

**HB**

**403**

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

STATE CAPITOL, JUNEAU, AK 99801-1182  
(907) 465-4954



## SPONSOR STATEMENT FOR HOUSE BILL 403

The best method of assuring the Alaska consumer of competitive auto insurance premiums is to have a marketplace which encourages competition. A greater number of insurance companies doing business in Alaska will ensure a more competitive premium in all areas of insurance coverages. HB 403 was introduced to encourage this competitive marketplace by not mandating unreasonable insurance coverages.

Current law requires all insurance companies offering auto liability coverage to provide coverage up to \$1,000,000 per person for bodily injury or death of one person and \$2,000,000 per accident for bodily injury or death for more than one person (known in the industry as uninsured/underinsured motor vehicle coverage). (See AS 21.89.020)

No other state mandates a company to offer UM/UIM coverage higher than the driver selects for himself. In fact, no other state mandates even the minimum levels of coverage we have here in Alaska of 50/100/25 (see attached list).

HB 403 removes the mandatory offering of \$1 million/\$2 million by amending AS 21.89.020(c) to require coverage that includes policy limits equal to the limit voluntarily purchased to cover the insured's liability for bodily injury or death. Coverage may not, however, be less than the policy limit in AS 28.20.440.

Since records show virtually no one now opts for the high Alaska UM/UIM limits and Alaska's minimal limits are twice the amount in any other state, these changes are very reasonable.

Nothing precludes any motorist from purchasing any level desired, but this bill now removes the mandated "offer" provision.

HB 403 has the support of the Division of Insurance and the Alaska Independent Insurance Agents and Brokers, and has a zero fiscal note.

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

P. O. BOX 110805  
JUNEAU, ALASKA 99811-0805  
PHONE (907) 465-2515

January 18, 1994

The Honorable Bill Hudson  
Alaska House of Representatives  
State Capitol, Room 108  
Juneau, Alaska 99801-1182

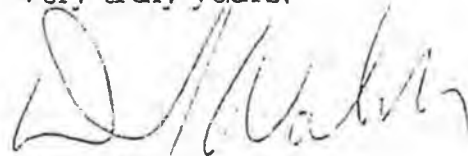
Dear Representative Hudson:

Re: Uninsured Motorist Coverage Offer

AS 21.89.020(c)(2) requires the offer of uninsured or underinsured motorists coverage in excess of coverages voluntarily purchased by an insured. This rule has been a barrier to insurers wishing to do business in the state but who are unable to provide the high limits required in the mandatory offer. Our discussions with insurers suggest that the offer of higher limits is rarely accepted.

The Division of Insurance supports a revision that would remove the mandatory offer of higher limits and returns to a mandatory offer to match the limits voluntarily purchased. We would be pleased to work with you to revise the law to reflect such a change.

Very truly yours,



David Walsh  
Director



AUTO FIRE CASUALTY LIFE

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PALMER, ALASKA 99641

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February 19th, 1994

Alaska House of Representatives  
State of Alaska  
Chairman Hudson, House Labor & Commerce Committee

Re: HB 403

Dear Chairman Hudson,

I am submitting this letter as rebuttal to the testimony given to the committee, by Senator Dave Donley regarding this bill.

Uninsured motorists coverage has been available to the citizens of Alaska for several decades, and originally only applied to bodily injury. Industrial Indemnity Company began voluntarily offering uninsured motorists property damage coverage in the mid 1970's, and many of the competing insurance companies followed that lead.

Underinsured motorists coverage is a relatively new coverage that was introduced to Alaska in the early 1980's, and became available to all insureds with the passage of the mandatory automobile insurance statutes.

The concern that has been expressed by the insurance industry, is not the availability or requirements to offer uninsured/underinsured motorists coverage, as all insurance companies currently offer and promote the benefits of the coverage, but rather the requirement to offer this valuable coverage at higher limits than the insurance company would voluntarily provide.

A few insurance companies that provide automobile insurance coverage in Alaska only desire to provide limits of liability up to \$200,000.00. This is usually due to the type of drivers that they market their insurance too, such as higher risk drivers. The current statutes mandate that this insurance company offer to this driver limits of uninsured/underinsured motorists coverage up to \$1,000,000.00 per person for bodily injury and \$2,000,000.00 per accident for bodily injury. Very few of these drivers actually choose this limit of coverage, but the mandated requirement is present.

The general practice by insurance professionals and promoted by the insurance companies, is to offer the same corresponding limit of insurance for uninsured/underinsured motorists coverage as is provided for the drivers liability limit to the public.

LETTERS OF SUPPORT

An example would be to provide a \$300,000.00 limit of liability for the public protection, and \$300,000.00 limit of uninsured/underinsured motorists coverage for the insured. No other state in the union mandates that the insurance company offer limits of uninsured/underinsured motorists coverage higher than those provided for protection to the public. The thinking is that if the insured is willing to purchase protection to the public at a certain limit, then that insured should be able to ensure protection for their own family equal to that same limit.

The State of Alaska has many statutes and regulations that address the insurance requirements for protection to the public, including Construction Contractors, Truckers, Air Taxi Operators, etc. In all of these instances, the statutes and regulations only address the minimum requirements that must be maintained by the regulated business, they certainly do not stipulate a maximum that must be provided.

I would like to encourage the committee to promote the minimum standards, and let the insurance market competition dictate the higher levels of insurance limits offered to the insured.

In the testimony given to the committee by Senator Donley, I need to clarify a rather glaring misunderstanding that he has regarding an 'Umbrella Policy'. I am unaware of any 'Umbrella Policy' that offers the limits to be excess over any uninsured/underinsured motorists coverage. An 'Umbrella Policy' is an insurance contracts that offer limits of liability (liability to other people and other property) that are excess over the insured's other insurance policies. These policy limits do not apply to any uninsured/underinsured motorists coverages. HB 403 would have absolutely no affect on any 'Umbrella Policy'.

Sincerely,



Michael P. Combs, CIC  
President

MFC/MC

*progressive*

December 13, 1993

11010 WHITE ROCK ROAD  
P.O. BOX 2350  
RANCHO CORDOVA, CALIFORNIA 95741-2350

Ms. Gina McBride  
Alaska Independent Insurance Agents & Brokers, Inc.  
P.O. Box 205088  
Anchorage, AK 99520-5088

RE: Letter of Support  
Changes to Alaska UM/UM Statute (AS 21.89.020 (c) )

Dear Ms. McBride:

This letter is to confirm Progressive's support for the changes to the Alaska statute concerning Uninsured/Underinsured Motorists coverage being proposed by the Alaska Independent Agents & Brokers.

Your changes would replace the requirement for companies to offer \$1,000,000/\$2,000,000 UM/UM limits with a requirement to offer UM/UM limits equal to the Bodily Injury/Property Damage limits on the policy.

We believe that these limits will provide sufficient protection for Alaskans, while eliminating a potential source of litigation and/or un-reinsured catastrophic loss for companies.

Progressive provides both preferred and non-standard automobile insurance to over 10,000 drivers in Alaska.

Sincerely,

*Mark D. Niehaus / DM*

Mark D. Niehaus  
Vice President

## UNINSURED/UNDERINSURED MOTORIST LIMITS INFORMATION

The AIIAB made contact with the National organization, the Independent Insurance Agents of America, requesting information on the limits of UM/UIM that are required in other states. The response from Matt Middaugh indicates that almost every state has UM/UIM limits that parallel those required for bodily injury and property damage. Following is the listing of various states with the requirements for bodily injury/property damage limits and the indication that these states also require these same limits be offered for uninsured/underinsured motorist coverage.

STATE	LIABILITY	STATE	LIABILITY
Alabama	20/40/10	Missouri	25/50/10
Arizona	15/30/10	Montana	25/50/10
Arkansas	25/50/15	Nebraska	25/50/25
California	15/30/5	Nevada	15/30/10
Colorado	25/15/10	New Hampshire	25/50/25
Connecticut	20/40/10	New Jersey	15/30/5
Delaware	15/30/10	New Mexico	25/50/10
Dist. Of Columbia	25/50/10	New York	25/50/5
Florida	10/20/10	N. Carolina	25/50/10
Georgia	15/30/10	N. Dakota	25/50/25
Hawaii	15/35/10	Ohio	12.5/25/7.5
Idaho	25/50/15	Oklahoma	10/20/10
Illinois	20/40/15	Oregon	25/50/10
Indiana	25/50/10	Pennsylvania	15/30/5
Iowa	20/40/15	Rhode Island	25/50/25
Kansas	25/50/10	S. Carolina	15/30/5
Kentucky	25/50/10	S. Dakota	25/50/25
Louisiana	10/20/10	Tennessee	20/50/10
Maine	20/40/10	Texas	20/40/15
Maryland	20/40/10	Utah	25/50/15
Massachusetts	10/15/30	Vermont	20/40/10
Michigan	20/40/10	Virginia	25/50/20
Minnesota	30/60/10	Washington	25/50/10
Mississippi	10/20/5	W. Virginia	20/40/10
		Wisconsin	25/50/10
		Wyoming	25/50/20

The first two figures refer to bodily injury liability limits and the third figure to property damage liability. For example, 10/20/5 means coverages up to \$20,000 for all persons injured in an accident, subject to a limit of \$10,000 for one individual, and \$5,000 for property damage coverage.

NOTE: In comparison, Alaska's liability rate is 50/100/25, the highest in the nation.

FISCAL NOTE

No. 1

Bill Version: HB 403

(H) Publish Date: 2/23/94

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: Automotive Liability Insurance Coverage

Department Affected: Commerce and Economic Development

BRU: Insurance

Component: Operations

Sponsor: House Labor & Commerce Committee

Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 354

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL EXPENDITURES	0	0	0	0	0	0
CHANGE IN REVENUES ( )	0	0	0	0	0	0

FUND SOURCE

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 94) cost: \$ 0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary.)

No fiscal impact.

Prepared by: Joan Brown, Administrative Officer  
Division: Insurance

Phone: 465-2597  
Date: 1/28/94

Approved by Commissioner: Paul Fuhs  
Agency: Commerce and Economic Development

1-54  
LEGISLATIVE OFFICE  
Ira Office

PREPARER TO PROVIDE  
For further

FISCAL NOTE