

S B

309

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

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

FURTHER

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

DATE TURNED INTO OFFICE 3/15/90

4/28/89

Mr. President:

Labor and Commerce Committee considered SB 309

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

and recommended:

replace with CS SB 309 (L+C) same title
 attached amendment(s) and new title

letter of intent adopted

letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to

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

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

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

[Signature]
Chair : signature and recommendation

Committee backup attached

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

January 22, 1990

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

TO: Senator Steve Frank

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

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

Please contact me if you have further questions.

MFF:gc
G13/052

FISCAL NOTE

REQUEST:

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

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

Prepared by: Bob Sims, Insurance Market Analyst Phone: 465-2517
 Division: Insurance Date: 7-18-89
 Approved by Commissioner: Larry McKelvieff Date: 8/1/90
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):

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

STEVE FRANK
DISTRICT K
SEAT A

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

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

Alaska State Legislature



Senate

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

VICE-CHAIR
Community & Regional
Affairs Committee

MEMORANDUM

TO: Senate Labor & Commerce Committee

FROM: Senator Steve Frank

RE: CS SB 309 - Auto Insurance Exclusions

DATE: March 5, 1990

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

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

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

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

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

STEVE FRANK
DISTRICT K
SEAT A

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

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

Alaska State Legislature

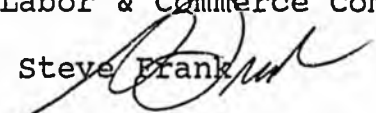


Senate

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

VICE-CHAIR
Community & Regional
Affairs Committee

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

FROM: Senator Steve Frank 

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

DATE: January 8, 1990

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

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

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

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

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

Thank you for your consideration.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**

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

DIVISION OF INSURANCE

December 26, 1989

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

Dear Senator Frank:

RE: SB 309

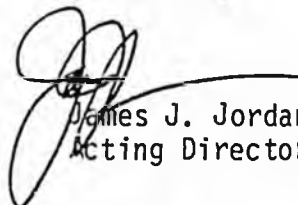
Your staff person, Rick Solie, contacted me several weeks ago inquiring about the division's position on SB 309. Enclosed is a copy of the Bill Analysis for SB 309.

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

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

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

Sincerely,



James J. Jordan
Acting Director

JJJ/dg16005D/122689b
Enclosure



**STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS**

DEPARTMENT Commerce & Econ. Dev.	COMMISSION Insurance	BILL NUMBER SB 309 (L&C)	SPONSOR Frank, Duncan, Zharoff, Fischer, Binkley, Uehling and Faiks
SHORT TITLE OF BILL Excluding a named driver from a motor vehicle policy and providing for an effective date			
DEPARTMENT POSITION Neutral			
PREPARED BY <i>Paul Rohler</i> Bob Sims, Insurance Market Analyst	DATE 5-4-89	LEGISLATOR'S SIGNATURE <i>[Signature]</i>	DATE 5/14/89

SUMMARY

OTHER AGENCIES AFFECTED BY BILL	CONSTITUENT GROUPS AFFECTED BY BILL
ORGANIZATIONAL SUPPORT FOR BILL	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

This bill provides for an insurance company to exclude a named driver from an automobile insurance policy. It also does not allow that company to change a premium for or change a rate based on the driving record of the excluded. It also provides that the insurer is not liable for damages or claims arising out of use or operation of the insured automobile by the excluded person.

ANALYSIS OF BUDGETARY EFFECTS

This bill will allow families to exclude drivers from an automobile insurance policy whose claims, experience or driving record make the excluded drivers a high risk. Thus, the cost of the policy will be reflective of the driving record of only the persons named on the policy. Insurers will not be liable for damages or claims arising out of use of operation of the insured automobile by the excluded drivers.

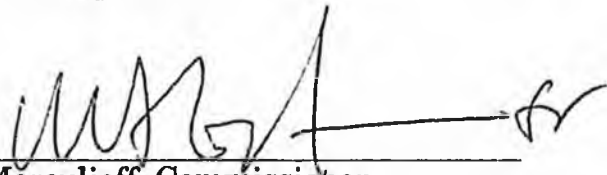
AMENDMENTS PROPOSED

4064D-2
U50489A

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

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

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



Larry Mercurieff, Commissioner

Date: 12/1/90

LM/DPK/dgl6151D
11990a

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. FRANK

TO: CSSB 309(L&C)

Page 2, line 5:

Delete "damages or"

Insert "any coverage, including defense or indemnity coverage under any provision of the policy for damages, including claims against other persons insured under the policy,"

Delete "use or"

Page 2, line 7:

Delete "damages or"

Insert "any coverage, including defense or indemnity coverage under any provision of the policy for damages, including claims against other persons insured under the policy,"

Page 2, line 8:

Delete "use or"

Page 2, lines 12 - 17:

Delete all material.

Insert "that the insurer is not liable for any coverage, including defense or indemnity coverage under any provision of the policy for damages or claims, including claims against other persons insured under the policy

or claims against the excluded person, sustained while a vehicle insured under this policy is operated by (name of excluded person) following the effective date of this endorsement."

Page 2, after line 17:

Insert "The required policy provision contained in this subsection shall also be provided to the insured as a notice separate from the policy and typed in bold face print. The notice must be signed by the insured in order for the exclusion of the named driver and the limitation of the insurer's liability under this subsection to be effective."

Page 2, line 21:

Delete "July 1, 1990"

Insert "January 1, 1991"

Not used

6-0773E
Ford
3/8/90

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

1 IN THE SENATE

BY THE LABOR & COMMERCE COMMITTEE

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

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

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

13 (1) nonpayment of premium; or

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

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

23 Sec. 21.36.215. EXCLUDING NAMED DRIVER FROM AUTOMOBILE INSURANCE
24 POLICY. (a) An insurer may not refuse to exclude a person from
25 coverage under an automobile insurance policy, if the claim experience
26 or driving record of the person would have justified cancellation,
27 nonrenewal, or an increase in the premium. A premium charged on a
28 policy that excludes a person from coverage may not reflect the
29 claims, experience, or driving record of the excluded person. This

1 subsection does not apply to an automobile liability insurance policy
2 required under AS 28.20.

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

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

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

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

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

Not passed

6-0773E
Ford
2/9/90

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

Addition highlighted

1 IN THE SENATE

BY THE LABOR & COMMERCE COMMITTEE

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

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26 or driving record of the person would have justified cancellation,
27 nonrenewal, or an increase in the premium. A premium charged on a
28 policy that excludes a person from coverage may not reflect the
29 claims, experience, or driving record of the excluded person. This

1 subsection does not apply to an automobile liability insurance policy
2 required under AS 28.20.

3 (b) An automobile insurance policy providing that a person is
4 excluded from coverage may also provide that the insurer is not liable
5 for damages or claims arising out of use or operation of the insured
6 automobile by the excluded person. An automobile insurance policy
7 providing that the insurer is not liable for damages or claims arising
8 out of the use or operation of the insured automobile by the excluded
9 person shall contain the following provision:

10 Exclusion of Named Driver: In consideration of the
11 premium for which the policy is written, it is agreed
12 that the insurer is not liable and that liability or
13 obligation of any kind may not be attached to the
14 insurer for damages or claims sustained after the
15 effective date of this endorsement while a motor vehi-
16 cle insured under this policy is driven or operated by
17 (name of excluded person).

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

21 * Sec. 4. This Act takes effect July 1, 1990.
22
23
24
25
26
27
28
29

passed out

6-0773E
Ford
3/12/90

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

*Highlighted areas are changes
from original Bill*

1 IN THE SENATE

BY THE LABOR & COMMERCE COMMITTEE

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

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

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

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

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

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

STEVE COWPER, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

February 12, 1990

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

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

Dear Senator Frank:

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

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

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

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

REPLY TO:

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

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

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

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

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

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

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

February 12, 1990
Page 3

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

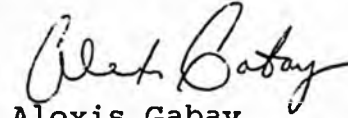
The courts in each of these cases have repeatedly looked at the language of the policy and to legislative intent in reaching their decisions. Therefore, the clearer the legislative intent, the more likely the provision will survive such a challenge.

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

Sincerely,

DOUGLAS B. BAILY
ATTORNEY GENERAL

By:



Alexis Gabay
Assistant Attorney General

AG:nb

shattuck & grummett, inc.

ESTABLISHED 1898

insurance • bonds

301 SEWARD STREET

Juneau, Alaska 99801

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

MICHAEL A. GRUMMETT
ROGER GRUMMETT
NANCY L. BURNS

February 9, 1990

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

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

Dear Senator Frank

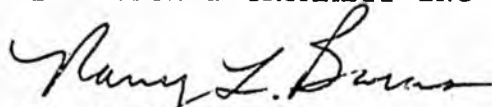
At the request of Rick Solie of your office, I am forwarding samples of automobile insurance premiums comparing some varied situations such as applicants meeting preferred risk rating criteria, and then dealing with the same risk except with adverse driving record, and with and without the proposed Exclusion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

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

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

Sincerely

SHATTUCK & GRUMMETT INC


Nancy L. Burns
Agent/Broker

NLB/kj

Encl

SAMPLE #1

The following figures are premium ESTIMATES only.

YOUR LIABILITY

BODILY INJURY covers your legal liability for injury to persons. Limits \$50,000 per person and \$100,000 per accident where more than one person is injured, including legal costs \$ 64.50* & 57.00*

or

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

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

or

\$50,000 \$ _____

or

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

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

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

\$1,000 per person limit \$ 2.00 & 2.00

\$2,000 per person limit \$ _____

\$5,000 per person limit \$ _____

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

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

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

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

YOUR CAR

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

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

or

\$250 Deductible \$ 131.00 - Buick On

\$500 Deductible \$ _____

DESCRIPTION OF THIS RISK IS

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

(The same vehicles are used on each sample)

Samples #2

The following figures are premium ESTIMATES only.

YOUR LIABILITY

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

or

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

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

or

\$50,000 \$ _____

or

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

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

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

\$1,000 per person limit \$ 4.00

\$2,000 per person limit \$ _____

\$5,000 per person limit \$ _____

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

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

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

DESCRIPTION OF THIS RISK IS

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

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

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

YOUR CAR

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

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

or

\$250 Deductible \$ 146.00

\$500 Deductible \$ _____

SAMPLE #2 (cont.)

The following figures are premium ESTIMATES only.

YOUR LIABILITY

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

PROPERTY DAMAGE covers your legal liability for damages to property of others. Limit, \$25,000 including legal costs \$ 224.00
 or
 \$50,000 \$ _____
 or
 \$ _____ Combined Single Limit Bodily Injury AND Property Damage Liability \$ _____

YOUR CAR

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

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

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

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

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

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

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

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

DESCRIPTION OF MARKET

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

PREMIUMS THROUGH OTHER MARKETS AVAILABLE TO THIS RISK

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

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

The following figures are premium ESTIMATES only.

YOUR LIABILITY

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

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

or
\$50,000 \$ _____
or

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

YOUR CAR

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

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

or
\$250 Deductible \$ 341.00-Buick On

\$500 Deductible \$ _____

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

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

\$1,000 per person limit \$ 4.00/4.00

\$2,000 per person limit \$ _____

\$5,000 per person limit \$ _____

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

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

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

DESCRIPTION OF THIS RISK IS

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

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

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

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

PROGRESSIVE INS CO ALLOWS EXCLUSIONS

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