a compulsory law. We believe that on the average, insured car occupants will receive injuries from uninsured motorists at about the same rate after enactment of compulsory legislation as they do before passage of these laws. Although compulsory legislation may increase the insured population by a small percentage, we do not believe it will result in a measurable reduction in the number of bodily injuries caused by financially irresponsible drivers.

Even if we were to assume there would be a decrease in the number of bodily injuries caused by financially irresponsible drivers, the question still is whether the benefit we can realistically expect from compulsory insurance is worth the cost and we believe the cost will be significant. For example, we know there will be a significant administrative cost to the State of Alaska simply to implement and enforce the compulsory insurance legislation before you. In effect, in a time of declining state revenues, virtually a whole new bureaucracy will have to be created to implement and enforce this legislation. The administrative cost to the public is an important concern, particularly when there are other pressing needs in this state.

The second cost aspect of this legislation that must be considered is the effect on premium rates of policyholders. We believe premium rates of everyone will increase significantly because administrative costs of the industry will increase, companies in effect will be forced to take almost all applicants, the bill does away with policy defenses in certain situations, the pure premium cost in a compulsory state has been shown to increase much more rapidly than the pure premium cost in a non-compulsory state, and finally, the cost of compulsory insurance will probably lead to more claims and more litigation.

Other costs which are impossible to quantify, include the social cost to people who can't afford insurance, and the inconvenience of adding another layer of intrusion by government into people's lives. Most people currently buy insurance because they feel they need it. Liability insurance has traditionally been purchased by people who have assets to protect, not to protect others. In other words, people who, in the past, had few assets, had very little incentive to purchase liability insurance. A report, Profile of Uninsured Motorists in California showed that geographic areas with high rates of uninsureds had significantly lower median incomes, and a higher incidence of poverty level than areas with low rates of uninsured drivers. A 1981 study by the All-Industry Research Advisory Council asked households with one or more uninsured vehicles why the vehicles were uninsured. Forty percent of the people surveye listed cost as the reason. The next major reason, "car not currently in use", was only 16 percent of the total response. In short, requiring insurance of low-income households will not compel them to purchase something they simply cannot afford. Dr. John Hall of Georgia State University testified before South Carolina's Joint-Legislative Automobile Liability Insurance Study Committee in December of 1979. Dr. Hall said:

> As a practical matter, the economically disadvantaged have less real need for liability insurance to protect their own interests. As a practical matter, these persons tend to be judgment proof. In any event, they tend to be unaware of the benefits which a liability policy provides. They perceive the liability insurance policy as taking care of other people. They must pay a high premium for insurance which provides benefits for others as a condition precedent to having the right to drive. Because of their economic status, most often they are unable to purchase insurance to provide for their own injuries, and those of their families, in accidents where they are at fault. The compulsory liability insurance system forces these people to pay high premiums relative to their income for benefits for others when they cannot themselves afford adequate benefits to cover their own losses.

Dr. Hall concluded:

> For these reasons, it appears morally and socially wrong to require liability insurance on a compulsory basis as a condition precedent to enjoying the privilege of automobile driving and ownership.

Not only does compulsory legislation extract a disproportionate cost from low-income groups, but it raises the price level of everyone's insurance. Compulsory insurance thus imposes the additional higher premium and administrative costs on those currently insured, which in any event is the vast majority of the driving public, to get at the remaining minority, those currently uninsured.

So the question remains, is the cost to everyone worth the realistic benefit we can hope to achieve. Bodies investigating compulsory insurance in other states have said no, primarily for the same reasons. In 1981 a Tennessee Subcommittee studying automobile compulsory insurance laws made the following recommendation:

> Our findings reveal that despite considerable and varied enforcement efforts in other states, including the adoption of no-fault, no state has devised a workable or cost-effective enforcement system. In addition, experience in other states indicate the adoption of compulsory insurance in Tennessee would only increase the percentage of insured drivers from the current 80 percent to 85 percent. More importantly, the cost of liability insurance plus uninsured motorist coverage in Tennessee is less than the same coverage in any compulsory state, and considerably less than the same coverage in any compulsory no-fault state. The responsible motorist should

> not pay more for insurance coverage nor be subjected to harrassment in a futile effort to enforce a compulsory insurance law.

November 19, 1981 letter from the Tennessee Subcommittee Studying Automobile Compulsory Insurance Laws.

A similar conclusion was reached by the State Auditor of Wisconsin on March 10, 1981:

> Experience in other states indicates that mandatory insurance programs do not substantially reduce the number of uninsured motorists and the cost of administering such a program is more than double the cost of the safety responsibility program.

March 10, 1981 letter from the State Auditor of Wisconsin.

If our goal is to guarantee compensation for victims of financially irresponsible motorists, we can achieve that goal more efficiently and effectively through compulsory uninsured and under-insured legislation. If every person who bought insurance included this coverage, careful drivers would be protected regardless of whether the at-fault other party had liability insurance. Only those who chose not to purchase this coverage would be without protection.

Uninsured motorist coverage is provided by companies to pay for bodily injury damages to the policyholder caused by an uninsured motorist. Virtually every state with a compulsory liability insurance law also requires insurers to offer uninsured motorist coverage, which in effect indicates a lack of faith in the effectiveness of compulsory insurance legislation. By purchasing uninsured motorist coverage, a vehicle owner is assuring that all drivers and passengers in the insured automobile will have protection against losses caused by an uninsured motorist. Compulsory automobile insurance cannot make this promise.

Compared to the cost of liability insurance, uninsured motorist coverage is very inexpensive. We urge each of you to look at your own policies to gain an idea of its cost. Furthermore, a compulsory uninsured and under-insured requirement does not impose the administrative cost to either the public or private sector that compulsory liability insurance legislation would impose.

In sum, we believe compulsory liability insurance, if enacted, will prove to be both costly and burdensome to the State of Alaska, and the insurance industry. Ultimately it will prove to be both costly and burdensome to our policyholders and to members of the general public. We urge this committee to seriously consider the cost and effectiveness of compulsory insurance before recommending such a program. We believe there are other alternatives available which cost much less and achieve much more.

March 5,1989
Near Homer, Alaska

Dear Mr. Eliason,

Now is the time for all Alaskans to wake up to the dangers of some horrible legislation working through the Legislature this year. The worst bit of presumptive legislation I have seen since the original Mandatory Auto Insurance is the attempt to ram a new version of that onerous law right down our throats. We Alaskans still have the Financial responsibility Act to protect us on the road. Unlike the recently and rightfully sunsetted law, it does not presume that all drivers are irresponsible children. It invokes penalties only AFTER damage is done and restitution not made. Not everyone is willing to act in a responsible manner, thus the FRA does not always work as well as it could with some tinkering. Why not strengthen the existing law to make it more workable, rather than layer us with another unworkable, unnecessary, and unconstitutional law?
Perhaps the Financial Responsibility Act can be strengthened to call for revokation of auto registration, auto impoundment, and performance of community service if proper restitution is not made after damage is done. The truly responsible driver is not one who prostitutes oneself to the insurance mobsters, but rather, they are those who realize that accidents do happen, drive in a manner so as to minimize damage in case of an accident, and are willing to take responsibility for damage they do cause. The truly responsible driver also wears safety apparatus provided by the vehicle, and does not need the threat of legal penalty to act in their own best intrest. Since 1985 freedom loving Alaskans have fought institution of a Mandatory Seat Belt law. Let's use our energies to tell people how silly it is to operate an auto without seatbelts. In a non-socialistic society, such as ours presumably is, government simply has no business saving lives. Now is the time to kill both of these presumptive pieces of socialistic legislation.
I Remain Yours, In Freedom,

Willy Nye

Willy Nye
HCR 36975 Maria Ct.
Near Homer,Ak.
235-6811

P.S. You're right - mandatory laws are no good. It's not good government to push this through - Let it die - after a year of no mandatory Ins. we will have some real facts - not the B.S. they are trying to scare us with!

240

Huycke General Agency

2900 Boniface Parkway, Suite 200
Anchorage, Alaska 99504

AAMGA

FAX 907-338-7234

April 20, 1989

907-338 0491

To All Our Good Brokers:

Re: UM/UIM-BI/PD

None of us appreciate having to make rate increases (Scottsdale has not made one in three years). But ever since Statute revisions requiring the offer of Underinsured Motorists and also Property Damage coverage, our UM experience has been disastrous. And we no longer think it appropriate to make the other Liability Coverage premiums cover the UM/UIM loss experience.

Therefore, effective May 1, 1989 for NEW business; and June 1, 1989 for RENEWAL business, we are adding a $100. surcharge per auto on all auto policies. As we issue renewal quotes within 60 days of expiration and hold new quotes for 60 days, please make sure you adjust these quotes when requesting policies.

Finally, with this increase directly applicable to UM/UIM coverages, it is probable you will see more requests by the Insured to reject such coverage. We do hope you will go on written record with such insured as to what the rejection means to avoid E & O situations when a claim is denied.

Very truly yours,

Peter Huycke

Peter C. Huycke

PCH:jsh

This is just one example of how the Uninsured driver is money out of our pockets - Please get moving on the Mandatory Insurance Bill.

Vern Ward

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN
ATTORNEYS AT LAW

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Reply to: JUNEAU

April 6, 1989

HAND DELIVERED

Senator Eliason
Labor & Commerce Committee Chairman
P.O. Box V
Juneau, Alaska 99811

Re: Committee Substitute for House Bill 44

Dear Senator Eliason:

I recently received the enclosed graphs setting forth the uninsured motorists/bodily injury frequency ratio for the States of Alaska, New Mexico, Arizona, Indiana, and Texas. What these charts show is that our uninsured motorists claims typically go down immediately after enactment of a compulsory insurance law, but that the uninsured motorists claim very quickly climb back up to at or near the levels they were at immediately before the passage of such a law.

I also just receive a memorandum from one of the State Farm actuaries expressing concern about Section 6. This section requires that a policy provide both liability and in some cases physical damage coverage for rented motor vehicles. It places no limitation on the number of days that an insured can rent a vehicle and can have coverage. Nor does it limit the types of vehicle that can be rented and be covered. Section 6 furthermore places no limitation on coverage for business use rentals.

We feel this requirement of such broad coverage for rental vehicles is unfair. It is unfair because it forces those who never or only rarely rent vehicles to share the cost of those who do rent vehicles frequently or for long periods of time. It is particularly unfair if it forces people with personal auto policies to share the cost of those who rent cars for business purposes. Certainly the cost of business purpose rental should be born by the business benefiting from those rentals and not shared by the insuring public many of whom will end up paying for something they do not take advantage of.

We believe the best approach to dealing with the rental vehicle situation is the National Association of Insurance Commissioners Model Act which limits the rental company's ability to hold the renter responsible for damage to the vehicle. As more and more states enact that legislation, it will become less necessary for individual policies to extend coverage to rental vehicles.

With respect to Item G of Section 6, we are not sure what it is intended to accomplish. We see little valid purpose to requiring a company to issue a short term policy which is valid only for a maximum of seven days. The handling charges for such a policy would be high, and as far as we know there is little demand for such coverage.

I also should add that I yesterday received a telephone call from Mike Ford regarding the change we proposed to Section 28.22.301 of this legislation. We proposed this language because of experience we have had in other states which have adopted mandatory insurance where by judicial decision courts have interpreted mandatory coverage as meaning absolute or total coverage regardless of policy conditions, limitations or exclusions. We do not understand this to be the purpose of this legislation and hope that if the committee does choose to move this bill, this change can be made.

The following types of exclusions are examples of what we are concerned about:

1. Intentional acts to injure the person or property of third parties.

2. Vehicle stolen or used without insured's actual or implied consent.

3. Insured's failure to cooperate in reporting of accident or forwarding of suit papers.

4. ehicle owned but not insured by named insured.

5. Vehicle rented to others.

6. Vehicle used to carry persons for hire, but not in an expense-sharing arrangement.

7. Vehicle being repaired, serviced, or used by any person employed or engaged in the automobile business.

8. Liability assumed under a contract.

9. Liability incurred under workers' compensation or occupational disability law.

10. Liability to any employee of the insured arising from employment.

11. Liability to fellow servant arising from employment.

12. Liability for damage to property owned by, rented to, in the care of, or being transported by an insured.

13. Liability for injury or death to any insured or relative resident of insured's household.

14. Liability for injury or damage for which United States might be liable for use of insured vehicle.

15. Liability incurred by or on account of driver specifically excluded from coverage.

16. For insured's concealment or material misrepresentation which wrongfully induces insurer to issue policy of insurance.

All the risks which are excluded of course tend to narrow the exposure and thus decrease the cost of automobile insurance. The difficulty we have had, however, is that a number of courts after the enactment of mandatory insurance, have found exclusions are contrary to the philosophy of mandatory liability coverage and thus have invalidated those exclusions. A good example is the recent decision of the Montana Supreme Court in the case of Iowa Mutual Insurance Company v. Davis and Beck, Number 87-317 (March 18, 1988 Montana). In that case the insured's son was specifically excluded from coverage. However, the Montana Supreme Court found that such an exclusion was inconsistent with the philosophy of mandatory automobile insurance and invalidated this as well as other exclusions up to the limits of the mandatory insurance law. Courts in Michigan, Louisiana, Utah, Oklahoma, and Kansas have at one time or another done the same. This is why we continue to strongly recommend the following change to Section 28.22.301:

> A provision in this chapter may not be interpreted to prohibit a motor vehicle liability policy from including limitations, conditions, exceptions, exclusions, or other provisions [that do not violate the requirements of this Chapter or other applicable law.] This Chapter is not intended to modify, amend or invalidate existing motor vehicle liability insurance policy terms, conditions, limitations, or exclusions, or to preclude insurance companies from using similar terms, conditions, limitations, or exclusions in existing or future contracts.

Thank you for considering our suggestions.

Sincerely,

HUGHES, THORSNESS, GANTZ,
POWELL & BRUNDIN

By: [signature]
Michael L. Lessmeier

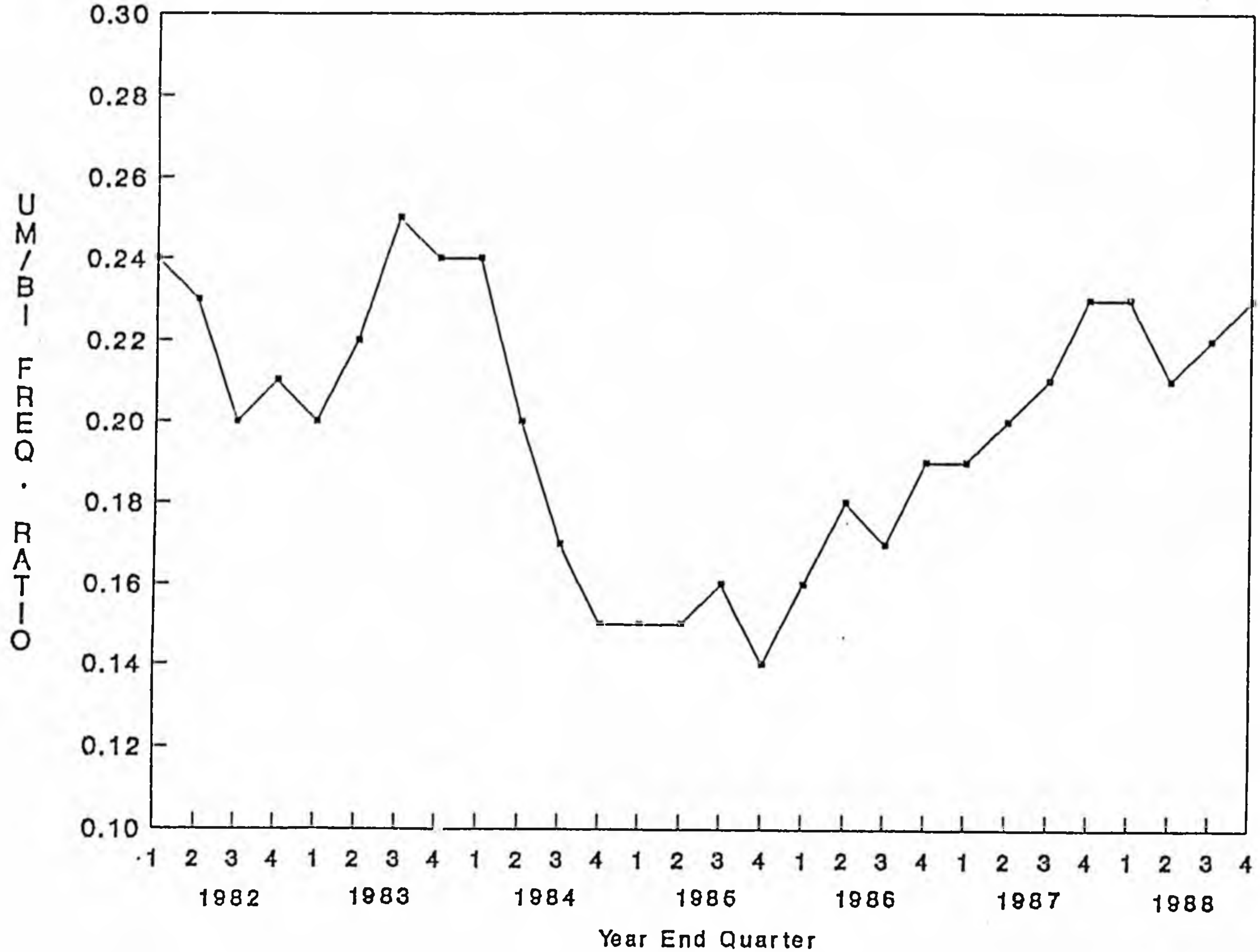
MLL:srs/0173L

Enclosure: Graphs

cc: Senator Rodey
Senator Faiks
Senator Kerttula
Senator Coghill

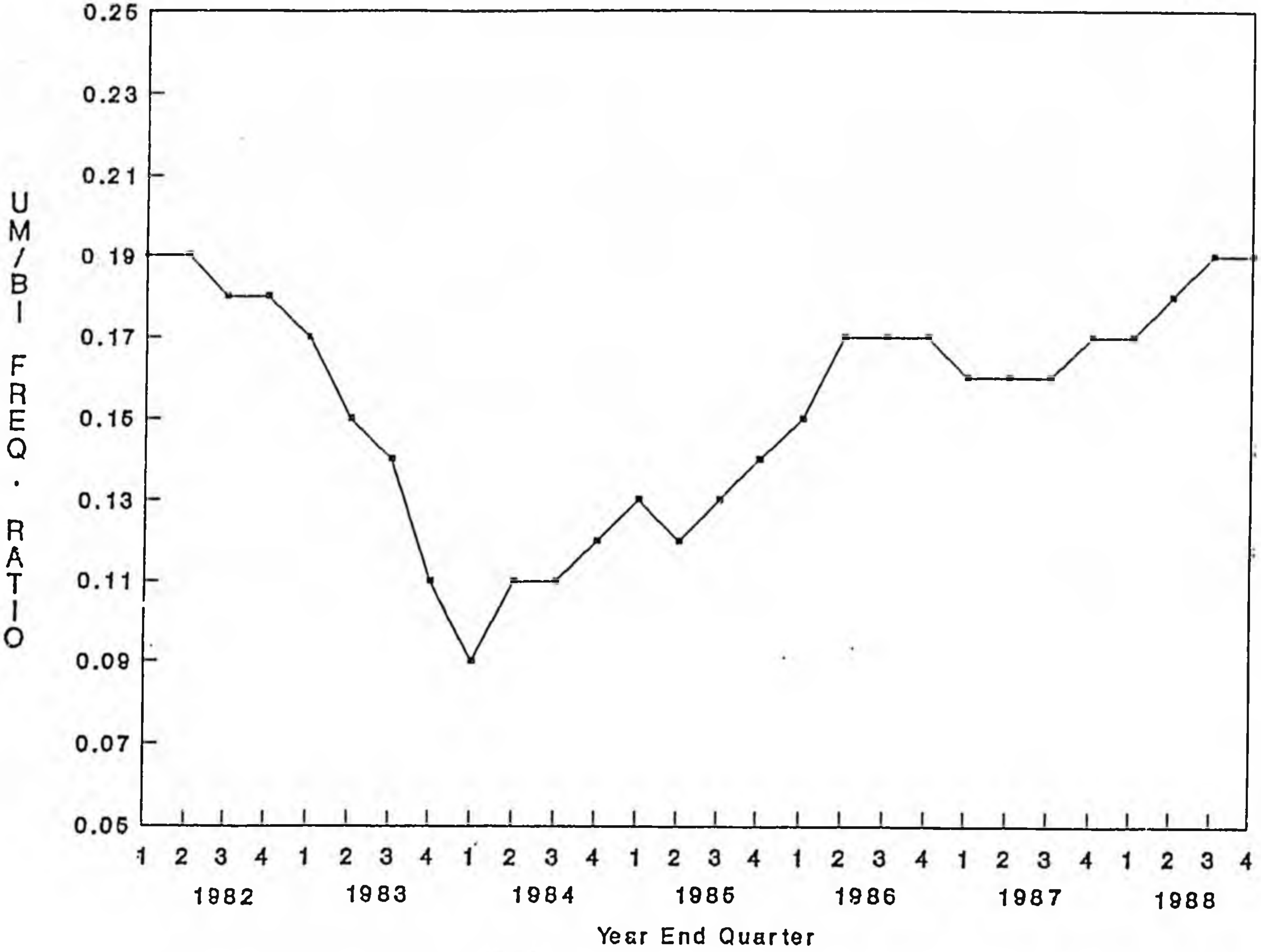
New Mexico Compulsory Insurance

Law Effective January 1, 1984



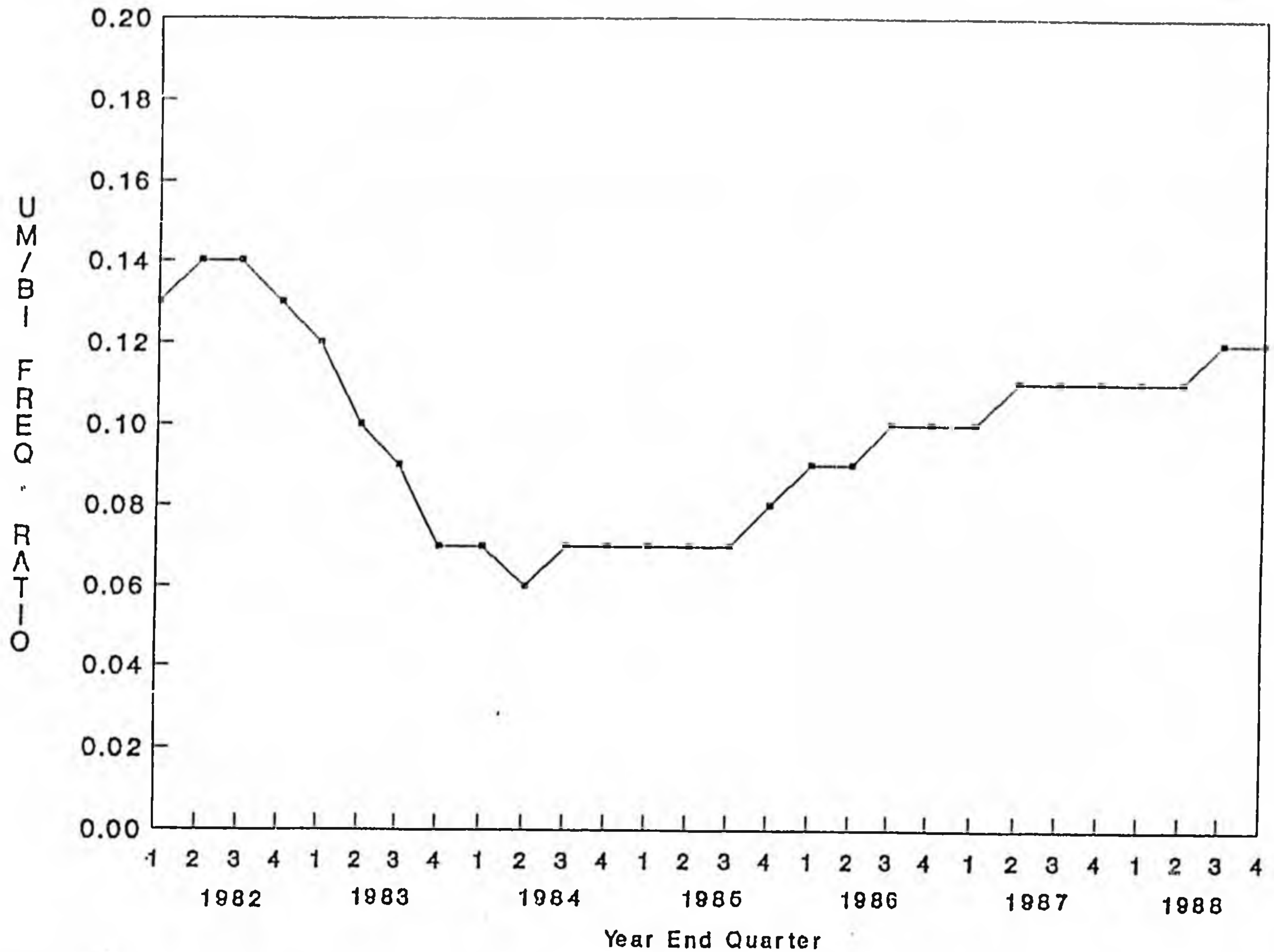
Arizona Compulsory Insurance

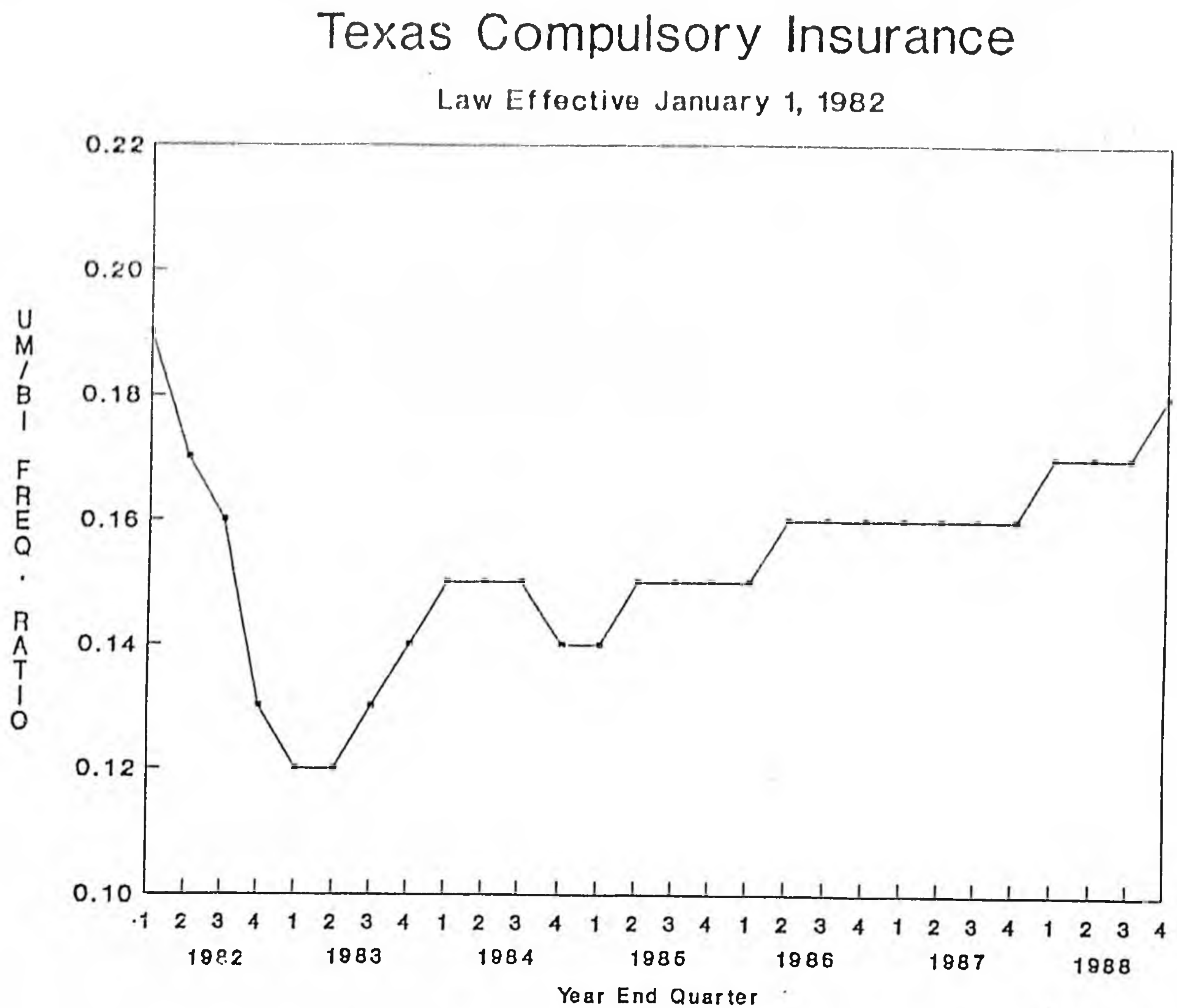
Law Effective January 1, 1983



Indiana Compulsory Insurance

Law Effective January 1, 1983





Texas Compulsory Insurance
Law Effective January 1, 1982
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UM/BI FREQ. RATIO
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1982
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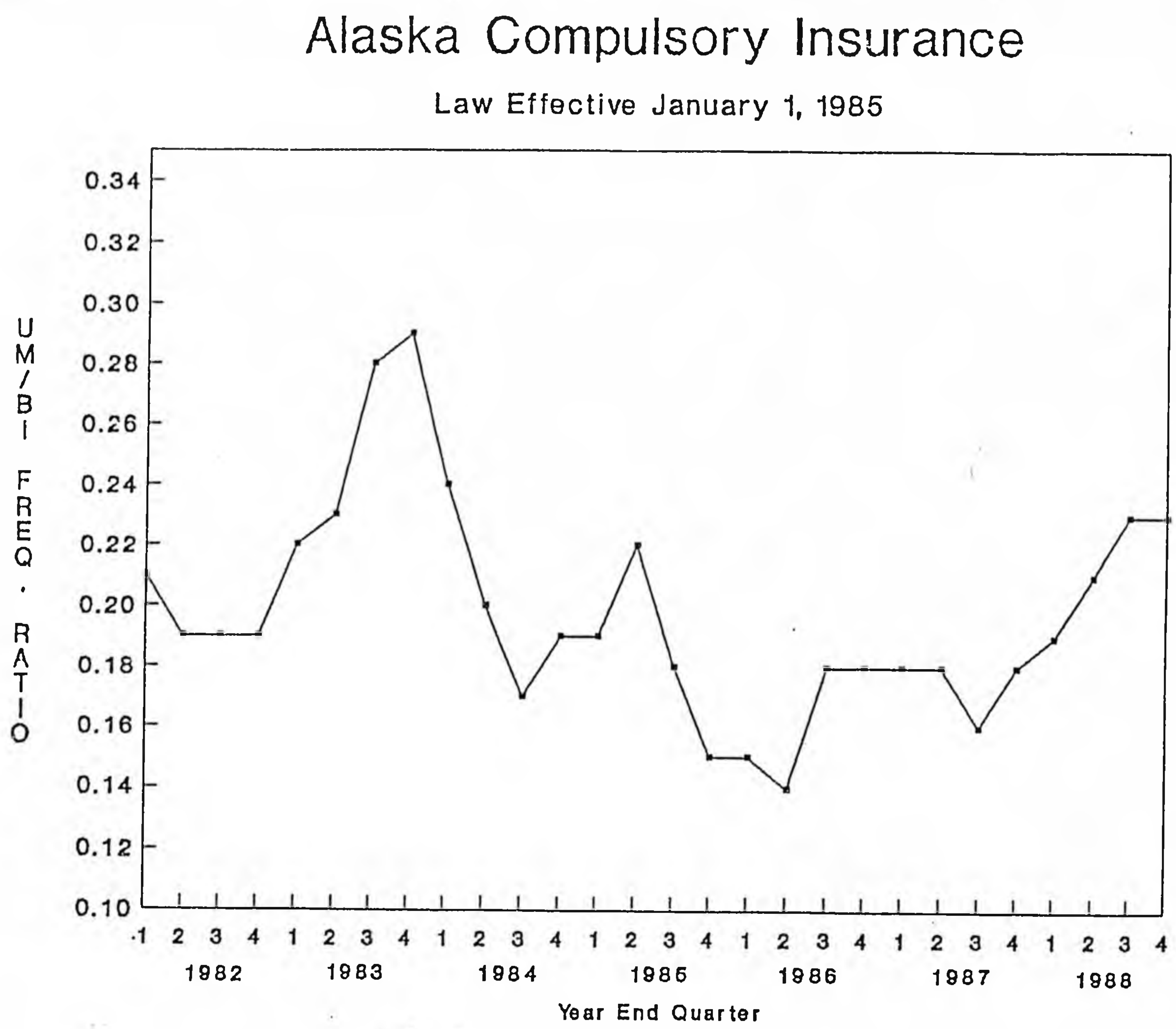
1988
Year End Quarter


Alaska Compulsory Insurance
Law Effective January 1, 1985
UM/BI FREQ. RATIO
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1988
Year End Quarter

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RICHARD O. GANTZ

Reply to: JUNEAU

April 7, 1989

Ms. Sheila Peterson
Legislative Aide
Office of Senator Eliason
P.O. Box V
Juneau, Alaska 99811

Re: NAIC Collision Damage Waiver Model Act

Dear Sheila:

Enclosed herewith, please find a copy of the NAIC Collision Damage Waiver Model Act. as well as a report of the Advisory Committee that preceeded the NAIC passage of this Act. If we can provide further information to you in this regard, please let us know and we will be happy to do so.

Sincerely,

HUGHES, THORSNESS, GANTZ,
POWELL & BRUNDIN

By: Michael L. Lessmeier
Michael L. Lessmeier

da-0207L

Enclosures

COLLISION DAMAGE WAIVER MODEL ACT

Table of Contents

Section 1. Title of Chapter

This chapter shall be known and may be cited as the Collision Damage Waiver Model Act.

Section 2. Scope

This chapter shall apply to all persons and organizations renting private passenger automobiles from locations in this state.

Drafting Note: This Act replaces the Collision Damage Waiver Model Act adopted by the NAIC in June, 1986.

Section 3. Purpose

The purpose of this Act is to prohibit rental car companies from imposing liability upon renters subject to certain stated exceptions and the sale of the collision damage waiver in connection with private passenger automobile rental agreements of thirty (30) days or less.

Section 4. Definitions

A. "Rental Company" means any person or organization in the business of providing private passenger automobiles to the public.

B. "Renter" means any person or organization obtaining the use of a private passenger automobile from a rental company under the terms of a rental agreement.

C. "Rental Agreement" means any written agreement setting forth the terms and conditions governing the use of a private passenger automobile provided by a rental company.

D. "Damage" shall mean any damage or loss to the rented vehicle, including loss of use and any costs and expenses incident to the damage or loss.

E. "Private Passenger Automobile" or "Vehicle" shall mean a motor vehicle of the private passenger type including passenger vans and minivans that are primarily intended for transport of persons.

F. "Authorized driver" shall mean: the person to whom the vehicle is rented; his/her spouse if a licensed driver and satisfying the rental company's minimum age requirement; his/her employer or coworker if engaged in business activity with the person to whom the vehicle is rented and if a licensed driver satisfying the rental company's minimum age requirement; any person who operates the vehicle during an emergency situation or while parking the vehicle at a commercial establishment; or any person expressly listed by the rental company on the rental agreement as an authorized driver.

Section 5. Practices Prohibited

A. No rental company shall, in rental agreements of thirty (30) continuous days or less, hold any authorized driver liable for any damage, except where:

Drafting Note: It is expressly recommended by the NAIC that no deductible be charged by the rental company. Any jurisdiction that chooses to allow a nominal deductible should be careful to include language which would prohibit the offering of a waiver for whatever nominal deductible is allowed.

(1) The damage is caused intentionally by an authorized driver or as a result of his willful and wanton misconduct;

(2) The damage arises out of the authorized driver's operation of the vehicle while legally intoxicated or under the influence of any illegal drug as defined or determined under the law of the state where the damage occured;

(3) The damage is caused while the authorized driver is engaged in any speed contest;

Drafting Note: "Speed contest" is a recognized term in many states. It is in no way intended, however, to mean exceeding a speed limit whether lawfully or unlawfully.

(4) The rental transaction is based on information supplied by the renter with the intent to defraud the rental company;

(5) The damage arises out of the use of the vehicle while committing or otherwise engaged in a criminal act in which the automobile usage is substantially related to the nature of the criminal activity;

Drafting Note: The intent of Paragraph (5) is to only allow an exception where the vehicle is used in the commission of a felony or other serious criminal activity wherein the vehicle is a means or operative tool of the act including transport of illegal contraband or as a means of escape. It is not intended to cover minor traffic violations.

(6) The damage arises out of the use of the vehicle to carry persons or property for hire;

(7) The damage arises out of the use of the vehicle outside of the United States or Canada unless such use is specifically authorized by the rental agreement.

B. No action for damage may be brought by a rental company against a renter who is a resident of the United States except in the state and county of the renter's primary residence.

C. No security or deposit for damage in any form may be required or requested by the rental company during the rental period or pending resolution of any dispute.

Drafting Note: It is intended that Subsection C include, but not be limited to, the practice of requiring security in the form of credit card lines of credit. Security may be allowed but only in such amounts to reasonably insure payment on the account or security for return of the automobile.

D. No waiver may be offered to provide coverage for any of the exceptions [or deductible, if applicable] listed above.

Section 6. Penalties

Any rental company, found by a court of competent jurisdiction or the delegated agency charged with enforcing this Act in this state, to have violated a provision of this Act, or to have proceeded with a lack of good faith to impose liability upon a renter as provided in this chapter, shall be subject to a penalty of not less than five hundred dollars ($500.00) nor more than one thousand dollars ($1,000.00) for each violation.

Section 7. Effective Date

The provisions of this Act shall become effective within ninety (90) days after enactment.

Legislative History (all references are to the Proceedings of the NAIC).

1988 Proc. II (adopted).

This model act replaces an earlier document by the same name which used a different approach.

1986 Proc. II 12, 17, 164, 172-173, 177-179 (adopted).

REPORT OF THE MARKET CONDUCT ADVISORY COMMITTEE

March 14, 1988

At the December 8, 1987 meeting of the Market Conduct Surveillance (EX3) Task Force, this Advisory Committee was requested to reexamine the issue of the sale by rental car companies of collision damage waivers. The Advisory Committee was also requested to comment on other problem areas detailed in the report of the Subgroup on Rental Car Insurance dated November 19, 1987. The following report is offered in response to these requests.

The Advisory Committee met February 23 at NAII headquarters in Des Plaines, Illinois. Prior to that meeting, Advisory Committee members had exchanged various telephone calls in connection with recent legislative activity and publicity involving the collision damage waiver issue. The February 23 meeting was devoted to a detailed discussion of these issues and has led to the recommendations contained in this report.

History of NAIC Activity

The NAIC has been sensitive to the potential for abuses in the sale of collision damage waivers (CDWs) for several years. These concerns led to the passage of the NAIC Model Collision Damage Waiver Act at the June, 1986 meeting. This model addresses the cost of CDWs by requiring the filing of rate information at least 30 days prior to use. It further requires car rental companies to be licensed to sell CDWs, to file policy forms for approval, and to disclose to the consumer information contained in a required notice. To date, no state legislature has enacted the model collision damage waiver law, although several have considered it.

At the time of passage of the model act, it was recognized that rental car companies would still be able to sell collision damage waivers for a fee, even though the protection offered was less than complete and may be unnecessary for some renters. Many consumers would be inclined to purchase collision damage waivers out of confusion or for peace of mind. It was further recognized that rental car companies could continue to advertise daily rental charges that did not include the cost of collision damage waivers. Consequently, the consumer would still face the common situation of being attracted to the car rental company by an advertised rate, only to find at time of rental that the total charge was significantly higher due to the cost of the collision damage waiver. Other limitations recognized in the model at time of enactment will be referenced later in this report.

Recent Developments

Since the December meeting of the NAIC, new evidence of the potential for abuse by rental car companies has surfaced. Specifically, Hertz has admitted to overcharging in excess of $13 million dollars for damage to rental cars over a seven year period. These overcharges have been paid by individual consumers who had not purchased the CDW (and who had no insurance for damage to non-owned vehicles) and by insurance companies on behalf of policyholders who had purchased coverage for non-owned vehicles, typically in connection with collision coverage. The situation illustrates how the collision damage waiver aspect of the car rental agreement is particularly prone to fraud and other consumer abuse.

It should be noted that the regulation provided for in the NAIC Model Act would not have prevented car rental companies from overbilling for damage caused by car renters. It further would not have protected consumers against other adverse consequences, e.g., having points assessed against their personal auto insurance policies due to inflated claims being paid by insurers on their behalf. In order to prevent instances of such overcharging and to address other potential areas of consumer abuse, an approach other than the existing NAIC Model Act must be considered.

It has been discussed frequently since the outset of NAIC consideration of this issue that a collision damage waiver is legally not insurance. Rather, it is the forgiveness by the lessor of a responsibility of the lessee arising under common law or statutory principles of bailment. The distinction between insurance and CDW is generally thought to be not understood by the average consumer. This distinction has, however, been significant as attempts have been made unsuccessfully to regulate CDWs under a state's insurance authority. The NAIC Model Act avoided this potential problem by refraining from defining CDWs as insurance.

Limitation of Bailment Rights

After reviewing various suggestions made to date regarding CDWs, the Advisory Committee has concluded that the most effective way of eliminating actual and potential abuse is by changing the law of bailment as it pertains to car rental companies. Specifically, the Advisory Committee has determined that statutory change is necessary to restrict substantially the car rental company's recourse for damages caused by the car renter. (Recourse would still be allowed in cases of gross misconduct on the part of the car renter). Such a restriction would require car rental companies to assume the risk of damage to their rental vehicles as part of their normal business expenses. These expenses consequently would be reflected in daily/weekly rental car rates. The risk of loss posed by the elimination of bailment recovery could be insured against or self-insured.

The Advisory Committee recommends the following language to accomplish this objective:

> "No person who leases private passenger motor vehicles to consumers shall, in lease agreements of less than 30 days, hold a consumer liable for physical damage to the motor vehicle, including loss of use, except where: (1) the damage is caused intentionally by the consumer or as a result of his willful or wanton misconduct; (2) the damage arises out of the consumer's or his permissive users's driving while intoxicated or under the influence of any drug; or (3) the damage is caused while a consumer or his permissive user is engaged in any speed contest."

We would note that the exceptions contained in this language are those the NAIC chose to include in the Model CDW Act.

<u>Advantages of a Bailment Restriction</u>

This approach offers advantages to both the rental car consumer and the automobile insurance policyholder. They include the following:

(1) <u>Elimination of opportunity for abuse</u>. Under this approach, rental car companies would no longer have recourse against car renters under traditional principles of bailment. Consequently, rental car companies would have no "right" to waive via the collision damage waiver. The consumer would not be faced with the uncertainty he or she may experience today at the rental car desk.

(2) <u>Rental car expenses will be internalized</u>. Without the opportunity to charge for CDWs or to hold car renters responsible for damage, car rental companies would be required to incorporate the collision damage losses into their operating expenses. These expenses would be reflected

in the daily or weekly rental car charges. Since there would be no payments from the automobile insurer for damage caused by its policyholder to a rental car, auto insurance policyholders who would not want or need such coverage in their personal automobile policies would not be required to pay for it. Only consumers actually renting cars would be paying (in rental car charges) for damage to rental cars.

(3) Equitable response to problems arising in the car rental context. All parties agree that to the extent CDW abuses exist, they are caused exclusively by rental car companies. The proposed solution would address such abuses directly via a limitation on traditional bailment rights of car rental companies. Imposing the solution on insurers through mandatory coverage or other requirements would be fundamentally unfair.

(4) Possible gaps in coverage for damage to rental cars would be avoided. To the extent coverage for rental cars is available in a renter's personal automobile insurance policy, it is usually provided under the collision coverage portion of the policy. However, this coverage is not all-inclusive, as it typically does not apply to loss of use to the rented car. Further, the policyholder who drops collision coverage from his or her personal automobile insurance policy may inadvertently be losing coverage for rented cars. The approach recommended by the Advisory Committee avoids these gaps altogether, inasmuch as the car renter's personal automobile insurance policy would not be responding to claims for damage to rental cars. The several CDW exclusions currently found in car rental contracts would also cease to be a cause of concern to the consumer.

(5) Insurance regulatory resources would not be required. Problems associated with attempting to regulate rental car companies under the provisions of the NAIC Model Act would be avoided entirely. Since rental car companies would not be able to sell CDWs, there would be no need for insurance departments to approve rates, review policy forms, or otherwise regulate rental car companies. Given the already limited resources insurance departments have to devote to regulating in these important areas as they involve insurance companies, this approach would avoid the need for extending such regulation to the rental car industry.

(6) True price competition would be fostered. This proposal would require rental car companies to compete on even terms. Presently, the costs of the CDWs vary substantially from company to company. Some companies even incorporate the cost of such waivers in their quoted rental

rates already. The difficulty facing the consumer in determining in advance the approximate cost of renting an automobile would be reduced, inasmuch as the overall rental rate would include the collision damage waiver. Although it can be argued in theory that this approach could increase the cost of renting cars, pressure caused by enhanced price competition would keep any cost increase to a minimum. Since there are no reliable data currently available to determine rental car company profitability, it is possible that this approach will actually reduce the overall consumer cost of renting cars.

(7) Other Advantages over the NAIC Model Collision Damage Waiver Act. This approach would eliminate the potential for overcharging car renters or their insurers for damage caused to rental vehicles. Insurance companies would not be in the disadvantageous position they face today of attempting to assess damage to a rental car caused by their policyholders. The potential competitive disadvantages to small rental car companies posed by the current NAIC Model Act filing requirements would be eliminated. The problems of distinguishing the CDW from insurance would be avoided. Car renters would not find themselves "in the middle" of damage claims involving their insurance companies and rental car companies. Car rental companies would have an incentive to repair damaged cars expeditiously to reduce loss of use.

Other Problems Identified by the Subgroup

The report of the NAIC Subgroup on Rental Car Insurance also referenced sales practices involving personal effects coverage, excess liability coverage, and accidental death and dismemberment. We would note that these areas are already subject to the insurance regulatory authority of the states. To the extent that abuses in these areas are occurring, state regulatory officials have the power to correct them. Since the thrust of the Subgroup's concerns appear to be related to sales activity by rental car company employees, we would mention particularly the existing regulatory authority to require licenses of insurance producers.

In closing, the Advisory Committee urges the Task Force to consider carefully the approach offered to resolve problems associated with the sale of collision damage waivers. The Advisory Committee is not suggesting that common law and statutory principles related to all bailment situations be modified; only bailment relating to the car rental relationship. That relationship has been shown to be particularly prone to abuse and confusion and consequently merits special treatment to protect consumers.

The Advisory Committee shares the frustration of Task Force members over problems in the sale of collision damage waivers. These problems have harmed consumers financially and need to be addressed effectively. We believe that the best and most equitable solution in this area lies in the statutory change recommended in this report. We will be pleased to work further with the Task Force in discussing and refining this approach.

MEMORANDUM

State of Alaska

TO: Linda Wild
Special Assistant to Commissioner
DCED

DATE: April 6, 1989

FILE NO.:

THRU: Paul Roller, Director
Division of Insurance

TELEPHONE NO.: (907) 465-2517

SUBJECT: Mandatory Auto Insurance

FROM: Bob Sims
Insurance Market Analyst II
Division of Insurance
Department of Commerce and Economic Development

This bill reinstates mandatory automobile insurance immediately upon passage. It also calls for the sunsetting of mandatory insurance on January 1, 1994.

We have a concern about one section of the bill. On January 1, 1994 AS 21.89.020(f)(2) is repealed and reenacted to read:

> "An automobile liability insurance policy must provide liability coverage for motor vehicles rented in the United States or Canada by a person insured under this policy; coverage required under this paragraph is primary if multiple coverage exists."

This proposed section of the bill concerns motor vehicle liability insurance for rented vehicles. It would require that in the event a person had multiple insurance coverage, ie coverage on his vehicle, insurance provided under AS 21.89.020(f)((2) would apply before coverage from the rental car company's insurance policy would apply. It makes the renters' coverage primary. This proposal is tailored after a similar provision in Florida where the system is different. Florida has a no fault law.

Historically, auto liability insurance has been based upon the concept "insurance follows the auto." Insurance premium and loss data are collected based upon the type of vehicle and garage location. Personal insurance is distinguished from commercial insurance and business insurance. Personal rates are based upon an individual's personal use of owned vehicles in the local area.

Auto rates for car rental companies are based upon rental of that vehicle in the location from which it is rented. Most vehicles are rented for business or vacation use.

If personal auto "insurance" was covering business and non-local usage, the statistical base for premiums would be undermined. In all likelihood, those Alaskans who do not travel and rent autos would be subsidizing those of us who do.

Furthermore, most Alaskans on vacation will rent a vehicie outside. Those premiums and losses should not be included in the Alaskan data base.

Finally, because this proposal runs counter to the reasonable expectations of vacationers coming to Alaska, it might well adversely impact the state's image for tourists if they have surprises when they rent vehicles in Alaska.

Alaska State Legislature

SENATE

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

To: Senator Dick Eliason
Senate Labor and Commerce Committee

From: Senator Jack Coghill

Re: Mandatory Auto Insurance

Date: April 5, 1989

Attached you will find a copy of a letter from another one of my constituents that has experiences a problem with our present system of motor vehicle laws, as they relate to auto insurance.

I suggest that lengthy Labor & Commerce hearings be held this interim to address the ten points raised in Arleen Burgess's attached letter.

You will note that several of the issues raised in the letter also have bearing on Judiciary Committee work. Therefore, I have also notified Senator Faiks of my concern in this area.

488-0577

(1)

March 18, 1989

Robert & Arleen Burgess
3721 Silver Leaf Ave.
North Pole, Ak 99705

Senator Jack Coghill
~~Pouch~~ P.O. Box V
Juneau, Ak 99801

Dear Mr. Coghill,

I would like to update you as to the results of my husband's appeal in the District and Superior Courts to the action taken by the D.M.V. against his driver's license. As you may recall, my husband and I spoke to you briefly in North Pole about a six point speeding citation he received while operating a motorcycle in Sept. 1986. After numerous attempts by us to get liability coverage for this vehicle at the time we placed it on the highway system (April 1986), and for several months after, we could not find an independent insurance agent in Fairbanks to provide coverage, or an alternative for us to meet state requirements. The grave implications of the department's action on my husband's means to provide a livelihood for our family, left us no choice but to exercise his right of appeal against the department's decision to suspend his driver's license. He is a proffessional truck driver and was employed as such at that time. He is now ~~time~~ unemployed and work in his field looks pretty bleak with a suspended license.

After more than two years in the court system, we found his right to appeal amounted to no right at all. The District Court questioned the constitutionality of the mandatory insurance law and ruled in our favor. The Superior Court overturned the lower court's decission and we ran out of money to appeal higher. Imagine how we felt when the District Court Judge had no athority to establish degree of penality or to consider our circumstances when pronouncing sentence. After several appeals to the Attorney General Representative during sentencing to consider the circumstances of our case and two other cases being heard along with ours and drop the penality, the representative's unwillingness to do so left him no choice but to suspend the drivers' licence and require proof of future financial responsibility.

My husband's persecution by the administration was a massive abuse of their power over a person's drivers license. Our circumstances included the attempt to the best of our ability to get coverage on this type of vehicle, the fact that our other vehicles had continues coverage for the previous 14 years, we were misled by several insurance companies that coverage for this vehicle was not available, no liability was incurred, and we had sellable assits to cover the state's minimum requirements for liability.

Not only was their abuse directed at my husband, but I too suffer because of regulations by insurance companies toward married women, I am now considered a high risk because we occupy the same household. I have a clean driving record and have never been stopped let alone had any action taken against my record. What happened to my right to fair and equal treatment? Did I receive it by being punished along with my husband?

Please ask your colleagues the following questions. I cannot get them answered by the administration.

1. Why are insurance companies allowed to practice in this state when they cannot provide the coverage the state's law required? Getting the required coverage available to drivers six to eight months after the law went into effect victimizes those drivers.

2. Why was the enforcement of this law selective to those unfortunate few who found themselves involved in an accident or issued a six point citation?

3. Why did the law apply only to those living in urban areas? Are there no accidents involving liability in rural areas?

4. Why were drivers not informed of mandatory insurance when purchasing

current registration on their vehicles?
5.) Why were we given the right to appeal the departments decision through the court system when there is no working or speaking relationship between the administrative and judicial branches of government? The only way our circumstances could be considered was for the courts to find the law unconstitutional. What kind of right to appeal because of circumstances is this?
6.) Why were we allowed to be persecuted by the administration's abuse of power? My husband's persecution is directly caused by the states inability to regulate insurance practices. My persecution is only because of association to my husband.
7.) Are the legislators so intent in placing a mandatory insurance law in effect that a bad and unfair law is better than no law?
8.) Why was a hearing held in Anchorage District Court when this citation was issued in Fairbanks and we reside in Fairbanks? We were not informed of such a hearing. Was my husband denied basic Rights to a fair hearing? What other action will be taken against his license of which he is not informed? Is Juneau District Court next?
9.) Why were we informed by the Financial Responsibility Supervisor's Office two days after my husband surrendered his license

that proof of financial responsibility was required when such proof had been filed with that office 10 months prior to my husband's license surrender? Was this to entrap my husband for further punishment?

10. Why is the penality so harsh it causes sus to lose the very thing we are unjustly punished for. A suspension on one's drivers record can cause an insurance company to cancel all coverage. In our case canclation will be on vehicles that were ensured at the time of the citation.

I am appalled by the treatment we have received by the Attorney General's office and the D.M.V. During the time we spent through the court system, the Attorney General's office misconstrued our action to make their case look better, at the expense of my husband's character. The D.M.V. refused to answer any of my correspondence, nor would they give me any information regarding the instrance law and availibility of coverage.

In my opinion we were not punished because of no coverage. We proved to the court we were financially responsible had liability occurred. We were punished for questioning the legality of the department to enforce that law fairly. I implore the Senate to investigate the cases coming before the courts regarding the insurance law. To place the residents of the State at the mercy of the insurance companies and then close your eyes to their unfair practices is criminal. In order for a mandatory insurance law to work it has to be enforced on every driver and more regulations must be placed on the insurance companies to prevent people like us from being punished for these companies and the state's inadequacies.

I apoligize for the length of this letter, but I had to have my say. I thank you for your concern and time regarding this matter.

Sincerely,
Arleen Burgess

(1)

STATE OF ALASKA

PUBLIC DEFENDER AGENCY

STEVE COWPER, GOVERNOR

912 BARNETTE STREET
SUITE 1
FAIRBANKS, ALASKA 99701-4510
PHONE: (907) 452-1621

November 2, 1988

Bruce Geraghty
P.O. Box 55028
North Pole, Alaska 99705

Dear Mr. Geraghty:

Earlier today, we discussed the problem Ms. Starr Tucker has encountered in attempting to secure a driver's license. Ms. Tucker and I both appreciate your interest in her situation and your prompt response to her request for help.

In September of 1985, Ms. Tucker was involved in a motor vehicle accident; the other vehicle was driven by a gentleman named Cleve Davis, Jr. Because she didn't have insurance, Ms. Tucker's license was revoked for ninety days, pursuant to AS 28.22.240(a)(1), and she will be required to satisfy the SR-22 insurance requirement described in AS 28.22.260(b) until January 1989. She understands these provisions and is fully prepared to comply with them. The problem relates to the additional requirement of a security deposit which appears in AS 28.20.150. Under that provision, she must also post security in an amount specified by DMV in order to get her license back. Ms. Tucker has been, and continues to be, financially unable to satisfy that requirement.

As Mr. Delaney told me this morning, the obvious purpose of that requirement is to protect the other person involved in the accident; it is inapplicable in the event of execution of a release, AS 28.20.100, entry of judgment, AS 28.20.110, or settlement of the claim, AS 28.20.120. Ms. Tucker has been unable to settle the claim or obtain a release because Mr. Davis appears to have left Alaska for parts unknown. Normally, under these circumstances, it would be a simple matter for her to go to court and obtain an adjudication of nonliability. But she is precluded from doing that by the fact that the relevant statute of limitations has already run. See AS 09.10.070.

Ms. Tucker's predicament seems to be the result of an inconsistency within the statutory scheme. Any liability she might have had toward Mr. Davis was extinguished as of September 1987. Yet the security requirement, which is supposed to protect Mr. Davis, remains effective until January 1989. That requirement is obviously pointless with regard to the period between those dates. What is worse, though, is that it deprives Ms. Tucker of the opportunity to regain her driving privileges during that period and there is apparently nothing she can do about it.

ALASKA STATE LEGISLATURE - SENATE
SENATOR RICHARD I. ELIASON

RULES COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, VICE-CHAIRMAN
LEGISLATIVE COUNCIL
RESOURCES COMMITTEE
FISHERIES SUBCOMMITTEE, CHAIRMAN

P.O. BOX 143
SITKA, ALASKA 99835
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4913

June 7, 1988

John Strasenburgh
P. O. Box 100171
Anchorage, Alaska 99510

Dear Mr. Strasenburgh:

Thank you for your recent letter concerning the Senate's failure to pass legislation extending the mandatory auto insurance requirement. I can certainly understand your interest in this issue due to your involvement in an accident with an uninsured driver.

Mandatory auto insurance has been debated by the Legislature for many years, and the issue has long been considered a controversial one. The law now on the books (passed in 1984) was made subject to a "sunset" provision, a provision put in place so that the program could be reviewed to determine whether or not it was performing as expected; if it was not, it could be discontinued.

The Department of Public Safety recommended last year that the law be sunsetted. The requirement of mandatory auto insurance is being enforced by the Department only when an accident occurs, and is not enforced when a 6-point violation occurs. Enforcement capability has been limited by the amount of money appropriated for the program.

The Department has also questioned whether the legislation is cost-effective. Although the law did have an impact on reducing the number of uninsured drivers, the question was raised whether the value of the program justifies the costs of administering it.

Your experience in being hit by an uninsured motorist highlights one of the deficiencies of the law. Even with a mandatory auto insurance requirement, uninsured and underinsured drivers are on the road. It is possible to reduce the odds of this situation occurring, to a certain degree, but it is impossible to eliminate them.

When mandatory auto insurance is terminated (Jan. 1, 1989), the financial responsibility law will remain. The financial responsibility law provides that if you are involved in an accident and the other person is at fault, they are liable for the damages. If you are involved in an accident, and are not at fault, and the other party has no insurance and no money to pay for damages, <u>even if the mandatory auto insurance law is in effect</u>, the only way you are covered is if you have purchased uninsured/underinsured motorist's coverage. (From your letter, I infer that you do have this coverage. Incidentally, your rates should not go up as a result of an accident unless you were more than 50% at fault, in which case most carriers will increase your rates.)

Statistics reflect that the number of drivers suspended under the financial responsibility law who were unable to comply with the financial responsibility requirement constituted <u>less than 3% of the total number of drivers involved in motor vehicle accidents</u>. This does not mean that 2.9% of the people who were involved in accidents, and not at fault, were not compensated, as some may have had uninsured motorist coverage, like yourself.

At the time the mandatory auto insurance legislation was passed, I supported the enactment of legislation requiring insurance companies that offered auto insurance to Alaskans to offer uninsured motorist coverage as well. That requirement will remain in effect even after the mandatory auto insurance requirement is terminated, assuring the availability of that coverage.

When you come down to it, you really buy insurance for yourself; you make the choice whether you want to be covered or not, whether it is health insurance, life insurance, motor vehicle insurance or optional uninsured motorist coverage. My choice, like yours, is to take responsibility for myself, a concept you describe as fundamental. I don't, as your letter claims, "endorse the opposite." I do recognize, as do most responsible adults, that there are always going to be people who do not assume full responsibility for themselves; that's just a fact of life. You question, "What possible justification can there be for allowing uninsured drivers and vehicles on the road?" There is no justification, any more than there is justification for people to break any law, but the reality is that even with mandatory auto insurance you can't assure total compliance.

Your letter states that you wrote to Rep. Donley to recommend changes in the law to correct "weaknesses" and that one of these suggestions was to require proof of insurance at the time of vehicle regisration. This concept has received ample discussion over the years, and made some progress in 1986. Unfortunately it is not that much more effective. The requirement can be circumvented by individuals through obtaining binders or short-term policies, and the program would have been costly to administer: a requirement that insurance companies notify the Division of Motor Vehicles in the event of a cancellation was estimated to increase costs by $670,000.

Perhaps most noteworthy is that in 1986, when this approach was being considered, about 9% of the Alaskans involved in accidents were uninsured. a rate within the range of the 3% - 10% rate in states which already required proof of insurance before registration. There is simply a certain group of people one is never going to reach.

I don't expect this lengthy letter to change your views, but I appreciate your taking time to look at some other aspects of the issue. I'm sure it will be on the agenda for the next legislative session. You may want to make your views known to your elected representatives in the meantime.

Sincerely,

Dick Eliason

Senator Dick Eliason

P.S. No, I'm not "one of them [uninsured motorists]" myself.

ALASKA STATE LEGISLATURE · SENATE

SENATOR RICHARD I. ELIASON

RULES COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, VICE-CHAIRMAN
LEGISLATIVE COUNCIL
RESOURCES COMMITTEE
FISHERIES SUBCOMMITTEE, CHAIRMAN

P.O. BOX 143
SITKA, ALASKA 99835

P.O. BOX V
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(907) 465-4916

May 31, 1988

Donald L. Craddick
P. O. Box 678
Sitka, Alaska 99835

Dear Mr. Craddick:

In response to your recent letter expressing your disappointment with the fact that mandatory auto insurance legislation (CSHB 44[Fin]am) did not pass the Senate last session, I would like to share a few thoughts with you.

The issue of mandatory auto insurance has been a controversial one from the beginning, and although there was no lack of debate on the current law prior to its passage in 1984 there were many legislators who shared the view that this law was not necessarily a good one. It was for this reason that the law was made subject to a sunset provision.

As you know, sunset provisions are put in place so that programs will be reviewed to determine whether or not they are performing as expected. If they are not, then they can be discontinued. The Department of Public Safety recommended last year that the law be sunsetted. The mandatory insurance requirement is enforced by the Department only when an accident occurs, and is not enforced when a 6 point violation occurs.

The cost of the law has not been adequately recognized when it comes time to fund the program. The first year the law was in effect the cost to the Dept. of Law, the Court system, and the Dept. of Public Safety was three-quarters of a million dollars, excluding costs of the police officer and costs to the Dept. of Corrections.

While it is true that the mandatory auto insurance law did have an impact on reducing the number of uninsured drivers, it is questionable whether the value of the program justifies the costs of administering it. The financial responsibility law will kick in on January 1, 1989, when mandatory auto insurance is terminated. Statistics compiled on Alaska's financial responsibility law, indicate that of the drivers involved in motor vehicle accidents, the number of instances of liable uninsured motorists failing to fully reimburse amounted to less than 3%. Some of the people involved in these accidents may have carried uninsured motorists coverage, which would further reduce the number of instances in which there was no compensation.

Even with the mandatory auto insurance law in place, accidents occur in which the liable driver is uninsured, and the party who is <u>not</u> liable can end up without compensation unless covered by uninsured motorists coverage. Uninsured motorists coverage will remain available, due to a provision put into law 4 years ago, at the time mandatory auto insurance legislation was enacted. Even following the termination of mandatory auto insurance, if one has this coverage and is hit by an uninsured motorist, it will not cause one's rates to go up.

I hold that auto insurance, much like homeowner's insurance, health insurance, or life insurance, is purchased by and for the individual on a voluntary basis. The cost of purchasing auto insurance increased following the enactment of the mandatory auto insurance law, although most insurance companies will not acknowledge a causal relationship between the two. Now that the mandatory auto insurance law has been sunsetted, rates are going down, although insurance companies attribute this to a decreasing numbers of accidents.

If the issue of mandatory auto insurance is truly close to the public's heart (and I had no such indication during the session from many members of the public or the majority of my colleagues) it should not be difficult to address the issue early in the next session. The mandatory auto insurance law will remain in effect until January 1, 1989, although the extent to which it has been enforced during the past year is questionable. In order to comprehensively and successfully address the matters of adequate coverage for motorists and affordable insurance, it is important for other key issues to be resolved: issues such as tort reform.

I appreciate you taking the time to consider my views.

Sincerely,

Dick Eliason

Senator Dick Eliason

DONALD L. CRADDICK
ATTORNEY AT LAW
713 SAWMILL CREEK ROAD
P.O. BOX 678
SITKA, ALASKA 99835
(907) 747-3205

May 18, 1988

Senator Dick Eliason
Box 143
Sitka, Alaska 99835

Re: Auto Insurance Law

Dear Dick,

I cannot express too strongly my dissatisfaction and regret that the State Senate allowed Alaska's mandatory auto insurance law to lapse.

I have defended automobile accident claims and I have represented plaintiffs in automobile accident claims. I cannot understand how a responsible state legislature could fail to recognize the need for automobile insurance as a pre-requisite to lawful driving in the state of Alaska.

I cannot accept as an excuse this bill languished in State Affairs. Senators must have more interest in the welfare of Alaska residents than that.

I do not accept that the Rules Committee (your committee) was in a position of not being able to move the bill out of Rules Committee when you finally did get it. To me, this simply shows that the Senate fell down on the job, as it did in many other areas this year with the respect to the enactment of responsible legislation.

I am deeply disappointed.

Very truly yours,

Don

Donald L. Craddick
Attorney at Law

DLC/kb

cc: Representative Ben Grussendorf
Mitch Abood (State Affairs Committee)

LAW OFFICES
STEPHEN M. SIMS
N STREET PLAZA
821 N STREET, SUITE 208
ANCHORAGE, ALASKA 99501
(907) 276-5858

May 17, 1988

Senator Richard I. Eliason
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Re: Mandatory Automobile Insurance

Dear Senator Eliason:

I was greatly disturbed to find out someone misinformed you about the effects of loss of mandatory automobile insurance.

Enclosed is the headline article from the Anchorage Daily News and an article from the Anchorage Times on May 12, 1988 proving rate decreases. This is the second decrease for automobile insurance in two years. I would also like to point out the following:

1. Much of the public is unaware of the need for uninsured motorist coverage. Did you understand it before you were elected?

2. Children, passengers and people who do not drive are unprotected as innocent passengers if riding in a vehicle without uninsured motorist coverage or liability coverage. Who asks them when they get in a vehicle? Children are incapable to do so.

3. Since 1985 the automobile insurance rates have gone down in Alaska as we distribute the cost and risk to the high risk people who previously drove without insurance. All of the responsible people are getting a break.

4. The law passed in 1984 and effective January 1, 1985 raised the minimum from $25,000 to $50,000 and now carriers may be able to write the minimum at $25,000 again, and our rates will go up for one-half the coverage the public previously enjoyed.

5. As far as administrative cost, I view $750,000 paid by the State as cheap when State Medicaid will pay far in excess of this amount (See AS 47.05.070) and hospitals and doctors will pass the bill on to the State or to the paying public for unpaid bills.

Please send me a copy of the January 16, 1987 report to the legislature by the previous commissioner, William Nix.

Who besides Nix had negative input on mandatory insurance? An unfortunate mistake has been made that needs to be swiftly rectified.

Sincerely yours,

Stephen M Sims

STEPHEN M. SIMS

nls
ML/L14
Enclosures

cc: Representative Dave Donley
Pouch V, Juneau, AK 99811

ALASKA STATE LEGISLATURE - SENATE

SENATOR RICHARD I. ELIASON

RULES COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, VICE-CHAIRMAN
LEGISLATIVE COUNCIL
RESOURCES COMMITTEE
FISHERIES SUBCOMMITTEE, CHAIRMAN

P.O. BOX 143
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(907) 465-4916

June 1, 1988

Stephen M. Sims
821 N. Street, Suite 206
Anchorage, Alaska 99501

Dear Mr. Sims:

Your letter of May 17 contains a request for a copy of Commissioner Nix's January 16, 1987, report to the President of the Senate. A copy of that report is enclosed.

I regret that you believe that someone has misinformed me about the effects of loss of mandatory automobile insurance. This was not the first year that the issue has come before the legislature, and it has not ceased to be controversial.

The first point outlined in your letter, "Much of the public is unaware of the need for uninsured motorist coverage. Did you understand it before you were elected?" seems to be rhetorical, however you may be interested to note that I was involved in the successful effort to include provisions in law at the time the mandatory auto insurance law was passed requiring insurers doing business in the state to offer uninsured and underinsured motorists coverage. These provisions will remain on the books following the termination of mandatory auto insurance provisions.

I received only a handful of communications from Alaskans on the auto insurance issue during the last session, and the issue did not loom large in the Senate. If the people of Alaska clamor for mandatory auto insurance as they have clamored for tort reform, the matter will likely be before the Legislature early in the next session.

Sincerely,

Dick Eliason

Senator Dick Eliason

April 4, 1989

Senate Labor and Commerce Committee
Alaska State Legislature
P.O. Box V
Juneau, Ak. 99811

RE: HB44--Ak. Mandatory Auto Insurance law

ATTN: Chairman Richard Eliason

Dear Chairman Eliason:

I feel immediate action must be taken on the HB44--renewal of Alaska's mandatory auto insurance law.

As Alaskans, we are, or should be, responsible for all of our actions. Auto insurance will serve just that purpose for all Alaskan drivers--it will make a person resoponsible for his/her actions while driving a motor vehicle. The majority of Alaskans driving without any auto insurance could never pay for personal or property damages to a second party--and they don't particularly care either. So, I feel it is just a natural thing to do--impose mandatory insurance on all of us and help make us all responsible for our actions while driving.

Sincerely,

Rick Cook

Rick Cook
5060 East 98th Ave.
Anchorage, Ak. 99516

cc: D.Donley
House Labor & Commerce Committee

Chevron
Saupe Enterprises, Inc.
Jobber, Chevron U.S.A. Inc. Products
P.O. Box 510, Fairbanks, AK 99707 • Phone: 452 1238

April 5, 1989

Senator Dick Eliason, Chmn.
Senate Labor & Commerce Committee
P.O. Box V
Juneau, AK. 99811

RE: HB-44

Dear Senator Eliason:

I would appreciate and urge your passing out HB-44 "Mandatory Insurance" (or a similar Committee Substitute if that is what is being prepared), at the earliest possible date.

I believe it is not unreasonable to expect other drivers who enjoy their driving privileges to provide at least a reasonable amount of financial responsibility, and I would be disappointed if this issue gets lost in the last minute shuffle!

Your consideration would be appreciated.

Sincerely,

B.H. Saupe'

Juneau Empire
11/21/88

How to repair auto insurance

Californians are mad as hell about soaring auto insurance rates, and now have done something about it. Ignoring a $60 million advertising effort by the industry, they voted to cut all property and casualty insurance premiums below 1987 levels and to regulate future increases tightly.

The anger notwithstanding, sky-high premiums in the competitive California insurance market reflect sky-high costs, and insurers aren't about to commit suicide by writing policies at a loss. The only practical way to lower insurance prices in California (and other high-premium states like New Jersey and Massachusetts) is to lower costs. And the only way to lower costs is to [illegible]te "no-fault" compensation systems that make it virtually impossible to sue for personal damages.

ISSUE: From Friday's edition of the New York Times

Californians have a right to be fed up. The typical auto insurance premium has doubled, to $700, since 1982. In Beverly Hills a 30-year-old male with an Oldsmobile sedan and a spotless driving record pays $2,700 a year, largely because claim losses have been rising explosively. But the remedy the voters chose is a recipe for chaos.

Proposition 103 would give all drivers a 20 percent price break and good drivers another 20 percent on top of that. Premiums would be frozen for a year unless the insurer could show that it was in danger of insolvency. After that, increases could be vetoed by an elected insurance commissioner.

The California Supreme Court has halted enforcement to let insurers appeal the initiative's constitutionality. No one is sure what will happen if the companies lose their appeal. But there's not the slightest evidence that the insurance business in California is excessively lucrative or that companies could live for long with deep cuts in premiums.

The best guess is that some businesses will leave the state and others will become extraordinarily fussy about whom they insure and for how much. Most drivers will end up in the "assigned risk" pool, paying exorbitant rates.

Such a breakdown of the insurance system would not be unprecedented. In New Jersey, where regulators must approve rate increases and premiums are even higher than in California, half of all car owners are assigned risks. An additional 400,000 flout the law by carrying no insurance at all.

If regulation isn't the answer, what might be? Tougher federal safety standards for cars and tougher enforcement of traffic laws would help a little, and would be desirable in their own right. Requiring insurers to offer $1,000-deductible coverage for theft and collision damage gives car owners a way to economize.

But in an environment of ever-higher traffic density and deteriorating roads, the only way to make a big difference is to create a strict "no-fault" system in which injury victims' compensation is limited to medical bills and lost income.

No-fault's image is badly tarnished because it failed to reduce costs in many states that converted over the last decade. The problem, however, was not in concept but in execution. Responding to pressure from trial lawyers, most state legislatures left plenty of room to sue in their no-fault statutes. In Florida, which defeated these loopholes, the average car owner pays just $400 for insurance.

California isn't about to pass a no-fault law. In fact, the voters just rejected a no-fault alternative to Proposition 103 sponsored by the insurance industry. But with luck, the mess created by 103 may sober up consumer groups in other states. The only effective way to contain auto insurance costs is to keep accident claims out of the courts.

Mandatory car insurance is unnecessary, unwise

By DICK RANDOLPH

COMPASS
POINTS OF VIEW FROM OUR COMMUNITY

I am and always have been opposed to mandatory insurance laws, as is most of the insurance industry. They are unnecessary, unwise, unenforceable, ineffective and costly.

• Unnecessary — because anyone can purchase bodily injury and property damage, uninsured/underinsured motorist coverage at very nominal rates; far less than their share of the cost of a mandatory program with attempted enforcement.

• Unwise — because it allows the political system to intrude into what should be, and is, one of the few industries that is still relatively market sensitive. By and large the current rating structures reflect and spread the premium cost according to actuarially sound risk factors. In other words, those driver classes and cars most likely to crash and sustain the greatest losses pay the most premium.

When the politicians get involved, they disrupt this actuarially sound rating process and try to allocate and spread cost based on political considerations. Once the politicians mandate coverage, they get involved in trying to force the industry to insure all drivers, no matter how irresponsible, at an "affordable" rate. This forces the insurance companies to cover the bad drivers and charge less than they deserve — thus requiring that the good drivers pay more than they should.

• Unenforceable — because there are always those who will find a way to avoid repressive laws. Every system of attempted enforcement of mandatory insurance laws in other states has proved to be very costly, very cumbersome, very inconvenient to the insured public and not very effective. Every time a payment is late, or an insured changes companies or any number of other typical routine transactions take place the enforcement process is triggered and causes great cost, uncertainty, frustration and inconvenience.

• Ineffective — experience has proved that states like New Jersey and Massachusetts — with the most severe mandatory laws and the most intrusive political involvement — have the highest rates, the most restrictive insurance markets, the most cumbersome and costly regulatory maze. In New Jersey, 53 percent of the insured drivers have been forced into the assigned risk pool and have very high rates. Ironically, these and other mandatory insurance state have about the same percentage of uninsured drivers as non-mandatory states do.

• Costly — The cost of this increased political regulation to the industry is passed on to the insuring public. The cost of the increased government bureaucracy is passed on to the taxpayer. In the end we have a far less effective, more costly, unfair system, and everybody is more unhappy than before.

The answer is to deal effectively with the abuses in the legal system and the medical delivery system, plus the outright illegal activities such as arson, theft and fraudulent claims. The major factor in car insurance cost is losses paid and these are only a reflection of the cost of what insurance pays for — damaged cars and broken bodies and all their related cost.

In the final analysis people wishing to be certain they are protected against the uninsured should purchase uninsured and underinsured motorist coverage. The cost is nominal and coverage up to $1,000,000 is available to most drivers.

I should also note that believe that people should be held accountable for their negligence, whether or not they have insurance.

If the legal system required that, which it does not presently, all thinking persons, in their own self-interest, would carry insurance or otherwise cover their potential liability — voluntarily. The risk and penalty of being irresponsible and unable to readily compensate for one's negligence would simply be too great, thereby providing the natural motivation to act responsibly.

☐ **Dick Randolph is a Fairbanks insurance agent and former state legislator.**

Is mandatory insurance needed?

Dear Editor:

Let's talk about mandatory insurance and what it will not accomplish. First of all, it will not keep people like the driver with 21 citations and 4 license suspensions off the road, or keep them from killing people and they will NOT BE INSURED. Unless you are going to assign a full time police officer to every citizen of Alaska for 24 hours a day, you cannot stop the chronic alcoholics or just plain drunks from getting behind the wheel of a car.

But that probably isn't the real purpose for mandatory insurance. It must be that the proponents want to be sure they are protected in the event they are in an accident in which the other party is at fault. To the best of my knowledge, all of us who are fortunate enough to have good jobs and be in the middle or upper income brackets with assets to protect, have always purchased insurance to protect our own ass-ets.

In the oft chance that we might be struck by an uninsured driver, heaven forbid, we might have to pay our own $100, or even $500 deductible, which we won't get back, but since we are fully insured, we have uninsured motorist coverage to protect us and medical payments coverage to pay our bills should we be unfortunate enough to be injured. If our vehicle is damaged or destroyed, we have collision coverage to repair or replace it, so the bottom line is, the most we could be out is our collision deductible, if we should happen to have an accident with an uninsured driver and it was not our fault. If the accident is our fault, it doesn't matter if the other driver is insured or not.

There are a lot of very good and responsible young drivers on the road, some of them young married couples; some of them single heads of households wherein their age, marital status, sins of their youth, etc. are going to cause their insurance premiums to be astronomical who simply cannot afford the $1,000, $2,000 or more it will cost them to be insured. Sure, they would love to have insurance the same as all of us, but it becomes a choice between paying the rent, putting food on the table for their families, paying for a 10 or 15 year old clunker to get them to work at their $5 an hour job, or paying for mandatory insurance to protect you and me – who are already protected by our own resources that we are fortunate enough to be able to provide, because we cannot afford to be uninsured.

Let's think about this before we just jump blindly on the "bandwagon of mandatory insurance," because someday all of you lucky people might find yourself in the same situation as those who are uninsured and unfortunate enough not to have the funds to change the situation.

There is one last point to ponder. Mandatory insurance is incredibly expensive to administer and police (and I can think of several ways that people could slip through the loopholes). Knowing how these things work in Juneau, I foresee another huge bureaucracy, hiring many more high priced state employees to try to keep all these poor people insured or revoking their licenses, which will then force them to drive uninsured and unlicensed or having to give up their cars (and their jobs) and go on welfare, thanks to "Big Brother" looking out for all of our best interests. Thanks a lot, but no thanks.

Renee Murray
Anchorage

Juneau Empire 2/1/89

HIT & Run

BY SHEILA KAPLAN

The insurance industry is one of the biggest industries in America. And it's riding roughshod over lawmakers, regulators and the American public.

The Federal Trade Commission (FTC) knew it had a problem when late-night TV commercials for health insurance preempted ads for Ginsu knives and Vegamatics. Agency staffers suspected thousands of Americans would fork over their retirement funds for overpriced, inadequate coverage.

Barred by federal law from investigating the insurance industry, the FTC persuaded Congress to make an exception, allowing it to determine whether ads selling so-called Medigap insurance, featuring celebrities like Harry Morgan and Ed McMahon and targeting the elderly, were deceptive. The FTC's report, due for release this summer, is expected to be highly critical. But, says agency spokesperson Anna Davis, "even if we find out there is a huge problem in this area we'll just send a report to Congress. We can't do anything."

The agency has been similarly hamstrung on property and casualty insurance complaints of recent years, ranging from soaring premiums and canceled or reduced coverage to redlined neighborhoods and cities.

"The fact that liability insurance in so many industries is skyrocketing made us wonder, is there perhaps collusion or were costs actually rising that high?" Davis says. "Were poor investments made and were companies trying to recoup their investment losses through premiums? We would have liked to study this, but we can't even look at it . . . because maybe we'll find a problem."

Maybe they would. But the 1945 McCarran-Ferguson Act exempts the insurance industry from federal study — and from the antitrust laws that govern other industries as well. The act followed a Supreme Court ruling that insurance companies feared might deny states the right to oversee the industry and states feared might forfeit their ability to tax insurance companies. At the time, President Franklin Roosevelt and others said such worries were unfounded, but Congress adopted the measure, leaving insurance regulation and oversight to the states.

"Frankly," FTC Chairman Daniel Oliver told a meeting of state insurance commissioners, in reference to the bill, "I don't understand how anyone ever made

Sheila Kaplan is a staff writer. Editorial/research assistant Anna Mangum also contributed to this article.

either of these arguments with a straight face. Maybe no one ever did. . . . But with or without straight faces, insurance companies won the right to continue to conspire and combine to restrain competition — without intervention from the Feds."

Oliver's comments refer to the unusual legal exemption that lets the insurance industry pool certain types of information — an arrangement insurance companies say is vital to setting rates, but that critics say sets the stage for price-fixing, boycotts and other activities that hurt consumers.

This debate is central to a lawsuit filed last March by the attorneys general of eight states against four U.S. insurers — Allstate, Hartford, Aetna and CIGNA. It alleges they conspired with other insurance interests and the Insurance Services Office (ISO), an industry group that gathers information and recommends rates, to reduce or end certain types of coverage as a way of increasing profits — kicking off the so-called liability crisis. The attorneys general claim the insurance companies violated the McCarran-Ferguson prohibition against boycotts, coercion and intimidation, charges the industry denies. In June, 10 other states filed a similar suit against 31 insurance companies and industry associations, and Texas has filed a separate suit in state court.

Evidence produced in the course of the suits may fuel the move for repeal, but the industry has managed to maintain its antitrust break for more than 40 years — despite opposition from three White House administrations, the FTC, the Department of Justice, consumer groups, small business, banks, some members of Congress and the National Association of Attorneys General.

During this time the average household's insurance bills have ballooned — today representing 15 percent of its disposable income, just behind housing and food, according to the National Insurance Consumer Organization (NICO), a Virginia-based consumer advocacy group. Auto insurance increases are among the most dramatic. Premiums rose 9 percent in 1987, when inflation was 4 percent; 13 percent in 1986, when inflation was 1 percent; and 11 percent in 1985, when inflation was 4 percent. And for all the industry's complaints about the cost of doing business, last year it pulled in $13.7 billion in profits on casualty and property insurance — about one-third of total industry profits.

Despite the size and significance of this industry, in many parts of the country it is virtually unregulated. According to a Bureau of Labor Statistics report for February 1988, insurance employs more than two million people; banking, by comparison, employs 1.7 million and is regulated by the Federal Reserve Board, the Federal Deposit Insurance Corp. and the Treasury and independent state banking departments. Only a handful of states — among them Florida, New York and New Jersey — have the resources or the mandate to give the insurance industry more than perfunctory attention.

"The insurance lobby has been able to shield price-fixing from federal antitrust scrutiny not by force of argument but by sheer political muscle," said Sen. Howard Metzenbaum (D-Ohio) at a mid-June hearing on his bill to repeal the McCarran-Ferguson exemption. The insurance companies, Metzenbaum said, should "play by the same rules as everyone else." Oliver, the FTC's Republican chairman, agrees. McCarran-Ferguson is unnecessary and "denies consumers the best array of insurance services at the lowest possible cost," Oliver says.

Outgoing New Jersey Democrat Rep. Peter Rodino chairs the House Judiciary Committee, where a similar debate on McCarran-Ferguson is taking place. He says repeal would end a host of questionable insurance practices that have adversely affected consumers. "This measure would ensure that the consumer has an effective safeguard against anti-competitive conduct on the part of the insurance industry, whether through the mechanism of state regulation or through the antitrust laws," he says.

PHOTOGRAPHY BY STEVE WEBER

Repeal is not a cure-all for the industry. Experts disagree on how much premiums would drop, and some experts say any drop would be negligible. But an end to the exemption would not only permit FTC study, but would make public information on profit and loss data now maintained by ISO for the industry's eyes only.

The battle over repeal is taking place in Washington, where the strength of the insurance industry is well known. Insurance companies and trade groups gave more than $6.4 million in campaign contributions to federal candidates in 1985-86. They maintain a network of thousands of agents who barrage members of Congress with calls, letters and telegrams during critical votes and produce dozens of lobbyists to crowd committee rooms during hearings on insurance issues. What is less widely known is that the industry has an even stronger grip on the states.

Moves toward repeal face a tremendous state power base: a revolving door between the industry and state insurance commissioners, who run the state departments; a large, monied group of insurance agents and owners in every district, many of whom donate money and time to political campaigns or run for office themselves; and a large contingent of well-paid lobbyists.

State insurance departments, headed by elected or appointed officials usually called commissioners, are charged with reviewing rate requests, answering consumer complaints and enforcing state laws. Few are consumer zealots. Says John Ingram, a former North Carolina insurance commissioner who retired in 1984 after 12 years in office, "There are only a handful of insurance commissioners who are really working for insurance consumers."

A recent study by the National Association of Professional Insurance Agents and the Consumer Insurance Interest Group, which includes both industry and consumer representatives, notes that although the quality of regulation has improved significantly during the last 10 years, "the advances appear to lag behind the rising level of sophistication of the insurance industry and the increasing need of insurance consumers."

For example, the report says that out of 3,044 requests for rate increases nationwide in 1986, state insurance departments held hearings on only 44. Of the other 4,310 requests, referred to as filings, that did not require state approval but were eligible for public hearings, all were passed without such hearings.

The report also says, "In most states, regulators lack the personnel and tools to properly fulfill their missions of providing adequate consumer protection and monitoring insurers for solvency." The average insurance department employs about 1.4 actuaries, responsible for reviewing well over 2,000 filings annually. In addition, it notes, only half the departments keep track of complaints by company. In the typical state, less than than 6 percent of the annual insurance-premium taxes collected are spent on regulating the industry. Says Texas Attorney General Jim Mattox, "The insurance industry is so powerful today that, when acting together, it completely overwhelms the regulatory capabilities of the states."

"The insurance industry is so powerful today that, when acting together, it completely overwhelms the regulatory capabilities of the states," says Texas Attorney General Jim Mattox.

Two groups are symbolic of the industry's continuing success: the National Association of Insurance Commissioners (NAIC), an organization of state insurance directors and commissioners, and the National Conference of Insurance Legislators (NCOIL), made up of state lawmakers who serve on insurance committees.

The memberships of both groups reflect the symbiotic relationship that some insurance legislators and commissioners privately acknowledge hurts consumers. Robert Hunter, president of the consumer organization NICO, serves on NAIC's Market Conduct and Consumer Affairs Advisory Committee — the sole consumer representative out of the dozen or so members. "I think it makes the NAIC look silly to have its consumer affairs advisers from a committee so constituted," he once informed NAIC.

Most of NAIC's annual conferences and committee meetings, where model legislation is discussed and policy hashed out on issues ranging from AIDS to spiraling auto rates, are clearly dominated by industry "advisers." Former Massachusetts Insurance Commissioner Peter Hiam accuses insurance industry representatives of being "influential and often dominant participants in NAIC deliberations" and of drafting reports and model insurance legislation. Writes Hiam, "By playing such a major role in NAIC, the insurance industry could be considered to be regulating itself." Hiam cites as an example last year's NAIC meeting, where the industry persuaded the group not to forbid insurers to test for exposure to the AIDS virus.

"That gave them a license to do it," Hiam says.

NCOIL is even more of a political hybrid: a private group of public officials sponsored in part by insurance companies. The insurers pay for the privilege of serving as NCOIL "advisers," and thus enjoy an enviable kind of access and input to the legislative process. Members of NCOIL are the only lawmakers in the United States who solicit annual dues from the industry they are charged with regulating. NCOIL uses industry money not only to produce educational materials and sponsor conferences, but also to lobby Congress — an arrangement tantamount to having chemical companies fund the

Washington lobbyist for state environmental officials. The group's first Washington lobbyist, registered in March, is former insurance executive Robert Mackin, who is leading its fight to save McCarran-Ferguson.

New York State Assemblyman Frank Barbaro (D-Brooklyn) says most statehouse representatives view NCOIL as an industry support group. "I think the insurance industry has a right to set up lobbyists wherever they want to," Barbaro says. "But it violates the openness of government to set up an organization that is clearly lobbying insurance industry interests and trying to delude the public."

Rep. Don Edwards (D-Calif.), who is sponsoring the House bill to repeal the McCarran-Ferguson exemption, says, "They are tilted toward the industry. It's disgraceful the way the insurance committees don't do their job. You know they are just gung ho for insurance."

One reason is many NCOIL members work for the industry. NCOIL's 1988 almanac, which lists occupations of many but not all relevant committee members, shows that in 14 states, house or senate committees that regulate insurance are chaired by present or former insurance professionals. In 11 states insurance professionals serve as senate and assembly presidents or minority leaders or in other positions of party leadership. In 18 states, insurance professionals serve as insurance/commerce committee chairs, vice chairs or ranking minority members. This gives the industry a built-in lobby, not including the registered lobbyists political observers say make up the biggest block of lobbyists in many states.

"There are at least 25 lobbyists up there at all times," says Minnesota's Commissioner Michael Hatch, reeling off a list of firms he encounters in the state capitol. "They are the largest lobby in the state."

Hatch also points to insurance industry campaign contributions, which he says legislators know they can depend on if they sign onto an insurance committee. "It's incestuous and of course they have a direct interest," Hatch says. "The person going there isn't going there for any sense of idealism."

A look at financial disclosure statements of NCOIL members in key states where figures are available shows a strong reliance on industry money.

Insurance political action committees (PACs) contributed a total of $65,767 to Pennsylvania state legislators from 1985 through mid-June 1986. Almost half of the total came from the Insurance Federal of Pennsylvania Inc. PAC. Republican Sen. Edwin Holl, chairman of the Banking and Insurance Committee, was the top recipient in the statehouse, netting $8,750. State election records of his 1987 PAC contributions over $250 show Holl received one-third, totaling at least $11,000, from insurance PACs.

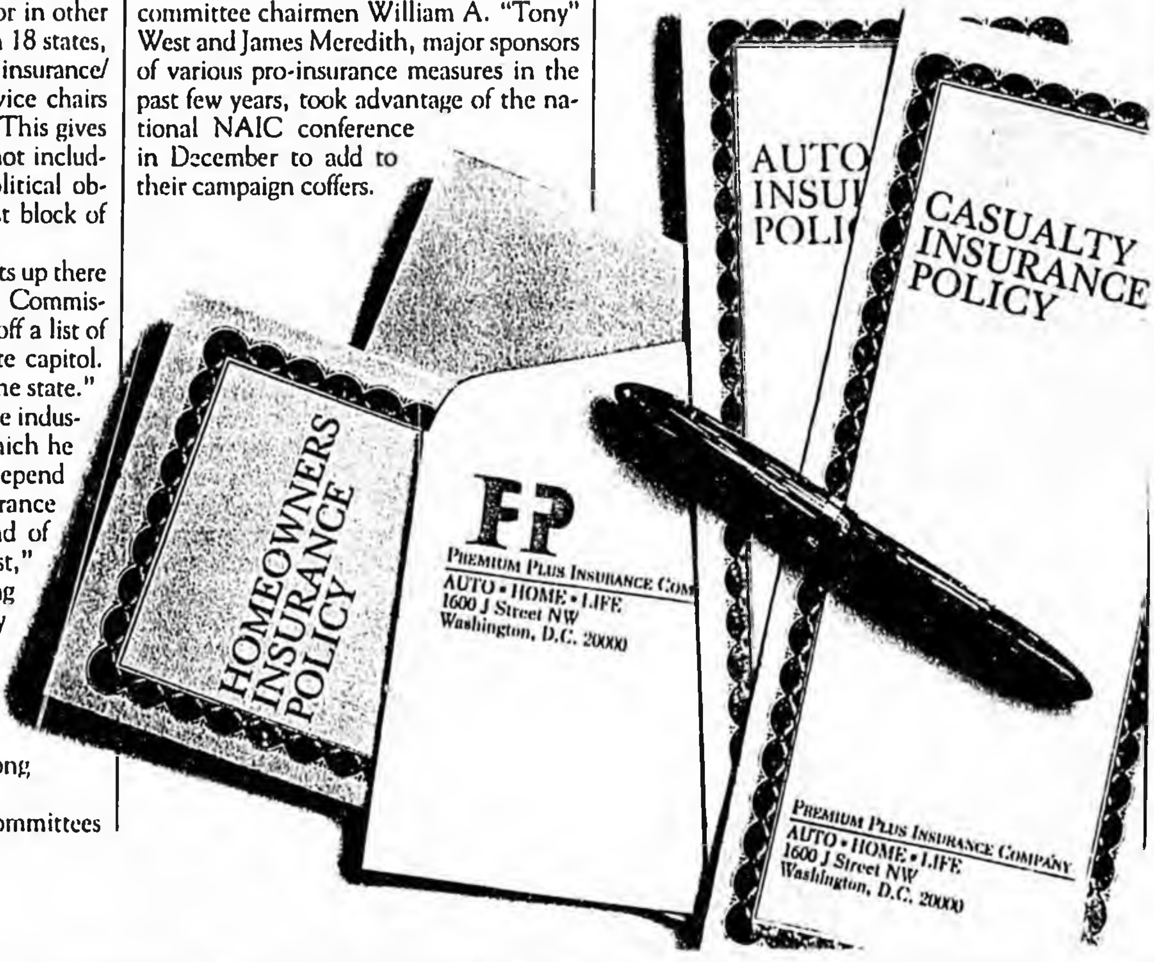
In New York, Sen. Joseph Bruno (R-Brunswick), chair of the Senate Insurance Committee, got $37,700 — 35.6 percent of his 1985-86 total — from groups with insurance interests, according to financial disclosure statements reported by the *Albany Times-Union*. The newspaper also disclosed that Del. Howard Lasher (D-Brooklyn), chairman of the Assembly Insurance Committee, received $61,400 from insurance interests during the same period — representing an astounding 55.5 percent of his contributions. An examination of campaign contributions filed from mid-January 1987 through 1988 shows the insurance industry continued to pour money in after the election, giving Lasher more than $25,750, slightly more than half his off-year intake.

In Arizona, senate and house insurance committee chairmen William A. "Tony" West and James Meredith, major sponsors of various pro-insurance measures in the past few years, took advantage of the national NAIC conference in December to add to their campaign coffers.

Several days before the conference began they held a joint committee hearing on McCarran-Ferguson. Several insurance executives, including Debra Rana, assistant counsel of the National Association of Independent Insurers of Chicago, and Frank Matricardi, vice president for planning and legislation, Maxicare Arizona, testified against repeal. That night, Rand and Matricardi were among the contributors at a joint fundraiser for the two lawmakers, sponsored by Jones, Skelton and Hochuli, a law firm that lobbies on behalf of several insurance companies, and Blue Cross/Blue Shield of Arizona. The fundraiser brought in $3,560, almost exclusively from insurance PACs, agents or executives, some from out of state.

Several weeks later, West's committee adopted a resolution affirming the state's support of McCarran-Ferguson. The resolution was passed by the senate and is now being considered by the house.

Arizona Democratic Rep. Debby McCune, a former insurance agent herself, says, "I think [giving money] is exactly the kind of thing that would be smart for a lobbyist to do. I don't necessarily think that it's smart for a legislator to accept."



Campaigns for insurance commissioners, elected in 11 states, are also fueled by the industry.

In Florida, for example, PACs and individuals in the insurance field hedged their bets in 1986 by giving heavily to both candidates. Records of donations of $500 and above show the industry spent a total of $304,000 in 1986 to help reelect William Gunter, a former U.S. Congressman and NAIC president. Gunter's opponent, Van B. Poole, drew $151,000 — nearly 30 percent of his total receipts.

Brooklyn Democratic Sen. Donald Halperin, newly elected president of NCOIL, favors public financing of state elections, but in the meantime, he says, echoing several commissioners, he'll take what comes. "I would love to solve this problem and I don't think it is limited to the insurance industry," he says.

Part of the blame for weak state regulations can also be pinned on the revolving door between state office and industry. "Too many insurance commissioners spend their time planning for the day when they will land a lucrative job with the industry," charges Sen. Metzenbaum.

An analysis of this year's NCOIL almanac shows that 16 of some 53 current commissioners have worked for the industry. A recent *Journal of Commerce* survey of insurance commissioners who left their jobs in the past four years shows that about 25 percent wer.. directly into the industry. Another 17 percent left for law firms where they handle some insurance-related business.

Among the most controversial moves was that of former Maryland Commissioner Edward Muhl, who in December announced his resignation from his state office to accept a post with Royal Insurance in North Carolina. Muhl presided over the December 1987 NAIC meeting in the interim. "I think it's incredible that nobody even said boo," says the insurance consumer organization's Hunter, noting in response to a NAIC survey, "The relationship must be different if NAIC is ever going to be viewed as a real regulatory body."

Muhl characterizes Maryland's current ethics law as among the strictest in the nation and notes that he followed it to the letter, turning his work over to his deputy and filing with the state ethics commission once he made his decision. "When I was a regulator I took my job extremely seriously and attempted to do the best job I could for the citizens in my state. I was in state service for 17 years. If it's a revolving door, it's a very slow-moving one."

But the fact that the law is broad enough to allow such actions is disturbing to some commissioners and consumer groups. "It's an illegitimate criticism of an individual, but not an illegitimate criticism of the system," says Delaware's Insurance Commissioner David Levinson, who favors a one-year hiatus before an insurance commissioner could work for a private insurance firm.

Texas attorney Tom Bond, of Akin, Gump, Strauss, Hauer & Feld, and counsel to NAIC, disagrees, saying, restrictive legislation could affect the quality of applicants for public jobs. "It's hard to go to school and get a degree in insurance," Bond says. "You sort of have to learn about how it works somewhere, and many of today's regulators are learning it on the job, which is fine. But what they'll do with their lives after they know something about insurance is hard to imagine if they cannot work in and around the industry."

In the meantime, the system works well for the industry. "I do believe the insurance industry has largely captured the state process," says Mark Kindt, who recently resigned as West Virginia deputy attorney general to become regional director of the FTC in Cleveland.

Part of the blame, Kindt points out, lies with state regulators' contradictory goals: maintaining a healthy industry and ensuring that rates are not excessive, inadequate or discriminatory. Add political pressure, an average department funding of less than one-tenth of 1 percent of the typical state budget and the result is that many states simply rubber-stamp rate hikes and other industry requests.

Joseph Belth, insurance professor at Indiana University and publisher of a monthly newsletter on the subject, says his state insurance department is severely understaffed. "If [department officials] want to fight an insurance company they might have a part-time lawyer . . . and the insurance company goes in with 10 top guns and hires the best lawyers in the state with the most political power and just overwhelm the regulatory body."

If the states are paralyzed, can consumers count on the federal government to take charge? Recent events aren't encouraging. West Virginia Attorney General Charles Brown, testifying in Congress before filing the lawsuit, pointed to the industry's ability in 1986 to pull together nationally to exert pressure. "The power displayed was the combined, coordinated, simultaneous mass cancellation of medical malpractice coverage in our states," he maintains, and is an example of why the McCarran-Ferguson exemption must be ended.

"Where else in the American economy do prices rise for goods and services by hundreds of percents?"

It was during the crisis in liability coverage that many state regulators recognized their embarrassing inability to get reliable information on industry profits and losses. "Throughout the whole insurance crisis we became painfully aware that [the] data was only as good as that submitted by the industry," recalls Minnesota Commissioner Hatch.

In Washington similar problems were uncovered during 1986 House Judiciary Committee hearings on the insurance "crisis." "The insurance companies came in and were very secretive," recalls Rep. Don Edwards (D-Calif.). "They wouldn't tell us what their profits were and what they had in reserve."

Despite the industry's closed-door operations and general lack of accountability, Rodino said his subcommittee was able to learn enough to conclude that the liability insurers actually received far more in premiums over the previous decade than they had paid out in claims. Specifically, 57 cents came in for every 29 cents paid out. Similar discrepancies came to light at the Senate subcommittee hearing in June. Texas Attorney General Mattox said industry figures show that between 1985 and 1987 profits on property and casualty insurance rose from $2.1 billion to $13.7 billion. His own figures put the increase closer to $20 billion.

Despite such findings, repeal of McCarran-Ferguson looks like a dim possibility. NAIC and NCOIL are both lobbying against repeal, which they view as a stepping stone to further federal intervention. The groundwork was set last summer, when NCOIL leaders and insurance industry lobbyists swarmed a meeting of the National Conference of State Legislatures (NCSL) and persuaded NCSL members to block continuation of the group's previous support for repeal — a move that substantially hurt repeal efforts in Washington.

"I have rarely seen anything so heavily lobbied," says Illinois state Rep. Woods Bowman (D-Cook County). It didn't hurt that some sympathetic NCSL members are also insurance agents, including state Sen. Richard Worman of Indiana and state Sen. John Larson of Connecticut, president of the insurance firm Larson & Lysik.

The industry line on McCarran-Ferguson remains that the federal government should stay out of state affairs. Robert Seiler, a senior executive with Allstate Life Insurance Co. who testified last August on behalf of 10 insurance groups before a House subcommittee, characterized the notion that the federal government should intercede as "federal elitism." That stance is particularly ironic since insurance lobbyists are begging the federal government to intervene at the state level to keep banks out of the insurance field.

Industry profits soared between 1985 and 1987, despite widespread fears of an insurance "crisis." Between 1976 and 1986 liability insurers collected 57 cents for every 29 cents paid out, one study showed.

NAIC officials also contend that existing regulations are enforced with sufficient vigor, an assertion Metzenbaum calls "unadulterated hokum."

In both the House and Senate versions of the legislation amending McCarran-Ferguson, states retain the right to enforce their regulations. Metzenbaum and Edwards view their measure as a means to provide federal help on antitrust cases and send a message to the insurance companies and statehouses that the era of lax regulation is over. The federal government could also help the states grapple with reinsurance firms, which in effect are subcontractors to the major insurance firms and agree to take on part of the risk. These firms, many of which are overseas, pose an enormous challenge to states responsible for assessing their solvency.

"I can't go to the Cayman Islands, Korea and Latin America and investigate the company that is providing the insurance," says New Jersey Insurance Commissioner Kenneth Merin. "That's for the feds."

Some state legislators also favor repeal. Ending the industry's antitrust exemption, they say, would bring enough federal intervention to do the job and send the message to the insurance industry that the free ride is over.

Jeffrey Teitz, chairman of the Rhode Island House Judiciary Committee, has told Congress that McCarran-Ferguson actually impedes effective state regulation. Teitz supports provisions to require companies to submit annual financial data to a federal agency, which would collate it and return it to the companies, as well as state agencies.

Such efforts, most supporters of repeal believe, would help put a clamp on rates. "We broke a monopoly on medical malpractice and rates were reduced over 5 percent," recalls former Commissioner Ingram. "What I'm talking about is creating competition. If you don't have McCarran-Ferguson repealed, they'll keep [raising rates] and say they are within the law."

Some consumer advocates see repeal of McCarran-Ferguson as just part of the solution. The consumer group NICO also calls for establishing a federal office of insurance to create state standards and monitor performance; repealing the bill barring the FTC from investigating insurance fraud; expanding an existing law to allow groups to join together to self-insure; and instituting a national reinsurance program.

These moves are likely to provoke even more state opposition, however, and seem impossible to achieve without McCarran-Ferguson repeal as a first step. ◆

CALIFORNIA *Scheming*

BY PETER ASMUS

In the statehouse and at the polls, money fuels the battle over insurance.

As goes California, so goes the nation.

Or at least so hopes the consumer movement.

On November 7, if consumer advocates are right, Californians will vote in favor of a ballot initiative that would roll back insurance rates and step up regulation. Once California goes on record on the insurance issue, consumer activists reason, other states are sure to follow.

The latest California poll shows that 77 percent of the Golden State drivers responding think their rates are "much too high." The poll also indicates that 79 percent endorse consumer reforms.

Partly because the stakes are so high, California's Election Day showdown has galvanized some of the most powerful economic and political interests in the state. The result has been a bitter, drawn-out contest that is expected to cost the various interests tens of millions of dollars before the dust settles in November.

The Great Initiatives War, which has pitted trial lawyers against insurance agents, insurance companies against banks and consumers against each other, is by all accounts a byproduct of the state legislature's seeming inability to act on the volatile insurance issue — despite mounting public demands for change.

The battle between consumers and the insurance industry is so intense that members of the Voter Revolt to Cut Insurance Rates, one of several groups pushing for reforms, have mockingly sported shotguns and semi-automatic weapons. The weapons are a symbol, the group declared, of its need to protect the petitions it gathered to qualify its initiative for the November ballot from raids by industry opponents.

Highway Robbery

California is a key state in the battle to reform the insurance industry partly because of its sheer size. With more than $8.2 billion in auto insurance premiums written last year, for example, California is the nation's largest market. It is also one of the most expensive. In Los Angeles, one of the hardest hit areas, rates average more than $2,600. (New York City's annual average is $768.) Car owners routinely face much higher premiums — $4,000 and $5,000 are not all that uncommon. Not long ago, of course, you could *buy* a car for $5,000.

In certain high-risk sections of Los Angeles, insuring an automobile can cost $7,500. Consequently, between 70 and 90 percent of the residents in these often impoverished areas don't carry insurance — despite a state law requiring universal coverage. California's rates are not only among the highest in the nation but are growing at a phenomenal pace. Over the last two and a half years they have jumped 40 percent, compared to an average 28 percent increase elsewhere, according to a recent study for the California state legislature.

California also stands out because it has one of the most laissez-faire approaches to insurance regulation in the country. A state law passed in 1948 to ban excessive rates is so weak that only one insurance company violation has been investigated to date, despite numerous complaints of insurance fraud. At a press conference last May, Insurance Commissioner Roxani Gillespie admitted that the problem is "the state doesn't know what the insurers do." A Consumers Union report last summer concluded that the state's industry-friendly Department of Insurance "is protecting insurance company reputations instead of protecting consumers' pocketbooks."

But if California is an extreme example, it isn't the only state where people are saying they're fed up. Over the past three years the cost of all insurance in the United States has increased at triple the rate of inflation, according to Voter Revolt to Cut Insurance Rates. At the same time industry profits appear to be at an all-time high. Between 1985 and 1987, according to one calculation, they jumped from $2.1 billion to $13.7 billion.

"The eyes of the insurance industry are focused on California," industry association head George Tye told reporters earlier this year in a bit of an understatement. Anxious about the potential impact of a successful California reform drive, insurers from coast to coast have pledged to kick in a total of $27 million to help enact an industry-sponsored initiative at the expense of the consumer-backed ones.

The November ballot is expected to carry up to five measures, each aimed at channeling voter rage and frustration into new laws — some more meaningful than others. Two of the proposals are consumer-oriented — one backed by well-known consumer advocate Ralph Nader would immediately roll rates back to November 1987 levels and reduce them another 20 percent. It also would outlaw redlining and subject all future rate increases to approval by an elected insurance commissioner; under the current system the head of the state Department of Insurance is appointed by the governor — and the last seven appointees were former insurance industry executives.

A competing, and many say more palatable, consumer initiative, sponsored by a group called Insurance Consumer Ac-

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tion Network (ICAN), would reduce auto insurance rates for good drivers by 20 percent and restrict redlining. Besides the support of state Attorney General John Van de Kamp, the ICAN initiative has garnered the endorsement of the California Trial Lawyers Association and Consumers Union — both of which began the year with their own initiative proposals but have since abandoned them. As of May 21, the trial lawyers had contributed $1.1 million to ICAN's campaign.

Both consumer initiatives would make it more difficult for companies to price fix and both would allow banks to get into the insurance business, something they are currently prevented from doing by state law. Giving banks the go-ahead would theoretically increase competition and reduce premiums, a vision supported in a recent report by the Consumer Federation of America, a major consumer lobby, and a 1983 study by the consulting firm of Arthur Young & Co.

The banking industry, which contributed $82,000 as of May 21 to the ICAN initiative drive, has had its eye on the insurance business for some time but has never been able to overcome insurers' resistance to increased competition. Nine years ago, former Democratic Assemblyman Lou Papan, himself an insurance agent, spearheaded legislation placing a permanent moratorium on bank entry into the insurance business. It was vetoed by then-Gov. Jerry Brown, but the insurers persuaded the state to take the extraordinary step in California of overriding the veto of this special interest bill. More recently the legislature took up a bill to remove the moratorium. It never budged.

No Way No Fault

As part of its effort to drive home its message, the insurance industry has devised and heavily promoted its own "no-fault" initiative proposal. As originally written, the initiative would have also given the industry the legal right to ignore any limits placed on campaign contributions to candidates for state office — an open attempt to subvert ongoing efforts in California to enact campaign finance reforms. After the trial lawyers took the insurers to court, arguing that their proposal violated a requirement that initiatives address a single topic, the industry began to recirculate the ballot measure — minus the campaign contributions provision. By June it looked as if the industry's signature-gathering drive would generate enough names to qualify the measure for the ballot.

Dubbed a no-fault plan, the industry initiative has been sharply criticized as a poor substitute for the real thing. "There is no rate review, no guarantees of a decrease," charges Judith Bell of Consumers Union, which has championed no-fault for some 20 years. On top of that, the measure would specifically prohibit rate regulation, protect the industry's state antitrust exemption and nullify other pro-consumer provisions contained in the two rival consumer initiatives.

The industry's proposal would have policyholders file most claims with their own insurance companies, and a ceiling would be imposed on liability awards. Critics believe such provisions mislead voters because they suggest lower legal costs would automatically translate into lower premiums.

The industry initiative does contain a provision rolling back rates 20 percent on July 1, 1989. But some observers say the industry could raise its rates 20 percent between now and then as a form of self-defense. "There is nothing to stop them from doing that," points out the Consumers Union's Bell.

Nevertheless, the initiative's insurance industry sponsors are selling it on a pro-consumer platform, to the obvious confusion of more than one voter. In 1987 alone, $752,046 was spent on consultants to develop a media campaign. By the end of May the industry had invested by its own accounts $4 million in the campaign, which features consumer-oriented radio, TV and print ads. "Which is higher — your insurance rates or Mt. Everest?" begins one particularly appealing full-page ad that ran in newspapers across the state. In a TV spot, a frustrated housewife tells her child, "I am not angry with you, it's these insurance bills." Another ad featured an elderly couple distressed about their mounting insurance premiums. "We'll get by somehow," the wife says, shaking her head despondently.

Campaign spokesman Manuel Valencia acknowledges that the industry-sponsored ads recognize "the anger pent up in consumers," adding, "we are tapping into that anger and offering a positive solution."

Industry proponents have even gone so far as to mimic rallies usually associated with such causes as civil rights. At a demonstration near the state capitol in April, insurance agents decked in dress-for-success outfits sported buttons and cardboard signs that read "No fault — the consumer solution" and other slogans. At one point they started chanting "no fault, no fault, no fault," as one agent said, "Hell no, we won't go," an obvious reference to the liberal causes of yesteryear.

The Great Initiatives War has been characterized from the beginning by rancor and hardball tactics. Early on, the insurance companies worked out a contract with a major signature-gathering firm, barring it from aiding any other insurance initiative drive. (Professional signature gathering is a necessity in California because 372,178 signatures are needed to get a measure on the ballot.) The trial lawyers responded in kind, getting another major firm to agree to the same thing. Ultimately, when the trial lawyers decided not to pursue their own initiative, the firm was released from the contract.

Tension has also erupted among the consumer groups. Because it can cost several million dollars to launch a successful initiative drive in California, they have been forced to compete for dollars — as well as free media coverage. Some of the tension is simply part of doing political battle, but it has been costly in terms of morale.

Sacramento For Sale

If the Great Initiatives War had a theme song, it would be the same one played in the state assembly: "Money Can Buy You Love."

The insurance lobby is one of the biggest and best-heeled in Sacramento. The Association of California Insurance Companies spent $917,000 on lobbying in 1987, according to the Fair Political Practices Commission, a state government agency. Because there have been no laws in California restricting who may contribute to a campaign or how much, the insurance industry also has been able to give generously to election campaigns. During 1987 the Association of California Insurance Companies' Political Action Committee (PAC) alone pumped $417,250 into legislators' reelection efforts, the largest amount contributed during a non-election year by a single industry. Insurance agents gave an additional $154,015 in 1987 through their own PAC.

Such generosity buys access and sympathy for the industry among state legislators. "With these contributions," observes Harry Snyder, West Coast director of Consumers Union, "special interest lobbyists are buying an insurance policy against legislative action, and it is the consumers who are paying the premiums." Indeed, despite efforts to put insurance reform on the legislative front burner for the last three years, it hasn't gone anywhere.

"The insurance companies are the single most powerful lobby in the state of California," declares Lloyd Connelly, Democratic assemblyman from Sacramento and a key spokesperson for the ICAN measure. Connelly points to reform legislation he introduced last session. The bill attracted support from consumers, labor unions, senior citizens, the state attorney general and newspaper editorial writers around the state, but in the end, Connelly says, it was "crushed."

Willie's Wares

When special interests like the insurance industry want to get something done — or un-done — in the legislature, they often go to Assembly Speaker Willie Brown, whose ability to transform public policy issues into fundraising opportunities for the Democratic Party is legendary.

Brown received approximately $65,000 in campaign contributions from insurance industry groups during the last half of 1987, when the legislature was debating the insurance issue continuously. During 1987 Brown also landed $7,000 in personal speaking fees from insurance groups. Back in March 1986 the Association of California Insurance Companies paid $4,796 for the speaker to fly across the Atlantic to sit down and chat with executives of Lloyd's of London, a major international underwriter, to discuss the so-called insurance crisis. More recently, the president of the Association of California Insurance Companies sent Brown $200 worth of men's shirts.

The insurance issue has posed a dilemma for Brown, however, because it involves the political interest group closest to his heart — trial lawyers. Brown is a trial lawyer himself and operates a private practice in San Francisco.

Trial lawyers are the insurance industry's biggest political enemy. In California the insurance industry maintains it has been forced to raise rates to cover litigation and liability costs that it says are higher in California than elsewhere.

As the insurance industry's economic scapegoat, the trial lawyers have learned to fight back. In 1987 the California Trial Lawyers Association spent $849,000 lobbying in Sacramento. That year the group also dropped $284,150 into legislators' election races, coming in second place behind the insurers. The lawyers' association, together with individual attorneys, gave over $80,000 to Willie Brown's campaign war chest in the last six months of 1987 alone, plus $7,000 in honoraria — and $225 in Napa Valley cabernet wine.

During the waning days of last year's legislative session, Brown was under heavy pressure from both groups, and to accommodate both he helped seal a deal that has been christened the "crowning achievement" of the legislative session by supporters — and a sell-out by critics.

The origins of this deal go back two years, when insurers and trial lawyers went head-to-head over Proposition 51, the so-called Deep Pockets initiative then on the ballot. The measure, which limits the amount courts can award plaintiffs for pain and suffering, took off because many voters hoped restrictions on lawyers' fees would help reduce escalating insurance rates. Wishful thinking, as things turned out, but the measure passed overwhelmingly.

In the final hours of last year's session, desperate legislators tried to stave off a "Son of 51" initiative that would have placed various new caps on legal damages and attorneys' contingency fees by cutting a deal with lobbyists representing all the various vested interests, including the insurance industry, lawyers, manufacturers and doctors. (Doctors like the notion of tort reform, reasoning that if lawyers' fees were restricted there would be fewer malpractice suits and consequently lower malpractice insurance costs.) Meeting privately at a local Chinese restaurant called Frank Fat's, with Brown taking the role of facilitator, they hammered out compromise legislation. Then they all signed a "non-aggression pact" sketched out on a napkin, agreeing to take no further action on a long list of issues, including insurance, for the next five years.

The compromise bill, which makes it harder and less lucrative to file civil suits, was rapidly steered through the legislature the next day. Gov. George Deukmejian, himself the recipient of $183,340 in insurance industry donations between July 1984 and July 1986, signed it into law.

Byron Sher, an assemblyman who has taught product liability law at Stanford, complained that it was "insulting" to legislators to sacrifice the normal legislative process for the sake of expediency.

Some legislators rationalized support for the measure as a way to avoid a costly initiative slugfest funded by special interests. At the same time, as a post-mortem in *The Washington Monthly* wisely noted, this step ensured that plenty of special interest money would still be available to legislators at reelection time.

Left in the lurch was Assemblyman Connelly's consumer bill, which would have required regulation of insurance rates. The last recorded vote on his bill, on August 26, showed that those on the Ways and Means Committee who voted no or were present but not voting had received on average $13,550 from the California insurance association and the insurance agents' PACs, while the ayes received on average $2,005. Two days after the vote Assemblyman Gerald Eaves (D-Rialto), a critical Democratic "no" vote on the panel, received two direct checks totaling $5,000 from the two major contributors to the insurance companies' PAC — Great American Insurance Co. and Fremont Compensation Insurance Co.

A week before the vote the California insurance association mailed a $15,000 check to Willie Brown, who consumers had hoped would throw his weight behind the bill. The day after the vote he got another $7,000 from the insurance agents' PAC.

Another insurance reform bill, sponsored by Assemblywoman Maxine Waters (D-Los Angeles), would have eliminated the industry's state antitrust exemption. It too came up for a vote and once again campaign contributions are a good calibrator of the results. Those voting thumbs down on whether to reconsider the bill in January of this year received an average $11,154 from insurance PACs — three times more than the average received by those voting in favor of it. Waters, in fact, was the only one on the Ways and Means Committee who didn't receive a single contribution from either of the two insurance PACs. "It sounds trite to say it, but the insurance industry and their representatives are just so powerful here," Waters told a reporter for *The Sacramento Bee*. "It is the most amazing thing I've seen, and I've been here 10 years."

Only In California

As in past legislative battles, money is a key ingredient in the various campaigns to reform the system by ballot. All told the various interests are expected to spend tens of millions of dollars before November 7, much of it on negative TV and radio spots.

One not unlikely scenario is voter approval of several insurance-related initiatives. Some four or five are expected to make it on the ballot, including two insurance industry-supported measures imposing limits on attorneys' contingency fees. If all the initiatives pass, the California Supreme Court will have to sift through the contradictory and overlapping proposals and declare which sections are valid.

When Californians went to the polls in June, they were asked to vote on two measures that would limit campaign contributions to state lawmakers. Guess who gave heavily to defeat both?

As Michael Strumwasser, a lawyer with the state attorney general's office, points out, the only real solution to the insurance mess is campaign finance reform, which would help put an end to the disproportionate influence of special interests in Sacramento and perhaps stimulate the legislature to debate and resolve complex issues such as insurance.

Apparently voters agree. In separate initiative campaigns that ended June 7, Californians endorsed two competing campaign reform measures. Proposition 73, which limits contributions but bans public financing of campaigns, received more votes and therefore apparently nullified the more far-reaching runner-up, Proposition 68, a proposed combination of contribution limits, spending limits and public funding (see page 45).

Proposition 73 initially was backed by some of the state's biggest campaign contributors. Then a campaign committee was formed to defeat both campaign reforms. It received $242,500 in contributions and loans from insurance industry donors. ◆

Official off insurance case: judge

THE ASSOCIATED PRESS

ANCHORAGE — A judge says Alaska Insurance Director Paul Roller willfully disobeyed her orders to try to salvage an insolvent insurance company.

Superior Court Judge Karen Hunt removed Roller as receiver of Pacific Marine Co. of Alaska because he failed to cooperate with Washington state officials who hope to save the Alaska firm and Pacific Marine of Washington.

Roller "appeared to have thrown up a paper barrier asking for busy-work type responses" from Washington state employees, Hunt said.

Roller said Tuesday he acted on the advice of his lawyer.

Pacific Marine in both states wrote marine liability and workers' compensation policies. Both are under the management of state regulators, and there are 1,428 claims pending against them.

The Alaska company, with $11 million in cash, is in better financial shape than the Washington company. As the state-appointed receiver, Roller sought to liquidate the Alaska company to pay off the claims.

Washington officials hope to sell both companies as a package.

On Jan. 10, Hunt told Roller to work with his Washington counterparts to try to arrange a joint sale of the companies. She said liquidation would create chaos for policy holders, and put a severe strain on the state fund set aside to guarantee workers' compensation claims get paid.

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Average Automobile Insurance Premiums by State

The insurance premium for the average private passenger automobile in the United States increased $44.28 to $486.50 in 1987. In Massachusetts, the state with the highest average auto premiums, the increase was $100.17, to a total of $655.72, while in Iowa, the state with the lowest average auto insurance premiums in 1987, premiums paid there increased only 5% to $255.61 per registered automobile.

The five states with the highest average auto premiums in 1987 were Massachusetts ($655.72), New Jersey ($634.84), California ($623.44), Arizona ($601.96) and Nevada ($600.04).

One year earlier, in 1986, New Jersey topped the list, Alaska was number two and California ranked third. In 1986 there were 10 states with average premiums above the $500.00 level. In 1987, there were 19 states plus the District of Columbia above that level, and the top five of those had average premiums of more than $600.00.

Twenty states and the District of Columbia had average premiums above the national average of $486.50, and 30 states were below the national average.

From 1986 to 1987, the growth of average auto premiums increased by more than the national average (10.0 %) in 26 states. Among these, the following seven reported increases of more than 15%: Washington, D.C. (25.2%), Massachusetts (18.0%), Maryland (17.9%), Indiana (17.3%), Hawaii (16.9%), South Dakota (15.4%) and Rhode Island (15.2%). Idaho and Oklahoma experienced increases of less than 1%, while three states—Wyoming, Colorado and Alaska—reported small declines.

Net premiums written by the U.S. property/casualty industry for private passenger auto insurance in 1987 totaled $64.3 billion, a 11.7% increase over 1986. The industry experienced a $4.3 billion underwriting loss on this business, which was not overcome by $4.0 billion of related investment income.

In 1988, according to our preliminary estimates, the property/casualty industry wrote almost $70 billion in private passenger auto premiums and had an underwriting loss of $4.7 billion. Estimated investment income of $4.5 billion fell short again, leav-

(continued on back)

About This Information

This annual A. M. Best Company report on average private passenger auto insurance premiums by state has been expanded to provide more information. Five years of rankings now are shown, as well as the number of insurers writing in each state.

Although this report is being released nearly a month earlier than last year's study, the basic approach remains unchanged. We divide private passenger auto direct premiums written for each state by the number of each state's registered vehicles, as reported by the Federal Highway Administration. Premiums for 1987 have been available since May from Best's Executive Data Service, *but auto registration tallies are not available until December.*

Results of this study can be distorted by several factors. The Federal Highway Administration's figures include government-owned and commercial passenger vehicles (but not trucks, buses and motorcycles).

Also skewing the averages is the unknown number of registered, but not

(continued)

Average Automobile Insurance Premiums by State
Ranked by 1987 Premiums per Passenger Vehicle

1987 Rank	State	1987 Average Premium (1)	1986 Rank	1986 Average Premium	1985 Rank	1985 Average Premium	1984 Rank	1984 Average Premium	1983 Rank	1983 Average Premium
1	Massachusetts	$855.72	4	$555.55	3	$521.40	2	$488.00	3	$416.58
2	New Jersey	634.84	1	603.55	2	580.12	1	565.77	1	521.21
3	California	623.44	3	568.20	4	503.65	6	423.49	8	373.83
4	Arizona	601.96	5	553.84	7	471.38	5	423.85	12	354.35
• 5	Nevada	600.04	6	549.49	5	498.75	7	418.99	5	387.92
6	Maryland	597.08	10	506.34	11	423.53	11	374.20	10	356.44
Alaska → 7	[redacted]	[redacted]	[redacted]	602.45	1	[redacted]	[redacted]	447.34	[redacted]	396.11
8	New York	583.69 588.8	7	522.06	6	485.07	3	453.26	2	421.70
9	Washington, D.C.	579.82	15	463.13	19	385.27	20	339.10	21	301.96
10	Pennsylvania	568.97	9	512.09	8	465.03	8	418.78	6	384.61
• 11	Rhode Island	549.00	12	476.60	15	405.93	17	350.29	17	325.12
12	Delaware	536.96	13	469.15	14	408.04	16	350.70	18	323.29
13	Hawaii	530.13	17	453.60	12	417.59	19	349.57	9	360.90
14	Louisiana	529.68	8	515.39	9	443.24	10	401.86	7	383.72
15	Connecticut	519.93	14	466.09	13	412.52	12	373.01	14	336.05
16	South Carolina	514.93	20	449.74	17	398.86	14	365.38	15	334.93
17	Michigan	509.28	11	481.07	16	404.63	15	359.04	16	328.24
• 18	New Hampshire	508.85	18	453.10	37	312.34	32	304.55	29	291.00
19	West Virginia	506.81	16	454.65	10	426.56	9	404.97	11	356.41
20	Georgia	501.14	19	450.23	22	372.06	30	305.48	30	287.18
• 21	Arkansas	494.29	22	433.75	18	392.27	18	349.73	23	294.67
National Average		**486.50**		**442.22**		**390.04**		**351.46**		**322.20**
22	Texas	474.33	23	426.09	20	383.76	13	372.48	13	343.32
23	Missouri	460.88	26	403.49	26	354.36	28	309.81	27	291.11
24	Minnesota	453.48	25	416.98	34	318.29	23	326.69	25	292.30
• 25	Illinois	439.46	24	418.51	25	356.00	27	312.69	19	307.75
• 26	Virginia	436.20	31	381.82	32	325.15	38	281.17	33	268.85
27	Oregon	435.09	28	396.36	28	349.68	29	306.65	20	302.22
28	Colorado	434.97	21	444.11	21	379.16	22	329.91	22	301.36
29	Florida	433.91	30	390.50	29	344.98	31	304.58	26	291.55
30	Utah	431.01	27	396.78	31	329.96	36	284.22	34	265.58
• 31	Washington	430.20	29	393.86	27	351.53	25	315.99	24	293.52
32	Indiana	423.13	39	360.89	42	298.08	42	268.56	35	259.19
33	New Mexico	415.57	32	378.17	23	368.43	24	325.97	42	246.97
34	Kentucky	409.43	35	369.37	33	321.83	43	268.25	44	241.44
• 35	Wisconsin	409.29	34	372.76	39	308.85	40	279.96	43	245.93
36	North Carolina	408.42	38	362.36	35	315.75	35	285.78	46	239.38
• 37	Vermont	405.36	37	363.97	38	310.66	33	291.12	36	258.85
38	Montana	405.22	33	372.96	24	360.36	26	314.46	40	248.41
39	Oklahoma	370.28	36	368.85	30	342.47	21	332.78	28	291.09
40	Kansas	369.14	41	345.19	36	312.50	34	286.14	31	281.70
• 41	Maine	364.59	43	332.83	43	296.71	37	283.48	37	258.68
42	Ohio	350.84	44	327.01	45	279.39	44	260.60	47	237.31
• 43	Nebraska	348.27	45	323.98	44	288.02	41	269.25	38	257.63
44	Idaho	345.66	42	344.30	41	300.43	45	256.61	39	248.71
45	Wyoming	345.02	40	347.91	40	307.51	39	281.05	32	277.50
• 46	Mississippi	331.16	47	297.25	47	271.02	46	250.53	45	240.34
• 47	Tennessee	328.38	48	292.49	48	261.15	48	235.82	49	215.07
48	North Dakota	328.23	46	307.13	46	276.07	47	243.00	41	247.64
• 49	Alabama	306.73	49	278.46	49	260.63	50	224.10	51	200.24
50	South Dakota	295.08	50	255.77	50	231.24	51	213.47	50	208.66
• 51	Iowa	255.61	51	243.95	51	214.84	49	229.89	48	222.18

• Indicates states which did not have compulsory auto insurance laws in 1987, according to the Insurance Information Institute.
Note: Various factors may skew results; see text for explanation of how figures are calculated.

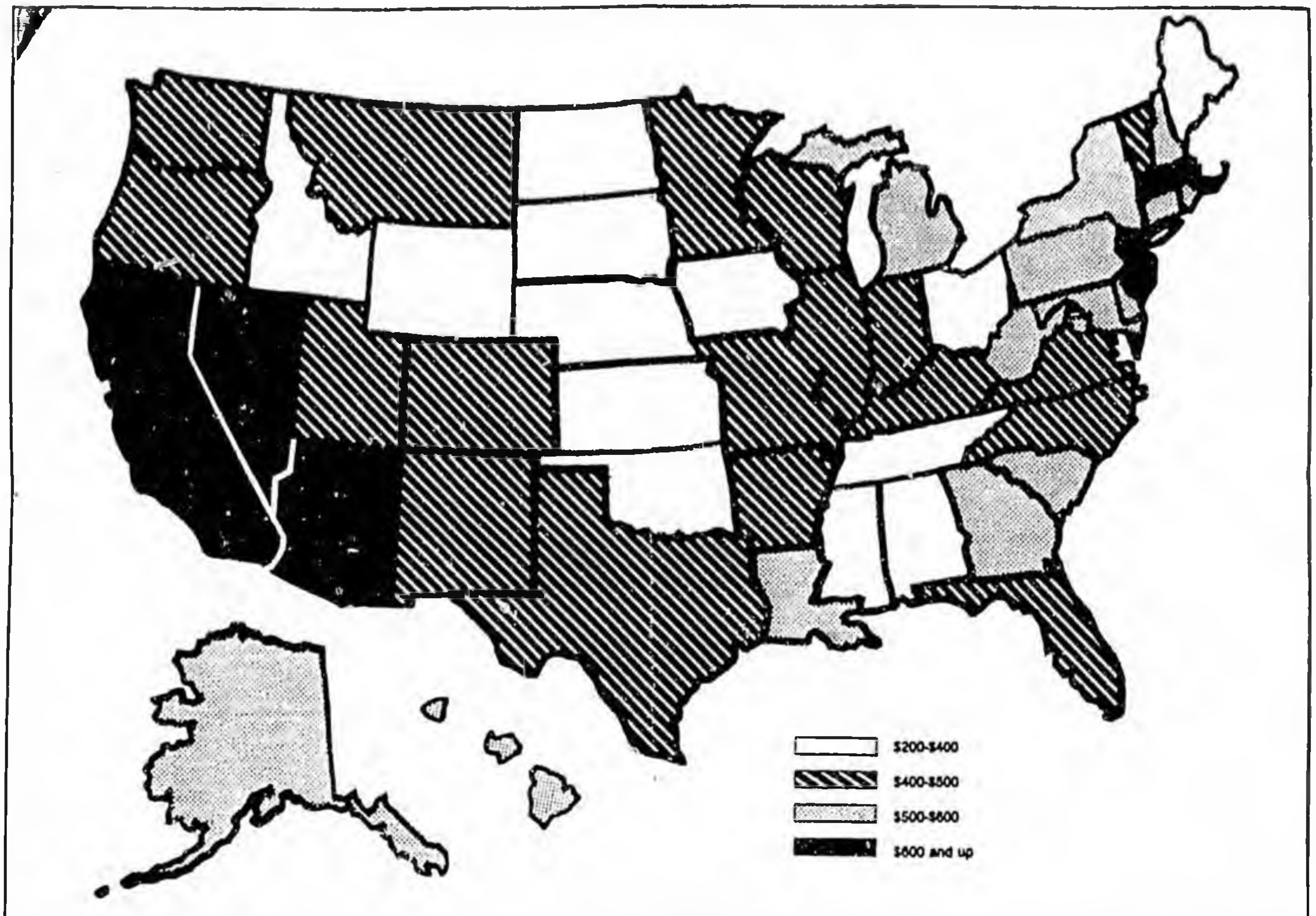
insured, vehicles. Several states still do not mandate coverage, and others have varying degrees of registered, but illegally operated uninsured cars. Also affecting the averages are different states' requirements for minimum limits of coverage.

It should be noted that each year the A.M. Best Company and the Federal Highway Administration both adjust figures published in prior reports to ensure that the best currently available information is reported. These adjustments could change rankings reported in prior years' reports.

Growth of Average Auto Premiums
Five Years, By State

86/87 Growth Rank	State	86/87 Growth Percent	85/86 Growth Percent	84/85 Growth Percent	83/84 Growth Percent	82/83 Growth Percent	82/87 Growth Percent	Number of Companies Writing in State 1987	1986	Net Change
1	Wash. D.C.	25.20	20.21	13.61	12.30	14.37	119.62	166	178	−12
2	Massachusetts	18.03	6.55	6.85	17.14	9.08	71.70	169	170	−1
3	Maryland	17.92	19.55	13.18	4.98	11.92	87.48	263	262	1
4	Indiana	17.25	21.07	10.99	3.62	14.43	86.80	353	356	−3
5	Hawaii	16.87	8.62	19.46	−3.14	−1.09	45.28	105	103	2
6	South Dakota	15.37	10.61	8.32	2.30	3.74	46.70	209	218	−9
7	Rhode Island	15.19	17.41	15.88	7.74	8.02	82.40	177	179	−2
8	South Carolina	14.50	12.76	9.16	9.09	9.39	68.17	184	191	−7
9	Delaware	14.45	14.98	16.35	8.48	9.06	81.15	187	185	2
10	Virginia	14.24	17.43	15.64	4.58	6.00	71.98	283	277	6
11	Missouri	14.22	13.86	14.38	6.42	10.45	74.87	324	328	−4
12	Arkansas	13.96	10.58	12.16	18.68	12.85	89.29	251	257	−6
13	North Carolina	12.71	14.76	10.49	19.39	13.59	93.82	216	225	−9
14	New Hampshire	12.31	45.07	2.56	4.65	11.02	94.14	164	170	−6
15	Tennessee	12.27	12.00	10.74	9.65	8.93	66.31	316	312	4
16	New York	11.81	7.62	7.02	7.48	9.59	51.68	259	270	−11
17	Connecticut	11.55	12.99	10.59	11.00	9.89	70.02	216	226	−10
18	West Virginia	11.47	6.59	5.33	13.63	3.40	47.03	198	199	−1
19	Mississippi	11.41	9.68	8.18	4.24	11.26	53.30	267	267	0
20	Vermont	11.37	17.16	6.71	12.46	−0.97	55.08	170	181	−11
21	Texas	11.32	11.03	3.03	8.49	10.65	52.87	403	405	−2
22	Georgia	11.31	21.01	21.80	6.37	11.99	95.43	336	331	5
23	Florida	11.12	13.19	13.27	4.47	10.41	64.31	370	365	5
24	Pennsylvania	11.11	10.12	11.05	8.88	7.44	58.94	284	294	−10
25	Kentucky	10.85	14.77	19.97	11.11	6.72	80.97	283	286	−3
26	Alabama	10.15	6.84	16.30	11.92	5.05	60.91	283	294	−11
27	New Mexico	9.89	2.64	13.03	31.99	7.45	80.80	246	250	−4
28	Wisconsin	9.80	20.69	10.32	13.84	7.09	78.23	311	310	1
29	Oregon	9.77	13.35	14.03	1.46	3.79	49.43	257	265	−8
30	California	9.72	12.82	18.93	13.28	4.36	74.05	374	375	−1
31	Maine	9.54	12.18	4.67	9.58	6.27	49.78	185	184	1
32	Minnesota	9.47	31.01	−2.57	11.77	2.35	59.84	284	287	−3
33	Washington	9.23	12.04	11.24	7.65	3.83	52.17	274	268	6
34	Nevada	9.20	10.17	19.04	8.01	0.90	56.08	207	216	−9
35	Arizona	8.69	17.49	11.27	19.56	17.52	99.63	299	297	2
36	Montana	8.65	3.50	14.59	26.59	−1.54	60.61	190	195	−5
37	Utah	8.63	20.25	16.09	7.02	5.81	71.72	220	227	−7
38	Nebraska	7.50	12.48	6.97	4.51	4.18	40.84	254	251	3
39	Ohio	7.29	17.05	7.21	9.82	4.88	55.05	346	343	3
40	Kansas	6.94	10.46	9.21	1.57	5.95	38.83	276	284	−8
41	North Dakota	6.87	10.45	14.43	−1.87	2.66	36.07	211	221	−10
42	Michigan	5.86	18.89	12.70	9.38	6.92	65.88	236	251	−15
43	New Jersey	5.19	4.04	2.54	8.55	14.33	39.25	213	228	−15
44	Illinois	5.00	17.56	13.85	1.61	5.53	50.70	384	380	4
45	Iowa	4.78	13.55	−6.55	3.47	−3.00	11.59	290	298	−8
46	Louisiana	2.77	16.28	10.30	4.73	4.11	43.70	319	320	−1
47	Idaho	0.39	14.60	17.07	3.18	7.55	49.47	211	222	−11
48	Oklahoma	0.39	7.70	2.91	14.32	15.73	47.22	286	281	5
49	Wyoming	−0.83	13.14	9.42	1.28	5.00	30.55	176	173	3
50	Colorado	−2.06	17.13	14.93	9.47	5.01	51.56	303	302	1
51	Alaska	−2.25	1.18	33.11	12.93	11.87	66.31	124	128	−4
National Average		10.01	13.38	10.98	9.08	7.99	63.06	1,120	1,097	

Note: Various factors may skew results; see text for explanation of how figures are calculated.



ing another operating loss.

Newly included in this annual report on auto insurance is the number of insurance companies writing in each state. During 1987, a net of 15 companies ceased writing private passenger automobile insurance in each of New Jersey and Michigan; 12 companies left Washington, D.C. and 11 pulled out of New York, Vermont, Alabama and Idaho. In all, the District of Columbia and 32 states had a net loss of insurers writing auto business and 17 states had a net gain of new insurers. Mississippi had no net change.

In 1987 there were 1,120 individual insurance companies writing private passenger auto insurance in the United States, although a number of these were subsidiaries of groups. The number of groups writing private passenger auto insurance totaled 544.

For consumers in several states, private passenger automobile insurance premiums reached a crisis level in 1987. Rates had been increasing for years, but the high price of insurance moved Californians to action as drivers displayed their outrage and anger toward insurance companies, state and federal legislators and even each other as they sought to change the system in 1988. (Ironically, California's average premium growth was lower than the national average in 1987, albeit up 74% over five years.)

The insurance industry's own frustrations, however, were never more evident than in the recent California elections, when over half the state's voters approved Proposition 103. The insurance industry spent more than $50 million to influence voters, yet failed to justify premium rates which are increasing faster than the overall cost of living.

Consumer groups have promised to export the Proposition 103 movement to other states where consumer unrest over auto insurance rates could make voters receptive to supporting limitations on the price of insurance.

Insurers are taking this seriously, especially in states like California where rates in metropolitan areas are sharply higher than in outlying districts.

As some insurers leave the California auto market, the aspect of driving away insurers could become a more serious concern for voters and legislators to consider. But for many people and many insurers in a number of states, the price of auto insurance has become a major public issue that just will not go away. □

Consumers Rebel as Auto Insurance Rates Soar

Consumers in many parts of the country are irate over ever-increasing automobile insurance rates. In California, voters can choose among a number of initiatives that promise to reduce the rates.

By Julie Lays

About the only thing Californians fear more than the big earthquake is their big auto insurance premium.

Every time Vail Kobbe of Los Angeles gets her auto insurance premium notice in the mail her stomach does flip flops. "I'm afraid to open the envelope because of the numbers that will be on it." Her 9-year-old Honda Accord LX has never been in an accident and she's never gotten a ticket. Yet her premium for a year is $1,706.20. In 1984 it was $636. "When I told my friends in Minnesota about the rates here, they couldn't believe it," she says.

Rising auto-insurance premiums are making it difficult for many drivers to afford coverage, and in some places even to get coverage. Three insurance companies have pulled out of Massachusetts, claiming business there is not profitable, and others are threatening the same in New Jersey and Pennsylvania. And the political heat is on to do something about it.

Average automobile insurance charges nationwide have risen faster than the overall inflation rate for six years in a row. The auto-insurance component of the Consumer Price Index climbed 8.3 percent last year, more than twice the 3.7 percent increase in the overall index. The average premium rose from $298 in 1982 to $477 last year.

Perhaps nowhere is public outcry stronger than in California where premiums have jumped 40 percent in the past 2.5 years and can top $2,500 in central Los Angeles. Veterinarian Mary Hiatt discovered the California difference when she arrived from Texas for her first job in Los Angeles. Her 6-month premium rose from $174 in Texas to $517.66 in California. "I knew the insurance on my 8-year-old truck would go up out here, but I couldn't believe it when I got my first bill. With the same coverage, it cost $50 more for six *weeks* than it did for six months in Austin."

The cost of automobile insurance has become unaffordable for many Californians, says Senator Alan Robbins, chair of the California Senate Insurance Claims and Corporations Committee. As a result, approximately 5 million drivers in California may be driving without the insurance mandated by state law.

According to Sheldon Davidow, chief consultant to the California Senate Insurance Committee, the California Legislature has so far been unable to pass any legislation designed to bring down costs because of the "rigid, fixed positions of the special interests involved, namely the lawyers, the insurers and to a lesser degree the consumers. Fundamentally it's a money issue. Lawyers don't mind limiting insurance rates, insurers don't mind limiting lawyers' fees, but no one is willing to compromise."

Faced with this stalemate, lawyers, consumer activists and insurers are taking their cases directly to the public. Five proposals will face California voters this fall:

- The "Voter Revolt to Cut Insurance Rates" (an offshoot of the insurance consumer advocacy group Access to Justice) is promoting an initiative, with the support of Ralph Nader, that would cut all liability insurance rates by 20 percent, require all future increases to be justified to state regulators, guarantee good drivers a 20 percent discount, ban rate discrimination on the basis of where a driver lives, eliminate the anti-trust law exemptions for the insurance industry (insurance companies are exempt from anti-trust law under the McCarran-Ferguson Act of 1945), and make the office of state insurance commissioner elective.

"You can pay more for your auto insurance than for your car," laments Harvey Rosenfield, leader of the Voter Revolt.

- The Insurance Consumer Action Network's initiative would give good drivers a 25 percent discount, require that auto insurance rates be based solely on drivers' safety records, toughen drunk driving penalties, and ban no-

Julie Lays is an assistant editor of State Legislatures.

fault insurance. The California Trial Lawyers Association, adamantly opposed to no-fault (which makes lawsuits and lawyers' contingency fees unnecessary in most cases), is backing this initiative.

• The Association of California Insurance Companies' initiative would mandate no-fault auto insurance, prohibit insurance rate regulation and reduce the average premium for certain coverages by 20 percent for two years. More than 400 insurers are based in California, a state which accounts for 15 percent of the nation's insurance business. Not about to let California fall to tight regulation, the insurance lobby is prepared to spend millions of dollars (they have a starting budget of $8.5 million) to fight the other initiatives in California.

• Another initiative by the insurance companies, the Lawyers Fair Fee Initiative, would limit lawyers' contingency fees.

• California Assemblyman Richard Polanco has his own initiative, which attempts a compromise by cutting some aspects of auto insurance coverage (such as "uninsured motorist" and bodily injury liability) by up to 50 percent, and limiting auto accident claims for non-economic losses (pain and suffering) and lawyers' contingency fees to 25 percent of economic losses (auto repair, lost salary), except in cases of serious injury or death.

"I made every attempt to get this legislation through the Legislature," says Polanco. "But the two most powerful interest groups—trial lawyers and insurers—have been able to maintain the status quo. So I decided to take it directly to the consumers, who are no longer requesting, but demanding, rate relief."

By David Seavey, USA TODAY

While everyone believes there is an auto insurance problem, few agree on its causes and solutions. Insurers blame lawyers, lawyers blame insurers, consumers blame both.

Insurers point to the increasing costs of the things insurance pays for as the reason for escalating rates. Costs for medical care rose 150 percent between 1977 and 1986. And auto repair costs--labor and parts--continue to rise. For example, from 1977 to 1987, the cost of a front door for a 1977 Chevrolet Caprice from the manufacturer increased by 151 percent—from $267 to $671. The Alliance of American Insurers discovered that while a new Plymouth Voyager cost $12,766, replacing all its parts would cost $33,392.

Insurers also charge lawyers with aggravating the costs by encouraging the soaring volume of lawsuits. According to Mechlin D. Moore, president of the Insurance Information Institute, the number of auto-related lawsuits in California increased by 13.2 percent each year between 1982 and 1986. "As litigation increases, claim costs go up because of the expenses involved in paying the plaintiff's lawyer, the defense counsel and court fees," said Moore.

The number of lawsuits filed in Los Angeles County last year was almost three times the number of suits filed in Northern California counties. And in Philadelphia, where premiums are extremely high, 362 lawsuits claiming bodily injury are filed for every 10,000 drivers, compared to only 83 per 10,000 drivers in Pittsburgh. In many states, auto accidents account for half the liability suits.

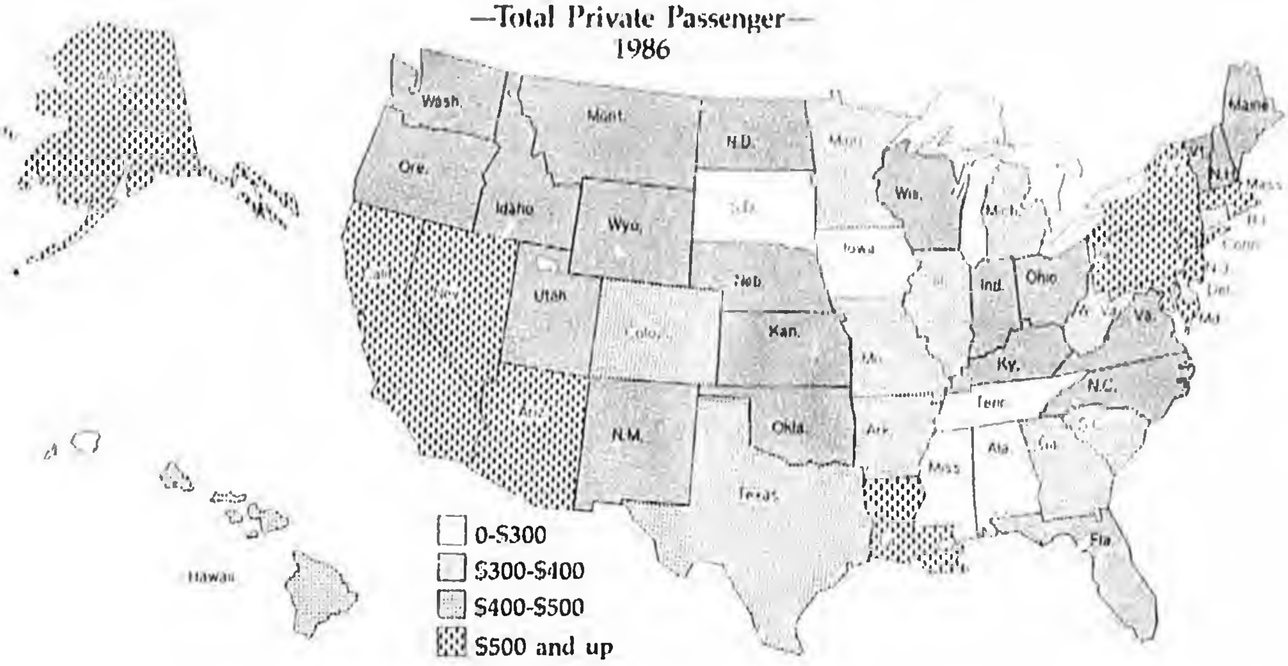
"As these costs rise," says Dean Wolcott, president of the personal financial security division, Aetna Life & Casualty, "so do insurance rates."

William Glennon of the California Trial Lawyers Association, on the other hand, blames high premiums on "a total lack of competition in the insurance industry." Lawyers want to get rid of the protection insurance companies have from the anti-trust laws. They also blame insurance companies for inefficient management.

Attorneys vigorously resist legislation calling for no-fault insurance

Average Automobile Premiums

—Total Private Passenger—
1986



(mandated in 14 states as well as the District of Columbia and Puerto Rico), capping awards and regulating consumers' ability to file lawsuits. Lawyers give numerous examples of how poorly the no-fault system works for victims in Florida. They cite the 45-year-old teacher who is broad-sided by a drunk driver on her way home from school. She sustains multiple internal injuries for which she has several operations and is hospitalized for two months. She misses almost a full year of work and in the process loses an opportunity to transfer to a school close to her home with better career possibilities. Her medical bills total $60,000 and her lost wages total $28,000.

Under Florida's no-fault law, she would be compensated for $10,000 of her bills and would have to hire an attorney to sue for the remaining $78,000. Because the cost of her injuries fell below the state's no-fault floor, she would be completely barred from recovering any compensation for the pain caused by the accident, two operations and long recuperation, she could receive no compensation for disruption and deterioration of her life over the year of recovery, and she could receive no compensation for the missed career opportunity.

"It's just not fair to cap pain and suffering awards," says Glennon; "that's the only compensation the victim receives. Economic compensation goes to doctors and auto repairmen; nothing goes to the victim."

Consumer activists charge both lawyers and insurers with causing the crisis but tend to point the finger more often at what they see as greedy insurance companies. "According to the insurers," says Voter Revolt's Rosenfield, "the astounding increases in rates are the result of increased lawsuits rather than their own inept business practices. But the companies have refused to reveal the information that would justify their claims."

Are insurance companies really losing money on liability coverage? According to A.M. Best Co., an independent data gatherer, the private-passenger auto line lost about a penny for each $1 in premiums last year. But these numbers do not include capital gains from investments that have helped the property-casualty industry post record net incomes over the past few years.

"The insurance companies are losing money on an underwriting basis, but that's not a realistic picture," says Bob Hunter, president of the National Insurance Consumer Organization. "There is no question that on a bottom line basis—including money earned from investments—they are making money."

According to Rosenfield, the property and casualty insurers reaped $13.7 billion in profits in 1987, a 722 percent increase in profits since 1985.

Thorny questions abound as legislators try to find the best ways to control costs. Should states restrict a consumer's ability to sue? Should rural residents, whose rates are always lower than city dwellers, subsidize inner-city rates to keep them affordable? Should rates be more tightly regulated or left up to market forces? And in states that mandate coverage, should that minimum coverage be lowered? The initiatives in California address all these questions in various ways.

Does state rate control work? New Jersey and Massachusetts, states that strictly control rates, have respectively the highest and fourth highest average auto premiums in the nation.

Insurers complain that the provisions of the no-fault systems in Massachusetts and New Jersey provide compensation that is too generous—particularly New Jersey's unlimited payments for medical care—without enough restrictions to offset the ability of victims to sue.

With no prospect of getting restrictions on liability claims, insurers are trying to pull out of Massachusetts and New Jersey. In New Jersey, Aetna Life

& Casualty Co. dropped 40 percent of its agents at the end of 1987. Now half the drivers in New Jersey are insured by a quasi-public pool developed for high-risk drivers that is so deficit-ridden (almost $2 billion) that all drivers faced two per-car surcharges totaling $139 this year to rescue the fund.

Should states require that charges be equalized statewide? In 1986, the average policy in Los Angeles County was $1,000 but in Eureka it was only about $300. John-Michael Battaglia saw his rates jump from $1,000 to $2,600 annually when he moved from Los Altos to North Hollywood. "I have a non-smoking, accident-free car insurance policy with a leading insurer (Farmer's Insurance), but as a result of merely moving from one location to another, I have just discovered that the premium for the exact same coverage will more than double."

Insurance costs more in large metropolitan areas because claims are more numerous there. A report by the California Department of Insurance revealed that if the current system of territorial rating were abolished, two-thirds of the state's insured motorists would pay an average 22 percent rate increase, while one-third would receive a decrease of about 36 percent. Even so, Massachusetts, Michigan and New Jersey currently restrict price differentials between big cities and rural areas.

In another attempt to cut down on skyrocketing auto insurance costs, Pennsylvania is looking at a bill that would reduce mandatory coverage requirements. The bill's author, Senator Edwin G. Holl, says the legislation could reduce auto insurance rates in some areas by as much as 42 percent. The bill would reduce the amount of coverage required for bodily injury liability from $15,000 to $10,000 per person and from $30,000 to $20,000 per accident. Holl's bill passed the Senate and is now in a House committee.

Colorado considered a similar measure this year that would have reduced mandatory coverage from $130,000 to $25,000 for one's own injuries and from $50,000 to $30,000 for claims by others. "I looked at my own insurance rates and realized there was a problem," said Representative Jim Dyer, sponsor of the bill. "Colorado has the highest level of mandated benefits. We figured smaller mandated benefits could cut premiums by $75 to $100." The bill was defeated by one vote. Dyer said that while insurance companies supported the bill, strong opposition came from the critical care hospitals, fearful of being stuck with unpaid bills.

With so many consumers affected by high insurance rates, this issue promises to remain on political agendas for quite a while. In a poll conducted last spring, 77 percent of California voters believe their auto insurance rates are "much too high" and another 17 percent consider their rates "somewhat high."

"In terms of the public's awareness, interest and anger," said poll director Mervin Field, "[the auto insurance issue] shapes up to be another Proposition 13. You can ask voters about a lot of issues and they're sort of vague, but when you talk about auto insurance, you better stand back."

If you can't beat 'em, join 'em

Representative Andrew Carn got so frustrated with the automobile insurance problem in Philadelphia that he decided to form his own insurance company and offer affordable rates.

Carn was spurred in his effort when his own automobile premium jumped to $15,694, but he says his own situation is "just one example of what is happening to thousands of people in the state."

Philadelphia rivals Los Angeles in having some of the highest premiums in the nation. According to Bob Hunter of the National Insurance Consumer Organization, premiums over $3,000 are not uncommon, with the result that many residents drive illegally without insurance.

Stifled in his attempt to get legislation passed by the "need for greed" of the insurance companies and the "insurance industry's grip on the Legislature," Carn, along with representatives Mark Cohen, David Richardson and Ralph Acosta have filed incorporation papers with the insurance commissioner seeking a license to provide auto insurance coverage at "fair and affordable rates."

The company has the support of the Pennsylvania Insurance Department. "The Department supports the concept of a mutual insurance company to help address the problem of available and affordable automobile insurance for all Pennsylvanians, particularly Philadelphians," said Insurance Commissioner Constance Foster.

"Crying the blues about what the insurance companies are doing to us does not and will not change their attitudes and actions. They feel comfortable in thinking that we have no place else to go but to them," said Carn.

The Futura Mutual Insurance Company will operate as a non-profit corporation aimed at Philadelphians. For $842 annually, people will be able to buy the auto insurance required by the state, and the policyholder's future premiums will be directly related to his accident and claim experiences.

The company also intends to combat fraud by developing "a new relationship between the insured and the insurance provider. The insured will feel and believe that their company not only cares but emanates from among them and is therefore part of them." Futura plans militantly to defend every suit and never compromise a claim. "Too often, insurance companies simply pay repairs or medical bills that clearly ought to be investigated."

"Regardless of what the insurance industry says, they are making more profit now than they ever did," said Carn. "They want us to believe that the reason our insurance rates are so high is because of fraud, auto thefts, uninsured motorists, ambulance chasing lawyers and crooked doctors." Carn believes the effect of these factors has been blown out of proportion by the insurance industry.

"Although the existing insurers are saying that they are losing money, Futura will show that there is profit to be made selling auto policies in Philadelphia and other urban areas."

—Julie Lays

By William T. Pound

What's Ahead in State-Federal Relations?

When the 101st Congress convenes in January 1989, there will be a new administration for the first time in eight years and some transition in congressional leadership. But several of the issues of great importance to state legislatures and state governments in the next decade can be seen now: the future pattern of the state-federal relationship and federal pressure on state revenue sources.

The role of state government in relation to both federal and local governments has changed profoundly in the eight years of the Reagan administration. State governments have assumed an expanded and more responsible role in our federal system. There have been significant shifts toward state governments in domestic policymaking, program authority and financial responsibility. As columnist David Broder recently asserted, "Rarely does anyone mention Reagan's substantial success in achieving his long-cherished goal: shifting the initiative for most domestic programs out of Washington and back to the states." The states, led by modern representative legislatures, truly have become laboratories of democracy.

Recent developments in the federal system have significant implications for state legislatures. The first development is positive—the substantial shift to the states of policy and administrative responsibilities. But two other developments have more negative implications: Recent Supreme Court interpretations of the Tenth Amendment *(Garcia vs. San Antonio Transit Authority* and *South Carolina vs. Baker)* have significantly eroded the protections the states previously had thought to be in the Constitution. And the federal government has shown a disturbing tendency to mandate state action without providing adequate funding, or to pre-empt state laws with a federal standard.

The Court has reasoned that "the states must find their protection from congressional regulation through the national political process." As *The Wall Street Journal* argued after the *South Carolina* decision, "This leaves the states on a par with every other special interest group, from foreign governments to mustard makers."

It will now be tempting for Congress and a new president to look to the interest on state and local bonds—the focus of the *South Carolina* case—as a federal revenue source. State governments have been innovative in developing and diversifying their economies. State and local bonds have been important in financing these efforts. The *Garcia* and *South Carolina* decisions are not just abstract arguments about fine points of constitutional law. Instead they have critical day in and day out implications for how state and local governments work, how they are financed, and how they relate to the national government.

The nation's 7,500 state legislators are disturbed about the federal budget deficit. A committee of the National Conference of State Legislatures, for example, has called reducing and eventually eliminating the deficit "our most serious national domestic policy challenge." The deficit poses a threat to the nation's economy and, in turn, to the fiscal health of state and local governments. It is, therefore, in the best, vital interest of all public officials to develop and implement strategies for reducing the deficit.

The federal government's search for budget solutions may ultimately lead it to revenue sources that state governments have historically used. As state governments are asked to assume more and more responsibility for domestic programs, the federal government should not at the same time deprive them of the means of funding those programs.

This intrusion already occurred when Congress eliminated the deductibility of state and local sales taxes from the federal income tax. Proposals now making the rounds in Washington are even more disturbing and, if adopted, would drastically alter the nation's intergovernmental fiscal system.

I am particularly concerned about proposals for a national consumption or value-added tax. It promotes savings and would make the country more competitive, but it is regressive. And what is often missing from the debate is a discussion about how a national consumption tax, really a sales tax, would affect state revenue systems.

Forty-five states use the sales tax as a source of revenue. Imposition of a national consumption tax would affect state sales tax revenues in two fundamental ways. One, by making goods more expensive and reducing demand, the national tax would automatically reduce state sales tax revenues. Two, by imposing a national tax on top of a state's tax, it would make it difficult, if not impossible, for a state's legislature ever again to increase its own sales tax rate. State governments, which must balance their budgets, would then be forced to turn to other revenue sources or reduce services. And a national sales tax would create great pressure on state legislatures to bring their own sales taxes into conformity with the national tax base.

There will be considerable pressure on the next Congress to raise revenues to reduce the deficit. The recently appointed National Economic Commission will issue recommendations early in 1989. This report may have profound implications for the future of the federal-state relationship, particularly if it recommends that the federal government seek revenues from traditional state sources or that it apply a national value-added tax.

Our federal system is a dynamic, creative one, but it is also in delicate balance. State legislatures must understand the implications of these issues and take an active, positive role in their resolution.

William T. Pound is executive director of The National Conference of State Legislatures.

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Kean: No-good No-fault Should Go

By Doug Canfield, Editor

Though it's too late for California, passage of Proposition 103 has forced legislators in other states to bring auto insurance reform to the front burner.

Probably for the first time in history, auto insurance was the major topic of a governor's State of the State address. New Jersey Gov. Thomas Kean said in a Jan. 10 speech that his state's ineffective no-fault auto insurance system and mandatory coverage laws should be scrapped.

New Jersey's no-fault threshold over which insureds can sue is only $200. Average auto premiums rank second in the nation, below Massachusetts and above California. In 1983, New Jersey established a high-risk Joint Underwriting Association, which is $2.5 billion in the red. Last year, Kean signed a bill designed to bail out the JUA and encourage drivers to return to the private market.

"If we can't have real no-fault, it is time to admit the system doesn't work and shoot it and put us out of our misery," Kean said. "The alternative I suggest to you this afternoon is to eliminate no-fault and get rid of mandatory auto insurance."

Kean must feel the heat of 103. So must Gov. Michael Dukakis in Massachusetts, where yet another insurer — Reliance — has filed to pull out. But besides these and California, auto coverage affordability crises loom for high-cost western states such as Arizona, Nevada and Alaska.

The effect of 103 on state legislators outside California is mixed. Some in Nevada were quick to follow the "Sen.-Alan-Robbins-all-of-a-sudden-I'm-a-consumer-advocate" bandwagon. Others, such as Kean, seem to be well informed. It is up to our industry to make sure the latter prevail.

N.J. Gov. Blasts Auto System

Gov. Kean Calls For Mandatory Verbal Threshold

BY ROGER BARNES

New Jersey Gov. Thomas Kean said it may be necessary to eliminate no-fault and mandatory auto insurance in his state of the state message last week.

"If we can't have real no-fault, it is time to admit the system doesn't work, close it down, shoot it and put us out of our misery," said Gov. Kean, in his address before 800 legislators, officials and guests at the War Memorial Building in Trenton.

"The alternative I suggest to you is to eliminate no-fault and get rid of mandatory auto insurance," the governor said. "In the process, we can rid ourselves of the three most obnoxious letters in a New Jerseyan's vocabulary— JUA."

During his address, Gov. Kean said for six years he has called for a mandatory verbal threshold allowing lawsuits for pain and suffering only in cases involving serious injuries or death. The governor noted that in Michigan, which already has such a law, insurance rates are 20 percent less than New Jersey.

"There is only one way to really begin to reduce auto insurance rates under the no-fault system," said the governor. "We have to reduce lawsuits by approving a mandatory threshold."

Such a proposal was passed by the Assembly "several times," only to have the "will of the people stymied by special interests when the legislation reached the other house," said Gov. Kean.

"Even as we meet today, trial lawyers are planning to spend a million dollars to convince New Jersey drivers not to choose a verbal threshold in their own policies," he said. "But if we maintain our present dual system, rates are going to continue to rise year by year."

The governor's statements, which legislators greeted with roaring applause, reflect growing frustration in a state with many auto insurance problems.

New Jersey drivers pay one of the highest auto insurance premium rates in the nation, in addition to premium surcharges to keep the Joint Underwriting Association afloat. (The JUA, which currently insures half the drivers in the state, has a $2.5 billion deficit.)

New Jersey adopted legislation, which took effect Jan. 1, mandating depopulation of the JUA and offering a voluntary verbal threshold which drivers may choose to help reduce their premiums (see NU, Sept. 12).

During the first weeks of the new year, groups representing lawyers in New Jersey mounted a drive to advise consumers about the new auto insurance law. The groups sent out letters saying the new law's voluntary verbal threshold will not save drivers as much money as predicted, but would only limit their ability to sue for pain and suffering.

"If they (drivers) believe they want to give up the rights for themselves and their families in return for a savings of $4 or $5 a month, that's a choice some people will want to make," said Saul Wolfe, president of the New Jersey State Bar Association.

However, some say the content of many of the lawyer group letters went too far, including Insurance Commissioner Kenneth D. Merin, who has asked the state Supreme Court to determine whether the conduct of the lawyers breached professional ethical codes.

President of the Senate John Russo (D-Ocean) called the elimination of compulsory insurance the "only sensible way to go." Sen. John Lynch (D-Essex) said car insurance issues should be placed on the ballot for voter decision. □

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201-439-2200

Insurer Group Agrees with N.J. Governor's Stance on "True" No-Fault Auto Insurance

A major insurance industry association says it agrees with New Jersey Gov. Thomas Kean's proposed revisions in his state's no-fault automobile insurance law. William Bailey, special counsel to the Insurance Information Institute, said the "governor's position and ours are really the same." Gov. Kean has tried unsuccessfully to reform the 16-year-old current system by placing strict limits on lawsuits. Although I.I.I. supports any workable system that a state's residents favor, Mr. Bailey said that experience shows that "in high-density states like New Jersey, strict no-fault seems to work best." He added that what New Jersey now has is a "hybrid no-fault system" whose threshold limits—the amounts at which it converts to a liability-based system—are too low.

A series of reforms took effect in the state January 1 to contain rising rates, including one that would allow drivers to limit their right to sue in exchange for lower premiums, but the governor has called it inadequate. "If we can't have real no-fault, it is time to admit the system doesn't work and shoot it and put it out of our misery," he said in his annual State of the State address to a joint session of the New Jersey legislature. The governor also suggested eliminating all forms of mandatory auto insurance. A spokesperson for the governor said that Kean made the statement out of frustration with lawmakers, and has no formal proposal to abolish the system.

In the most recent display of consumer unrest over high auto insurance rates, 200 New Jersey motorists marched on the Statehouse. The protesters, part of an organization called Citizens Auto Insurance Revolt, reenacted the Boston Tea Party by throwing stacks of insurance policies from a boat on a flatbed truck. Three potential Rupublican gubernatorial candidates speaking to the group pledged to work for legislation that would reform the system. Auto insurance rates in New Jersey are reported to be among the highest in the nation.

Stiff Penalties For Insurers Approved In Calif.; Banks Move Step Closer to Insurance License

Three measures designed to strengthen Proposition 103 cleared their first legislative hurdle in California, despite charges that the bills are harsh. The state Senate Insurance, Claims and Corporation Committee voted 6-2 Wednesday to levy hefty fines on insurance companies leaving California in the wake of the voter-approved initiative and voted 6-1 to keep companies from transferring their policies to higher-cost subsidiaries.

Under the first bill by Sen. Alan Robbins (D-Tarzana), insurance companies would be required to renew policies unless a policy was revoked for nonpayment, fraud, or serious driving violations. Sen. Robbins said that under Proposition 103 insurance companies can still get out of the business provided they first arrange for their policy renewals to be assumed by another insurance company. The measure is aimed primarily at Hartford, Conn.-based Travelers Corp., the only major insurance company refusing to renew auto policies in the state.

Seven Fireman's Fund companies began renewing auto policies in the state on Thursday after Insurance Commissioner Roxani Gillespie cited the companies' actions as a violation of the insurance code. According to the insurance department, the companies will offer renewals until a hearing is held and a final decision is reached.

Another measure would prohibit insurance companies from changing their underwriting standards in the wake of Proposition 103. The third measure approved by the Senate panel establishes an insurance consumer advocate to be appointed by the state attorney general.

In other developments, the Proposition 103 case was absent from the calendar of oral arguments posted by the state Supreme Court for February, an indication that the court is unlikely to take up the insurance initiative until at least March.

Also, state Bank Superintendent Howard Gould has determined that Proposition 103 effectively repeals all state laws keeping banks out of the insurance business, an opinion supported by Insurance Commissioner Roxani Gillespie.

In a letter to the Independent Insurance Agents and Brokers of California, Commissioner Gillespie said the insurance department must take its lead from the state banking department with respect to the status of the financial code and cannot reject a license application from a state-chartered bank on the grounds that banks cannot sell insurance. Agents argued that Proposition 103's wording could not be applied to the banking code. Currently, two state banks have filed for an agent's license.

1987 Auto Study Update

The automobile registration figures obtained from the Federal Highway Administration, used by A.M. Best Company to calculate average automobile premiums by state (On-Line Reports, Property/Casualty edition, January 2, 1989), have been challenged by some states, including Arizona and South Carolina. The registration figures used in Best's formula included private passenger automobiles and commercial taxis, but not state-owned vehicles or pickup trucks. The report divides the total private passenger auto premiums for each state by the number of registered passenger vehicles reported by the FHA.

(continued)

BEST'S INSURANCE MANAGEMENT REPORTS

Property/Casualty
Release No. 1
January 2, 1989

A.M. Best Company
Oldwick, N.J. 08858
201-439-2200

BKB

Average Automobile Insurance Premiums by State

The insurance premium for the average private passenger automobile in the United States increased $44.28 to $486.50 in 1987. In Massachusetts, the state with the highest average auto premiums, the increase was $100.17, to a total of $655.72, while in Iowa, the state with the lowest average auto insurance premiums in 1987, premiums paid there increased only 5% to $255.61 per registered automobile.

The five states with the highest average auto premiums in 1987 were Massachusetts ($655.72), New Jersey ($634.84), California ($623.44), Arizona ($601.96) and Nevada ($600.04).

One year earlier, in 1986, New Jersey topped the list, Alaska was number two and California ranked third. In 1986 there were 10 states with average premiums above the $500.00 level. In 1987, there were 19 states plus the District of Columbia above that level, and the top five of those had average premiums of more than $600.00.

Twenty states and the District of Columbia had average premiums above the national average of $486.50, and 30 states were below the national average.

From 1986 to 1987, the growth of average auto premiums increased by more than the national average (10.0 %) in 26 states. Among these, the following seven reported increases of more than 15%: Washington, D.C. (25.2%), Massachusetts (18.0%), Maryland (17.9%), Indiana (17.3%), Hawaii (16.9%), South Dakota (15.4%) and Rhode Island (15.2%). Idaho and Oklahoma experienced increases of less than 1%, while three states—Wyoming, Colorado and Alaska—reported small declines.

Net premiums written by the U.S. property/casualty industry for private passenger auto insurance in 1987 totaled $64.3 billion, a 11.7% increase over 1986. The industry experienced a $4.3 billion underwriting loss on this business, which was not overcome by $4.0 billion of related investment income.

In 1988, according to our preliminary estimates, the property/casualty industry wrote almost $70 billion in private passenger auto premiums and had an underwriting loss of $4.7 billion. Estimated investment income of $4.5 billion fell short again, leav-

(continued on back)

About This Information

This annual A. M. Best Company report on average private passenger auto insurance premiums by state has been expanded to provide more information. Five years of rankings now are shown, as well as the number of insurers writing in each state.

Although this report is being released nearly a month earlier than last year's study, the basic approach remains unchanged. We divide private passenger auto direct premiums written for each state by the number of each state's registered vehicles, as reported by the Federal Highway Administration. Premiums for 1987 have been available since May from Best's Executive Data Service, *but auto registration tallies are not available until December.*

Results of this study can be distorted by several factors. The Federal Highway Administration's figures include government-owned and commercial passenger vehicles (but not trucks, buses and motorcycles).

Also skewing the averages is the unknown number of registered, but not

(continued)

Average Automobile Insurance Premiums by State

Ranked by 1987 Premiums per Passenger Vehicle

1987 Rank	State	1987 Average Premium (1)	1986 Rank	1986 Average Premium	1985 Rank	1985 Average Premium	1984 Rank	1984 Average Premium	1983 Rank	1983 Average Premium	
1	Massachusetts	$655.72	4	$555.56	3	$521.40	2	$488.00	3	$416.56	
2	New Jersey	634.84	1	603.55	2	580.12	1	565.77	1	521.21	
3	California	623.44	3	568.20	4	503.65	6	423.49	8	373.83	
4	Arizona	601.96	5	553.84	7	471.38	5	423.65	12	354.35	
• 5	Nevada	600.04	6	549.40	5	498.75	7	418.99	5	387.92	
6	Maryland	597.08	10	506.34	11	423.53	11	374.20	10	356.44	
7	~~Alaska~~	588.80 -2.3	2	602.45 +1.1	1	596.44 +35.1	4	447.34 +12.9	4	396.11	+48.5 SINCE 1983
8	New York	583.69	7	522.06	6	485.07	3	453.26	2	421.70	
9	Washington, D.C.	579.82	15	463.13	19	385.27	20	339.10	21	301.96	
10	Pennsylvania	568.97	9	512.09	8	465.03	8	418.76	6	384.61	
• 11	Rhode Island	549.00	12	476.60	15	405.93	17	350.29	17	325.12	
12	Delaware	536.96	13	469.15	14	408.04	16	350.70	18	323.29	
13	Hawaii	530.13	17	453.60	12	417.59	19	349.57	9	360.90	
14	Louisiana	529.68	8	515.30	9	443.24	10	401.86	7	383.72	
15	Connecticut	519.93	14	466.09	13	412.52	12	373.01	14	338.05	
16	South Carolina	514.93	20	449.74	17	398.86	14	365.38	15	334.93	
17	Michigan	509.28	11	481.07	16	404.63	15	359.04	16	328.24	
• 18	New Hampshire	508.85	18	453.10	37	312.34	32	304.55	29	291.00	
19	West Virginia	506.81	16	454.65	10	428.56	9	404.97	11	356.41	
20	Georgia	501.14	19	450.23	22	372.06	30	305.48	30	287.18	
• 21	Arkansas	494.29	22	433.75	18	392.27	18	349.73	23	294.67	
National Average		**486.50**		**442.22**		**390.04**		**351.46**		**322.20**	
22	Texas	474.33	23	426.09	20	383.76	13	372.48	13	343.32	
23	Missouri	460.88	26	403.40	26	354.36	28	309.81	27	291.11	
24	Minnesota	456.48	25	416.98	34	318.29	23	326.69	25	292.30	
• 25	Illinois	439.46	24	418.51	25	356.00	27	312.69	19	307.75	
• 26	Virginia	436.20	31	381.82	32	325.15	38	281.17	33	268.85	
27	Oregon	435.09	28	396.36	28	349.68	29	306.65	20	302.22	
28	Colorado	434.97	21	444.11 —	21	379.16	22	329.91	22	301.38	
29	Florida	433.91	30	390.50	29	344.98	31	304.58	26	291.55	
30	Utah	431.01	27	396.78	31	329.96	36	284.22	34	265.58	
• 31	Washington	430.20	29	393.86	27	351.53	25	315.99	24	293.52	
32	Indiana	423.13	39	360.89	42	298.08	42	268.56	35	259.19	
33	New Mexico	415.57	32	378.17	23	368.43	24	325.97	42	246.97	
34	Kentucky	409.43	35	369.37	33	321.83	43	268.25	44	241.44	
• 35	Wisconsin	409.29	34	372.76	39	308.85	40	279.96	43	245.93	
36	North Carolina	408.42	38	362.36	35	315.75	35	285.78	46	239.36	
• 37	Vermont	405.36	37	363.97	38	310.66	33	291.12	36	258.65	
38	Montana	405.22	33	372.96	24	360.36	26	314.46	40	248.41	
39	Oklahoma	370.28	36	368.85	30	342.47	21	332.78	28	291.09	
40	Kansas	369.14	41	345.19	36	312.50	34	286.14	31	281.70	
• 41	Maine	364.59	43	332.83	43	296.71	37	263.48	37	258.68	
42	Ohio	350.84	44	327.01	45	279.39	44	260.60	47	237.31	
• 43	Nebraska	348.27	45	323.98	44	288.02	41	269.25	38	257.63	
44	Idaho	345.66	42	344.30	41	300.43	45	256.61	39	248.71	
45	Wyoming	345.02	40	347.91 —	40	307.51	39	281.05	32	277.50	
• 46	Mississippi	331.16	47	297.25	47	271.02	46	250.53	45	240.34	
• 47	Tennessee	328.38	48	292.49	48	261.15	48	235.82	49	215.07	
48	North Dakota	328.23	46	307.13	46	278.07	47	243.00	41	247.64	
• 49	Alabama	306.73	49	278.46	49	260.63	50	224.10	51	200.24	
50	South Dakota	295.08	50	255.77	50	231.24	51	213.47	50	208.66	
• 51	Iowa	255.61	51	243.95	51	214.84	49	229.89	48	222.18	

• Indicates states which did not have compulsory auto insurance laws in 1987, according to the Insurance Information Institute.
Note: Various factors may skew results; see text for explanation of how figures are calculated.

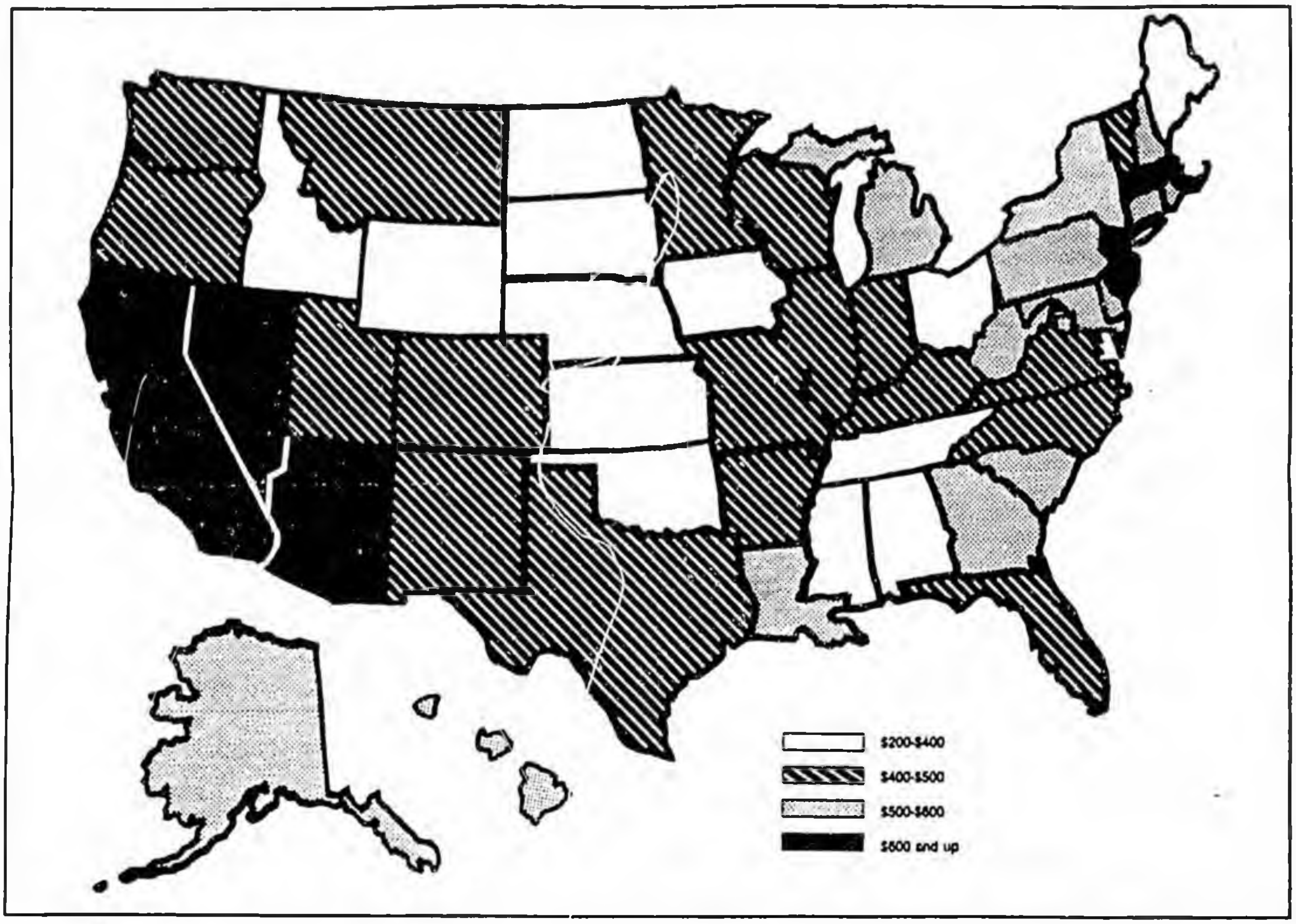
insured, vehicles. Several states still do not mandate coverage, and others have varying degrees of registered, but illegally operated uninsured cars. Also affecting the averages are different states' requirements for minimum limits of coverage.

It should be noted that each year the A.M. Best Company and the Federal Highway Administration both adjust figures published in prior reports to ensure that the best currently available information is reported. These adjustments could change rankings reported in prior years' reports.

Growth of Average Auto Premiums
Five Years, By State

86/87 Growth Rank	State	86/87 Growth Percent	85/86 Growth Percent	84/85 Growth Percent	83/84 Growth Percent	82/83 Growth Percent	82/87 Growth Percent	Number of Companies Writing in State 1987	1986	Net Change
1	Wash. D.C.	25.20	20.21	13.61	12.30	14.37	119.62	166	178	−12
2	Massachusetts	18.03	6.55	6.85	17.14	9.08	71.70	169	170	−1
3	Maryland	17.92	19.55	13.18	4.98	11.92	87.48	263	262	1
4	Indiana	17.25	21.07	10.99	3.62	14.43	86.80	353	356	−3
5	Hawaii	16.87	8.62	19.46	−3.14	−1.09	45.28	105	103	2
6	South Dakota	15.37	10.61	8.32	2.30	3.74	46.70	209	218	−9
7	Rhode Island	15.19	17.41	15.38	7.74	8.02	82.40	177	179	−2
8	South Carolina	14.50	12.76	9.16	9.09	9.39	68.17	184	191	−7
9	Delaware	14.45	14.98	16.35	8.48	9.06	81.15	187	185	2
10	Virginia	14.24	17.43	15.64	4.58	6.00	71.98	283	277	6
11	Missouri	14.22	13.86	14.38	6.42	10.45	74.87	324	328	−4
12	Arkansas	13.96	10.58	12.16	18.68	12.85	89.29	251	257	−6
13	North Carolina	12.71	14.76	10.49	19.39	13.59	93.82	216	225	−9
14	New Hampshire	12.31	45.07	2.56	4.65	11.02	94.14	164	170	−6
15	Tennessee	12.27	12.00	10.74	9.65	8.93	66.31	316	312	4
16	New York	11.81	7.62	7.02	7.48	9.59	51.68	259	270	−11
17	Connecticut	11.55	12.99	10.59	11.00	9.89	70.02	216	226	−10
18	West Virginia	11.47	6.59	5.33	13.63	3.40	47.03	198	199	−1
19	Mississippi	11.41	9.68	8.18	4.24	11.26	53.30	267	267	0
20	Vermont	11.37	17.16	6.71	12.46	−0.97	55.08	170	181	−11
21	Texas	11.32	11.03	3.03	8.49	10.65	52.87	403	405	−2
22	Georgia	11.31	21.01	21.80	6.37	11.99	95.43	336	331	5
23	Florida	11.12	13.19	13.27	4.47	10.41	64.31	370	365	5
24	Pennsylvania	11.11	10.12	11.05	8.86	7.44	58.94	284	294	−10
25	Kentucky	10.85	14.77	19.97	11.11	6.72	80.97	283	286	−3
26	Alabama	10.15	6.84	16.30	11.92	5.05	60.91	283	294	−11
27	New Mexico	9.89	2.64	13.03	31.99	7.45	80.80	246	250	−4
28	Wisconsin	9.80	20.69	10.32	13.84	7.09	78.23	311	310	1
29	Oregon	9.77	13.35	14.03	1.46	3.79	49.43	257	265	−8
30	California	9.72	12.82	18.93	13.28	4.36	74.05	374	375	−1
31	Maine	9.54	12.18	4.67	9.58	6.27	49.78	185	184	1
32	Minnesota	9.47	31.01	−2.57	11.77	2.35	59.84	284	287	−3
33	Washington	9.23	12.04	11.24	7.65	3.83	52.17	274	268	6
34	Nevada	9.20	10.17	19.04	8.01	0.90	56.08	207	216	−9
35	Arizona	8.69	17.49	11.27	19.56	17.52	99.63	299	297	2
36	Montana	8.65	3.50	14.59	26.59	−1.54	60.61	190	195	−5
37	Utah	8.63	20.25	16.09	7.02	5.81	71.72	220	227	−7
38	Nebraska	7.50	12.48	6.97	4.51	4.18	40.84	254	251	3
39	Ohio	7.29	17.05	7.21	9.82	4.88	55.05	346	343	3
40	Kansas	6.94	10.46	9.21	1.57	5.95	38.83	276	284	−8
41	North Dakota	6.87	10.45	14.43	−1.87	2.66	36.07	211	221	−10
42	Michigan	5.86	18.89	12.70	9.39	6.92	65.88	236	251	−15
43	New Jersey	5.19	4.04	2.54	8.55	14.33	39.25	213	228	−15
44	Illinois	5.00	17.56	13.85	1.61	5.53	50.70	384	380	4
45	Iowa	4.78	13.55	−6.55	3.47	−3.00	11.59	290	298	−8
46	Louisiana	2.77	16.28	10.30	4.73	4.11	43.70	319	320	−1
47	Idaho	0.39	14.60	17.07	3.18	7.55	49.47	211	222	−11
48	Oklahoma	0.39	7.70	2.91	14.32	15.73	47.22	286	281	5
49	Wyoming	−0.83	13.14	9.42	1.28	5.00	30.55	176	173	3
50	Colorado	−2.06	17.13	14.93	9.47	5.01	51.56	303	302	1
51	Alaska	−2.25	1.18	33.11	12.93	11.87	66.31	124	128	−4
National Average		10.01	13.38	10.98	9.08	7.99	63.06	1,120	1,097	

Note: Various factors may skew results; see text for explanation of how figures are calculated.



ing another operating loss.

Newly included in this annual report on auto insurance is the number of insurance companies writing in each state. During 1987, a net of 15 companies ceased writing private passenger automobile insurance in each of New Jersey and Michigan; 12 companies left Washington, D.C. and 11 pulled out of New York, Vermont, Alabama and Idaho. In all, the District of Columbia and 32 states had a net loss of insurers writing auto business and 17 states had a net gain of new insurers. Mississippi had no net change.

In 1987 there were 1,120 individual insurance companies writing private passenger auto insurance in the United States, although a number of these were subsidiaries of groups. The number of groups writing private passenger auto insurance totaled 544.

For consumers in several states, private passenger automobile insurance premiums reached a crisis level in 1987. Rates had been increasing for years, but the high price of insurance moved Californians to action as drivers displayed their outrage and anger toward insurance companies, state and federal legislators and even each other as they sought to change the system in 1988. (Ironically, California's average premium growth was lower than the national average in 1987, albeit up 74% over five years.)

The insurance industry's own frustrations, however, were never more evident than in the recent California elections, when over half the state's voters approved Proposition 103. The insurance industry spent more than $50 million to influence voters, yet failed to justify premium rates which are increasing faster than the overall cost of living.

Consumer groups have promised to export the Proposition 103 movement to other states where consumer unrest over auto insurance rates could make voters receptive to supporting limitations on the price of insurance.

Insurers are taking this seriously, especially in states like California where rates in metropolitan areas are sharply higher than in outlying districts.

As some insurers leave the California auto market, the aspect of driving away insurers could become a more serious concern for voters and legislators to consider. But for many people and many insurers in a number of states, the price of auto insurance has become a major public issue that just will not go away. □

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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

February 14, 1989

Honorable Richard Shultz
House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Shultz:

I have been asked to respond to your questions concerning automobile premiums as well as Alaska's basic limits for automobile insurance. The reason the basic limits have continued to change is because of the purchasing power of the dollar. The limits have been adjusted twice from their 1959 level of October 29, 1985 due to inflation. The rates were changed to 15/30/5 in 1966 as inflation dropped the dollar value and were adjusted again in 1975 to the current level of 25/50/10. Exhibits A and B show the purchasing power of the dollar limits from 1959 through 1983 and with the subsequent basic limits changes.

Exhibit C shows the basic auto insurance limits for all 50 states, the District of Columbia and the Canadian provinces. As you can see, Alaska's basic rates are the highest in the nation. Southern states tend to have the lowest rates.

Exhibit D is a ten-year history both private passenger and commercial auto premiums collected nationwide along with the annual percentage of change and the combined ratio for each year. The combined ratio measures the relationship between premiums and company expenses and claims losses. A combined ratio above 100 means that for every $100 paid in premiums, more than $100 went to expenses and claims losses. The chart shows a gradual rise in the combined loss ratio for liability insurance until 1985 when it leveled off. The physical damage loss ratio has continued to drop from a high of 100.6 in 1984.

Exhibit E is a state by state comparison of all auto premiums written by state for 1987. Alaska ranks 46th nationally in total premiums written.

Exhibit F compares the cost of an average automobile insurance policy per state for the years 1983 through 1987. Alaska is only one of three states in which the cost of a policy declined in 1987. The other two were Colorado and Wyoming.

Exhibit 6 shows the growth of average premiums by state for the last five years. It also shows the number of companies writing in different states for 1986 and 1987. Exhibit H further expands on the number of companies as it shows 1982 figures and the net change since then. Alaska has lost eight companies since 1982.

If you have any questions, please don't hesitate to call Bob Sims of the Alaska Division of Insurance, 465-2517.

Sincerely,

Bob Sims for Jim Jordan

Jim Jordan
Deputy Director

JJ/sa4865s
21389a

Enclosures

cc: Representative Davie Donley
Representative Kay Wallis
Linda Wild, Special Assistant to Commissioner, DCED
Joan Brown, Administrative Officer

In view of the interest being expressed by a number of persons in reviewing the limits of liability required by the Alaska Safety Responsibility Act (financial responsibility law) the Division of Insurance has updated exhibits originally prepared when the limits were last revised in 1975.

EXHIBIT A reflects the purchasing power or value of the dollar based on the annual average value as measured by consumer prices. The base year utilized is 1959, the year of Alaska Statehood. The indices used were developed by the U. S. Bureau of Labor Statistics. Column (3) shows the limits of liability for bodily injury applicable to the particular year. Column (5) does the same for property damage. The figures for 1982 and 1983 are projections and are not firm.

EXHIBIT B is the same concept as EXHIBIT A except it uses the date of last change of limits as the base year and thus uses a shorter span of years.

EXHIBIT C is an excerpt from the FC&S BULLETINS published by the National Underwriter Company of Cincinnati, Ohio. It depicts the current (as of January 1983) limit of liability for each state of the United States and for each province in Canada.

March 1, 1983

Division of Insurance
Department of Commerce & Economic Development
State of Alaska

PURCHASING POWER OF FINANCIAL RESPONSIBILITY LAW LIMITS USING 1959 (statehood) AS BASE YEAR

(1) Year	(2) Purchasing Power indx	(3) B.I. Limits (000)	(4) Purchasing Power of (3)	(5) P.D. Limit (000)	(6) Purchasing Power of (5)
1959	1.000	10/20	10000/20000	5	5000
1960	.984	10/20	9840/19680	5	4920
1961	.975	10/20	9750/19500	5	4875
1962	.964	10/20	9640/19280	5	4820
1963	.953	10/20	9530/19060	5	4765
1964	.940	10/20	9400/18800	5	4700
1965	.924	10/20	9240/18480	5	4620
1966	.899	10/20	8990/17980	5	4495
1966	.899	15/30	13485/26970	5	4495
1967	.873	15/30	13095/26190	5	4365
1968	.838	15/30	12570/25140	5	4190
1969	.796	15/30	11940/23880	5	3980
1970	.751	15/30	11265/22530	5	3755
1971	.720	15/30	10800/21600	5	3600
1972	.698	15/30	10470/20940	5	3490
1973	.657	15/30	9855/19710	5	3285
1974	.587	15/30	8805/17610	5	2935
1975	.542	15/30	8130/16260	5	2710
1975	.542	25/50	13550/27100	10	5420
1976	.512	25/50	12800/25600	10	5120
1977	.481	25/50	12025/24050	10	4810
1978	.447	25/50	11175/22350	10	4470
1979	.402	25/50	10050/20100	10	4020
1980	.355	25/50	8875/17750	10	3550
1981	.325	25/50	8125/16250	10	3250
1982est.	.310	25/50	7750/15500	10	3100
1983est.	.295	25/50	7375/14750	10	2950

Proposals

1983est.	.295	50/100	14750/29500	25	7375
1983est	.295	100/200	29500/59000	25	7375

Prepared by: Alaska Division of Insurance
Based on U.S. Bureau of Labor Statistics
Date: March 1, 1983

EXHIBIT B

PURCHASING POWER OF FINANCIAL RESPONSIBILITY LAW LIMITS USING 1975 (date of last change in financial responsibility law limits) AS BASE YEAR

(1) Year	(2) Purchasing Power Indx	(3) B.I. Limits (000)	(4) Purchasing Power of (3)	(5) P.D. Limit (000)	(6) Purchasing Power of (5)
1975	1.000	25/50	25000/50000	10	10000
1976	.945	25/50	23625/47250	10	9450
1977	.887	25/50	22175/44350	10	8870
1978	.824	25/50	20600/41200	10	8240
1979	.742	25/50	18550/37100	10	7420
1980	.654	25/50	16350/36700	10	6540
1981	.599	25/50	14975/29950	10	5990
1982est.	.572	25/50	14300/28600	10	5720

Prepared by: Alaska Division of Insurance
Based on: U.S. Bureau of Labor Statistics
Date: March 1, 1983

Exhibit C

EXHIBIT IV CHART 1

AUTOMOBILE FINANCIAL RESPONSIBILITY/COMPULSORY LIMITS

STATE	LIABILITY LIMITS*	STATE	LIABILITY LIMITS*
ALABAMA	20/40/10	RHODE ISLAND	25/50/10
ALASKA	50/100/25	SOUTH CAROLINA	15/30/5
ARIZONA	15/30/10	SOUTH DAKOTA	25/50/25
ARKANSAS	25/50/15	TENNESSEE	20/40/10
CALIFORNIA	15/30/5	TEXAS	20/40/15
COLORADO	25/50/15	UTAH	20/40/10
CONNECTICUT	20/40/10	VERMONT	20/40/10
DELAWARE	15/30/10	VIRGINIA	25/50/10
DISTRICT OF COLUMBIA	25/50/10	WASHINGTON	25/50/10
FLORDIA	10/20/05	WEST VIRGINIA	20/40/10
GEORGIA	15/30/10	WISCONSIN	25/50/10
HAWAII	35/UNLIMITED/10	WYOMING	25/50/20
IDAHO	25/50/15		
ILLINOIS	20/40/15	CANADA	
INDIANA	25/50/10		
IOWA	20/40/15	ALBERTA	$200,000
KANSAS	25/50/10		INCLUSIVE**
KENTUCKY	10/20/05	BRITISH COLUMBIA	$200,000
LOUISANA	10/20/10		INCLUSIVE**
MAINE	20/40/10	MANITOBA	$200,000
MARYLAND	20/40/10		INCLUSIVE**
MASSACHUSETTS	10/20/05	NEW BRUNSWICK	$200,000
MICHIGAN	20/40/10		INCLUSIVE**
MINNESOTA	20/60/10	NEWFOUNDLAND	$200,000
MISSISSIPPI	10/20/05		INCLISIVE**
MISSOURI	25/50/10	N.W. TERRITORIES	$200,000
MONTANA	25/50/5		INCLUSIVE**
NEBRASKA	25/50/25	NOVA SCOTIA	$200,000
NEVADA	15/30/10		INCLUSIVE**
NEW HAMPSHIRE	25/50/25	ONTARIO	$200,000
NEW JERSEY	15/30/5		INCLUSIVE**
NEW MEXICO	25/50//10	PRINCE EDWARD ISLAND	$200,000
NEW YORK***	10/20/05		INCLUSIVE**
NORTH CAROLINA	25/50/10	QUEBEC****	$200,000
NORTH DAKOTA	25/50/25		INCLUSIVE**
OHIO	12.5/25/7.5	SASKATCHEWAN	$200,000
OKLAHOMA	10/20/10		INCLUSIVE**
OREGON	25/50/10	YUKON	$200,000
PENNSYLVANIA	15/30/5		INCLUSIVE**

* - THE FIRST TWO FIGURES REFER TO BODILY INJURY LIABILITY LIMITS AND THE THIRD FIGURE TO PROPERTY DAMAGE LIABILITY. FOR EXAMPLE, 10/20/5 MEANS COVERAGE UP TO $20,000 FOR ALL PERSONS INJURED IN AN ACCIDENT, SUBJECT TO A LIMIT OF $10,000 FOR ONE INDIVIDUAL, AND $5,000 COVERAGE FOR PROPERTY DAMAGE.

** - "INCLUSIVE" MEANS THAT AMOUNT OF LIABILITY INSURANCE SHOWN IS AVAILABLE TO SETTLE EITHER BODILY INJURY OR PROPERTY DAMAGE CLAIMS - OR BOTH. WHEN A CLAIM INVOLVING BOTH BODILY INJUTY AND PROPERTY DAMAGE REACHES THE "INCLUSIVE" LIMIT, PAYMENT FOR PROPERTY DAMAGE IS LIMITED TO $20,000 IN BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK AND NEWFOUNDLAND, AND TO $10,000 IN THE OTHER TERRITORIES HAVING "INCLUSIVE" LIMITS.

*** - 50/100 IN CASES OF WRONGFUL DEATH

**** - QUEBEC HAS A COMPLETE NO-FAULT SYSTEM FOR BODILY INJURY CLAIMS, SCALED DOWN FOR NON-RESIDENTS IN PROPORTION TO THEIR DEGREE OF FAULT. THE $50,000 LIMIT RELATES TO LIABILITY FOR PROPERTY DAMAGE IN QUEBEC AND TO LIABILITY FOR BODILY INJURY AND PROPERTY DAMAGE OUTSIDE QUEBEC.

SOURCES: AMERICAN INSURANCE INSTITUTE; INSURANCE BUREAU OF CANADA; INSURANCE INFORMATION INSTITUTE

Exhibit P

EXHIBIT I CHART 3

AUTOMOBILE LIABILITY INSURANCE 1978 - 1987
(000's Omitted)

	PRIVATE PASSENGER			COMMERCIAL		
YEAR	WRITTEN PREMIUMS	ANNUAL % OF CHANGE	COMBINED RATIO*	WRITTEN PREMIUMS	ANNUAL % OF CHANGE	COMBINED RATIO*
1978	$16,047,755		98.3	$4,335,232		99.3
1979	$17,385,444	8.3%	100.8	$4,716,903	8.8%	104.4
1980	$18,590,373	6.9%	102.6	$4,728,913	0.3%	109.1
1981	$19,649,912	5.7%	108.9	$4,745,262	0.3%	117.5
1982	$21,487,468	9.4%	110.1	$4,738,978	-0.1%	125.6
1983	$23,349,939	8.6%	111.1	$4,736,128	-0.1%	132.1
1984	$24,809,382	6.3%	112.8	$5,407,281	14.2%	142.4
1985	$28,243,882	13.8%	118.9	$7,842,789	45.0%	126.3
1986	$32,972,920	16.7%	117.9	$11,108,002	41.6%	111.6
1987	$37,449,134	13.6%	116.1	$11,755,444	5.8%	107.1

* - BEFORE DIVIDENDS TO POLICYHOLDERS. THE COMBINED RATIO MEASURES THE RELATIONSHIP BETWEEN PREMIUMS AND INSURANCE COMPANY EXPENSES AND CLAIM LOSSES. A COMBINED RATIO ABOVE 100 MEANS THAT FOR EVERY $100 PAID IN PREMIUMS, MORE THAN $100 WENT TO EXPENSES AND CLAIM LOSSES.

AUTOMOBILE PHYSICAL DAMAGE INSURANCE 1978 - 1987
(000's Omitted)

	PRIVATE PASSENGER			COMMERCIAL		
YEAR	WRITTEN PREMIUMS	ANNUAL % OF CHANGE	COMBINED RATIO*	WRITTEN PREMIUMS	ANNUAL % OF CHANGE	COMBINED RATIO*
1978	$10,540,718		95.9	$2,294,195		89.5
1979	$11,909,408	13.0%	100.3	$2,628,293	14.6%	93.6
1980	$13,086,150	9.9%	96.6	$2,746,853	4.5%	95.9
1981	$14,033,370	7.2%	98.6	$2,713,919	-1.2%	99.8
1982	$15,292,070	9.0%	101.4	$2,713,417	0.0%	106.1
1983	$16,974,304	11.0%	96.3	$2,773,199	2.2%	105.9
1984	$18,497,769	9.0%	100.6	$3,268,035	17.8%	110.9
1985	$21,180,583	14.5%	98.9	$4,066,138	24.4%	97.1
1986	$24,198,891	14.3%	93.6	$5,106,615	25.6%	82.1
1987	$26,838,193	10.9%	89.7	$5,157,198	1.0%	79.4

* - BEFORE DIVIDENDS TO POLICYHOLDERS. THE COMBINED RATIO MEASURES THE RELATIONSHIP BETWEEN PREMIUMS AND INSURANCE COMPANY EXPENSES AND CLAIM LOSSES. A COMBINED RATIO ABOVE 100 MEANS THAT FOR EVERY $100 PAID IN PREMIUMS, MORE THAN $100 WENT TO EXPENSES AND CLAIM LOSSES.

SOURCE: A.M. BEST COMPANY INC., BEST'S AGGREGRATES & AVERAGES

Exhibit E

EXHIBIT I CHART 4

AUTOMOBILE DIRECT WRITTEN PREMIUMS BY STATE IN 1987
(000's Omitted)

STATE	PRIVATE PASS. AUTOMOBILE LIABILITY	PRIVATE PASS. AUTOMOBILE PHYS. DMG.	COMMERCIAL AUTOMOBILE LIABILITY	COMMERCIAL AUTOMOBILE PHYS. DMG.	TOTAL ALL LINES OF INS.
ALABAMA	$362,830	$440,933	$172,313	$80,348	$2,596,553
ALASKA	$77,451	$53,713	$26,091	$7,634	$622,144
ARIZONA	$666,115	$356,017	$163,084	$62,161	$2,666,487
ARKANSAS	$244,691	$214,488	$118,988	$49,818	$1,506,961
CALIFORNIA	$6,071,104	$3,633,943	$1,491,732	$591,341	$28,716,912
COLORADO	$576,600	$385,492	$137,786	$69,784	$2,545,997
CONNECTICUT	$780,939	$486,933	$245,899	$97,946	$3,981,176
DELAWARE	$127,704	$75,486	$45,547	$17,204	$617,343
DIST. OF COLUMBIA	$86,439	$56,872	$26,244	$8,383	$710,662
FLORDIA	$2,344,836	$1,319,107	$762,260	$271,563	$10,114,380
GEORGIA	$1,049,085	$746,489	$358,019	$135,318	$5,024,804
HAWAII	$214,419	$103,215	$59,659	$17,661	$988,689
IDAHO	$113,529	$85,080	$36,501	$20,926	$620,237
ILLINOIS	$1,431,829	$1,281,637	$517,547	$231,104	$9,577,137
INDIANA	$621,134	$534,696	$253,767	$147,099	$3,458,920
IOWA	$262,901	$229,723	$124,226	$65,606	$1,827,819
KANSAS	$283,343	$263,340	$110,906	$67,370	$1,822,168
KENTUCKY	$411,862	$321,404	$121,347	$78,644	$2,158,147
LOUISIANA	$641,071	$381,602	$253,264	$62,894	$3,263,098
MAINE	$125,680	$124,016	$64,756	$33,629	$972,107
MARYLAND	$1,099,115	$517,692	$288,969	$104,817	$4,024,588
MASSACHUSETTS	$1,240,909	$975,290	$372,267	$202,714	$6,316,505
MICHIGAN	$1,195,345	$1,575,199	$348,703	$235,229	$7,720,598
MINNESOTA	$723,592	$397,686	$214,191	$88,987	$3,646,168
MISSISSIPPI	$213,222	$229,601	$112,916	$62,192	$1,529,852
MISSOURI	$646,222	$579,912	$221,754	$109,136	$3,890,857
MONTANA	$98,606	$67,810	$46,893	$24,422	$552,437
NEBRASKA	$157,894	$141,262	$83,534	$45,235	$1,117,993
NEVADA	$228,409	$119,317	$52,954	$20,322	$826,337
NEW HAMPSHIRE	$176,263	$172,054	$70,176	$40,279	$1,103,159
NEW JERSEY	$1,942,249	$1,172,916	$776,606	$244,765	$8,930,318
NEW MEXICO	$181,472	$147,503	$55,875	$29,600	$948,151
NEW YORK	$2,855,224	$1,986,209	$1,118,610	$360,043	$17,047,401
NORTH CAROLINA	$790,318	$626,305	$278,638	$117,267	$3,791,336
NORTH DAKOTA	$65,129	$50,494	$25,635	$16,722	$427,203
OHIO	$1,366,231	$1,081,040	$423,857	$223,689	$6,680,921
OKLAHOMA	$371,757	$340,048	$127,292	$71,409	$2,126,549
OREGON	$453,104	$260,175	$130,435	$61,294	$2,064,783
PENNSYLVANIA	$2,312,841	$1,183,160	$708,810	$260,428	$10,149,393
RHODE ISLAND	$159,257	$137,782	$56,366	$23,526	$944,976
SOUTH CAROLINA	$549,876	$364,048	$139,312	$51,982	$2,208,953
SOUTH DAKOTA	$62,431	$57,735	$33,181	$19,323	$433,369
TENNESSEE	$509,728	$534,501	$234,260	$101,470	$3,207,038
TEXAS	$2,010,230	$1,907,777	$689,662	$302,734	$12,967,251
UTAH	$178,390	$143,048	$57,718	$28,220	$878,090
VERMONT	$64,509	$68,425	$30,592	$17,444	$478,305
VIRGINIA	$956,224	$607,625	$291,207	$104,612	$4,166,127
WASHINGTON	$732,942	$422,287	$198,275	$84,291	$3,009,649
WEST VIRGINIA	$221,787	$184,926	$57,309	$33,944	$913,996
WISCONSIN	$550,430	$418,483	$195,446	$105,938	$3,295,856
WYOMING	$45,300	$50,755	$18,895	$11,611	$288,240
COUNTYRWIDE	$38,659,149	$27,624,269	$12,548,274	$16,901,952	$199,478,139

SOURCE: INSURANCE INFORMATION INSTITUTE

 Exhibit F

Average Automobile Insurance Premiums by State
Ranked by 1987 Premiums per Passenger Vehicle

1987 Rank	State	1987 Average Premium (1)	1986 Rank	1986 Average Premium	1985 Rank	1985 Average Premium	1984 Rank	1984 Average Premium	1983 Rank	1983 Average Premium
1	Massachusetts	$655.72	4	$555.55	3	$521.40	2	$488.00	3	$416.58
2	New Jersey	634.84	1	603.55	2	580.12	1	585.77	1	521.21
3	California	623.44	3	568.20	4	503.65	6	423.40	8	373.83
4	Arizona	601.98	5	553.84	7	471.38	5	423.65	12	354.35
• 5	Nevada	600.04	6	549.19	5	498.75	7	418.09	5	387.92
6	Maryland	597.08	10	508.34	11	423.53	11	374.20	10	356.44
7	Alaska	588.88	2	602.45	1	596.44	4	447.34	4	396.11
8	New York	583.69	7	522.06	6	485.07	3	453.26	2	421.70
9	Washington, D.C.	579.82	15	483.13	19	385.27	20	339.10	21	301.96
10	Pennsylvania	568.97	9	512.09	8	465.03	8	418.76	6	384.61
• 11	Rhode Island	549.00	12	476.60	15	405.93	17	350.29	17	325.12
12	Delaware	536.96	13	469.15	14	408.04	16	350.70	18	323.29
13	Hawaii	530.13	17	453.60	12	417.59	19	349.57	9	360.90
14	Louisiana	529.68	8	515.39	9	443.24	10	401.86	7	383.72
15	Connecticut	519.93	14	466.09	13	412.52	12	373.01	14	336.05
16	South Carolina	514.93	20	449.74	17	398.86	14	365.38	15	334.93
17	Michigan	509.28	11	481.07	16	404.63	15	359.04	16	328.24
• 18	New Hampshire	508.85	18	453.10	37	312.34	32	304.55	29	291.00
19	West Virginia	506.81	16	454.65	10	426.56	9	404.97	11	356.41
20	Georgia	501.14	19	450.23	22	372.06	30	305.48	30	287.18
• 21	Arkansas	494.29	22	433.75	18	392.27	18	349.73	23	294.67
National Average		**486.50**		**442.22**		**390.04**		**351.46**		**322.20**
22	Texas	474.33	23	426.09	20	383.76	13	372.48	13	343.32
23	Missouri	460.88	26	403.49	26	354.36	28	309.81	27	291.11
24	Minnesota	456.48	25	416.98	34	318.29	23	326.69	25	292.30
• 25	Illinois	439.46	24	418.51	25	356.00	27	312.69	19	307.75
• 26	Virginia	436.20	31	381.82	32	325.15	38	281.17	33	268.85
27	Oregon	435.09	28	396.36	28	349.68	29	306.65	20	302.22
28	Colorado	434.97	21	444.11	21	379.16	22	329.91	22	301.36
29	Florida	433.91	30	390.50	29	344.98	31	304.58	26	291.55
30	Utah	431.01	27	396.78	31	329.96	36	284.22	34	265.58
• 31	Washington	430.20	29	393.86	27	351.53	25	315.99	24	293.52
32	Indiana	423.13	39	360.89	42	298.08	42	268.56	35	259.19
33	New Mexico	415.57	32	378.17	23	368.43	24	325.97	42	246.97
34	Kentucky	409.43	35	369.37	33	321.83	43	266.25	44	241.44
• 35	Wisconsin	409.29	34	372.76	39	308.85	40	279.96	43	245.93
36	North Carolina	408.42	38	362.36	35	315.75	35	285.78	46	239.36
• 37	Vermont	405.36	37	363.97	38	310.66	33	291.12	36	258.85
38	Montana	405.22	33	372.96	24	360.36	26	314.46	40	248.41
39	Oklahoma	370.28	36	368.85	30	342.47	21	332.78	28	291.09
40	Kansas	369.14	41	345.19	36	312.50	34	286.14	31	281.70
• 41	Maine	364.59	43	332.83	43	296.71	37	283.48	37	258.68
42	Ohio	350.84	44	327.01	45	279.39	44	260.60	47	237.31
• 43	Nebraska	348.27	45	323.98	44	288.02	41	269.25	38	257.63
44	Idaho	345.66	42	344.30	41	300.43	45	256.61	39	248.71
45	Wyoming	345.02	40	347.91	40	307.51	39	281.05	32	277.50
• 46	Mississippi	331.16	47	297.25	47	271.02	46	250.53	45	240.34
• 47	Tennessee	328.38	48	292.49	48	261.15	48	235.82	49	215.07
48	North Dakota	328.23	46	307.13	46	278.07	47	243.00	41	247.64
• 49	Alabama	306.73	49	278.46	49	260.63	50	224.10	51	200.24
50	South Dakota	295.08	50	255.77	50	231.24	51	213.47	50	208.66
• 51	Iowa	255.61	51	243.95	51	214.84	49	229.89	48	222.18

• Indicates states which did not have compulsory auto insurance laws in 1987, according to the Insurance Information Institute.
Note: Various factors may skew results; see text for explanation of how figures are calculated.

insured, vehicles. Several states still do not mandate coverage, and others have varying degrees of registered, but illegally operated uninsured cars. Also affecting the averages are different states' requirements for minimum limits of coverage.

It should be noted that each year the A.M. Best Company and the Federal Highway Administration both adjust figures published in prior reports to ensure that the best currently available information is reported. These adjustments could change rankings reported in prior years' reports.

 Exhibit 6

Growth of Average Auto Premiums
Five Years, By State

86/87 Growth Rank	State	86/87 Growth Percent	85/86 Growth Percent	84/85 Growth Percent	83/84 Growth Percent	82/83 Growth Percent	82/87 Growth Percent	Number of Companies Writing in State 1987	1986	Net Change
1	Wash. D.C.	25.20	20.21	13.61	12.30	14.37	119.62	166	178	−12
2	Massachusetts	18.03	6.55	6.85	17.14	9.08	71.70	169	170	−1
3	Maryland	17.92	19.55	13.18	4.98	11.92	87.48	263	262	1
4	Indiana	17.25	21.07	10.99	3.62	14.43	86.80	353	356	−3
5	Hawaii	16.87	8.62	19.46	−3.14	−1.09	45.28	105	103	2
6	South Dakota	15.37	10.61	8.32	2.30	3.74	46.70	209	218	−9
7	Rhode Island	15.19	17.41	15.88	7.71	8.02	82.40	177	179	−2
8	South Carolina	14.50	12.76	9.16	9.09	9.39	68.17	184	191	−7
9	Delaware	14.45	14.98	16.35	8.48	9.06	81.15	187	185	2
10	Virginia	14.24	17.43	15.64	4.58	6.00	71.98	283	277	6
11	Missouri	14.22	13.86	14.38	6.42	10.45	74.87	324	328	−4
12	Arkansas	13.96	10.58	12.16	18.68	12.85	89.29	251	257	−6
13	North Carolina	12.71	14.76	10.49	19.39	13.59	93.82	216	225	−9
14	New Hampshire	12.31	45.07	2.56	4.65	11.02	94.14	164	170	−6
15	Tennessee	12.27	12.00	10.74	9.65	8.93	66.31	316	312	4
16	New York	11.81	7.62	7.02	7.48	9.59	51.68	259	270	−11
17	Connecticut	11.55	12.99	10.59	11.00	9.89	70.02	216	226	−10
18	West Virginia	11.47	6.59	5.33	13.63	3.40	47.03	198	199	−1
19	Mississippi	11.41	9.68	8.18	4.24	11.26	53.30	267	267	0
20	Vermont	11.37	17.16	6.71	12.46	−0.97	55.08	170	181	−11
21	Texas	11.32	11.03	3.03	8.49	10.65	52.87	403	405	−2
22	Georgia	11.31	21.01	21.80	6.37	11.99	95.43	336	331	5
23	Florida	11.12	13.19	13.27	4.47	10.41	64.31	370	365	5
24	Pennsylvania	11.11	10.12	11.05	8.88	7.44	58.94	284	294	−10
25	Kentucky	10.85	14.77	19.97	11.11	6.72	80.97	283	286	−3
26	Alabama	10.15	6.84	16.30	11.92	5.05	60.91	283	294	−11
27	New Mexico	9.89	2.64	13.03	31.99	7.45	80.80	246	250	−4
28	Wisconsin	9.80	20.69	10.32	13.84	7.09	78.23	311	310	1
29	Oregon	9.77	13.35	14.03	1.46	3.79	49.43	257	265	−8
30	California	9.72	12.82	18.93	13.28	4.36	74.05	374	375	−1
31	Maine	9.54	12.18	4.67	9.58	6.27	49.78	185	184	1
32	Minnesota	9.47	31.01	−2.57	11.77	2.35	59.84	284	287	−3
33	Washington	9.23	12.04	11.24	7.65	3.83	52.17	274	268	6
34	Nevada	9.20	10.17	19.04	8.01	0.90	56.08	207	216	−9
35	Arizona	8.69	17.49	11.27	19.56	17.52	99.63	299	297	2
36	Montana	8.65	3.50	14.59	26.59	−1.54	60.61	190	195	−5
37	Utah	8.63	20.25	16.09	7.02	5.81	71.72	220	227	−7
38	Nebraska	7.50	12.48	6.97	4.51	4.18	40.84	254	251	3
39	Ohio	7.29	17.05	7.21	9.82	4.88	55.05	346	343	3
40	Kansas	6.94	10.46	9.21	1.57	5.95	38.83	276	284	−8
41	North Dakota	6.87	10.45	14.43	−1.87	2.66	36.07	211	221	−10
42	Michigan	5.86	18.89	12.70	9.38	6.92	65.88	236	251	−15
43	New Jersey	5.19	4.04	2.54	8.55	14.33	39.25	213	228	−15
44	Illinois	5.00	17.56	13.85	1.61	5.53	50.70	384	380	4
45	Iowa	4.78	13.55	−6.55	3.47	−3.00	11.59	290	298	−8
46	Louisiana	2.77	16.28	10.30	4.73	4.11	43.70	319	320	−1
47	Idaho	0.39	14.60	17.07	3.18	7.55	49.47	211	222	−11
48	Oklahoma	0.39	7.70	2.91	14.32	15.73	47.22	286	281	5
49	Wyoming	−0.83	13.14	9.42	1.28	5.00	30.55	176	173	3
50	Colorado	−2.06	17.13	14.93	9.47	5.01	51.56	303	302	1
51	Alaska	−2.25	1.18	33.11	12.93	11.87	66.31	124	128	−4
National Average		10.01	13.38	10.98	9.08	7.99	63.06	1,120	1,097	

Note: Various factors may skew results; see text for explanation of how figures are calculated.

Some Auto Insurers Retreat

Over the past five years, writers of private passenger auto insurance have shifted their business in and out of states. While the total number of individual companies writing private passenger auto increased from 1,038 to 1,120, a slight majority of the states experienced a net decrease of insurers writing auto business. The District of Columbia and 26 states each had a five-year decline of writers, as shown in the table below.

This table supplements last week's On-Line Report, "Average Auto Premiums by State," which showed a one-year change of writers.

State	Number of Companies Writing In State 1987	1982	Net Change
Alabama	283	301	-18
Alaska	124	132	-8
Arizona	299	291	8
Arkansas	251	264	-13
California	374	359	15
Colorado	303	307	-4
Connecticut	216	212	4
Delaware	187	196	-9
Wash. D.C.	166	173	-7
Florida	370	348	22
Georgia	336	315	21
Hawaii	105	105	0
Idaho	211	233	-22
Illinois	384	374	10
Indiana	353	348	5
Iowa	290	295	-5
Kansas	276	267	9
Kentucky	283	288	-5
Louisiana	319	309	10
Maine	185	183	2
Maryland	263	237	26
Massachusetts	169	181	-12
Michigan	236	273	-37
Minnesota	284	285	-1
Mississippi	267	259	8
Missouri	324	320	4
Montana	190	203	-13
Nebraska	254	255	-1
Nevada	207	220	-13
New Hampshire	164	177	-13
New Jersey	213	229	-16
New Mexico	246	254	-8
New York	259	279	-20
North Carolina	216	226	-10
North Dakota	211	213	-2
Ohio	346	324	22
Oklahoma	286	267	19
Oregon	257	256	1
Pennsylvania	284	273	11
Rhode Island	177	183	-6
South Carolina	184	209	-25
South Dakota	209	222	-13
Tennessee	316	297	19
Texas	403	385	18
Utah	220	230	-10
Vermont	170	178	-8
Virginia	283	269	14
Washington	274	265	9
West Virginia	198	191	7
Wisconsin	311	286	25
Wyoming	176	182	-6
National Total	**1,120**	**1,038**	**82**

EXECUTIVE NOTES

American Bankers Insurance Group

Jay Fuchs was promoted to executive vice president, financial markets, of American Bankers Group, Miami. In other management changes, Bonnie Blackburn was named senior vice president, marketing services; Darrell Gambero was appointed senior vice president, manufactured housing and consumer finance; F. Thomas Hayes was named senior vice president, retail and special markets; Stanford Neubarth was named senior vice president and secretary, corporate planning and acquisitions; and Stephen Williams was appointed senior vice president, regional sales.

Fred. S. James & Co.

Quill O. Healey was elected president and chief operating officer of Fred. S. James & Co., New York. He previously served as group director of the company's retail offices in the eastern United States. Appointed executive vice presidents in the Chicago office are John E. Doerr, former president of Doerr, Burns & Associates; James M. Herrmann, previously senior vice president and sales manager for large accounts; and William R. Storie, former senior vice president.

Appointed senior vice presidents in the Chicago office were Cynthia L. Ferrara, most recently a vice president, human resources; Patricia A. Sacony, former vice president, finance; Kenneth Gladkowski, previously a vice president and account executive and Terry R. McCubbin, who most recently served as deputy managing vice president at Alexander & Alexander of St. Louis.

AMBAC Indemnity

H. Russell Fraser is stepping down as president and chief executive officer of AMBAC Inc. and AMBAC Indemnity, New York, effective January 1. He will remain on the boards of AMBAC Inc., AMBAC Indemnity and Capital Markets Assurance, New York. All are subsidiaries of Citibank, N.A.R. Daniel Massey, currently senior executive vice president of AMBAC, will become the new president and chief executive officer of AMBAC and AMBAC Indemnity.

Financial Guardian Group

Darrell Prater was promoted to president and chief operating officer of Financial Guardian Group, Kansas City, Mo. In other management changes at the company, Frank Witthun was elected executive vice president, Ken Schultz was named vice president and treasurer and Dick Juntunen was appointed senior vice president.

First Transamerica Life

Joseph Flanagan was named president of First Transamerica Life Insurance, a New York-based affiliate of Transamerica Life Insurance Companies. He most recently served as the company's executive vice president and chief operating officer.

(continued on Supplement)

Anchorage Daily News Jan 13, 1989

Uninsured drivers still liable for damages in car accidents

By MARILEE ENGE
Daily News reporter

Although Alaska's mandatory auto insurance law expired at the end of 1988, drivers are still legally responsible for damages they cause in automobile accidents, according to Jay Dulany, director of the Division of Motor Vehicles.

Alaskans are no longer required to carry liability insurance on their cars, but they still must show financial responsibility if they are involved in an accident.

Alaska's Mandatory Insurance law was allowed to run out on Dec. 31, and Dulany said people are confused about whether the state still has insurance requirements.

Sgt. Greg Stewart, who heads the Anchorage Police Department's traffic unit, said many drivers mistakenly believe they no longer are required to show financial responsibility when they cause accidents.

"I investigated an accident today where a guy said, 'I let it lapse at the end of the year because I'm not required to have it,'" Stewart said Wednesday. The driver's car had just rear-ended another vehicle. "I told him his license may be suspended."

A driver involved in a traffic accident in which the damage is more than $500, or in which someone is injured, must show an ability to pay for the damages. Drivers who do not have liability insurance must post a cash security deposit with the state, submit proof of an agreement to pay for the damages, show evidence that the driver was not at fault or obtain a release from liability from the other party in the accident.

A driver who cannot show financial responsibility after an accident can lose his or her license.

Drivers whose licenses are suspended or revoked are still required to have SR-22 insurance for three years after the action, Dulany said.

Mandatory Auto Insurance - Stats from public Safety

On December 22, 1988, Laura Fleming from Senator Eliason's office called for some statistical information concerning the Financial Responsibility (FR) and Mandatory Insurance (MI) Laws. Thus, the following information was compiled. An important item to keep in mind is that suspension notices are sent under the FR Law only to uninsured drivers who were at fault and caused damage to another person's property. Under the MI Law the notices are sent to all uninsured drivers regardless of fault, or whose property was damaged.

1981: Accidents involving 25,380 drivers were processed.

2,616 FR suspension notices were generated, which was 10.3% of the drivers.

22% of those suspended never complied with the law and the suspensions were terminated three years after the effective date. This is 2.2% of the total drivers involved in accidents.

1982: Accidents involving 31,812 drivers were processed.

2,749 FR suspension notices were generated, which was 8.6% of the drivers.

22% of those suspended never complied with the law and the suspensions were terminated three years after the effective date. This is 1.9% of the total drivers involved in accidents.

1983: Accidents involving 34,428 drivers were processed.

3,320 FR suspension notices were generated, which was 9.6% of the drivers.

30% of the those suspended never complied with the law and the suspensions were terminated three years after the effective date. This is 2.9% of the total drivers involved in accidents.

1984: Accidents involving 35,820 drivers were processed.
3,326 FR suspension notices were generated, which was 9.3% of the drivers.

30% of those suspended never complied with the law and the suspensions were terminated three years after the effective date. This is 2.8% of the total drivers involved in accidents.

1985: Due to the change in procedures incorporated with inception of MI Law, FR figures are incomplete for this year. Partial year figures reflect that for accidents involving 26,098 drivers, 1,743 FR suspension notices were generated, which was 6.7% of the drivers.

1986: Accidents involving 32,559 drivers were processed.
2,027 FR suspension notices were generated, which was 6.2% of the drivers.

3,415 MI suspensions generated as a result of accidents remained in effect for the full term, which reflects 10.5% of the drivers did not submit proper proof of insurance.

1987: Accidents involving 28,444 drivers were processed.

1,713 FR suspension notices were generated, which was 6.0% of the drivers.

2,770 MI suspensions generated as a result of accidents remained in effect for the full term, which reflects 9.7% of the drivers did not submit proper proof of insurance.

1988: (Partial Year) Accidents involving 21,963 drivers were processed. 1,322 FR suspension notices were generated, which was 6.0% of the drivers.

1,826 MI suspensions generated as a result of accidents remained in effect for the full term, which reflects 8.3% of the drivers did not submit proper proof of insurance.

NOTE: 1985 through 1988 figures do not reflect the number of FR suspensions in which the driver never complied with the law, thus, the party receiving the damages may not have been compensated. The figure for 1985 will not be available due to changed in record keeping procedures. For the other years, the figures will not be available until three years elapse following the suspension.

It should also be noted that some of the FR suspensions were voided due to the driver being able to prove there was insurance in existence to cover the accident. Compliance with the law can also be accomplished by obtaining a release from, or entering into a settlement agreement with, the person who suffered the loss. Statistics were not maintained to reflect the method a person complied with the law.

It should also be noted that the FR suspensions include only those generated when accident reports were worked or reviewed. They do not include unsatisfied judgments, defaults, etc., which is generally an additional suspension to a driver who was previously suspended when the accident report was originally reviewed, however, under a different section of the law.

Another figure requested was the number of court suits initiated as a result of uninsured accidents, and whether or not these would change as a result of no MI law. I am unable to provided figures concerning this subject. There has definitely been an increase in civil cases the past couple of years, which I believe is a national trend. DMV has noticed a large increase in unsatisfied judgments and defaults on confession of judgment. This specific increase had nothing to do with the MI law. However, with it's repeal, and the possibility of more uninsured, the likelihood of an additional increase in civil suits in court is quite possible.

For informational purposes our figures reflect that the number of drivers who were not insured when involved in motor vehicle accidents prior to the inception of the MI law are as follows:

1984 - Not available
1983 - 19%
1982 - 20%
1981 - 21%

Bill Brown
Chief of Driver Services
Division of Motor Vehicles
465-4335

1987

Automobile Financial Responsibility/Compulsory Limits

State	Liability Limits*
Alabama	20/40/10
Alaska	50/100/25
Arizona	15/30/10
Arkansas	25/50/15
California	15/30/5
Colorado	25/50/15
Connecticut	20/40/10
Delaware	15/30/10
District of Columbia	25/50/10
Florida	10/20/5
Georgia	15/30/10
Hawaii	35/unlimited/10
Idaho	25/50/15
Illinois	15/30/10
Indiana	25/50/10
Iowa	20/40/15
Kansas	25/50/10
Kentucky	25/50/10
Louisiana	10/20/10
Maine	20/40/10
Maryland	20/40/10
Massachusetts	10/20/5
Michigan	20/40/10
Minnesota	30/60/10
Mississippi	10/20/5
Missouri	25/50/10
Montana	25/50/5
Nebraska	25/50/25
Nevada	15/30/10
New Hampshire	25/50/25
New Jersey	15/30/5
New Mexico	25/50/10
New York	10/20/5[1]
North Carolina	25/50/10
North Dakota	25/50/25
Ohio	12.5/25/7.5
Oklahoma	10/20/10
Oregon	25/50/10
Pennsylvania	15/30/5
Rhode Island	25/50/10
South Carolina	15/30/5
South Dakota	25/50/25
Tennessee	15/30/10[2]
Texas	20/40/15
Utah	20/40/10
Vermont	20/40/10
Virginia	25/50/10
Washington	25/50/10
West Virginia	20/40/10
Wisconsin	25/50/10
Wyoming	25/50/20
CANADA	
Alberta	$200,000 inclusive**
British Columbia	$200,000 inclusive**
Manitoba	$200,000 inclusive**
New Brunswick	$200,000 inclusive**
Newfoundland	$200,000 inclusive**
Northwest Territories	$50,000 inclusive**
Nova Scotia	$200,000 inclusive**
Ontario	$200,000 inclusive**
Prince Edward Island	$200,000 inclusive**
Quebec	$50,000 property damage[3]
Saskatchewan	$200,000 inclusive**
Yukon	$200,000 inclusive**

*The first two figures refer to bodily injury liability limits and the third figure to property damage liability. For example, 10/20/5 means coverage up to $20,000 for all persons injured in an accident, subject to a limit of $10,000 for one individual; and $5,000 coverage for property damage.

**"Inclusive" means that the amount of liability insurance shown is available to settle either bodily injury or property damage claims—or both. When a claim involving both bodily injury and property damage reaches the "inclusive" limit, payment for property damage is limited to $5,000 in Northwest Territories; to $20,000 in British Columbia, Manitoba and Newfoundland, and to $10,000 in the other territories having "inclusive" limits.

[1] 50/100 in cases of wrongful death

[2] 20/40/10 as of Jan. 1, 1987, 25/50/10 as of Jan. 1, 1990.

[3] Quebec has a complete no-fault system for bodily injury claims, scaled down for non-residents in proportion to their degree of fault. The $50,000 limit relates to liability for damage to p[illegible]ty in Quebec and to liability for bodily injury and property damage outside Quebec.

Sources: American Insurance Association; Insurance [illegible] of Canada.

Anch Daily News 9-23-88

Alaska drivers pay 2nd-highest rates for auto insurance

By DEBBIE McKINNEY
Daily News reporter

Alaska has the dubious hor[illegible] having the second-highest auto insura[illegible] [illegible]ates in the country. Only New Jersey'[illegible] are higher.

The average national auto insurance premium is $440.60 a year. While New Jersey residents pay an average of $603.50 a year, Alaskans pay $602.50. California has the third-highest rates at $568. Iowa has the lowest at $244.

Icy roads, driving in the dark and other dangerous conditions play a minor role in the cost of insuring a vehicle in Alaska. The National Safety Council in Chicago, which complies highway safety statistics, does not keep state-by-state accident comparison figures. It does, however, keep track of highway death rates. Figures show that Alaska's death rate is below the national average, which is 2.6 deaths per 100,000,000 vehicle miles. Alaska's rate is 2.0.

One of the biggest factors driving up Alaska's rates is the cost of auto repair. Parts must be shipped up to Alaska via air freight or barge. And because wages are high in Alaska, auto repairmen generally charge more for their services than their counterparts Outside.

Alaska also has one of the highest mandatory liability limits in the nation — $50,000/$100,000 for bodily injury per accident, and $25,000 for property damage — as set by the Alaska legislature. Bob Sims, market analyst with the state Division of Insurance in Juneau, attributes these standards to high medical and auto repair costs.

In 1985, Alaska passed a mandatory auto insurance law, which put a lot of marginal and high-risk drivers in the insurance pool. Since the mandatory insurance bill died in the

One of the biggest factors driving up Alaska's rates is the cost of auto repair.

state legislature this year, the law will become defunct as of midnight Dec. 31. Once it does, Sims expects rates to go higher as drivers start to drop their insurance. When an uninsured driver is involved in an accident with an insured driver, the insured driver's insurance company, effectively, does the bailing out. The only way for insurance companies to recover their losses is by charging higher premiums.

The reason New Jersey's rates are high is partly due to the fact that its population density is higher than any other state in the union. "That just means you have more people bumping into each other more often," says Marc Rosenberg, of the Insurance Information Institute in Washington, D.C.

Like Alaska, New Jersey has a high mandatory liability limit and, proportionately, one of the highest numbers of high-risk drivers in the nation. So many, in fact, that the state has developed a joint underwriting association to accommodate them all. With the number of high-risk drivers growing rapidly, this fund is running a massive deficit, Rosenberg explains. Insurance companies are sticking regular drivers with a surcharge to help bail out these assigned-risk drivers.

The real source of aggravation for California drivers is that it costs Los Angeles residents far more to insure their vehicles than those who live elsewhere in the state. Insurance revolters want rates based on a statewide average, which means rates would go down for Los Angeles residents and go up for everyone else.

Now for the good news locally. Alaska's auto insurance rates actually dropped this year. They are down 2½ percent to 3 percent from last year due to a slight decline in auto repair claims.

Senate to blame for death of insurance law

By REP. DAVE DONLEY

Alaska's roads will be even dicier to drive than usual this winter because it will be twice as likely that the car sliding into you on an icy street will be uninsured as well as out of control.

Alaska's mandatory auto insurance program will end on Jan. 1 because the Alaska State Senate chose to kill House Bill 44, a measure that would have saved it. What does that mean to you and me? A large increase in the number of uninsured drivers on the road and a likely increase in the cost of insurance for the responsible rest of us.

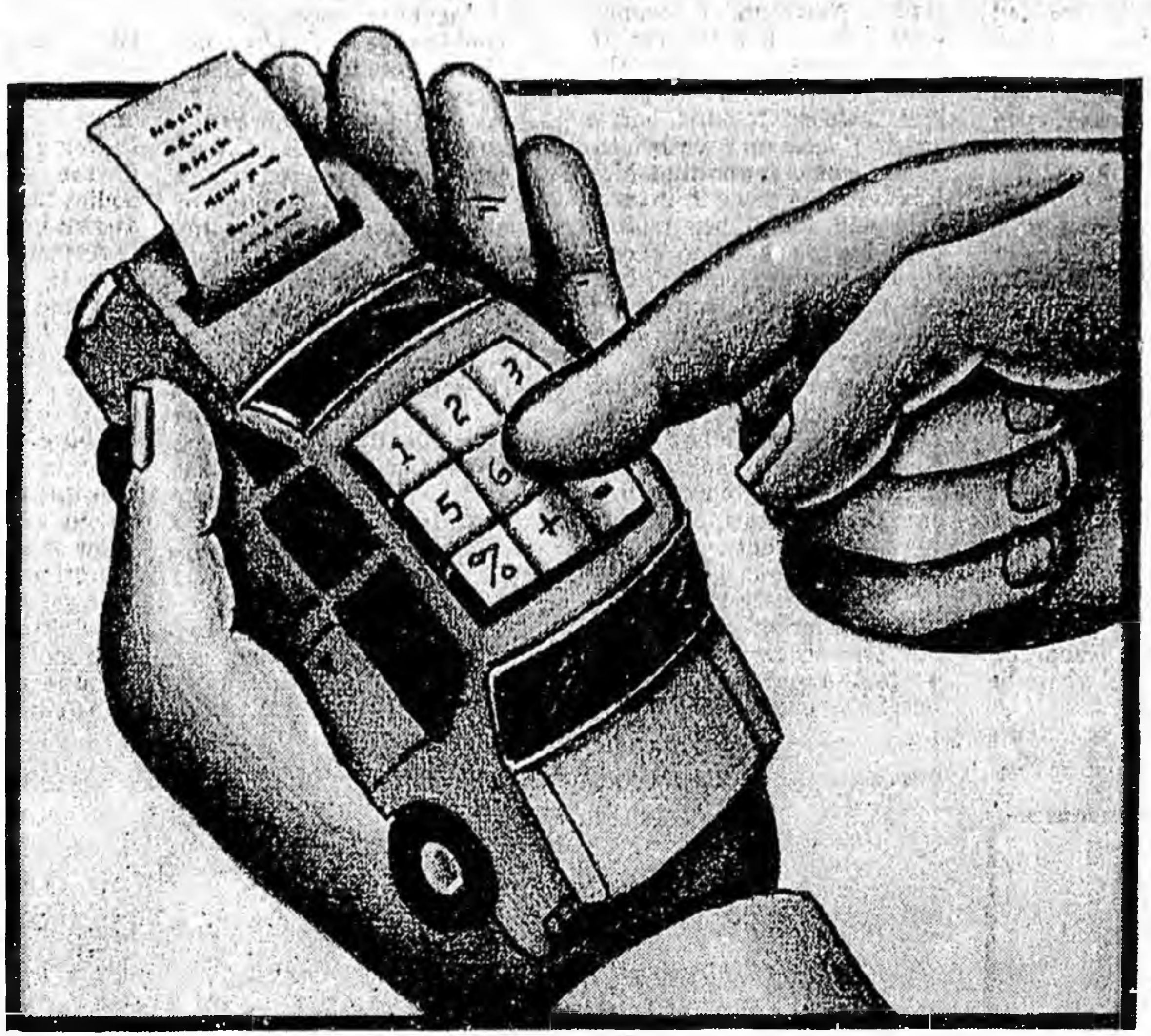
In 1984 the legislature adopted a mandatory automobile insurance program. Some legislators opposed it. The insurance companies opposed it. The department of public safety wasn't any too happy about having to administer it.

Some Alaskans felt that the state shouldn't require people to purchase insurance and there was a real concern that a mandatory program would raise insurance costs.

So Alaska's program was narrowly tailored to require minimum enforcement cost to the department and minimum paperwork to the industry and to the consumer. There was also a "sunset" clause requiring the legislature to adopt new legislation to continue the program or allow it to die on Jan. 1, 1989.

Unfortunately, that's just what the Senate did this year — they let the program die by refusing to allow HB 44 to come to a vote. It didn't just fall through the cracks during the chaos of adjournmnt either. The House adopted HB 44 unanimously the first day of the 1988 session.

HB 44 would have passed if it had been brought to the floor, but the Senate leadership didn't want that to happen. So they killed it by allowing the sun to set in the dark, away from public review.



Recent statewide polls show that 80 percent of Alaskans support the mandatory auto insurance program and want it strengthened to require proof of insurance "up front" in order to register your vehicle. Alaska's auto insurance rates have not increased since the law went into effect. In fact they have dropped twice in the last three years.

More importantly, our mandatory insurance program has cut the number of uninsured drivers on Alaska's highways in half — to less than 10 percent today — one of the lowest rates in the nation.

Before Alaska's mandatory insurance law it was estimated that as many as 40 percent of our drivers were under or uninsured. And that was in the boom times. Just how high will that number go, given our current economy, when insurance is no longer required? Those Alaskans who own cars will have to scramble to purchase under and uninsured motorist insurance, the cost of which is sure to increase dramatically. Alaskans who don't own cars will not be protected against uninsured drivers unless they purchase expensive health and income insurance.

So the program is a clear success, the vast majority of Alaskans want it, and the consequences of ending it are several. So why would the Senate choose to put us all at risk by killing a program that works so well? I don't know, but we shouldn't let them get away with it.

Local newspapers would have you believe that Sen. Eliason from Sitka, chairman of the Senate Rules Committee, killed the bill. But the real responsibility lies much closer to home.

Alaska's auto insurance program would not die if the Senate leadership wanted to save it. It is the Republican senators who make up the leadership who pull the strings in the Senate and this time they pulled in favor of special interests and against Alaskans.

But you can do something about it. If you read this before the governor calls a special session, you can ask him to put Alaska's mandatory automobile insurance program on the agenda. If the Senate won't responsibly protect Alaskans from uninsured motorists, hopefully the governor will.

☐ Dave Donley of Anchorage represents District 11-A in the House of Representatives.

Liability insurance requirement to to expire

By Larry Persily
Associated Press Writer

JUNEAU — Alaska drivers as of Jan. 1 no longer will be required to have liability insurance due to the Senate's failure to approve legislation this session.

The state's mandatory auto insurance law will expire Jan. 1, after a four-year history.

But, under a different law, if drivers are in an accident they will have to prove they can pay the bills or risk losing their licenses for three years.

There are an estimated 30,000 uninsured drivers in Alaska, according to the Division of Motor Vehicles.

House members in the first week of the session in January passed a bill (HB44) to amend state law to require proof of insurance before people would be allowed to register their vehicles.

The House vote was 38-1, but the clear majority and quick action by the House didn't help much in the Senate.

"There was no input at all" from senators pushing for the bill, said Rules Chairman Sen. Dick Eliason, R-Sitka.

"The only legislator who appeared to be interested was Donley," Eliason said. The measure was sponsored by Rep. Dave Donley, D-Anchorage.

Donley's bill was one of about 40 measures that died in the Rules Committee when the Senate adjourned Tuesday morning.

The committe is the final stop for bills before they reach the floor for a vote.

Before making it to Rules just two days before the session ended, Donley's bill spent three months in Sen. Mitch Abood's State Affairs Committee, often a graveyard for bills opposed by Senate leaders.

A House bill to require that drivers and passengers use seat belts died in Abood's committee this session.

Alaska's current auto insurance law is an after-the-fact mandatory coverage. It requires proof of insurance after an accident, not before. Failure to have insurance after being involved in an accident, regardless of fault, results in a 90-day license suspension.

The law also requires violators to purchase expensive, high-risk insurance for three years after the accident; a provision of the law that has drawn a lot of public criticism.

Donley's bill would have turned around the law to require that owners certify to the Division of Motor Vehicles that they have insurance prior to receiving their annual registration tags.

The current law was adopted by the 1984 legislature with a provision that it expire Jan. 1, 1989, unless extended by lawmakers.

Termination of the existing insurance law on Jan. 1 will not affect Alaska's financial responsibility law. Under that provision, people at fault in accidents involving personal injury or property damage in excess of $500 must show their ability to pay the damages or risk losing their licenses for three years.

Drivers may avoid losing their licenses by showing proof of insurance, paying the victims or getting the victims to release them from liability for the damages, said Charles Hosack, Division of Motor Vehicles deputy director.

Prior to the mandatory insurance law of 1984, he said, 20 percent of people involved in accidents had no insurance.

Increase of car insurance costs unlikel

By Daniel R. Saddler
Times Business Writer

Auto insurance premiums probably will not increase after the Jan. 1 expiration of Alaska's mandatory car insurance law, a state official said Friday.

But those who drove without insurance before the law took effect in 1984 may just let their coverage lapse in 1989, said Don Koch, an insurance division special deputy.

"I just think some people are going to say the devil with it, and drop it," he said.

"Before that bill was passed we had an uninsured rate of 21 percent, based on public safety's numbers," said Koch. "A year afterward it was 9.5 percent. That's a pretty healthy impact."

An existing law requiring infants traveling in cars to be carried in restraining seats has helped lower car insurance premiums, Koch said. A bill forcing adults to wear seat belts, which died in the legislature's end-of-session rush, would have contributed further to that decline, he said.

State Farm, which insures a quarter of all Alaska drivers, dropped rates by 11.3 percent in January, and rates for most other insurance companies will drop 4.7 percent in July. The average annual premium is about $600.

After Jan. 1, companies selling auto liability insurance must still offer uninsured motorist coverage, which averages $55 per year, he said.

"The mandatory insurance bill we have had is a pretty good one in terms of impact," Koch said. "Without spending a tremendous amount of money, it does have some effectiveness."

In some other states insurance compa nies must report uninsured motorists to th government, adding overhead costs th are paid for with higher premiums, he sai

"That's the unfortunate thing," sai Koch. "We have a system that doesn't p an extra burden on the population, and th system's going to be gone."

Gene Reed, a manager of State Farm' Alaska agencies, predicts the number uninsured motorists will increase onl about three percent.

"We will undoubtedly have a flurry c cancellations when it becomes no longe mandatory, but that will be a very short p riod of time," he said.

However, he said the law was not wort

See Premiums, page C-

Premiums: Stable

Continued from page C-1

the estimated $750,000 in additional enforcement costs listed in a 1987 public safety commission report.

The state has no firm estimate on how many of its 300,000 motorists are uninsured due to complexities in registration tabulations and the five-year cycle of license plate issuance, Koch said. The Division of Public Safety bases its estimates on information gathered in accident reports.

Some drivers never buy insurance regardless of the laws.

"There's always a hard-core group that says, 'By God I'm going to do it my way'," Koch said. "And as long as a person doesn't have an accident or a serious violation nobody's going to know about it."

5-16-88

rage Times

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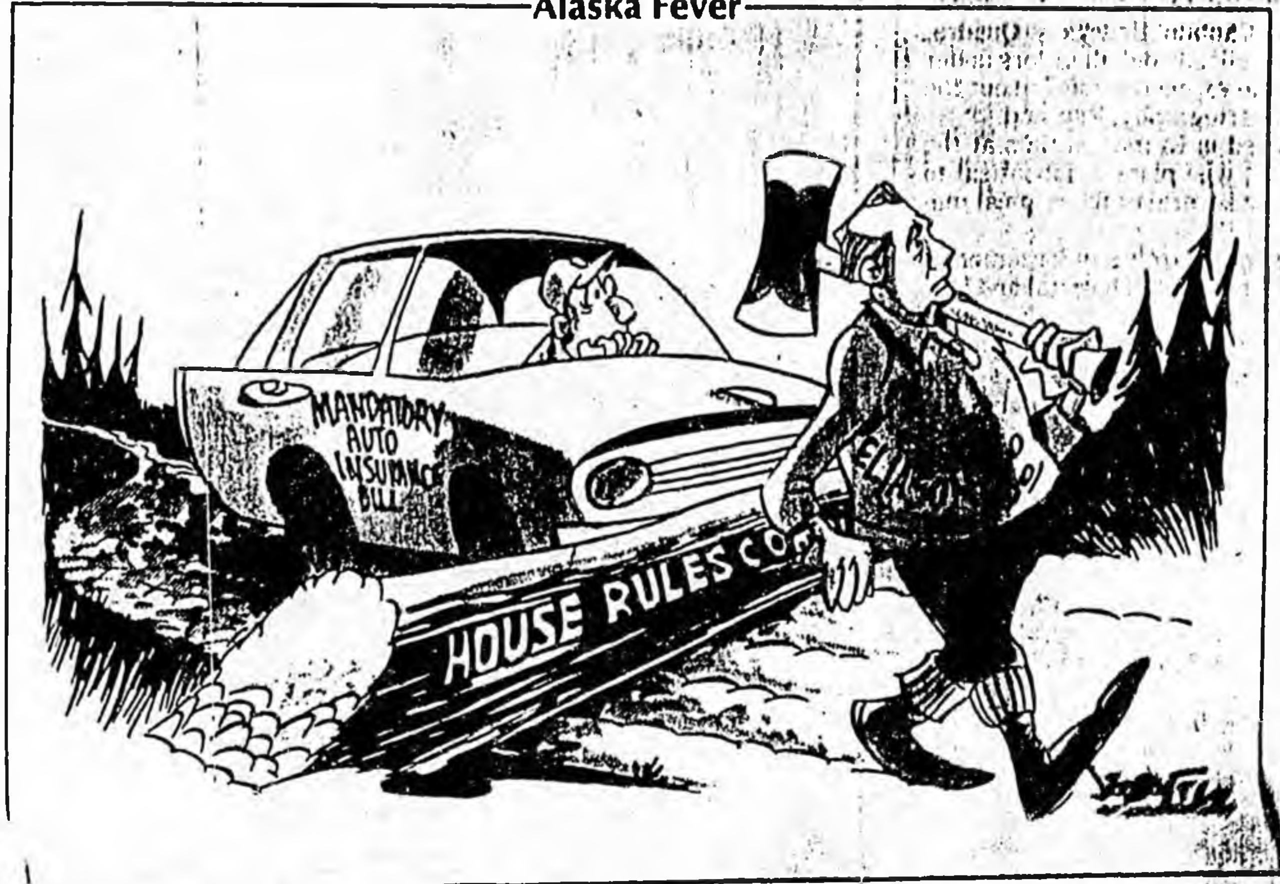
...nce the day Anchorage ...n, the people here have ...ved a unified school dis-... answering to a school ...d elected at-large — ... everyone in town hav-...the opportunity to vote ...he best of a whole field ...ndidates, all pledged to ... with equal fervor ... boy and girl in every ...l throughout the city.

...has been a marvelous ...m — ratified and rati-...again by the people of ...orage, most recently ...the old borough and ... the municipality of

THE MOTIVATION behind this move to throw away all of this tradition and ...

Alaska Fever



The Wagman file

by Robert J. Wagman

Europe checks U.S. flights for for drugs

AMSTERDAM — A strange thing happened on my way through Amsterdam's Schiphol Airport: I saw a number of passengers arriving from Boston stopped by Dutch customs officers to ... their luggage.

... and they generally remain so today. Passengers arriving from ... countries in Southeast Asia — have been subject to more rigorous ... checks, ... some European countries are starting to view the United Sates as almost a drug-transiting country ...

DuPont looks forward to next time

WASHINGTON — Pete DuPont, looking as fresh as a daisy that has found a meadow much ...

... with those who connected him with two, 83 percent with those who connected him with three.

Of course, those numbers do not simply prove that the more ...

runway use plans, please contact Heinz Noonan at 266-1599.

YOUR KIND UNDERSTANDING IS APPRECIATED.

amily legislation is hot, but going nowhere

ASHINGTON — It is con-
ble that if you

BAD BOYS: Wings coach blames loss on players' drinking, Sports, Page B-1

IN HIGH GEAR
Potboiler takes off down life's highway
Lifestyles, Page G-1

ALTAR BYPASS
More U.S. couples skip wedding vows
Nation, Page A-3

CAMP OPENS
Foreman to start Valley workouts
Sports, Page B-1

Anchorage Daily News

VOL. XLIII, NO. 134 88 PAGES — ANCHORAGE, ALASKA, FRIDAY, MAY 13, 1988 — PRICE 25 CENTS

Senator buries car insurance law

By JOHN LINDBACK
Daily News reporter

JUNEAU — Alaska's mandatory car insurance law is scheduled to die Jan. 1 because a powerful state senator killed a bill to keep it alive.

When the 1984 legislature passed the law, it appeased the idea's most vocal critic, Sen. Dick Eliason, R-Sitka, by tacking on a sunset provision: The law would die Jan. 1, 1989, if the legislature didn't renew it.

On the last night of the session, Eliason, chairman of the Senate Rules Committee, held in his committee a House bill to continue the law. All bills must pass through the rules committee on their way to the floor for votes.

The House had passed the bill 38-1 early in the session.

"I wasn't being vindictive about it," Eliason said Thursday. "I was just doing my job." He said he killed the law because of a report last year by the Department of Public Safety that cited problems and costs with administering it.

Besides, he said, "It's been a non-issue on the Senate side. I only had a couple people talk to me about it."

The law was passed in 1984 after years of complaints from Alaskans about accidents with uninsured drivers. Under it, drivers involved in accidents and serious traffic violations must show proof of insurance to police. Those without such proof can have their licenses suspended. The law requires vehicle owners to carry $50,000 coverage for single injuries, $100,000 coverage for multiple injuries in a single accident, and $25,000 coverage for property damage. Rural areas are exempted.

The state shouldn't force people to buy insurance, Eliason said. People can protect themselves because the state requires insurance companies to offer Alaskans uninsured-driver protection in their standard policies. Uninsured-driver provisions add little to the total cost of insurance, he claimed.

The prime sponsor of this year's House bill, Rep. Dave Donley, said state statistics show the law is working. The statistics say the number of uninsured drivers involved in accidents has dropped from about 20 percent to about 10 percent since the law went into effect.

"It wasn't like it was a turkey,"

See Back Page, INSURANCE

Anchorage Daily News/Bob Hallinen
Sen. Dick Eliason

national security. ... The amendment introduced Wednesday by Wilson, D-A... charge." He added that the Nunn-Warner amendment ... publicly side with either plan. Sources said that Warner was ... lion containers arrive in its ports," Howard said. "The ... not have enough personnel to inspect more than 1 percent of those containers."

HEART: Research loses federal funding

Continued from Page A-1

blood through the circulatory system.

But doctors have implanted artificial hearts in many patients to keep them alive until donor hearts have been available for transplant.

Although laboratories and hospitals reliant on federal funds will no longer be able to develop and experiment with total artificial hearts, privately financed institutions will not be affected.

Among the latter is Humana-Audubon Hospital, in Louisville, Ky. The artificial heart program there, supported entirely by private funds, is directed by Dr. William DeVries, the surgeon who performed the first implantation of what was intended as a permanent artificial heart in a human being. The operation was performed in 1982 on Barney Clark, who died three months later.

The NIH said that although the government had contributed nearly $240 million to the development of an artificial heart since 1964, the $2.7 million appropriated this year would be the last. From now on, a spokesman said, research funding would focus on the development of left ventricular assist devices, which will not only be used to assist patients awaiting the transplant of a natural heart but may lead to further artificial heart development. When a left ventricular assist device has been perfected, a device more closely approximating a complete heart may be the next step.

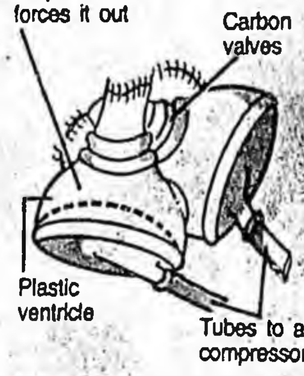
In a statement attributed ... would not affect its own research either in heart-assist devices or complete artificial hearts. DeVries deplored the cancellation of federal funds to other artificial heart researchers, saying the decision would hinder, halt, or interrupt the efforts of "outstanding workers." The surgeon added that research institutions must increasingly do without federal financing and rely on private resources.

DeVries has implanted no new artificial hearts in the ...

Jarvik-7

Artificial heart

Jarvik-7 mimics the human heart, using machine-driven air pressure to pump blood throughout the body. It is a permanent replacement for the damaged human heart.



It pumps oxygen-depleted blood from the body into the lungs, which restore the oxygen; and pumps the oxygen-enriched blood to the body

Chicago Tribune Graphic; Source: Chicago Tribune news reports

grant permission for each such operation in advance. It was not clear whether the FDA would prohibit any further artificial heart implantations as a result of Thursday's action by the NIH. A Humana spokesman said, however, that the decision "does not affect FDA approval for the moment."

Dr. Denton Cooley of Houston's Texas Heart Institute installed the first artificial heart in a human being in 1967, but only to serve as a temporary replacement for the patient's natural heart while another human heart was being sought.

The first mechanical heart to be installed permanently in a patient was the Jarvik 7 — a compressed-air powered device designed by Dr. Robert Jarvik in the early 1970s while he was a medical student at the University of Utah and was implanted by DeVries in Clark. Compressed air passed through the device operates a multi-layered diaphragm which in turn drives the blood past a simple system of valves. Its power initially was supplied by a 250-pound air compressor. Later models were powered by a semi-portable unit.

One of the problems developers of the Jarvik 7 encountered was the sharpness of the pulses that send blood surging through a patient's circulatory system. This may have contributed to the clotting and stroke conditions suffered by some patients. Several alternative designs had been under study until Thursday's decision; among them was an electrically-powered

INSURANCE: Senator ends requirement

Continued from Page A-1

Donley said Thursday as he prepared to leave. "It worked. Now that we got rid of the law I think it's going to be a real problem again."

Killing the mandatory insurance law leaves Alaskans with only an old "financial responsibility" law as a recourse for going after someone who hits them and isn't insured, Donley said. The law requires uninsured motorists at fault in an accident to pay for auto damages exceeding $500 and for personal injuries.

The old law is more inconvenient for accident victims, according to Donley and state officials. Victims may have to wait months or years to get paid. Also, if an at-fault, uninsured driver can't pay, or refuses to pay, the driver loses only his or her license.

"It doesn't do much for the person who gets hurt and doesn't get compensated," Donley said.

Donley said he tried to convince Eliason in the final, hectic hours of the session to give the bill a floor vote. He also enlisted the aid of Commissioner of Public Safety Arthur English to urge Eliason to move it.

Eliason said the commissioner's lobbying did little to sway him. A Jan. 16, 1987, report to the legislature by the commissioner who preceded him, William Nix, contained convincing facts, he said.

Despite the 10 percent drop in uninsured drivers, the report said, "it is difficult to say whether or not the mandatory insurance program is cost-effective." During the first full fiscal year it was in effect, the law cost law enforcement agencies and the court system about $750,000, he said. Police officers made more "driving-while-license-suspended" arrests because the law suspended the licenses of people who drove without insurance. Prosecutors handled more driving-while-license-suspended cases. The courts handled more cases and the Department of Public Safety labored under more paperwork, he said.

Nix, in his report, told the legislature that because of budget cuts he would cease administration of the law as of July 1, 1987. But department officials said Thursday that they are still enforcing it.

NORIEGA: White House pushes for plan

Continued from Page A-1

said. He declined to detail specifics of the negotiations with Noriega and asserted that no agreement had been reached.

If a deal on the charges could be worked out, it "would be the most fruitful and productive plea bargain that we have seen in a long time," White House Chief of Staff Howard Baker said.

The White House and State Department sought to keep a mantle of secrecy over the efforts to remove Noriega from power. Officials said premature disclosure of details of the negotiations with the Panamanian general could derail the talks.

But according to administration officials, one proposal under negotiation included the possibility that Noriega would face no crimi- ... wants to proceed with the prosecution.

"I am authorized to say his views haven't changed and he wants to proceed with the case and he's ready to proceed with the trial," said Ana Barnett, Kellner's executive assistant. Meese would not comment.

The administration originally insisted that Noriega must leave Panama and face charges in the United States. But two months of tough U.S. economic sanctions have failed to dislodge Noriega, who is the leader of the Panamanian defense forces, and the administration has been forced to scale back its public demands.

When a reporter asked whether permitting Noriega to avoid prosecution in exchange for giving up power would send "a signal that crime pays," Fitzwater said: "We just have to wait and see the outcome of this. I don't think ...

HEIDEN
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CONSUMER SAVINGS FROM

NO-FAULT AUTOMOBILE INSURANCE

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SUMMARY OF RESULTS

The average premium consumers pay for their automobile insurance rose by more than 60 percent between 1982 and 1987 -- more than three times the increase in the Consumer Price Index. These large increases reflect the interaction of a number of factors, all tending to increase the frequency of claims and the costs of paying those claims. This is no comfort to consumers, however, who have made their concerns clear at the voting booth.

Proponents of no-fault insurance have long believed that a properly designed no-fault plan offers at least a partial solution to the problem of spiraling insurance costs. However, quantitative estimates of the potential savings to consumers have not thus far been available. Previous studies (in particular, a comprehensive 1985 U.S. Department of Transportation review of the no-fault experience) have focused primarily on the many advantages of no-fault for accident victims, and have not produced estimates of lower premium costs.

This study systematically investigates the effect of no-fault systems on average premium levels. The principal finding, based on analysis of data from all 50 states plus the District of Columbia on the determinants of automobile insurance premiums, is that **verbal-threshold no-fault plans yield substantial savings to consumers in the form of reduced premiums.** On the basis of 1987 data, the most recent available, we estimate that adoption of such no-fault plans nationwide would yield **annual savings to policy holders of $3.7 billion.**

Only three states -- Florida, Michigan, and New York -- currently have such verbal-threshold plans, that permit accident victims to make claims under the traditional fault system only in the event of a very serious injury. An additional eleven states have dollar-threshold plans that afford accident victims much greater ability to make fault-based claims. The results presented here indicate that these dollar-threshold plans do not offer comparable savings potential.

The actual effect of verbal-threshold no-fault on any individual's rate would depend on a complex set of factors that insurance companies use to try to determine the riskiness of individual drivers, including the driver's age, sex, marital status, driving record, and where he or she lives. The actuarial process by which insurance companies develop their rate structures, and the effect of no-fault on specific rates, is beyond the scope of this study. However, the range of potential savings would be large. It is reasonable to conclude that some households could see declines in their annual insurance bills of as much as several hundred dollars, if verbal-threshold no-fault plans were adopted in their states.

CONSUMER SAVINGS FROM

NO-FAULT AUTOMOBILE INSURANCE

I. INTRODUCTION

The average premium consumers pay for their automobile insurance rose by more than 60 percent between 1982 and 1987 -- more than three times the increase in the Consumer Price Index. These large increases reflect the interaction of a number of factors. For example, the frequency (number of claims per car) of bodily injury claims increased by about thirteen percent (between 1983 and 1987). Medical costs increased by 40 percent (between 1982 and 1987) -- more than twice the change in the overall cost of living. And, automobile thefts per registered car increased by almost five percent (between 1982 and 1986).

Given these trends in the frequency of claims and the factors that go into paying those claims, it comes as no surprise that premiums have been rising rapidly. This is no comfort to consumers, however, who have made their concerns clear at the voting booth. Proposition 103, passed recently by California voters, calls for a 20-percent rollback in premium levels.

Proponents of no-fault insurance have long believed that properly designed no-fault plans offer at least a partial solution to the problem of spiraling insurance costs. However, quantitative estimates of the potential savings available to consumers have not thus far been made.

Previous studies (in particular, the May 1985 Department of Transportation report entitled Compensating Auto Accident Victims: 1984 Follow-Up Report on No-Fault Auto Insurance Experiences) have demonstrated many of the other benefits of no-fault for consumers. Specifically, more accident victims receive compensation in states with no-fault plans than in the traditional insurance states. In addition, the compensation is on average higher and made available to beneficiaries more rapidly under no-fault systems. The DOT report did not, however, estimate the effect of no-fault on the premiums consumers pay.

This study systematically investigates the effect of no-fault systems on average premium levels, and yields estimates of the total savings to consumers that would result if no-fault insurance were adopted nationwide.

II. NO-FAULT INSURANCE

All no-fault plans have a number of different provisions and no two states have adopted plans that are identical in all respects. However, each of the fourteen states generally considered a no-fault state has an insurance plan with the following two principal defining characteristics:

1. <u>Restricted access to the tort system</u>. In no-fault states, accident victims are precluded from making claims on other drivers unless their accident-related costs exceed a specified threshold. In eleven of the fourteen no-fault states, accident victims are permitted to make claims under the traditional tort system only if their accident-related medical costs are above a specified <u>dollar-threshold</u> level. These dollar thresholds range from $400 to $6,000. Three of the no-fault states have adopted <u>verbal thresholds</u>, which permit access to the tort system only if the accident victim has suffered a very serious injury. The following table classifies the no-fault states according to the type of threshold they have adopted.

<u>NO-FAULT VERBAL-THRESHOLD STATES</u>

FLORIDA	NEW YORK
MICHIGAN	

NO-FAULT DOLLAR-THRESHOLD STATES

(1987 dollar amount of threshold in parentheses)

COLORADO ($500)
CONNECTICUT ($400)
GEORGIA ($500)
HAWAII ($6,000)
KANSAS ($2,000)
KENTUCKY ($1,000)
MASSACHUSETTS ($500)
MINNESOTA ($4,000)
NEW JERSEY ($1,700)
NORTH DAKOTA ($2,500)
UTAH ($3,000)

2. Mandated purchase of personal injury protection (PIP) insurance. All of the no-fault states listed above mandate that drivers purchase PIP insurance, which provides compensation for medical expenses, lost wages, and other non-pain-and-suffering costs, in the event of an accident.

Twelve additional states plus the District of Columbia -- the "add-on" states -- have adopted some elements of no-fault, without limiting access to the traditional fault system. Some of the add-on states require that drivers purchase PIP, and all require that insurance companies offer such protection. The following states require purchase of PIP by drivers:

STATES REQUIRING PURCHASE OF PERSONAL INJURY PROTECTION

COLORADO
CONNECTICUT
DELAWARE
FLORIDA
GEORGIA
HAWAII
KANSAS
KENTUCKY
MARYLAND
MASSACHUSETTS
MICHIGAN
MINNESOTA
NEW JERSEY
NEW YORK
NORTH DAKOTA
OREGON
PENNSYLVANIA
SOUTH CAROLINA
UTAH

III. EFFECT OF NO-FAULT ON PREMIUMS

If no-fault insurance reduces unnecessary litigation expenses and claims for nonpecuniary costs (i.e., pain and suffering), the savings should be passed on to consumers in the form of lower premiums. It would, however, be inappropriate to estimate these savings simply by comparing the premium levels in the no-fault states with those in the traditional states, because of the many other factors that are important in determining premium levels. If we did not control for these other factors, estimates of the effect of no-fault on premiums might be seriously biased. Multiple regression analysis is a statistical tool designed to isolate the impact of each causal variable on average premiums and eliminates this potential bias.

To test the hypothesis that no-fault leads to lower premiums, we constructed a multiple regression model that relates average insurance premiums in each state to a variety of factors, including whether the state has adopted a no-fault plan and the characteristics of that plan, as well as other important determinants of accident costs and insurance premiums. By appropriately controlling for the many other factors that influence automobile insurance premium levels, we can isolate the effect of no-fault and its component elements.

Average insurance premiums are defined as total premiums -- including private passenger auto liability, physical damage and no-fault premiums -- divided by the number of registered cars. The model controls for the following factors that would be expected to have a significant effect on the costs of automobile accidents and, therefore, on premium levels: automobile accident fatality rates, auto theft rates, hospital costs, automobile repair costs, population density, the percent of cars that are insured, and personal disposable income.

Controlling for these factors, the model then estimates the price impact of no-fault plans by including factors that indicate whether a state is a no-fault state and the personal injury protection (PIP) an adopted. Specifically, no-fault plans are

- whether a state has a tort limita

- if it does, whether the limitatic a dollar-threshold limitation, or a verbal-threshold limitation; and

- whether purchase of PIP insurance is required.

The model was run separately using data for 1986, 1987, and "pooled" 1986-87 data. All the data series used are standard for insurance studies of this type and are publicly available. The model, data sources, and the results obtained are discussed in more detail in the attached appendix.

The model generally fits the data quite well, explaining between 76 and 80 percent of the variation in average premiums. As expected, factors that influence accident-related costs (whether insured or not), such as fatality and theft rates and hospital costs, are important determinants of average premium levels.

With respect to the no-fault variables, the principal results are as follows:

- Not surprisingly, limiting access to the tort system can be expected to decrease average premiums, while requiring the purchase of PIP insurance can be expected to increase them.

- Adoption of a dollar-threshold no-fault plan may yield savings, but these savings would be small relative to those possible from a verbal-threshold plan. The effect of a dollar-threshold tort limitation on premiums, while tending to reduce them, is not statistically significant at a high confidence level.

- On the other hand, the effect of a verbal-threshold tort limitation is substantial and statistically significant at a high confidence level.

The negative effect on premiums of a verbal-threshold limitation outweighs the positive effect of requiring the purchase of PIP, so that the net effect of the two is a reduction in auto insurance premiums. On the basis of 1987 data, the most recent available:

- The net effect of adopting verbal-threshold no-fault plans nationwide would be savings of $3.7 billion annually.

The actual effect of verbal-threshold no-fault on any individual's rate would depend on a complex set of factors that insurance companies use to try to determine the riskiness of individual drivers, including the driver's age, sex, marital status, driving record, and where he or she lives. The actuarial process by which insurance companies develop their rate structures, and the effect of no-fault on specific rates, is beyond the scope of this study. However, the range of potential savings would be large, and it is reasonable to conclude that some households could see declines in their insurance bills of as much as several hundred dollars, if verbal-threshold no-fault plans were adopted in their states.

V. ESTIMATED SAVINGS USING 1986-87 DATA

The savings estimates presented above are based on the statistical results obtained using statewide data for 1987. Pooled 1986-87 data, while less recent, represent a larger data base. These data support the substantial savings potential of verbal-threshold no-fault plans.

- On the basis of 1986-87 data, nationwide savings of $2.9 billion would be obtained if all states adopted verbal-threshold no-fault plans.

APPENDIX

DISCUSSION OF REGRESSION RESULTS

The regressions are aimed at determining whether the adoption of no-fault insurance raises, lowers, or leaves unchanged average automobile insurance premiums. Simply examining the relationship between average premiums in no-fault states, however defined, and average premiums in traditional fault states would be potentially misleading because other determinants of tariffs are likely to be correlated with no-fault variables. If we do not control for these other influences, the effect of no-fault on insurance prices is likely to be seriously biased. Multiple regression analysis is designed to isolate the impact of each causal variable on premiums and eliminate this bias.

Automobile insurance premiums, like all other prices are determined by a variety of cost and demand factors. The variables included in the final regression results are defined in Table A.1. The results are presented in Table A.2.

Table A.2 presents results obtained using three sets of data -- 1986 observations, 1987 observations, and all observations pooled for both years. Using appropriate tests, we are not able to reject the hypothesis that the relationship between premiums and these explanatory variables is constant over time. Thus, there is a case for pooling the data.

The adjusted R^2s range from .76 to .80 and the F statistics are all significant at the 99 percent confidence level. The coefficients of all the explanatory variables, with the exception of DTORT, are also generally significant at high confidence levels.

The results are mostly as expected. Average premiums are positively related to fatalities per car (FATRCY) and thefts per car (THEFTRCY). States with higher hospital costs (HR) have higher auto insurance premiums. States with higher disposable incomes

(PCI) and percent of the car population insured (PERINS) -- two demand variables -- also have higher premiums. The coefficient on population density (DENS) is, somewhat unexpectedly, negative. We would have expected the states with higher population density to have higher premium levels. It turns out, however, that some very low density states, such as Alaska and Nevada, have very high premiums. The automobile repair cost variable (REPIND) has a negative coefficient, rather than the positive one we would have expected.

Our major interest, of course, is with the no-fault variables. The effect of no-fault is captured by three variables:

1. The effect of a dollar-threshold tort limitation (DTORT) on premiums is negative, but only at about the 80 percent confidence level in the pooled equation and at lower levels in the other equations.

2. The effect of a verbal-threshold tort limitation (VTORT) is negative and much larger that the effect of the dollar threshold. It is significant at the 95 percent level in the 1987 equation and at the 99 percent confidence level in the pooled equation. This is a strong result, tempered only slightly by the fact that there are only three verbal-threshold states in the data base (six observations for the pooled data).

3. Finally, as expected, requiring drivers to purchase PIP insurance (PIPREQ) increases average premium levels.

TABLE A.1
DESCRIPTIVE STATISTICS AND SOURCES FOR REGRESSION VARIABLES
(Means and standard deviations are for pooled 1986 and 1987 data)

Variable	Mean	Std. Dev.	Definition/Source
AVPRM	433.92	98.40	Average premium per registered car. Avg. premium includes auto liability , physical damage, and no-fault premiums. For 1986, Best's Insurance Manag. Reports, <u>1986 Avg. Private Passenger Auto Premiums by State</u>. For 1987, Best's Executive Data Service. Car registrations from Federal Highway Administration, <u>Highway Statistics 1986 and 1987</u>
DTORT	0.22	0.41	Dummy variable equals 1 for dollar-threshold states, 0 otherwise. From American Insurance Association, <u>Summary of Selected State Laws and Regulations Relating to Automobile Insurance, 1987-1988.</u>
VTORT	0.06	0.24	Dummy variable equals 1 for verbal-threshold states, 0 otherwise. Same source as DTORT.
PIPREQ	0.36	0.48	Dummy variable equals 1 for states that require personal injury protection (PIP), 0 otherwise. Same source as DTORT.
FATRCY	0.0004	0.0001	Fatalities per car registered. From <u>Highway Statistics 1986 and 1987.</u>

DESCRIPTIVE STATISTICS AND SOURCES FOR REGRESSION VARIABLES (cont'd)

Variable	Mean	Std. Dev.	Definition/Source
DENS	352.58	1,380.31	Population Density - Residents per square mile in 1986. From the Statistical Abstract of the U.S., 1988, Table 21, pg. 19. 1986 data was repeated for 1987.
HR	501.99	114.33	Average hospital cost per day per patient. From American Hospital Association, Hospital Statistics 1987 and 1988.
PCI	12,280.98	2,022.16	Disposable personal income per capita in current dollars. From the U.S. Bureau of Economic Analysis, Survey of Current Business, August issues.
PERINS	1.006	0.15	No. of car years insured per car registered. For 1986, car years equals the sum of voluntary car years and shared car years from AIPSO FACTS 1987/1988. For 1987 CY/REG = (1 + avg. % increase in the ratio CY/REG from 1982 - 86) x (the ratio of CY/REG in 1986).
REPIND	12,382.24	1,730.71	Payroll expenditures per employee in general automobile shops. From the Census of Services Industries, 1982, Bureau of the Census. Same data was used for both 1986 and 1987.

DESCRIPTIVE STATISTICS AND SOURCES FOR REGRESSION VARIABLES (cont'd)

Variable	Mean	Std. Dev.	Definition/Source
THEFTRCY	0.0073	0.0044	Motor vehicle thefts per registered car. For 1986, thefts from the 1987 - 1988 Property/Casualty Fact Book, pg. 97. For 1987, THEFTRCY = 1986 THEFTRCY x the avg. annual growth in THEFTRCY from 1977-86 from the 1987-88 Property/Casualty Fact Book, pg. 97.

TABLE A.2
ESTIMATES OF THE EFFECT OF NO-FAULT INSURANCE ON AVERAGE PREMIUMS (AVPRM)
(Numbers in parentheses are t-scores)

Variable	1986	1987	1986-87
C	-241.80	-249.74	-260.42
	(-3.09)***	(-2.31)**	(-4.23)***
DTORT	-13.68	-29.61	-22.44
	(-0.57)	(-1.02)	(-1.24)
VTORT	-59.09	-87.79	-74.04
	(-1.77)*	(-2.16)**	(-2.95)***
PIPREQ	55.56	72.23	64.81
	(2.47)**	(2.84)***	(3.98)***
FATRCY	345,392.26	394,120.03	383,881.90
	(4.56)***	(4.18)***	(6.86)***
DENS	-0.02	-0.02	-0.02
	(-2.97)***	(-2.49)**	(-3.98)***
HR	0.17	0.17	0.18
	(1.96)*	(1.65)	(2.92)***
PCI	0.03	0.04	0.04
	(5.80)***	(6.15)***	(9.53)***
PERINS	122.46	129.07	127.08
	(2.39)**	(2.06)**	(3.30)***
REPIND	-0.01	-0.02	-0.02
	(-2.63)**	(-3.12)***	(-4.75)***
THEFTRCY	12,689.84	15,726.84	13,974.43
	(5.68)***	(5.63)***	(8.22)***
R Squared	0.83	0.81	0.82
Adjusted R Squared	0.79	0.76	0.80
F Stat	19.65****	16.58****	40.52****
N	51	51	102

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* = Indicates coefficient significantly different from zero in a two-tailed test at 90 percent confidence level.

** = Indicates coefficient significantly different from zero in a two-tailed test at 95 percent confidence level.

*** = Indicates coefficient significantly different from zero in a two-tailed test at 99 percent confidence level.

**** = Indicates hypothesis that all coefficients are zero is rejected at 99 percent confidence level.

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