

LEG. FINANCE - BILLS 1983 - 1984 1796
SSHB 7 cont. /- /H~~3~~ /8/ 1796

Alaska State Legislature



Speaker of the House of Representatives

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

CSHB 7 (L & C)

The following changes were made in the Labor and Commerce Committee version of the bill.

Rewrote Section 18 and added a new section 19 to require insurance companies doing business in the state to offer both uninsured and underinsured coverage for both personal injury and property damage.

Such coverage must be offered to the limits of liability insurance purchased voluntarily by the insured. This coverage may be waived by the insured.

Reworded two sections in definition of motor vehicle liability policy to include uninsured and underinsured coverage which is offered by the above change.

The remainder of the bill remained the same as the sponsor substitute.

Alaska State Legislature



Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

CSHB 7 (Judiciary)

The Judiciary committee substitute maintains the amendments made by Labor and Commerce and makes the following additional changes:

Clarifies that the provisions of this law relate to 'motor' vehicles as defined in the statutes.

Includes a certificate of self insurance as one means of proving financial responsibility. This is typically used by commercial companies to insure a fleet of vehicles. The certificate is defined by AS 28.20.400.

Clarifies that a person seeking a license must show proof of insurance only on vehicles which are both registered in that persons name and owned by the person which must be located within the state.

Changes the proposed liability limit increases from 100/300/50 to 50/100/25. Currently the limits in law are 25/50/10.

Adopts the language suggested by the Court system relating to issuance of a citation by a peace officer.

Deletes provisions which allowed a peace officer to impound a vehicle on the spot if he had cause to believe an insurance policy was not in effect.

Changes the responsibility for notifying parties in a forfeiture incident from the "court" to the Department of Law as suggested by the Court System.

Changes the date for submission of the first annual report from February 1986 to 1988 and changes report from Dept. of Commerce and Economic Development to a JOINT report with Department of Public Safety.

Adds new effective date of January 1, 1984 for the provisions which mandate that insurance companies offer uninsured and underinsured insurance. These sections would now take effect before any other provision in the law.



Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

May 1, 1983

MANDATORY AUTO INSURANCE: THE OTHER SIDE

by Jeff Day

In the book, "The Invisible Bankers," author Andrew Tobias wrote:

Insurance lobbyists outnumber all others in virtually every state. 'Our strength?' pondered one, 'It comes from having a group of people who tell a story that is logical and reasonable to a group of people who don't have the slightest idea what you're talking about.'

This report is to try and provide the information not often volunteered by the industry in the hopes that those who act on this legislation will begin with at least the slightest idea of what we are talking about and why the sponsors believe a mandatory insurance law is needed.

This report is based on a review of approximately 200 newspaper articles published between 1978 and 1982, industry publications, prior research reports and interviews conducted in April 1983 with insurance and public safety officials in a half dozen states with mandatory laws.

THE INDUSTRY SIDE

The insurance industry has traditionally opposed the imposition of a mandatory insurance law. Yet 32 states have enacted such a law beginning with Massachusetts in 1927. Some of the newest laws are those in Arizona which went into effect January 1, 1983, Nevada, Wyoming and Texas January 1, 1980 and Oregon January 1, 1979.

The opposition from the insurance industry is usually summed up in three broad statements:

1. You can't achieve 100% compliance with the law
2. It's costly to administer
3. It raises insurance premiums

The insurance industry has done an excellent job projecting that message to legislatures that consider such a law. Letters to legislators on the subject are basically no more than a regurgitation of a position paper published several years ago by State Farm, the largest insurance conglomerate in the nation. But that report relies on generalities, quotes that are 20 years old and information which is extremely outdated.

THE ALASKA SITUATION

While definite statistics are impossible to come by, it is estimated the number of uninsured drivers in the state is between 11% and 40%. A survey of accidents over a two year period in 1980 and 81 showed that 20% of those involved in an accident were uninsured. Alaska has about 380,000 registered vehicles.

In the 1982 report from the Division of Insurance, Insurance Markey analyst Norm Cheney wrote:

Even with the inherent inadequacies of this system... we estimate 59.5% were insured (in 1980). We have re-evaluated the data base used in previous reports and find that the statistics for the total number of autos were misstated. We have corrected the deficiencies and now have what we believe to be the most accurate possible estimation of the number of uninsured motorists. (emph added)

That number of uninsured was 40%! Cheney wrote,

The thought that approximately 40% of Alaskans on the highways are uninsured is unsettling at best. Reasons for the large numbers of uninsured drivers are illusive. There does not appear to be a lack of available markets, and rates, in general, are not excessive.

In October 1980 a newspaper story noted that 40% drove uninsured in Alaska...a 12 % increase over five years. Division of Insurance director Ken Moore was quoted as saying, "The horror story isn't over. These figures are not unlike those in other states with no mandatory automobile insurance laws." Moore also added, "I'm not necessarily opposed to compulsory insurance, but because of the bad record of states with it, it makes me gun shy."

DMV Commissioner William Nix was also quoted in 1980 as saying that states with mandatory insurance only achieved a compliance rate of 90-95%. Remember, this statement was made when Alaska was thought to have a 40% uninsured population.

Nix also stated that he thought Alaska's financial responsibility laws were among the toughest in the nation and that the penalty of a three year license suspension was an "inducement to have people meet their obligations." With a 40% uninsured population, that evidently wasn't much of an inducement. Nor have financial responsibility laws alone provided inducement in other states. That is why over 30 states have adopted mandatory insurance laws.

Mandatory insurance has been proposed in Alaska before. One of the reasons for its previous failure is because of the very activity to which Tobias referred at the outset of this report.

This shouldn't be. Road and weather conditions in Alaska tend to make the potential for an accident fairly great. The requirement of insurance is not only intended to keep poor drivers off the road and ensure that drivers at fault compensate victims but also to protect responsible drivers.

There are probably many marginal drivers who would buy insurance if they were forced to. Some accidents don't result from specific negligence. Sliding through an icy intersection in winter is one example. The result can be hundreds or thousands of dollars of damage that the generally good driver would have to pay, in addition to meeting the requirements of our current financial responsibility laws which are aimed at the problem driver.

It makes sense to provide the added incentive this bill will provide to encourage the good driver to buy insurance to protect both himself and others.

LAWS IN OTHER STATES

Insurance laws enacted in other states are basically variations on a theme. When the consumer awareness movement reached a peak in the mid 1970's, no fault insurance became "in." A number of states now have mandatory no fault laws or a combination mandatory no fault/fault requirement. Some states have only mandatory auto liability such as SSHB 7 proposes to enact. There are likely inequities in both fault and no fault insurance. This report does not intend to compare the two but rather to focus on the mandatory requirements in states regardless of the type of insurance.

Massachusetts became the first state to enact a law. It requires proof of insurance at time of registration. It is also mandatory that uninsured and underinsured insurance are carried. In most states it is only mandatory that insurance companies offer this coverage as would be done under HB 7.

New York and North Carolina followed with mandatory laws in 1957. New York added a no fault law in 1974. The New York law requires the insured to have two cards as proof of insurance. One is out in a file when the car is registered. The other must be kept in the vehicle at all times just as the registration is kept in the vehicle.

Some states tie both the registration and license to proof of insurance. Montana and Louisiana require proof of insurance in this manner.

North Carolina, considered to have one of the most effective laws, requires proof of financial responsibility to be shown at time of registration. Several states don't require actual proof of financial responsibility but rather that the applicant sign an affidavit certifying he is insured and will be insured when driving a motor vehicle. Such states also impose rather severe penalties for falsifying the certification in addition to driving without insurance. Arizona and Connecticut are examples of this variation. False certification in Connecticut brings a fine up to \$1000 and a jail term up to five years.

Most states also require insurance companies to issue a card which must be kept in a vehicle which states the type and limits of insurance carried.

Overall, the general procedures of mandatory laws are the same. Proof must be shown at time of registration or licensure. Cards are issued by companies to be kept in cars. The key to the system working is the method of enforcement.

ENFORCEMENT

The most repeated claim by the insurance industry is that the laws cannot be enforced. In one sense that is true. No one claims to have removed 100% of the uninsured from the road. But proponents in states which have enacted such laws knew in advance they would not achieve 100% compliance. However, they have the potential to significantly decrease the number of uninsured drivers. I have found no example where the law has failed to reduce the number of uninsured motorists.

In states where the law is less successful than in others, it is usually because the enforcement mechanism is not as tight as those with lower uninsured populations.

The major criticism by the industry is that someone will get insurance just long enough to renew the registration and then cancel the insurance and keep the card which is good for a year. To get around that some states have required insurance

companies to notify the Department of Motor Vehicles when a policy is cancelled by an insured. DMV must then notify the motorist who is given a chance to prove that insurance is in effect. This has the potential of creating a lot of paperwork, depending on limits imposed upon the notification procedure.

Some states began with a law that required notification by companies anytime a policy was cancelled. North Carolina did this and became backlogged by notices. Most states which have tried this ran into the same problems.

To correct the problem, laws were changed to require notification by insurance companies of a cancellation only during the initial six months after a policy was issued. North Carolina has 4.8 million registered vehicles. Jim Stamey of North Carolina's DMV said this change cut the number of persons involved in enforcing the law from over 100 to about 5 troopers and 4 hearing officers. He also added that it's believed if a person is going to cancel, they will do so in that first six months.

Delaware changed it's law in 1979 to require notification by insurance companies only during the first year following issuance of a policy. Insurance Commissioner David Elliott noted, "Now we can concentrate on the first year people who cancel. We think they're the ones trying to beat the system."

New York requires notification of cancellation at anytime. With 6 million cars, the result became a large backlog. A new computer system is now being installed which should help ease this problem. It is interesting to note most states now implementing the law do utilize computers to a large degree which cuts the amount of staff needed and expedites the enforcement process.

Oregon adopted a law with unlimited notification provisions but changed it the following year. Currently a random sampling process is in effect. Each month about 1% of the motorists are checked for proof of insurance. There is no notification by insurance companies required. This process appears to work... so far. Tony Dilorenzo of Oregon's DMV noted that the law originally cost about \$1 million to enforce. The changes, he said, reduced the cost to about \$100,000 for clerks and computer time.

Other states have not had such good luck simply going on a random sampling basis. Nevada easily passed a mandatory law in 1979 but even proponents were worried it would not be effective since it lacked a notification provision. Michigan did not adopt the notification procedures and reports indicate there were problems obtaining as high a level of compliance with the law as other states had achieved. Connecticut had similar problems.

In general it appears that those who adopted a notification procedure, such as the one proposed in HB 7, achieved the highest compliance rates with the least amount of paper work and cost.

Most states also require a moterist to show proof of insurance when stopped for a traffic violation. This is why the card is important, and it is important to ensure the card is legitimate through enforcement by notification of DMV by insurance companies.

If a policy is cancelled, DMV can flag it on a computer. When a driver is stopped, it is then a relatively simple process to verify the legitimacy of the insurance card.

PENALTIES

The penalties for driving without insurance differ. Generally, they include fines and revocation of license and registration. The penalties in the following states are typical of those in other states.

Michigan and Nevada impose a \$100-500 fine. Wyoming has a maximum \$750 fine plus revocation of registration. Oregon imposes a fine of \$100 unless insurance is obtained within 15 days after a citation is issued. False certification at time of registration will bring a \$1000 fine and up to a year in jail. In Connecticut, that offense brings a \$1000 fine and up to 5 years in jail.

Georgia provides for a 60 day suspension of a drivers license and registration with a \$25 fee to get it back. Louisiana imposes a loss of a license for 6-18 months, a fine of \$125 and up to 30 days in jail.

Hawaii imposes fines of at least \$100 and impounds the vehicle. Delaware allows 24 hours to prove insurance after a citation and then imposes a fine between \$200 and \$1000. Conviction results in revocation of driving priveleges until proof of insurance is shown. Indiana imposes a \$500 fine and 60 days in jail.

Arizona mandates a \$250 fine for the first offense. New Jersey imposes a \$200 fine and up to 90 days in jail for the first offense.

In Minnesota a rather comprehensive approach is taken on any offense. As Patrolman Ray Schmidt explained, "We request that the driver park his car. We book the person who has no insurance, take him to jail and have the car towed." Even-tual penalties are a \$500 fine, up to 90 days in jail and revocation of license and registration.

EFFECTIVENESS

The insurance industry says compulsory laws have not been effective in removing the uninsured population. The results show just the opposite. In reviewing these statistics, it should be remembered that Alaska's uninsured population is estimated to be as high as 40% at the current time.

North Carolina completed a study within the past year. DMV spokesman Jim Stamey said the results showed that only 2 - 3% of the motoring public are uninsured...in a state of over 4 million vehicles. Stamey said, "We consider the law to be the most effective in the nation."

In Oregon it was estimated 15 - 20% were uninsured before the law took effect in 1979. The figure after 7 months was 4.5%. DMV Administrator Harold Grover said, "The overall implementation appears to be pretty smooth. It is succeeding better than we expected."

Even insurance industry representative Richard Clement conceded the law was having beneficial effects. He said, "We've always been opposed to compulsory auto insurance. There have been some problems, but, quite frankly, it's gone quite smooth. So far our fears haven't been borne out."

In Louisiana, the administrator of the State Insurance rating commission noted that 65% were insured before the law took effect in July 1978. By the day the law became effective 80% were insured and the number was growing.

Minnesota has achieved a 5% uninsured population out of 3 million vehicles. Before New Jersey adopted its law in 1973, 7.4% of motorists involved in accidents were uninsured. By 1976 the number had declined to 3.7%. New Jersey assistant Motor Vehicle Director Seymour Blaustein said in 1979, "There's no getting away from the fact that as insurance costs go up, some people are dropping their coverage, but I think we've got good verification procedures that catch a lot of people without insurance."

In New York, it was estimated that 10% of motorists were uninsured when the law went into effect in 1957. During early years of enactment that fell to 5%. New York has 6 million vehicles. It's estimated that about 6% are now uninsured. The lack of a computer system and the number of vehicles has made enforcement a problem.

Insurance division spokesman Stan Dorf noted there have been few bills introduced to amend or repeal the program. Dorf said, "Even if premiums increased slightly as a result of such a law, which I don't believe they should, the program is worth it from a social standpoint."

DMV spokesman Joe Donovan said the current unenforceability of the New York system stems mostly from the number of vehicles. Legislation is now proposed that would require insurance companies to notify DMV only in the first six months after issuance of a policy.

Massachusetts has had some enforcement problems, again because of the sheer number of vehicles but the estimated number of uninsured motorists is about 5%. Montana enacted its law in 1979. The County Commissioner calls it "a good one."

In general, those states which have implemented a mandatory law in some form have achieved about a 95% insured population. That is the goal many states had in mind when these laws were passed. 95% compliance would be a substantial improvement in Alaska just as it was envisioned to be in other states such as Texas, which passed a law because 25 - 45% were estimated to be uninsured. Washington D.C. considered such a law in 1980 because 40 - 60% drove uninsured. Nevada passed legislation because 30 - 40% were uninsured according to Insurance Commissioner Don Heath.

Wyoming's Commissioner, John Langdon said the law was needed because 25 - 35% were uninsured. Connecticut passed a law in 1973 because 8% were uninsured. Florida considered the law because 45% were uninsured. West Virginia recently enacted mandatory insurance laws. Indiana enacted the law in 1982 because 13% were uninsured.

Arizona was the last state to enact such legislation because 40% were uninsured. Representative Bill English, who sponsored the bill said, "We need to take a firm grip on this. It's totally irresponsible to be driving on the streets without adequate insurance."

The conclusion is that 32 states have enacted such laws to achieve lower percentages of uninsured drivers despite vigorous opposition by the insurance industry. Only 2 have ever been repealed. This attests to the fact that the laws work because even states with enforcement snags don't advocate repeal of the law. The laws do work.

EFFECT ON PREMIUMS

In all the material researched for this report, no statement in fact was found that simply the introduction of compulsory insurance laws directly raised premiums. Even those that acknowledged the possibility that rates might rise slightly, encouraged passage of a mandatory law. Nevada Insurance Commissioner Don Heath said, "Rate increases are a reflection of the national economy. The mandatory law should bring a price downtrend for preferred customers."

When Texas adopted the law several years ago, Houston Representative Gene Green commented, "It's estimated insurance rates might go up 5-10% at most. If the insurance companies use this as grounds for raising rates, they're barking up the wrong tree because they have already increased rates every year I've been in the Legislature."

Generally, rates rise simply because of inflation. As Richard B. Neiley of the Insurance Company of North America explained,

Insurance rates are future cost projections. This means the insurance cycle is out of phase with the rest of the economy. When prices for general goods and services are rising, insurance rates are often stable. By the time the rate of increase in the price of other goods and services diminishes, data is becoming available showing insurance rates have not kept up with underlying costs. Insurance rates then increase rapidly and profits improve.

It is somewhat ridiculous to compare rate increases and premiums in one state to another. Dozens of considerations go into rate establishment and no state is identical to another.

First, a rate has to be determined that will cover potential future losses and expenses and allow for a profit. Consideration is given to the trend in dollar cost per claim, the trend in number of claim payments showing the change, if any, in the number of accidents that occur, expenses and how large a profit margin a company wants. The industry specifically makes this point:...

Rates among the various 50 states can be widely different because of variations in the cost of repairs, medical care, weather patterns, and other geographic and demographic factors such as population density and traffic congestion.

Some states prohibit rating differences on the basis of age, gender, marital status. Assigned risk pools are different in many states in operation. The risk pool is the classification that so called high risk drivers are placed into. This pool is covered by all insurers. Some states subsidize the pool through fee charges on insurance or licenses. Some states have instituted a reinsurance plan which basically mandates companies to write policies at reasonable rates to all drivers; again this is based on surcharges of everyone's policies. Technical differences in any number of these areas can be the cause for distinct rate differences between states.

New York Division of Insurance spokesman Stan Dorf said:

Compulsory laws will not raise the premiums as the industry would lead you to believe. There are no more accidents even though more people are insured. It's also logical and proven that if more drivers are insured, the uninsured motorist premiums will, in fact, decrease.

Massachusetts Insurance rating bureau spokesman Howard Mahler noted that premium increases in policies tend to result as a result of inflation rather than a compulsory law. Despite some enforcement problems in that state, Mahler said the Registry of Motor Vehicles has expressed no desire to repeal the law.

COST OF ENFORCEMENT

Just a brief comment on the proposed cost.

Other states which have imposed the law usually note it costs between \$1 and 1.5 million to enforce properly. The states saying this are those with 2 million, 4 million, 4.5 million or more vehicles. Alaska DMV has given us a comparable fiscal note for a state with 380,000 registered vehicles! There is no dispute that the program will cost money. It is hard to believe that enforcement for 380,000 vehicles will cost as much as that in a state with several million..even with a cost of living difference.

It must again be noted that North Carolina has over 4 million vehicles. Only 4 hearing officers and 5 troopers are needed to enforce the program which has achieved 2-3% uninsured. DMV spokesman Jim Stamey from North Carolina said in an interview that Alaska was in the best position of any state wishing to enact such a law because of the low population and the computer technology available.

Those states now adopting the law have made good use of computer time to lessen the need for clerical staff. Howard Mahler of Massachusetts encouraged the state to use computers to a great extent if we adopt a program.

MORE ON INDUSTRY OPPOSITION

The research indicates that the insurance companies opposition to mandatory insurance does not really hold up. The law can and has been enforced to an excellent degree in many states. Premiums don't rise simply as a result of a compulsory law. The provisions in this law make it less costly and bureaucratic than laws in other states.

So if these arguments are largely countered, and insurance companies stand to do more business as a result of this law what could be the opposition?

Some potential insight was provided in a statement by Insurance industry representative Richard Clement when he commented on Oregon's law shortly after enactment. He said, "We've always been opposed to compulsory insurance. We're afraid the Legislature is going to get into the business of establishing rates and that the state can form an insurance company."

The insurance industry is not federally regulated. It does not want any regulation. The move to adopt compulsory insurance is likely seen as an intrusion into an industry which wishes to be exempt from all regulation. Past history in other states has shown the need for regulation to maintain realistic rates. Indeed, there are programs which have been enacted and which could be enacted in Alaska with the result of lower premiums but which would be opposed by the insurance industry.

Perhaps, the other reason the industry opposes mandatory insurance is because it might decrease profits.

It must be noted that, in statistics provided by the Alaska Division of Insurance for 1981, the top 30 companies doing business in the state earned \$31.2 million in premiums for automobile liability coverage. Incurred losses totalled \$19.6 million for a profit of over \$11 million.

According to the July 19, 1982 edition of Best's Insurance Management Report, Alaska had the lowest loss ratio of ANY state for all automobile insurance, 56.1%. Nationally the loss ratio was 70.7%. Basically, this means insurance companies earned greater profits on a comparable amount of business in Alaska than they did outside.

The 1982 report from the Division of Insurance reported:

We are quite happy with the state of the market in Alaska. Over the past 3 years, we have seen an increase in the number of companies pursuing a share of the market. We now have a very active non-standard market helping to make insurance available at competitive prices to those drivers with numerous or serious violations on their driving records.

It might be suggested that more insurers are seeking to enter the Alaska marketplace because the profit margins are higher here. The auto insurance market has consistently been profitable for the past five years.

CONCLUSIONS

Research has indicated that the arguments put forward by the industry are at best, half truths. It does cost money to run an effective program. But it has proven effective in states with uninsured populations both greater and lesser than the uninsured population in Alaska.

Legislation can be passed that will result in a significantly higher number of insured drivers. CSHB 7 would do this. It incorporates notification procedures from other states which have proven effective and cost efficient. It provides strong incentives to buy insurance or find alternative modes of transportation.

Simply requiring insurance after the fact of an accident has not proved sufficient in this or in other states. I also suggest that our current financial responsibility law needs stricter provisions as well. This will be researched and proposed in the near future. In any case, the law as is or even as amended is not a strong enough incentive. Alabama does not have a mandatory law. It does have financial responsibility laws similar to Alaska's. Deputy State Insurance Commissioner Tharpe Forrester noted that 30% do not carry insurance despite the law although, as he said, "We strongly encourage them to carry it."

Research on this subject will continue in an effort to propose additional legislation at a future date which could result in lower premiums. A number of states have passed mandatory laws and then changed other insurance provisions to implement no fault or a reinsurance facility or changes in assigned risk pooling....BUT the mandatory law came FIRST.

That is what is proposed here. A mandatory law would be a significant step forward in attempting to decrease our 40% uninsured population. But it should be considered as one step in a multi-faceted approach that should be continually pursued after the law takes effect.

This report will be updated as additional material becomes available.

#

Alaska State Legislature



Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

April 18, 1983

The Honorable Walt Furnace
Chairman
House Labor and Commerce Committee
Pouch V
Juneau, Alaska 99811

Re: SSHB 7/ Reply to letter by Michael Thomas

Dear Representative Furnace:

You have received a letter from Michael Thomas who represents the American Insurance Association. He lists a number of reasons why this legislation should not be enacted. I wish to offer the following arguments for enactment of the legislation.

First, the insurance industry in general has opposed compulsory insurance, yet it has been enacted in about 2 dozen states. While it has been repealed in a couple and amended in some states, the fact remains...THE MAJORITY OF THOSE STATES WHICH HAVE TRIED THIS APPROACH HAVE KEPT IT. If such laws are so ineffective as the industry would want you to believe, why have most of the states retained these laws?

The arguments say that no law has proved completely effective in accomplishing a 100% insured motoring population. We do not expect 100% compliance. We do expect two accomplishments. It is believed that more people will buy insurance. If we can achieve even 90% compliance, that is a significant improvement over current estimates. Some states have achieved an even higher insured percentage. Two, the bill provides strong disincentives to drive while not insured. It is believed that the possibility of severe penalties will keep a significant portion of uninsured drivers off the road rather than risking loss of driving privileges or a motor vehicle. The bill is not aimed solely at mandating compliance. It also seeks to provide an incentive for to find alternate transportation for the uninsured.

Rep. Walt Furnace
April 18, 1983
Page 2

The letter says that North Carolina has had problems achieving successful results with its law and "has still left many vehicles uninsured." However, in statistics obtained in 1981 it was learned that the prediction was that only 5% evaded the system and were uninsured. And of the accidents occurring in state involving in state drivers, less than one half of one per cent were found to be uninsured. In Alaska, a survey of accidents showed in 1980 and 1981 that about 20% of those people involved in accidents were uninsured. This points out that the North Carolina law has worked and I believe, if we could achieve their success rate, the legislation would have to be considered a success.

Two points need to be made. The letter from the insurance industry is misleading and vague. If there are inaccuracies in this one section, I submit that same vagueness likely persists throughout the letter. Insurance industry publications on this subject argue very effectively but in a very vague manner.

The letter also infers that compulsory insurance doesn't work because states still mandate the offering of uninsured insurance. First, you must realize uninsured or underinsured insurance is not required by any driver. It can be waived by the insured. But its offering allows a person to take ALL precautions to protect himself.

The letter infers that this law would be easy to avoid and that a motorist will cancel insurance the day after he buys it to comply with the law. While it is recognized a small hard core percentage might do this, once again there are disincentives in the bill that will make people really think about taking the chance of getting caught without insurance. I don't believe there is another state which has proposed as severe penalties as this legislation seeks to do for non-compliance. There has not been serious objection to the notification requirements placed on insurance companies by this legislation at this point. North Carolina has reported reduced cost and administrative burden by requiring notification by insurance companies of cancellation only within the first six months of policy issuance. This is what our bill proposes to require.

Nobody is assuming the law will cost nothing to enforce. It will take efficient enforcement and a substantial amount of money. It is not believed it will require what Dept. of Public Safety is asking for in a fiscal note.

Representative Walt Furnace
April 18, 1983
Page 3

The bill also infers that premiums will rise dramatically if this program is adopted. First it is obvious premiums will rise if higher minimum liability limits are adopted. The desire to raise the limits may be a bargaining item even though it is not believed rates will increase as substantially as proposed. Whether there may be an increase in premiums simply as a result of mandatory insurance is subject to debate. The removal of the higher minimum limits negates much of the letter's argument, however.

The letter says that study of alternatives has not been undertaken on how to improve current law. A substantial directive has been received from the public for mandatory insurance. The public wants action now..not a study.

Conclusion

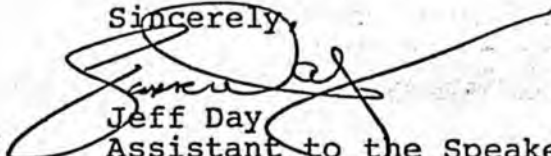
No one has ever assumed enactment of this legislation will result in a 100% insured motoring public. But results from other states have shown similar laws do increase the number of insured drivers. A combination of mandatory liability insurance and the offering of uninsured and underinsured insurance coupled with retention of the current financial responsibility law is the most effective way to close loopholes and protect the public.

Other states have encountered problems with the law, but most states that have enacted the law HAVE KEPT IT. Obviously, something beneficial is happening. It is realized there will likely be amendments to this law in the future if adopted. But it is a good starting point. Efforts have been taken to choose the better parts of legislation from many states so that it is effective and cost efficient.

The insurance industry has a very well financed lobbying effort to ward off these laws when they crop up around the nation. I caution the committee not to be misled by vague facts or misrepresentations in statement. I believe the public has expressed an interest in this legislation and it is the responsibility of the Legislature to represent the public..not the insurance industry.

This office remains open to work with others seriously concerned with addressing this public concern.

Sincerely,



Jeff Day
Assistant to the Speaker



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

MAR 28 1983

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

March 28, 1983

MEMORANDUM

TO: Representative Joe Hayes
Attention: Jeff Day

FROM: David Teal *Teal*
Research Staff

RE: Automobile Liability Insurance
Research Request Number 83-128

Jeff Day, of your staff, asked for information relating to automobile liability insurance. More specifically, he requested the latest estimates of the proportion of uninsured motorists in Alaska, the number of vehicles registered in the state, the number of licensed drivers, and the amount of property damage and personal injury caused by uninsured motorists.

Insured vs. Uninsured Motorists

As you may know, automobile liability insurance policies generally cover some persons not named on the policies; as far as the insurance provider is concerned, the unit of exposure is the vehicle, not the policy-holder or the number of potential operators. This factor makes determining the number of uninsured drivers very difficult and is the reason that data are usually presented in terms of uninsured vehicles rather than uninsured persons.

The Division of Insurance prepared statistics on the number of uninsured vehicles in Alaska, but included several caveats in the analysis. (See Attachment A.) That study used information from several sources and produced two estimates of the number of uninsured vehicles during several years. The estimates are so dissimilar that one must question their value. For example, the estimate of uninsured vehicles in 1980 was 40.5 percent by one method and 11.0 percent by the other method.

A third method, which was used by the Division of Drivers' Services in the Department of Public Safety, is likely to provide a much better estimate of the proportion of motorists in Alaska that are uninsured. The division reviewed records of accidents that occurred during January of 1981 and found that 21 percent of motorists involved in accidents were uninsured. A repeat of the study in January of 1982 showed that

Representative Hayes

March 28, 1983

Page 2

20 percent of motorists were uninsured. Applying the 20 percent figure to the vehicle registration statistics presented later in this memorandum produces an estimate of about 100,000 uninsured vehicles in the state. Figures for 1983 have not been compiled.

Liability Limits

Jeff Day noted that liability limits of \$100,000 per person (to a maximum of \$300,000 per accident) for bodily injury and \$50,000 for property damage--traditionally written as 100/300/50--are "standard" and wondered how many insured drivers currently carry less than this amount of liability insurance. I was unable to find any written record of the number of motorists that purchase more insurance than is required by law, but it is worth noting that Alaska currently requires 25/50/10 and that Hawaii is the only state with higher limits than Alaska. (See Attachment B.)

The only way to determine the number of policies written for limits higher than the minimum is to contact the individual insurance companies. A reasonable estimate could be obtained by contacting State Farm, Allstate, Criterion, and United Services. Together, these companies insure about 70 percent of Alaska's motorists.

I was able to contact Allstate and State Farm Insurance Companies, and spokesmen for both said that their most common coverage is 100/300/50. In this sense, the 100/300/50 policy is the industry standard. According to State Farm Insurance, the additional cost of 100/300/50 amounts to only about \$20 per year more than the 25/50/10 coverage. The company also pointed out that law suits now commonly exceed Alaska's current minimums.

Damage and Injury Caused by Uninsured Motorists

There are no requirements that records on this subject be maintained. Don Koch, of the Division of Insurance, stated that he wouldn't even be able to "guesstimate" because he felt that much of the damage is unreported and/or uncompensated. A similar opinion was expressed by representatives of the insurance industry.

As you may be aware, uninsured motorist coverage is a mandatory offering in Alaska. This means that insurance companies must offer the coverage and inform clients of its availability. There is no requirement that the coverage be purchased.

Representative Hayes

March 28, 1983

Page 3

Registered Vehicles and Licensed Drivers

According to Sharon Naus, of the Division of Drivers' Services in the Department of Public Safety, there were 316,797 persons holding valid Alaska drivers licenses on January 10, 1983. She also reported that 407,870 vehicles were registered in Alaska in calendar year 1982. The following table shows the number of registered vehicles by vehicle type.

Motor Vehicles Registered in Alaska
Calendar Year 1982

<u>Vehicle Type</u>	<u>Number</u>
Passenger Automobiles	217,719
Motorcycles	14,504
Commercial Trailers	10,079
Utility Trailers	37,999
Commercial Trucks	19,361
Pick-ups	106,851
Buses	1,357
TOTAL	407,870

Source: Department of Public Safety 3/83

* * *

In addition to material obtained from the Division of Insurance, I am attaching a recent House Research Agency memorandum on the subject of compulsory insurance. If you have questions about information presented in this memorandum and its attachments or have additional questions, please call.

Attachments

- A) Alaska Drivers: Insured vs. Uninsured (Division of Insurance, undated)
- B) Liability Limits (Division of Insurance, undated)
- C) Research Request 83-48

ALASKA DRIVERS
Insured vs. Uninsured

The division's statistical needs respond to rate-making and solvency issues. Nevertheless, it has made an attempt to obtain some feeling as to what portion of the public may be uninsured. Unfortunately, a number of caveats must be placed on this information. The sources for the data used in the calculation come from several areas and in each case, this data is untested and has been subject to some adjustment or assumption which may cast suspicion on its accuracy.

You will note the substantial difference between the two charts. The reason for this difference is attributed to the different interpretation of what constitutes a private passenger type risk. The caveats following each chart detail the source of the numbers.

The data that follows is useful for "guesstimating" the percentage of insured motor vehicles in Alaska. It does not relate to insured persons in Alaska. To our knowledge, there is currently no source for arriving at a number of insured persons since a policy, when written, covers some persons not named automatically.

The unit of exposure, as far as the insurer is concerned, is the number of vehicles not the number of potential operators.

Chart 1. (From Division of Insurance 1982 Statistical Analysis)

(1) Year	(2) Registered Autos	(3) Insured Car Years	(4) % Insured	(5) % Uninsured
1975	199,536	117,355	58.8	41.2
1976	221,386	120,964	54.6	45.4
1977	226,389	121,635	53.7	46.3
1978	232,425	123,581	53.2	46.8
1979	229,403	132,391	57.7	42.3
1980	230,040	136,895	59.5	40.5

(1) This column is on a calendar basis.

(2) The number of registered automobiles was obtained from the Division of Planning and Research in the Department of Transportation and Public Facilities of the State of Alaska. The number of auto registrations derives from the following types of license plates:

- Regular
- Personalized
- Call Letter
- Other, including legislator, historic vehicle
- Pickups and vans
- Farm trucks

The numbers have been adjusted to remove duplicate registrations. They do not include unregistered vehicles, nor is there a method to arrive at a reasonable "guesstimate" of that number. Prior to 1977, pickups and vans were included in the freight-light trucks classification. We have made an adjustment to separate the pickups and vans from that classification, based on the relationship during 1977-79 of the pickups and vans classification to the freight-light trucks classification. Official automobiles (State, federal and municipal) are not included. Some fleets of automobiles have been included but are not identifiable by name or number. The chart relates only to private passenger registrations and insurance.

(3) These figures were obtained from the Automobile Insurance Plans Service Office (AIPSO), a licensed rating organization for this State. Included are voluntary and assigned risk nonfleet private passenger vehicles insured. An insured car year is one automobile insured for one year, so that, if a car is insured for six months, that would be 1/2 car year.

(4) = (3) ÷ (2)

(5) = 100% - (4)

Chart 2 (from AIPSO Ins. Facts, 1982)

<u>Year</u>	<u>Registered Autos*</u>	<u>Insured Car Years+</u>	<u>% Insured</u>	<u>% Uninsured</u>
1973	111,455	99,430	89.2	10.8
1974	135,902	99,430	70.2	29.8
1975	141,921	117,355	82.7	17.3
1976	154,093	120,964	78.5	21.5
1977	159,896	121,635	76.1	23.9
1978	162,578	123,619	82.2	17.8
1979	153,402	132,391	86.3	13.7
1980	153,774	136,895	89.0	11.0

* Represents number of passenger car registrations based on data from U.S. DOT, Federal Highway Administration, Highway Statistics Division, Office of Highway Planning. (A) Includes all new and renewal passenger car registrations. (B) Includes passenger car fleet vehicles, taxi cabs, and miscellaneous private passenger-car type vehicles registered as passenger cars. (C) Includes passenger car registrations made throughout the year, although vehicle may have been registered only a portion of the year. (D) Vehicles registered in one name and later sold and registered in another name count as two registrations, etc.

+ Represents 1/12 of the number of exposure months of liability insurance on vehicles rated as private passenger nonfleet type risks. (A) Includes many pickup trucks insured as passenger car type but not so registered. (B) May include other vehicles insured as passenger car risks, but registered as antiques, station wagons, vanity, press, ham radio, etc. (C) Does not include motorcycles recreational vehicles, nonowner risks, and cars rated in a fleet or self-insured.

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

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

1982 - STATISTICAL ANALYSIS
PRIVATE PASSENGER AUTOMOBILE INSURANCE

- SUMMARY -

In 1981, the majority of companies writing private passenger automobile liability and physical damage insurance in Alaska garnered a profit. The overall loss ratio for all admitted companies writing private passenger automobile insurance was 56.8%, 4.6% higher than the 52.2% ratio enjoyed in 1980.

According to the July 19, 1982 edition of "Best's Insurance Management Report" Alaska had, for the fourth consecutive year, the lowest loss ratio of any state for all automobile insurance, 56.1%. This includes commercial automobile and private passenger automobile insurance. The loss ratio nationally was 70.7%, 14.6 percentage points higher. A consistently profitable automobile insurance market is something few states have been able to maintain in recent years. We are quite happy with the state of the market in Alaska. Over the past three years, we have seen an increase in the number of companies pursuing a share of the market. We now have a very active non-standard market helping to make insurance available at competitive prices to those drivers with numerous or serious violations on their driving records. Good drivers have many different companies and a wide variation of prices from which to choose. On the negative side, we still find ourselves striving to overcome misconceptions and trepidatious underwriting by many companies. Being the largest of the United States, yet having a population of only just over 400,000 people does cause problems from a statistical credibility standpoint. Too often the negative results from other states have an influence on our market conditions. When profit conditions indicate a need for a company to tighten their underwriting, Alaska has in the past felt first the tightening rope of reduced availability. We sincerely hope that the consistent profitability of the Alaska automobile insurance market will cause the industry to consider us a desirable market in which to do business.

We have again divided this portion of the "Personal Lines Statistical Analysis" into two sections. First, is a review of the private passenger automobile insurance market in Alaska. The second section is a display of the rates charged for five different risks by numerous companies writing private passenger automobile insurance in Alaska.

Exhibit I ranks the 1981 market shares of the 30 leading writers in Alaska by line of automobile insurance and compares those shares to the 1980, 1979 and 1978 figures for those 30 companies.

The first chart of Exhibit I shows us that State Farm Mutual Automobile Insurance Company is the leading writer of private passenger auto liability insurance in this State. During 1981, State Farm Mutual Auto increased its written premium for this line by 7.8% despite dropping its market share by .15% to 22.15%, nearly a full percentage below its 23.1% share in 1979. Ranked number two, Allstate gained an additional .3% of the market and now holds a 20.5% market share, an increase of 2.6% over 1979's 17.9% share. Allstate's premium volume went up 10.1% in 1981. Third place Criterions market share remained about the same, 7.04%, up from 7% in 1980, premium volume was up 9.2%. United Services Automobile Association lost .3% of its share down to 4.19% from 4.5% in 1980, but they increased their premium volume 1.2%. Number five, State Farm Fire and Casualty gained a full percentage point of the market from 2.9% in 1980 to 3.92% in 1981 and had 49.4% more premium than 1980. Elsewhere in the top ten, four companies increased their market share and premium volume. Number seven, Leader National, lost 1.43% of its share down to 3.47% from 4.9%, while writing 22.5% less premium than 1980. The cumulative market share for the top ten is 74.8%, this compares to 74.7% in 1980. The top 30 companies accounted for 98.62% of the market, while the 30 top companies in 1980 had 98.9% of the market. Of the 30 companies, 13 increased their market share, 17 lost share. Written premiums were up for 17 companies and down for 13 companies. For all companies writing private passenger automobile liability in Alaska, written premiums were up 8.4% to \$32,408,000 from \$29,900,000 in 1980.

Exhibit I, Chart 2 shows that State Farm Mutual Auto has 22.5% of the private passenger auto physical damage market, an increase of .4% from 1980 and 3% from 1979. Written premiums for State Farm Mutual were up 23.1%. Allstate lost about .1% of its share down to 17.73% from 17.8% in 1980, but still up 1% over the 1979 share. Premiums for Allstate increased 10.1% from 1980. Criterion retains third place with a 1% increase in market share, 7.1% compared to 6.1% in 1980, premiums were up 29.6% since 1980. United Services Automobile Association moved into fourth place with a 5.42% share; 1.42% over 1980, premiums were up 50.9%. Foremost dropped to fifth, losing over 1.1% of its share and 15.2% in written premiums. The remainder of the top ten are led by State Farm Fire and Casualty in sixth place which now hold 3.22% of the market; up from 2.0% or 14th place in 1980, premium jumped 9.1% during the year. Nationwide Mutual joined the top ten in 1981 with a .5% increase in share, to 3.0%. The ten top writers account for 3.5% more of the market of 1981, 71.44% opposed to 67.9% in 1980. 95.95% of the private passenger auto physical damage business was written by the 30 companies, up 1.35% over 1980. Fourteen companies gained market share while 16 lost, but 19 increased premium volume and only 11 wrote less premium. Written premium volume for all companies was up 11.6% to \$26,896,000.

Chart 3 of the first exhibit displays the market shares of the top 30 companies based on their combined written premiums for liability and physical damage. Again, State Farm Mutual Auto leads with 22.31%, Allstate remains second with a 19.24% share of the market a slight drop from 1980. Of more significance is the fact that Allstate has fallen 3% behind State Farm. In 1978 and 1979, Allstate trailed State Farm by about 4%, closing the gap to 2.2% in 1980 and now falling back to 3%. Criterion has 7.1% of the market up .4% from 1980. United Services Automobile Association is up .45% over 1980 to 4.75%. In 1981, State Farm Fire and Casualty increased its share 1.1% to 3.6%. All of the top ten this year increased their premium volume and only one company from last year dropped out of the top ten, Leader National falling from 5th in 1980, a 3.3% share, to 11th in 1981 with a 2.41% share. Of these 30 writers, 13 companies increased their market share, 15 declined and two remained about the same. Nineteen companies wrote more premium in 1981 and 11 wrote less. Cumulatively, the 30 companies accounted for 96.39% of all private passenger auto premiums, whereas the 30 top writers in 1980 represented 96.6% of the market. Premium volume for all admitted companies writing private passenger automobile insurance in 1981 was \$59,304,000 up 10.5% over the 1980 figure of \$53,666,000

Exhibit 2, Chart 1 shows us that liability business was not as profitable in 1981 as in years past. The loss ratio for the top 30 writers and the overall market was the same in 1981, 62.8%. This is a substantial increase from the 51.5% loss ratio experienced by the total private passenger auto liability market in 1980. Of the top 30 companies, 10 had better experience, 18 worse and two were new markets in 1981. Eleven of the 18 companies with loss ratios worse than last year had loss ratios in excess of 60%, eight had in excess of 70%, three companies experienced a loss ratio greater than 80%. Eleven of the 30 companies had loss ratios below 50%, seven of these were below 40%.

The second chart of Exhibit 2 shows that the private passenger automobile physical damage market had a good year in 1981. The loss ratio for all companies was 49.5% compared to 53% in 1980. Fifteen of the top 30 companies improved their loss ratios in 1981. Only five of the 30 companies had loss ratios in excess of 60%, eight of the 30 had loss ratios less than 40%.

Chart 3 has the loss ratios for the top 30 writers of both liability and physical damage coverages and again we see generally profitable results. Of the 30 companies, four had loss ratios in excess of 70%, 14 had loss ratios less than 50% and the overall loss ratios for all companies was 56.8%, 4.6% higher than 1980 but still low enough for profit.

The two charts of Exhibit III further illustrate the profitability of the private passenger auto market in Alaska. Here we have the top 30 writers of liability and physical damage auto coverages and their expense exhibits. We have calculated the loss ratios, which should indicate a company's break-even point--permissible loss ratio (PLR)--(the ratios do not provide for investment income, reserves or the traditional 5% profit percentages). In the liability arena 14 companies had actual

Loss ratios that exceeded their PLR, up from seven in 1980. Four of these companies had expense ratios in excess of that normally allowed by this division. An expense factor (including profit) greater than 45% is in most cases considered excessive. Thirteen companies had actual loss ratios 15% below their PLR in 1981 compared to 17 in 1980. The average PLR for the 30 companies was 61.2%. The expense exhibits for physical damage evidenced five companies whose loss ratios exceeded their PLR. Four of these companies had expense ratios in excess of the normally allowed 45%. Twelve companies had actual loss ratios 20% or more below their permissible loss ratios. The average PLR for the 30 companies was 61.9%, compared to actual loss ratios for the 30 companies of 49.5%, leaving 12.4% for incurred but not reported claims and profit requirements.

Writers of private passenger automobile insurance in Alaska have experienced five consecutive years of profitability a condition that's rare in today's automobile market. In many markets in the "Lower 48" states, combined ratios of 100% or more are common. Over the next 12 months we will be urging some companies to lower their rates and/or bring their expenses into line with accepted standards.

Exhibit IV is an illustration of the total private passenger automobiles registered in the State versus the insured car years, a comparison which provides a means of approximating the percent of uninsured motorists in this State. We have reevaluated the data base used in previous reports and find that statistics for the total number of autos were misstated. We have corrected the deficiencies and now have what we believe to be the most accurate possible estimation of the number of uninsured motorists. It is impossible to determine precisely the percentage uninsured. Even with the inherent inadequacies of this system, we can see that the number of insured drivers increased somewhat in 1980, we estimate 59.5% were insured up 1.8% over 1979 and 6.3% over 1978. While this increase is welcome, the thought that approximately 40% of Alaskans on the highways are uninsured is unsettling at best. Reasons for the large numbers of uninsured drivers are illusive. There does not appear to be a lack of available markets, and rates, in general, are not excessive.

Exhibit V concerns the Automobile Insurance Plan (assigned risk plan). Part A shows that in 1980, 2.6% of all insureds in the State were written through the Plan. This is 1% less than in 1979, 3.1% less than in 1978 and 5.2% less than 1977. 6.5% of the insureds countrywide were written through a plan of some sort in 1980, this is compared to 3.9% in 1979, an increase of 67%. In part B we see that the population of the plan continues to decline. At the end of 1980 there were 3,564 insureds in the plan, 24.1% less than in December 1979. 2,627 were in the plan at the end of 1981, a 26.3% drop from 1980 and 70.2% less than the 9,447 at the end of 1977. The depopulation of the plan is continuing in 1982 as shown in part C. Through September of 1982 only 1,009 policies had been assigned, 37.8% less than September 1981. The number of policies assigned each month has declined for 57 straight months. Part D charts the percentage of private passenger automobile liability premiums attributable to the Automobile Insurance Plan. The percentage in 1980 was 4.3%, down 2% from the 6.3% in 1979.

This division remains concerned about the population of the plan. While the population continues to decrease, the division feels that many insureds being placed in the plan could be written by companies on a voluntary basis. In conversations with agents around the State who utilize the plan extensively, we have heard that one of the main reasons for their use of the plan is price. We agree that for some types of risks the plan rates are low in comparison to voluntary market, but these rates are low because the experience of the plan has been favorable. The preponderance of clean risks or certainly risks that would be acceptable to companies on a voluntary basis are, to some degree, responsible for this good experience. The Alaska Automobile Insurance Plan Advisory Committee has been exploring various methods of depopulating the plan. One method receiving consideration is the requirement that agents give insureds a brochure explaining the plan and advising that by shopping, they may find companies willing to write voluntarily at lower rates or with improved coverage and better service.

For several years we have closed this narrative summary with a statement to the effect that the private passenger automobile insurance market in Alaska is profitable; this year is no exception. We are of the opinion that this profitability will continue. While this division continues to push for reduced insurance rates, we are not going to hinder the right of a company to make a reasonable profit. We will continue our efforts to assure that auto insurance rates in Alaska are neither excessive, inadequate nor unfairly discriminatory.

Norm Cheney
Insurance Market Analyst

EXHIBIT IV

TOTAL PRIVATE PASSENGER AUTOS
VERSUS INSURED CAR YEARS

<u>YEAR</u>	<u>TOTAL NUMBER OF AUTOS*</u>	<u>INSURED CAR YEARS+</u>	<u>PERCENTAGE INSURED</u>
1975	199,536	117,355	58.8
1976	221,386	120,964	54.6
1977	226,329	121,635	53.7
1978	232,425	123,581	53.2
1979	229,403	132,391	57.7
1980	230,640	136,895	59.5

* Based on data supplied by Alaska Department of Transportation and
Public Facilities

+ Automobile Insurance Plans Service Office

A STUDY OF UNINSURED
MOTORISTS INVOLVED IN
REPORTED AUTOMOBILE ACCIDENTS

AUGUST 1980

ANN DURAND

INSURANCE INDUSTRY STUDIES
BY THE
ALL-INDUSTRY RESEARCH ADVISORY COUNCIL

RESEARCH REPORT A80-5

ACKNOWLEDGMENTS

This research report was carried out under the auspices of the Personal Lines Committee of the All-Industry Research Advisory Council. Additional copies of the study may be made or it may be quoted with proper attribution to the author and Personal Lines Committee of the Council. Correspondence regarding the study should be directed to the All-Industry Research Advisory Council, 7315 Wisconsin Avenue, Suite 231-W, Bethesda, Maryland 20014.

AIRAC PERSONAL LINES COMMITTEE

JOHN S. TREES, CHAIRMAN
Allstate Insurance Company

MARTIN ALBAUM
Prudential Property & Casualty Insurance Company

JOHN B. CONNERS
Liberty Mutual Insurance Company

MICHAEL FUSCO
Insurance Services Office

F. DEAN HILDEBRANDT, JR.
American Insurance Association

BARRY JORVE
The Travelers Insurance Company

DONALD W. SEGRAVES
Alliance of American Insurers

WAYNE W. SORENSON, PH.D.
State Farm Mutual Automobile Insurance Company

TERRIE E. TROXEL, PH.D.
National Association of Independent Insurers

RICHARD WOLL
Bartford Insurance Group

LORNE R. WORTHINGTON
-- Preferred Risk Mutual Insurance Company

EERMAN BRANDAU, COUNSEL
State Farm Mutual Automobile Insurance Company

A Study of Uninsured Motorists
Involved in Reported Automobile Accidents

Overview

A study of the characteristics of uninsured motorists and of the vehicles they drive has been done by the Personal Lines Committee of the All-Industry Research Advisory Council (AIRAC). This study was based on data obtained from official accident report forms filed with motor vehicle departments in seven states--California, Florida, Louisiana, North Carolina, Oregon, Virginia, and West Virginia. It was assumed that a vehicle was uninsured if the accident report did not show the vehicle was insured, or if the driver at the time of the accident was other than the owner and no insurance was shown.

Major findings from this study of uninsured drivers involved in reported accidents were as follows:

1. About 70% of the uninsured motorists in the study were males. In all accidents (including both insured and uninsured), almost 70% of the drivers were males, also. Thus, there does not appear to be any significant difference by sex in the insured population and the uninsured population. It is interesting to note that males, who make up 53% of all licensed drivers, were involved in a disproportionate share of accidents.
2. Uninsured motorists tended to be younger drivers. Some 46% of the uninsured motorists in the study were under age 25 compared with 38% of all drivers involved in accidents and 22% of all licensed drivers in the seven survey states.
3. About 30% of the uninsured motorists were not owners of the vehicles driven in the reported accidents. Younger drivers were less likely than older drivers to be owners (possibly a reflection of young people driving parents' cars).

4. A large proportion of the uninsured vehicles were older models. Some 46% of the uninsured vehicles in the study were 1971 models or older compared with 36% of all cars in operation.
5. A special analysis of the areas of residence of the uninsured motorists examined levels of income and of mobility. This analysis suggested that failure to have auto insurance was not restricted to a limited segment of the population (i.e., the uninsured motorists were not concentrated in any particular types of areas.)

Introduction

Although the magnitude of the problem presented by the uninsured driver to the insured public and to the auto insurance industry is difficult to measure, it has been alleged that the number of uninsured drivers is increasing and that a major reason for car owners driving without insurance is the high cost of such auto insurance. In 1978, the Personal Lines Committee of the All-Industry Research Advisory Council (AIRAC) charged a subcommittee with exploring changes in consumer behavior resulting from increases in auto insurance premium. One project initiated by this subcommittee was a study of the characteristics of uninsured motorists and of the vehicles they drive. This report summarizes the results of that study.

Methodology

Recognizing the limitations of examining aggregate statistics comparing car registrations with insured cars and of surveying consumer attitudes and behavior (possible self-reporting bias), the approach taken in this study was to examine information provided on official accident report forms that described accidents involving private passenger vehicles. Information about uninsured drivers and vehicles was provided by motor vehicle departments in seven states from the reports of accidents that occurred during a one-month period or from reports processed during a one-month period. For the purpose of this study, it was assumed a vehicle was uninsured if the accident report did not show that the vehicle was insured. Also, if the driver was other than the owner and no insurance was shown, it was assumed that there was no insurance applicable. It should be noted that data in this study describing uninsured drivers were based solely on accident reports filed in the seven survey states, and no effort was made in the course of this study to verify the accuracy or completeness of these reports.

Information was obtained from the states of California, Florida, Louisiana, North Carolina, Oregon, Virginia, and West Virginia using survey forms similar to that shown in Appendix A. The following items were collected for each uninsured driver: accident date, accident location (county), residence ZIP code, birthdate, sex, vehicle ownership, vehicle model year, vehicle make, and types of damage. States were selected to take part in this study on the basis of their ability to provide the desired information and their willingness to participate. A list of survey periods is shown in Appendix B for each participating state.

It should be noted that this method did not provide information about uninsured motorists in general, but about uninsured motorists who were involved in accidents reported to their respective state motor vehicle departments. Consequently, comparisons in this report of uninsured motorists with distributions of all drivers involved in accidents are more meaningful than comparisons with all licensed drivers (which are also provided). Because distributions of all drivers involved in accidents were not available for the seven survey states individually, data for 24 states combined were used for comparison purposes. Unfortunately, appropriate distributions of all vehicles involved in accidents by make and by model year were not available.

Summary of Results

Descriptive information was collected for a total of 6,159 uninsured motorists involved in reported accidents in the seven survey states. The number of uninsured motorists and the number of accident reports reviewed during the survey period are shown for each state in Table 1. The largest absolute numbers of uninsured motorists were found in the states of Florida (2,169) and California (1,035). The particularly small number of uninsured motorists in North Carolina (51) was probably a result of the selection criterion used by that state: information was provided only for those cases where action was being taken by the state. It is not recommended that state-to-state comparisons be made of the number of

uninsured drivers as a percentage of accident reports reviewed because of suspected differences in data collection methods among the participating states. This report focuses on descriptions of uninsured motorists and vehicles rather than on such comparisons of incidence for this reason.

It should be noted that the number of uninsured motorists per state may differ in subsequent tables due to varying amounts of missing data for individual survey items. Tables presented in the remainder of this report are based on valid data only.

Sex and age of uninsured motorists are examined individually in Tables 2 and 3, and Table 4 contains distributions of uninsured motorists by age and sex combined. Similar proportions of uninsured motorists involved in accidents and of all drivers involved in accidents were males. A disproportionately large number of the uninsured drivers and of all drivers in accidents were found to be males when comparisons were made with the distribution of all licensed drivers in the seven survey states. Almost 70% of all uninsured drivers in the study and of all drivers involved in accidents were males compared with 53% of all licensed drivers in the seven survey states (see Table 2 and Figure 1).

Uninsured motorists tended to be younger drivers as shown in Table 3 and Figure 2. Drivers under age 20 accounted for 20% of the uninsured motorists in the study compared with 18% of all drivers involved in accidents and 8% of all licensed drivers. About 46% of the uninsured motorists were 24 years old or younger compared with 38% of all drivers involved in accidents and 22% of all licensed drivers.

The distributions of uninsured motorists and of all licensed drivers categorized by age and sex are shown in Table 4. A similar distribution for all drivers involved in accidents was not available. Consequently, comparisons with all drivers involved in accidents by age and by sex that are shown in Tables 2 and 3 should be a consideration when interpreting information shown in this table. Young males under age 25 accounted for about one-third of the uninsured motorists for the seven states combined, but only 12% of all licensed drivers were males in this age group. Some 18% of the uninsured motorists and 37% of all licensed drivers in the

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Table 1

Number of Uninsured Motorists and Number of
Accident Reports Reviewed by State

State	Number of Uninsured Motorists Involved In Reported Accidents	Number of Accident Reports Reviewed
California	1,035	47,494
Florida	2,169	6,539
Louisiana	778	24,762
North Carolina	51	Not Available
Oregon	446	10,535
Virginia	773	38,297
West Virginia	907	4,950

uninsured drivers as a percentage of accident reports reviewed because of suspected differences in data collection methods among the participating states. This report focuses on descriptions of uninsured motorists and vehicles rather than on such comparisons of incidence for this reason.

It should be noted that the number of uninsured motorists per state may differ in subsequent tables due to varying amounts of missing data for individual survey items. Tables presented in the remainder of this report are based on valid data only.

Sex and age of uninsured motorists are examined individually in Tables 2 and 3, and Table 4 contains distributions of uninsured motorists by age and sex combined. Similar proportions of uninsured motorists involved in accidents and of all drivers involved in accidents were males. A disproportionately large number of the uninsured drivers and of all drivers in accidents were found to be males. In comparisons were made with the distribution of all licensed drivers in the seven survey states. Almost 70% of all uninsured drivers in the study and of all drivers involved in accidents were males compared with 53% of all licensed drivers in the seven survey states (see Table 2 and Figure 1).

Uninsured motorists tended to be younger drivers as shown in Table 3 and Figure 2. Drivers under age 20 accounted for 20% of the uninsured motorists in the study compared with 18% of all drivers involved in accidents and 8% of all licensed drivers. About 46% of the uninsured motorists were 24 years old or younger compared with 38% of all drivers involved in accidents and 22% of all licensed drivers.

The distributions of uninsured motorists and of all licensed drivers categorized by age and sex are shown in Table 4. A similar distribution for all drivers involved in accidents was not available. Consequently, comparisons with all drivers involved in accidents by age and by sex that are shown in Tables 2 and 3 should be a consideration when interpreting information shown in this table. Young males under age 25 accounted for about one-third of the uninsured motorists for the seven states combined, but only 12% of all licensed drivers were males in this age group. Some 18% of the uninsured motorists and 37% of all licensed drivers in the

seven survey states were females aged 25 or older. Similar observations regarding the age and sex of uninsured motorists could be made for each of the seven participating states individually.

A substantial number of uninsured motorists were not owners of the vehicles involved in the reported accidents. As shown in Table 5, about 30% of all uninsured motorists in the study did not own the vehicles driven, and the percentages of nonownership ranged from a low of 20% in California to a high of 44% in Louisiana. The strong relationship between vehicle ownership and driver age (possibly a reflection of young people driving parents' cars) is apparent in Table 6. Half of the uninsured motorists under age 20 did not own the vehicles which they drove at the time of their accidents compared to 30% of those between the ages of 20 and 24. The percentage of uninsured motorists who were nonowners continued to decrease with increasing age for the other age groups shown in this table.

Distributions of uninsured vehicles by model year and by make are shown in Tables 7 and 8. Uninsured vehicles tended to be somewhat older when comparisons were made with all vehicles in operation (see Table 7 and Figure 3). About 46% of the uninsured vehicles in the study and 36% of all cars in operation were 1971 models or older. This general observation regarding uninsured vehicle age applied to all states in the study except Louisiana where 28% of the uninsured vehicles were reported to be 1971 models or older. Strikingly higher percentages of uninsured vehicles were in this age group in North Carolina (68%--but the sample size was very small) and in Oregon (64%).

There was no apparent relationship between vehicle make and involvement in a reported accident while uninsured. As shown in Table 8, the distribution of uninsured vehicles in the study by make was similar to the distribution of all cars in operation.

Residence areas of the uninsured motorists and of all people in four of the survey states were compared in an effort to determine the extent to which the failure to have auto insurance (and involvement in a reported accident) was restricted to a limited segment of the population.

Tables 9 and 10 contain distributions of income levels and of mobility (i.e., percentages of households with length of residence two years or less) for residence ZIP code areas of the uninsured motorists and comparison distributions for the state populations. This analysis was restricted to the states which supplied ZIP codes for at least 85% of the uninsured motorists and for which there were adequate numbers of uninsured. There was no consistent pattern appearing in either the income distributions or in the mobility distributions that was present for each of the four states. This suggested that uninsured motorists were not concentrated in any particular types of areas.

Further analyses of accident locations and areas of residence were done in order to discover whether there was a relationship between driving in urban areas and having auto insurance. As shown in Table 11, 32% of the accidents in Florida involving uninsured motorists occurred in Dade County (Miami) while 15% of all vehicles in Florida were registered in that county. Similarly, 39% of the accidents reported in California occurred in Los Angeles County compared to 31% of all registered vehicles (see Table 12). A substantially higher percentage of the uninsured motorists than of the total population in California resided in the city of Los Angeles--13% compared to 8%--as shown in Table 13. These comparisons seem to support a hypothesis that uninsured motorists were more likely to drive or to reside in urban areas. However, accident frequencies are higher in urban areas than in nonurban areas. Thus, since this study was based on uninsured motorists who were involved in reported accidents, these comparisons may reflect, in part, a higher accident frequency in urban areas rather than a characterization of uninsured motorists.

Alaska State Legislature



Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

MEMORANDUM

May 2, 1983

TO: ALL LEGISLATORS

FROM: Representative Joe Hayes *JH*
SPEAKER OF THE HOUSE

SUBJECT: Mandatory Automobile Insurance - HB-7 & SB-223

On April 28, Representative Tischer sent to each of you a copy of a letter from a constituent regarding mandatory automobile insurance legislation. The identical letter was also addressed to my office.

As you all had the opportunity to review Mr. Huddleston's letter, I felt it necessary for you to review my reply, which is attached. My staff has spent many hours researching this legislation. Should you have questions please contact my office.

JLH:da

Attachments

Alaska State Legislature



Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

April 25, 1983

Mr. Joe M. Huddleston
509 W. 3rd Avenue
Anchorage, Alaska 99501

Dear Joe:

Thank you for your recent letter opposing the legislation which I and Senator Josephson have introduced regarding compulsory auto liability insurance. Your arguments are identical to those which have been used by the insurance industry in the past. These same arguments are being used now. From research my staff has conducted, I do not believe the arguments are valid.

The uninsured motoring population in Alaska is estimated at between 11 and 40% of 355,000 registered vehicles. A conservative best guess puts the figure at 25%. This is unacceptable. While I do not assume that a compulsory law will result in 100% compliance, I am certain it will go a long way towards reducing the number of uninsured drivers without the problems you have mentioned.

Thirty two states have enacted some form of compulsory insurance. Only 2 have ever repealed the law. If the law is such a failure as the insurance industry would lead one to believe, why have the vast majority of states which have enacted such a law kept it in effect...even with some enforcement problems?

You cite New York's law as a failure and you cite the 1963 report that the insurance industry likes to quote. New York has about 6 million registered vehicles. It has grown to such proportions that enforcement is a problem. But state officials told my office last week that even with it's problems and even if it increased auto premiums, which was not proven, the law was worth keeping from a social standpoint. You also cite the old New York Daily News "study" which the insurance

Joe Huddleston
April 25, 1983
Page 2

industry refers to in its effort to block compulsory laws. Both of these citations are old material.

You say that states with such a law have found it unenforceable, costly and one which causes premiums to rise.

First, North Carolina is a perfect example of where it is enforceable. That state has one of the oldest compulsory laws on the books. A study conducted by their Division of Motor Vehicles in the past year proved that 2-3% went uninsured out of 4.5 million vehicles. Some of the provisions of their law are incorporated into HB 7. North Carolina public safety officials are very pleased with the law. They say it works and has caused no problems in enforceability. While that state once had over 100 persons involved in enforcement, I am told that recent changes in the law reduced the number of troopers needed to 5 and 4 more persons are used as hearing officers. And that's for 4.5 million vehicles. Oregon also has an effective compulsory law. Before it went into effect in 1979, 14% of the motor vehicles there were uninsured. The estimate last week was 6%. New York, even with enforcement problems has achieved a 6% uninsured population. Massachusetts has obtained a 6% uninsured population. Arizona just enacted a law because of a 27% uninsured rate. I could list many other examples. The fact is the states with such laws are achieving a reduction of the uninsured population to within 10%. If Alaska could achieve that by implementation of such a law, I would consider it a success.

You say the programs are costly to administer. We have received a fiscal note saying this will cost over one million dollars to put into effect. I do not believe it will cost that much. There are several inaccuracies that the fiscal note was based on. Other states with 10 times the number of motor vehicles spend the same amount of money as the fiscal note says this will cost. I cannot believe enforcement in a state with 355,000 vehicles will cost the same as one with 4 million. There will be a cost, but I suggest such a cost is necessary to avoid the death, injury and property damage that I believe this law will negate.

You assert this law will cause premiums to rise. In the states we have surveyed in researching the legislation, not one would admit that the laws have directly caused premiums to rise. There are many factors, they said, which add to premium increases from inflation to limitations on the assigned risk pool. In fact, with more of the population insured, some insurance specialists note that the uninsured

Joe Huddleston
April 25, 1983
Page 3

premiums should decrease. If we do raise the minimum limits for liability coverage, there would be an increase for those who do not presently carry such limits. I am willing to negotiate on this point, but I am not convinced that simply initiating a compulsory law will have a great effect on premiums.

As you note, the insurance industry opposes the law for the grounds which you have stated. But I have not found evidence from the research which strongly supports their claims. I also do not believe this is a make work project for attorneys. There is no provision to eliminate uninsured motorist coverage. With more persons covered, more claims should be settled in an expeditious fashion, rather than having to go to arbitration. Senator Josephson has been researching the legislation from this standpoint. I do not believe there will be a significant impact in this area. There may indeed be added burden upon the court to adjudicate cases where a person does not have proof of insurance. The court has already notified us of this potential problem. But the court also stated it saw no need to ask for staff or monetary increase at the present time, if the law is enacted.

You cite several more "studies" often quoted and initiated by the insurance industry to disclaim the effect of a compulsory law. Again you are referring to states with ten times the number of vehicles in Alaska. I remind you again that New York has no intention of changing or repealing it's law despite the cost or the enforcement problems. Second, we have adopted enforcement procedures which have worked in other states for a minimum cost.

Your proposed alternative is a step in the right direction. In fact, I have amended the bill to mandate that insurance companies offer both uninsured and underinsured coverage for personal injury and property damage in amounts equal to at least those bought voluntarily by a customer. Other states which have compulsory laws also see the need to retain strong financial responsibility laws and offering of uninsured and underinsured provisions which can be waived. This is added protection. However, I don't believe that offering such coverage in lieu of a compulsory law will solve the problems we are experiencing today.

I appreciate your comments. I can see you have been reading the insurance trade reports, but I feel many of the arguments you have quoted are, in fact, disputed by the results of other states, and recent comments obtained in researching the legislation.

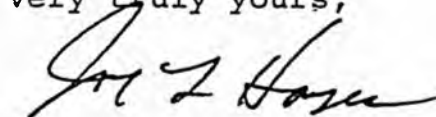
Joe Huddleston
April 25, 1983
Page 4

The bill has been heard and approved by the House Labor and Commerce Committee. It is now in the Judiciary Committee where hearings have not been scheduled. I expect at least a statewide teleconference to be scheduled on this legislation if not a hearing in Anchorage.

I am sure you will have ample opportunity to express your views on this legislation. Should you wish to discuss this further, please feel free to contact me or my staff assistant, Jeff Day. He has compiled a significant amount of research on this legislation.

Thanks again for your comments.

Very truly yours,



Joe L. Hayes
SPEAKER OF THE HOUSE

JLH:jkd

Adams

Alaska State Legislature

CO-CHAIR
 HEALTH, EDUCATION & SOCIAL SERVICES
VICE-CHAIR
 COMMUNITY & REGIONAL AFFAIRS
FINANCE SUBCOMMITTEES
 HEALTH & SOCIAL SERVICES
 RURAL EDUCATION BUDGET OVERSIGHT
 CORRECTIONS
MEMBER
 RULES



DISTRICT 11
 3305 OREGON DRIVE
 ANCHORAGE, ALASKA 99503

WHILE IN JUNEAU
 POUCH V
 JUNEAU, ALASKA 99811
 (907) 465-3759

Representative Mae Tischer

MEMORANDUM

TO: All Legislators
FROM: Representative Mae Tischer *MT*
DATE: April 28, 1983
RE: HB 7 and SB 223

I have attached a copy of a letter I recently received from a constituent regarding mandatory auto insurance legislation.

He apparently has done some research on the subject and draws some interesting conclusions. I believe the letter makes several very valid points which I hope you will consider in your deliberations on these bills.

attachements
 MT/ssw

APR 22 1983

Joe M. Huddleston
509 West Third Avenue
Anchorage, Alaska 99501

April 15, 1983

The Honorable Mae Tischer
House of Representatives
Pouch "V"
Juneau, Alaska 99811

Dear Mae:

I would like to take this opportunity to direct to you my thoughts on pending legislation. House Bill No. 7 and Senate Bill No. 223 is proposed legislation which requires compulsory insurance in order to obtain a driver's license or vehicle tags. The idea of compulsory insurance does have surface appeal, but I believe that it does not stand close scrutiny. As you know, I am an attorney practicing law in Anchorage. I am significantly involved in insurance defense actions and I have researched this subject at length. This matter was originally scheduled for a hearing before the House Labor and Commerce Committee on Friday, February 15th. I had planned on attending that hearing but it was cancelled on the 14th. It is my hope that I will be able to attend either the House or Senate hearing on this matter when it is rescheduled.

*want to
notify Joe*

As I mentioned above, the idea of compulsory insurance does have a degree of surface appeal. However, our several sister states have experimented with this type of legislation to their prejudice. New York adopted a compulsory insurance law in 1956 and a study undertaken by the University of Michigan in 1963 reported that the law was unenforced, unenforceable, and a complete failure. A New York Daily News "study" reported that the law had failed to achieve its aims and was, in fact, counterproductive.

In the main our sister states have found that the compulsory insurance laws (1) cannot be enforced; (2) are costly to administer; and (3) increase insurance premiums for responsible drivers.

Notwithstanding the above, my three major reservations concerning this legislation are that it will (1) significantly increase the premium rates for responsible policy holders; (2) significantly increase the case loads at the Superior Court level; and (3) engender disrespect for law.

The Honorable Mae Tischer
House of Representatives
April 15, 1983
Page 2

A superficial review of this subject might suggest that the respective insurance carriers would be in favor of this type of legislation. What greater boon could one envision to the insurance industry than legislation which mandates that everyone must buy their product? However, the insurance industry has realized that compulsory insurance creates a bureaucracy in state government and in private industry and, further, significantly raises insurance premium rates.

I would suggest to you that this Bill is simply a make work project for attorneys. In the situation where an insured motorist is involved in an accident with an uninsured motorist, he has recourse to his uninsured motorist benefits. This is a very common situation and in almost all of these situations no lawsuit is filed. The insured motorist simply settles with his own insurance carrier or, in a relatively few cases, the matter is taken to arbitration. The overwhelming majority of this type of case does not involve an attorney and is settled without recourse to the court. The savings to the taxpayer are incalculable.

The requirement that every driver obtain insurance will negate the effect of the uninsured motorist benefits and result in a proliferation of lawsuits rather than the insured simply settling the case with his own insurance company or demanding arbitration. This will be an excellent benefit for attorneys but will be a disservice to the citizens of the state of Alaska in that it will increase insurance premiums, increase state and private industry bureaucracy, increase the expense at the Superior Court level and prevent the speedy resolution of claims through the uninsured motorist provisions.

As I stated above, my research has indicated that the system of compulsory insurance is not effective in that it is unenforceable. The costs of enforcement through the Department of Motor Vehicles is prohibitive. A California study revealed that persons were applying for insurance, or actually obtaining it, and then cancelling the insurance as soon as they obtained their license. A Pennsylvania study reflected that the Department of Motor Vehicles in that state was bogged down in a bureaucratic morass. On average, forty thousand notices of cancellation or lapses of payment were processed each month by that department. The most recent information from New York reflects that the costs of enforcement were in excess of seven million dollars per year. South Carolina also spent in excess of one million dollars to enforce its compulsory law in the fiscal year ending April 30, 1979. It is the experience of our system of jurisprudence that laws that are unenforced or unenforceable are a disservice to the legislature and a disservice to the people of the state.

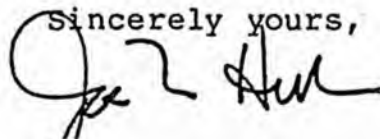
The Honorable Mae Tischer
House of Representatives
April 15, 1983
Page 3

AN ALTERNATIVE SOLUTION

The concept that citizens of the state of Alaska should be protected from physical and financial reverses of this type is laudable and should be pursued. However, there is a much more effective method of insuring that this type of physical and financial protection is available. Many states, for instance Oregon, require that each insurance policy contain uninsured motorist benefits. Under this type of provision, when an insured driver is involved in an accident with an uninsured motorist he simply files a claim with his own insurance company rather than dealing with the financially irresponsible individual that caused the collision in the first place. Requiring uninsured motorist coverage in every policy precludes the necessity of increasing either government or private industry bureaucracy. Requiring uninsured motorist provisions in every policy is easily enforceable as the respective carriers would not be allowed to sell insurance that did not include these benefits. Additionally, uninsured motorists coverage is very inexpensive to the policy holder. I would request that you review your own insurance policy and compare the costs of uninsured motorist coverage with the costs of general bodily injury liability coverage. The UM coverage generally costs just a few dollars.

It is my firm belief that the passage of House Bill No. 7, Senate Bill No. 223 will result in a morass of bureaucracy and paperwork and significant expense to the citizens of the state of Alaska. Additionally, compulsory insurance will significantly raise the premium rates that each of us must pay for insurance. Unfortunately, it is the experience of the citizens of the state of Alaska that we are compelled to pay an inordinate price for goods and services that are available in the Lower 48 on a less expensive basis. I do not believe that this additional cost should be passed along to the citizens of the state of Alaska. I would appreciate your thoughts or comments on this. I wish to thank you for your courtesy in this matter.

Sincerely yours,



Joe M. Huddleston
509 West Third Avenue
Anchorage, Alaska 99501

JMH/ph

(over)

MAR 14 1983

March 9, 1983

Representative Joe L. Hayes
Pouch V
Juneau, Alaska 99811

Dear Representative Hayes:

I am writing this letter in pain, outrage and total disgust. I have painfully become aware of the completely inadequate and antiquated driving laws of this state as a result of my son Sean's death at the hands of an irresponsible, uninsured driver who was drinking, speeding, ran a red light and God only knows what else. This driver can afford alcohol and drugs (they were found in his car) but he cannot afford insurance!

The law concerning the requirement to have auto insurance, better known as "the State gives you a free one" is at best a farce. Having lived here 44 years and watching the traffic increase to the point beyond the capacity of our road system, coupled with the irresponsible attitude of the outsiders coming in and the young people growing up, dictates that the law be tightened.

It is imperative that mandatory auto insurance be required of those wishing to drive in the State of Alaska. When auto licenses are renewed or bought, or with registration and/or titles, proof of insurance at that time should be shown. Upon cancellation of insurance, then licenses revoked. In short No Insurance - No License!

Sean was not allowed to own a car or drive without insurance which he bought and paid for himself and he took that responsibility with him into his young adulthood and was subsequently killed by a person who apparently did not care or have any regard about others.

The time is long past due for all Alaskans new or old to accept the responsibilities attached to owning and driving an automobile and the necessary steps to accomplish this rests squarely on your shoulders.

Sincerely,

Robert J. Sinnett
ROBERT J. SINNETT

Thelma Sinnett

THELMA SINNETT
2001 Salem Court
Anchorage, Alaska 99504

G Cathcart Ltd.

P.O. Box 6546 • Anchorage, Alaska 99502 • Phone: (907) 243-4573 • Telex: 26-649

May 5, 1983

Representative Joe Hayes
State of Alaska
House of Representatives
Pouch V
Juneau, AK 99811

SUBJECT: Mandatory Auto Insurance

Dear Representative Hayes:

After talking to your staff yesterday in regards to the above bill and seeing the Channel 11 newscast last night, I feel it necessary to write to you in regards to the above bill. I feel very strongly that the State of Alaska should require all motorist to carry liability insurance. I do not state this from an insurance agent's stand point as much as from a general consumer who has been effected by individuals driving without insurance.

From an insurance agent's stand point, I would like to state out a few simple points that seem to be controversial. First of all if everyone in the State of Alaska was required to carry insurance the argument cannot be made that we would have more accidents, than are now occurring in the state. The more premiums would have less impact on the loss ratio by the insurance companies. As in all other types of insurance, when loss ratios are low, premiums tend to come down and then everybody would save. The insurance companies would have more money to cover losses and thus the present losses would be spread over a much greater pool. I also wanted to note, although uninsured motorists coverage is available in the State of Alaska, it is only for bodily injury, this does not include property damage. If a vehicle is hit by an uninsured motorist and the driver does not have insurance to cover his own vehicle, it must be paid out of his pocket. Too many of these type of losses will

Cathcart Ltd.

Page 2 - Representative Joe Hayes - May 5, 1983

cause cancellation of your policy or an increase in rate, which penalizes the innocent party who carries insurance.

There was an item brought up on the newscast last night, which I do agree with, and that is the impression that the State of Alaska is being "Big Brother" by forcing everyone to have auto insurance. But at the same time we must realize, that people must be accountable for their actions. We penalize individuals for committing a crime and for destroying property of others, yet when it comes to the automobile, very few people are penalized and very little effort is put into apprehending these individuals when they do get into an accident and substantial property damage. For the last three years, I have had both vehicles in our household hit by uninsured motorists three times! Only once in those three times has anyone paid for it, the other two would be termed as hit-and-run. The total cost to myself and my insurance company was in the excess of \$2,000.

Since our office does not write a lot of personal insurance, the impact of passing this bill would not do a lot for us economically, but I think as a citizen, it is a law that is way over due, and many of the people that we deal with are also in our agreement. Hopefully those people that we have contacted will write you letters also.

Sincerely,



Wallace Cathcart III
President

WCIII/pab



December 20, 1982

Rep. Romona L. Barnes
P. O. Box 3382 Downtown Stat.
Anchorage, AK 99510

Dear Romona:

My wife and I received your questionnaire in the mail this week and would like to respond to one of our concerns, specifically the Mandatory Auto Insurance. As you will see through the balance of this letter, Linda and I have very adamant thoughts in this regard.

During the month of March 1980, Linda was involved in an automobile accident with another party that did not have any liability insurance for his vehicle. As a matter of fact, he did not have any liability insurance for the three vehicles that he owned at that time. Linda was stopped at a red light and the other party rear ended her totaling out her 1976 Toyota 4-door sedan and causing a three day stay in Providence Hospital. As she was a school teacher on School District business, the Workmen's Compensation picked up her medical bills, not her pain and suffering, and as her vehicle was four years old, there was no collision coverage on her insurance policy, only the liability insurance. The other party was driving a 1954 Chevrolet pick-up truck and he did not have the liability insurance nor Physical Damage. His vehicle was not that badly damaged as he drove it away after the accident and he did not receive injuries.

We consulted an attorney after about two weeks of negotiating with the individual, and found out at a later date, that not only did he not have the Automobile Liability Insurance, but also he did not have any monies to make restitution nor did he want to cooperate with us in any way. We were able to obtain a judgement in court against the individual and now have that in our pocket for whatever it is worth. In the meantime, we are out of the \$3,000 low book for Linda's car and her pain and suffering.

The individual that struck Linda was later given a ticket for negligent collision and his driver's license was revoked by the State of Alaska. Approximately, three months after the accident the

Pouch 7-502 / Anchorage, Alaska 99510 / (907) 276-5617 (907) 276-5454 / TELEX: 25418
1031 W. Fourth Avenue, Suite 400, Anchorage, Alaska 99501

BMF

Rep. Romana L. Barnes

2

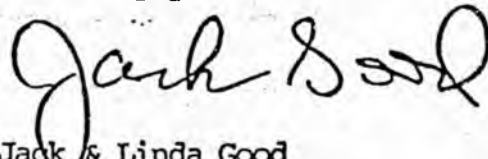
December 20, 1982

individual was picked up by the Anchorage City Police for driving without a license and was given another \$25 ticket and spend three days in the city jail. We know, and have seen, the individual driving about Anchorage many, many times and he still does not have a valid drivers license. Of course this revoked driver's license situation does not mean anything to an individual of this caliber. Therefore, we have a law that says that basically an individual must have minimum automobile liability limits or prove that he is financially responsible for those limits and if he does neither of those he will receive a \$25 ticket and lose his license. It seems to me that the spirit of the law is well taken, however, the penalty means little or nothing. As a possible solution, I would suggest that the penalty be elevated to say thirty to sixty days mandatory jail sentence for the above situation or mandatory insurance be purchased before license plates or renewal license plates would be distributed. Several states in the lower 48 now have a law that license plates renewal will not be granted without proof of Automobile Liability Insurance and if the insurance is cancelled during the year that the license plates are removed by authorities from the vehicle. Driving without license plates on the vehicle would cause the impounding of the vehicle until the situation is remedied.

I have suggested the above solution to such people as Dick Randolph and jokingly have been accused of trying to push for another insurance sale, as I am in the insurance brokerage business through Bayly, Martin & Fay of Alaska. Indeed, this is not the case as my specialty is Aviation Liability Insurance, and I would go so far as to say that State Farm and Alstate Insurance write 90% of the automobile insurance in the state of Alaska. Therefore, I am not trying to line my own pockets with Mandatory Auto Insurance.

I sincerely hope that you are able to provide the State of Alaska with your guidance on this subject matter and if you should have any questions or comments, please do not hesitate to call on us.

Sincerely yours,



Jack & Linda Good
4926 Lunar Dr.
Anchorage, AK 99504
337-5816

RONALD T. WEST, ATTORNEY AT LAW

608 W 4TH, STE 21

ANCHORAGE, ALASKA 99501

TELEPHONE
(907) 278-9742

March 8, 1983

*File
HB-7*
*ya
3-13*
MAR 11 RECD

The Honorable Ramona Barnes
House Judiciary Committee
Pouch V
Juneau, Alaska 99801

Dear Ramona:

Thank you for your letter of the 28th wherein you indicated that you were filing House Bill No. 7, regarding automobile insurance as a condition to register and operate a motor vehicle.

The bill seems to me to be well drafted and to cover every eventuality including the cancellation of insurance as soon as a vehicle is registered. However, one concern I have with the bill concerns its political chances and my suggestion is that you will run into some opposition from representatives of communities which are not tied into the State Highway system or Juneau.

The reason I state this is that in my travels to some bush communities which have roads of a few miles or 15 or 20 miles, I have noted that the vehicles are not licensed, titled or registered and that all manner of people drive them, some with licenses and some without. In my opinion, this is probably a reasonable working relationship because there are so few vehicles. The logic does not work, however, with respect to communities that are inter-connected by the highway system and/or the marine highway system. Perhaps some rider could be put on which would cover this. I think the goal of the bill is excellent and if there is anything I can do to assist in its passage, please advise.

Very truly yours,

Ronald T. West
Ronald T. West
Attorney at Law

RTW:me

Alaska State Legislature
House of Representatives



Official Business

While in Session
Pouch V
Juneau, Alaska 99811
(907) 465-3733

John J. Liska

Home - District 15
P.O. Box 421
Eagle River, Alaska 99577
(907) 688-2526

April 29, 1983

MEMORANDUM

TO: Rep. Adams, Finance Chairman
FROM: John J. Liska *JJL*
RE: SSHB 7 Relating to Motor Vehicles/Insurance

Our constituent, Mr. Bob Nestel, P. O. Box 1753, Eagle River 99577 has sent a copy of pages 197 to 207 from a book called "Invisible Bankers" by Andrew Tobias. Mr. Nestel requests we send you a copy of this information, as he feels it pertains to the issues in SSHB 7.

ANDREW TOBIAS

THE

INVISIBLE BANKERS

EVERYTHING THE
INSURANCE INDUSTRY
NEVER
WANTED
YOU TO
KNOW

Andrew Tobias, the irreverent, best-selling author of *The Only Investment Guide You'll Ever Need*, *Fire and Ice*, and *Getting By on \$100,000 a Year*, now takes us behind the scenes of the enormous, quietly powerful insurance industry, whose "invisible bankers" collect over \$200 billion a year in premiums, playing what is in effect the biggest game in the world.

"Insurance," says Tobias, "is the business of taking terrific bets that ordinary people simply cannot afford to take." In his own lively, amusing, pointed style, Tobias explains how insurance works (the game itself is fascinating) and suggests how it could work better. He discloses the odds underlying the bets we make every day with our insurers, and tells how they sell policies on which they can't lose, from flight insurance to malpractice insurance for clergymen. Showing both sides of the story, he describes not only how the companies sometimes take shameless advantage of their policyholders, and profit from consumer ignorance of their product, but also how "when it comes to insurance, otherwise ethical and law-abiding citizens lie, cheat and steal with abandon."

Tobias takes us inside Lloyd's of London, the giant insurance exchange where international underwriters share the risks of everything from cargoes of tuna and NASA's lunar launch to the possibility of Cutty Sark drinkers' actually finding the Loch Ness monster and presenting it for the advertised \$1 million reward. He explores the insurance industry's extraordinary success at quashing federal regulation; tells how insurance sometimes makes losses (especially fires) more likely to occur; and explains why lawyers have fought and defeated *true* no-fault insurance in every state in which it has been proposed ("No fault, no lawsuit. No lawsuit, no lunch").

Tobias details the incredible inefficiency of an industry that employs nearly two million people; he explains the eagerness of major

(continued on back flap)

(continued from front flap)

corporations to get into the business (ITT, Sears, and American Express make more from insurance than from telecommunications, retailing, or credit cards). Finally, he shows how to evaluate the risks you yourself can buy insurance intelligently.

This is a book of innovation (Tobias' plan for reorganizing auto insurance would cut our costs in half), of marvelous detail (Have you any idea how the life insurance rates for a window washer compare with those for a human cannonball?), and of invaluable practical advice. It sheds light on an industry much in need of illumination — and in so doing, equips its readers to deal with that industry on an equal footing.

PHOTOGRAPH BY RHODA NATHANS



Andrew Tobias is the best-selling author of *The Only Investment Guide You'll Ever Need*, *Fire and Ice*, and *Getting By on \$100,000 a Year*. Born in 1947, Mr. Tobias is a graduate of Harvard College and Harvard Business School. A contributing editor to *Esquire* magazine, he lives in New York City.

Jacket design ©1981 by Lawrence Ratzkin

P.

e

5.50

Jacket
typed
Rock

Choosing auto insurance coverage is *not* like choosing a wardrobe. In auto insurance, everyone wants precisely the same thing: complete coverage. Only, because the current insurance system is so inefficient, all but the wealthiest drivers must settle for less.

Auto insurance could be provided much more efficiently—automatically—at enormous savings.

PAY AS YOU DRIVE: HOW GOD WOULD RESTRUCTURE AUTOMOBILE INSURANCE

Imagine a *no-fault* system called Pay As You Drive. Instead of buying auto liability insurance as we currently do, 25 or 30 cents would be added to the federal (or each state's) gasoline tax. The proceeds—some \$25 billion a year—would fund a no-fault insurance pool. Drivers would not be able to sue—or be sued—for pain and suffering. (Manufacturers would still be liable for defects.) *But anyone injured in a vehicular accident would automatically be covered for all his medical expenses and, within certain limits, for lost wages and future disability.* (At modest additional cost, as described in the previous chapter, a schedule of pain-and-suffering benefits *could* be provided. Or, private insurers could sell this extra coverage—or any other—to those who wished to buy it.)

Gone would be billions of dollars in unnecessary sales costs, underwriting costs, policy-issuance costs, billing costs! Gone would be much of the painstaking, litigious claims process! Billions that currently go to *administering* auto insurance could be paid out in benefits. Instead of 14 or even 44 cents of the auto liability premium dollar making its way through the sticky insurance mechanism, nearly the whole dollar would go, as intended, to pay for losses. *Each dollar of auto liability premiums, paid automatically at the gas pump, would provide more than twice as much insurance as it currently does.* Without raising the overall national auto liability insurance bill (which in 1980 totaled \$23 billion), *everyone* could be assured full, prompt payment in the event of an accident. A victim's compensation would not depend on his luck in who hits him; nor would it be watered down by legal fees or endlessly delayed in the courts.

What's more, there are simple ways of building equity into *this* system *without* sacrificing efficiency.

would pay for insurance. What could be more equitable than that? Accidents do not rise in direct proportion to miles driven, but there is a strong correlation. Big cars, often the safest, would be penalized in favor of smaller ones that get better mileage. But as it happens, we have every reason to encourage good mileage. (As for electric cars, public policy could either be to encourage their use by allowing them to skirt the cost of insurance—or else, simply, to add some appropriate insurance charge to their annual registration fee. Efficiently. By computer.)

• There could be other adjustments, as well. "X-rated" muscle cars could have a surcharge in their initial sales price or in their annual registration fee; males or females could be charged extra—or given a discount—in their license fee. These adjustments would be up to the legislators who designed the system.

The key in all of this is *not* how pay-as-you-drive no-fault auto insurance should be fine-tuned to make it equitable or politically palatable—although the industry would doubtless try to scuttle any such plan by engendering endless debate. The key is that, however much or little fine-tuning were done, the system would provide 90 cents in needed economic benefits for each dollar collected rather than just 15 or 25 cents.

But who would administer the claims? (Please—not another federal bureaucracy!) *Claims would be administered by the very same insurers who do so now.*

Each state's licensed drivers could be divided, randomly, by computer, into groups of 2,500 or 5,000. (The same computers that already spew forth drivers' licenses would now simply be programmed to add one more task to their near instantaneous, highly efficient routine.) Insurers could then *bid* for these blocks of business, just as, currently, they will bid for the right to handle a group health insurance plan. The low bidder—the company that offers to insure the block of licensed drivers for the least—would then have the franchise to serve the claims of that group. Each computer-generated driver's license would have on it the name and phone number of the company to call in case of an accident. Periodically, each block of business would be put out again for competitive bid, just as employers occasionally switch from one group health carrier to another.

Insurers would settle claims as they do now. Only, because there

would be a true no-fault system, it would be much easier and less costly. Legal fees on both sides could be greatly diminished.

It would still be very much in the insurers' interest to foil fraudulent claims and to try to keep the lid on costs, because, as now, whatever they didn't have to pay out in benefits would be theirs to keep. Insurers whose claims-handling practices drew significantly higher than average levels of complaints could be suspended from bidding in that area for a period of time. (In extreme cases, of course, they could, as now, be sued for acting in bad faith.)

To make most sense, an efficient auto insurance system ought to include *all* coverages: collision and theft as well as personal injury and liability. Otherwise, you would still need the elaborate sales, underwriting and billing apparatus currently in place.

To add these coverages to the pay-as-you-drive plan outlined above would cost about 15 or 20 cents per gallon of gas. Everyone would automatically have it (subject to a \$250 or \$500 deductible), and it would be administered by the insurance companies exactly as above.

Total for the entire package: 40 to 50 cents a gallon. (Less, if licensing and registration fees were levied.) Fifty cents a gallon would amount to \$300 a year for someone who drove 12,000 miles a year at 20 miles to the gallon. *And there would be no other auto insurance premiums to pay!* Almost all drivers would find the "policy limits" of their present coverage greatly expanded. No longer would they face the possibility of \$350,000 in medical bills and lost wages, but only \$50,000 in insurance coverage.

How can pay-as-you-drive no-fault provide so much more in benefits at such low cost? Under the current system, insurers and their agents must deal, one on one, with 125 million separate automobiles. Under the new system, all 125 million would be covered automatically. Insurers would have to deal only with the much smaller number that were involved in accidents. After all, what useful services does an insurer render a policyholder until he has a claim?

In 1980, Americans paid \$40 billion in auto insurance premiums and purchased something in excess of 100 billion gallons of gas. If instead of paying premiums directly they had paid 40 cents a gallon at the pump, the same \$40-odd billion would have been collected. But \$10 billion of that amount would *not* have gone for selling and

underwriting costs; it could have been \$30 billion available to have been the full \$40 billion. billion goes a long way.

Setting reasonable deductibles of hundreds of thousands of inefficient and overpaid—leaving ones that currently get short. And billions that had previously benefits. The incentives would rehabilitation specialists out of. The auto insurers would. They would make a good profit. They would not be selling or. All that would no longer

The problem in providing would, as usual, be one of. be subsidized by drivers of. would be easy to compensate. could tie the deductible for. percentage of the value of a. fixed amount. Thus a fellow. of \$4,000 would be subject. the \$30,000 Mercedes would. loss. (There could also be. set would have to obtain to. an "insurance adjustment. amounting to, say, 5 percent. price exceeded \$6,000. It. assessed as the sales or ex. insurance fund. That, in the. gasoline tax needed to fund.

Or perhaps no adjustment. cars tend to get relatively. their drivers would auto. small-car drivers. Also, it. have found that four-door. usually suffer less damage. repair, than most inexperienced

- Age. Because young drivers will, with tedious predictability, grow up to be older drivers (unlike reckless drivers, who may not grow up to be safe ones), one wonders what would be lost if young drivers *were* subsidized in their insurance rates. But if the voters wished, it would be a simple matter of adding fees tied to age to the currently nominal cost of a driver's license. Paid into the no-fault kitty, such fees would serve to lower the tax on gasoline that would be required.

- Place of residence. License fees could also be adjusted—efficiently, by computer—for a driver's residence. A rural Illinois driver might pay the standard license fee, while his Chicago counterpart paid an extra \$50. Again, such fees would serve to reduce the gasoline tax needed to fund the plan.

Alternatively, the *deductible* feature of this plan could be adjusted for the place the accident occurs. An accident in a low-hazard area might be subject to a mere \$100 deductible; in a medium hazard zone, \$250; and in places like Los Angeles, New York or Boston, \$500. Under such a scheme, it would no longer do any good to lie about where a vehicle was garaged or principally used. What's more, urban drivers would no longer subsidize suburban visitors. There would even be some incentive, however slight, to drive less or more cautiously, in hazardous areas.

- Driving record. It would be a simple matter, too, to impose surcharges in the driver's license fee based on traffic violations. The point systems many states already use in determining license revocations could carry a financial penalty as well.

Of course, traffic violations already carry fines. No-fault doesn't mean no *penalty*. Under no-fault, the truly reckless driver would still have his medical bills paid—just as the state provides medical attention for a wounded bank robber awaiting trial—but he could lose his license or even go to jail.

Under a point system, rather than penalize all young drivers just because they are young, as most states do now, only those who compiled poor driving records would pay extra—which *would* be an incentive to drive safely. Under the current system, the penalty—high insurance premiums—is assessed *in advance*, whether an infraction occurs or not. Indeed, under the current system so many "poor risks" are already paying maximum insurance rates that if they *do* cause an accident, their insurance rates can't go any higher.

- Mileage. Under this system, the more one drove, the more he

underwriting costs; it could have been used for benefits. Instead of having \$30 billion available to adjust and pay claims, there would have been the full \$40 billion, or fully a third more. Even today \$10 billion goes a long way.

Setting reasonable deductible levels, too, would eliminate hundreds of thousands of inefficient claims—the ones most often inflated and overpaid—leaving billions more available for the serious ones that currently get short shrift.

And billions that had previously gone to legal fees would go to benefits. The incentives would have shifted: we would be sending rehabilitation specialists out after the ambulances instead of lawyers.

The auto insurers would still be settling claims, as they do now. They would make a good profit on that service, as they do now. But they would not be selling or underwriting or billing or issuing policies. All that would no longer be necessary.

The problem in providing automatic theft and collision insurance would, as usual, be one of equity. Drivers of expensive cars might be subsidized by drivers of inexpensive ones. But, also as usual, it would be easy to compensate in any number of efficient ways. You could tie the deductible feature of theft-and-collision coverage to a *percentage* of the value of the car—say 5 percent—rather than to a *fixed* amount. Thus a fellow whose '78 Chevy had a bluebook value of \$4,000 would be subject to a \$200 deductible, while the man in the \$30,000 Mercedes would have to pay the first \$1,500 of any loss. (There could also be ceilings beyond which the Rolls-Royce set would have to obtain their own insurance.) Or you could apply an "insurance adjustment fee" to the sticker price of all new cars, amounting to, say, 5 percent of the amount by which the sticker price exceeded \$6,000. Those fees, as easily and efficiently assessed as the sales or excise tax, would simply be added to the insurance fund. That, in turn, would serve to reduce the size of the gasoline tax needed to fund the system.

Or perhaps no adjustment would be required. Because expensive cars tend to get relatively poor gas mileage, under Pay As You Drive their drivers would *automatically* be paying more per mile than small-car drivers. Also, researchers of the Insurance Services Office have found that four-door and more sturdily built auto models actually suffer less damage in accidents on average, and are easier to repair, than most inexpensive compacts and subcompacts.

The problem comes not with figuring out an efficient, equitable auto insurance system that would give almost everyone very substantially more than he is currently getting. The problem comes in figuring out a realistic way to implement such a system in the face of the powerful entrenched interests—insurance companies and agencies and trial lawyers—who fight so hard and with such selfish dedication to preserve the status quo.

Surely the industry itself cannot be expected to propose such sweeping reforms, nor even to ask unorthodox questions. And who else cares? State legislatures are heavily influenced by the legal and insurance lobbies; many state legislators are themselves lawyers or insurance agents. The federal government might be expected to represent our interests, but the federal government is virtually prohibited from even looking into the insurance business.

Dear Licensed Driver [the letter introducing the new system might begin]:

Congratulations. On January 1st a simple, comprehensive, efficient and relatively inexpensive auto insurance plan will go into effect. As detailed below, it will pay *all* damages you incur, after the first \$300.

All drivers will pay to fund this program through a 40-cent-a-gallon gasoline tax,* levied at the gas pump. In addition, so that drivers most likely to have accidents contribute their fair share to the program, some will have to pay an extra fee when they renew their drivers' licenses. A table of surcharges is detailed below. Principally, those living in high-risk areas and those with moving traffic violations will have to pay extra.

But there will be no other auto insurance premiums to pay.

Because this system eliminates sales costs, policies, billing and the expense of handling the smallest claims, most households will find that their annual cost for auto insurance declines substantially at the same time as the limits of their coverage are greatly expanded.

After January 1st, if you are involved in an accident and wish to make a claim, simply call the company listed below. Through

*This figure would have to rise with inflation, just as auto insurance premiums already do. And it would rise as the average car on the road came to get more miles to the gallon (but of course then we would be buying fewer gallons).

competitive
of your no
claims pro
obtaining
your state
Signed.

Details would
no-fault, laws
they are not u
if they failed
way authority
be guilty of
ing that ben
other health.

But by
ward. No fo
No need for
choose among
as the whole
to passage.
ably already
fore receive

Perhaps
no-fault pl
that is son
damages fo
the plan c
present sy
who receiv
their medi
they've h
sometime
auto insu
out-of-po

A surv
1979 by
ance-ind
with eco

competitive bidding, it has won the right to serve you and many of your neighbors. The company is pledged to handling all claims promptly and fairly. Should you ever have any difficulty obtaining fair and prompt service, however, please write to us, your state insurance department, for assistance.

Signed,

Details would follow. There would be an explanation that, under no-fault, lawsuits would be neither necessary nor permitted, just as they are not under workers' comp. (Insurers could be sued, however, if they failed to settle claims with good faith; manufacturers, highway authorities and the like could be sued if they were believed to be guilty of gross negligence.) There would be a note, too, explaining that benefits would only apply to damages not reimbursed by other health plans to which the injured party might belong.

But by and large, the message would be simple and straightforward. No forms to fill out; no six-part coverages to puzzle through. No need for an experienced insurance agent to help policyholders choose among an array of baffling coverages and alternatives. And, as the whole subject would have been hotly debated for years prior to passage, if passage ever were possible, most people would probably already understand its particulars, its pros and cons, long before receiving the letter.

Perhaps the most frequently posed objection to this or any similar no-fault plan would be: "If I am seriously injured in an accident that is someone else's fault, why shouldn't I be entitled to extra damages for my pain and suffering?" The answer (other than that the plan *could* incorporate a schedule of such benefits): Under the present system, it is generally only those who are *not* badly injured who receive, by way of pain-and-suffering payments, more than their medical costs and lost wages. Those who are badly hurt, unless they've had the good fortune to be hurt by someone rich—and sometimes even then—generally receive substantially *less* from auto insurance, after paying their attorneys, than even their actual out-of-pocket damages.

A survey of 60,000 accident victims and 29 insurers published in 1979 by the All-Industry Research Advisory Committee, an insurance-industry organ, found that, under the current system, "persons with economic losses [medical and lost wages] up to \$2,500 re-

ceived payments of more than \$2 for every \$1 of economic loss [before paying their lawyers]" while those with losses above \$10,000 received *less* than a dollar back for each dollar of loss —*before* paying their attorneys and *after* taking into account health insurance payments other than auto insurance coverage. The study also found that under fault systems, only about 46 percent of the claimants had begun receiving insurance payments within 90 days of notifying the insurance company of their injuries. Under no-fault systems, the comparable figure was 81 percent.

(Interestingly, the study also found that under a "fault" insurance system, claimants with economic losses under \$500 received more from the system if they were represented by an attorney, even after paying the estimated attorney fees. But "*claimants with economic losses greater than \$2,000 received a larger net return if they were not represented by an attorney.*" Also, "Attorney-represented claims took considerably longer to settle than nonrepresented claims. For BI [bodily injury] claims, those with attorneys took an average of 500 days from first report of injury to final payment, compared with an average of 100 days for nonrepresented claims.")

Pay As You Drive is not a new idea. It has been proposed in a few places, such as the California legislature in 1975 (it got nowhere) and, in an even more modest form, in Florida in 1976. (There the premium was to be paid as an add-on to the licensing fee, not a gas tax, and would have been higher for drivers who caused accidents than for those who did not.) It, too, got nowhere. "Immediate opposition from the insurance lobby" was cited by the bill's sponsors as one of the reasons.

A system of pay-as-you-drive no-fault liability insurance was introduced in New Zealand in 1974. It works.

WELL, THEN, HOW ABOUT GROUP AUTO?

If it is foolish to hope for a fair and efficient auto insurance system—if our insurance industry and elected representatives, with a little help from the trial bar, will protect us from it—then one step in the right direction that's *not* a pipe dream is group auto insurance.

Already some insurers have begun offering pseudo group plans, under which an employer in effect negotiates a group rate, thereby

swing its employees so charges they would offer plans must then still raise rates.

As of mid-1980, the insurance—under which with their dependents, was Aetna. Already Life & Casualty in 19 Surety Company of A Surety, set up in 1883, up in 1971), to offer someday group home-

With just 2,000 people recently, the difficulties there was opposition living selling auto in states, including California, thousands of local business state legislatures, refusal. If Aetna offered states argued, it would participants. Aetna is by one. Third, to the coverage, it would be the case with other friction to an employee's changed, also.

Group plans will pay in pushing for the dental advantage made out of loyalty or fear padded or fraudulent some distant, faceless. But useful as group the national auto industry licensed drivers would fault pay-as-you-drive the group.

saving its employees some of the sales commission and overhead charges they would otherwise pay. But the insurers behind these plans must then still rate each applicant and issue individual policies.

As of mid-1980, the only insurer offering genuine group auto insurance—under which all employees were automatically covered, with their dependents, for both bodily injury and property damages—was Aetna. Already in the group life and health fields, Aetna Life & Casualty in 1974 set up a subsidiary, Aetna Casualty & Surety Company of America (as distinct from Aetna Casualty & Surety, set up in 1883, or Aetna Casualty & Surety of Illinois, set up in 1971), to offer group casualty coverages—auto first, but someday group homeowners insurance and group legal insurance.

With just 2,000 people insured under this experimental coverage recently, the difficulties Aetna was encountering were three. First, there was opposition from the agents and brokers who make their living selling auto insurance one policy at a time. Second, many states, including California, under pressure from these tens of thousands of local businessmen, no small number of whom serve on state legislatures, refused to allow Aetna to offer group auto coverage. If Aetna offered low rates to participants of group plans, the states argued, it would be discriminating unfairly against non-group participants. Aetna is in the process of fighting each such state one by one. Third, to the extent employers contributed to the cost of this coverage, it would be taxed as income to the employees. This is not the case with other fringe benefits, such as an employer's contribution to an employee's health plan. Aetna was hoping this could be changed, also.

Group plans will probably proliferate. Unions may be instrumental in pushing for this eminently sensible fringe benefit. One incidental advantage may turn out to be a reduction in fraud. Whether out of loyalty or fear, employees may be more hesitant to submit padded or fraudulent claims to their personnel departments than to some distant, faceless and relatively powerless insurance company. But useful as group auto insurance would be in trimming fat from the national auto insurance system, it is unfortunate that so many licensed drivers would be left out of these plans. With national no-fault pay-as-you-drive auto insurance, we could all be members of the group.

• • •

Attention must now be paid to the impact all this would have on the 70,000 property/casualty insurance agencies that dot the landscape.

The Independent Insurance Agents of America, as they are known, are already under attack and have been for some time. They have been losing business to the direct writers, like Allstate, State Farm and GEICO, who sign up auto and homeowners policies by mail or through their own network of agents. The reason for this is simple. The direct writers are more efficient; they can charge less, people like low prices.

National no-fault pay-as-you-drive auto insurance would wipe out many independent agents. What would they do instead? And who would provide the *non*-automotive coverages, like homeowners insurance, that they sell?

The second question is easy. There are any number of ways that homeowners insurance could be sold much more efficiently than it is now. In addition to the direct writers who sell a great deal of it already, one logical sales agent for homeowners insurance would be real estate agents. We have them aplenty, Lord knows, and it would be a simple matter for them to provide property insurers with information, photographs and appraisals. They could, logically and efficiently, offer homeowners insurance to their clients. Many already do.

An equally good candidate would be the banks, either acting as sales agents for insurers (as they already do when they sell credit insurance) or, if the law were changed, providing the insurance themselves. The bank that provides a mortgage *already* has to appraise the property—and the lender. Why fill out two sets of applications? Why make two appraisals? Why duplicate billing?

“Truth in Lending” safeguards would have to be extended to be sure that a borrower could sort out the cost of his loan from the cost of his insurance, thus to be able to compare rates with competitive banks. And the borrower would have to be clearly guaranteed the right *not* to accept the insurance coverage (provided it were obtained elsewhere) once the mortgage commitment was made, so that a bank couldn’t force the sale of one by threatening to withhold the other. But such safeguards would not be hard to enact. And if banks could offer a better rate by virtue of the economies of combining the mortgage and the insurance—all the better.

And then there are those independent agents who would manage

to remain
would be
insurance
the indivi
you drive
Under
put a lot
same thi
don't nee
and the r

s would have on
at dot the land-

ra, as they are
some time. They
e Allstate, State
ners policies by
reason for this is
can charge less;

would wipe out
stead? And who
homeowners in-

ner of ways that
efficiently than it
great deal of it
urance would be
vs, and it would
rers with infor-
ogically and ef-
s. Many already

either acting as
they sell credit
the insurance
ady has to ap-
o sets of appli-
illing?

extended to be
in from the cost
with competitive
guaranteed the
were obtained
ade, so that a
o withhold the
t. And if banks
of combining

would manage

to remain after most of their colleagues had closed up shop. These would be the agents who are strong in commercial lines, providing insurance to small businesses and, perhaps, to the carriage trade of the individual market—the Rolls-Royce owner who finds pay-as-you-drive theft coverage insufficient for his needs.

Undeniably, a much more efficient auto insurance system would put a lot of people out of work. Mechanized farm equipment did the same thing. But keeping men and women employed at jobs that don't need doing can hardly be the way, long-term, to keep them, and the rest of us, prosperous.

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: CSSSHB 7 (Judiciary)
 Title: "...relating to motor vehicles..."
 Sponsor: House Judiciary (Orig. - Haves)
 Requestor: House Finance Committee

II. FISCAL DETAIL

Agency Affected: Department of Law
 Program Category Affected: General Govt.
 BRU, Program of Subprogram(s) Affected: Legal Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

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

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

N/A

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Richard I. Pegues, Director

Division: Administrative Services Division

Phone: 465-3672

Date: May 12, 1983

Approved by Commissioner: Norman C. Gorsuch, Attorney General

Department: Department of Law

Date: May 12, 1983

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

CSSSHB 7 (Judiciary)
Fiscal Note
Analysis

The Department of Law is submitting a "zero" fiscal note for this bill because the financial impact cannot be estimated at this time. There is no accurate data available that would indicate the extent to which violations may occur. The provision for forfeiture of a vehicle, which is triggered when a person is convicted twice or more within ten years, will require some work on the part of legal services attorneys in handling remission proceedings. The degree of compliance, the level of prosecution, and the potential number of repeat offenders simply cannot be predicted until sometime after this legislation becomes law. The department might have to request additional resources from the legislature if, over time, there is poor compliance resulting in a large number of repeat offenders.

for all versions
of the bill

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: HB 7 Date on Bill: 1/17/83
Title: An Act requiring evidence of motor vehicle liability insurance
Sponsor: Hayes
Requestor: _____

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital		0	0	0
Operating		0	0	0
Total		0	0	0

b. Revenues:

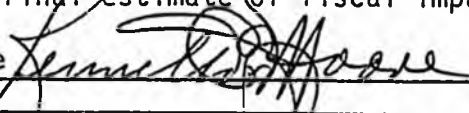
Revenue		0	0	0
---------	--	---	---	---

2. Source of funds to offset fiscal impact of bill:

3. Assumptions:

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Kenneth C. Moore  Phone: 465-2515
Division: Insurance Date: 3/2/83

Approved by Commissioner: Richard A. Lyon  Date: 3/2/83
Department: Commerce & Economic Development

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/15/83

MOTOR VEHICLE SAFETY RESPONSIBILITY ACT

HEADINGS TITLE 28.

Motor Vehicles.

CHAPTER 20.

Motor Vehicle Safety Responsibility Act.

DECLARATION OF PURPOSE.

The legislature is concerned over the rising toll of motor vehicles accidents and the suffering and loss inflicted by them. The legislature determines that it is a matter of grave concern that motorists be financially responsible for their negligent acts so that innocent victims of motor vehicle accidents may be recompensed for the injury and financial loss inflicted upon them. The legislature finds and declares that the public interest can best be served by the requirements that the operator of a motor vehicle involved in an accident respond for damages and show proof of financial ability to respond for damages in future accidents as a prerequisite to his exercise of the privilege of operating a motor vehicle in the state.

HISTORY (Sec. 2 ch 163 SLA 1959)

Sec. 28.20.020.

ADMINISTRATION.

(a) The department shall administer and enforce this chapter and may adopt rules and regulations necessary for its administration.

(b) The department shall receive and consider any pertinent information upon request of persons aggrieved by its orders or acts under this chapter.

(c) The department shall prescribe and provide suitable forms requisite or considered necessary to carry out this chapter.

HISTORY (Sec. 4 ch 163 SLA 1959)

Sec. 28.20.030.

COURT REVIEW.

Repealed by sec. 4 ch 140 SLA 1977.

Sec. 28.20.040.

DEPARTMENT TO FURNISH OPERATING RECORD.

Repealed by sec. 20 ch 241 SLA 1976.

Sec. 28.20.050.

APPLICATION OF CHAPTER.

(a) The provisions of this chapter requiring deposit of security and suspension for failure to deposit security apply to the driver and owner of a vehicle subject to registration under the laws of this state which is involved in any manner in an accident in this state resulting in bodily injury to or death of a person or damage to the property of any one person exceeding \$500.

(b) Not less than 20 days after receipt of a report of such accident, the department shall determine the amount of security which it considers sufficient to satisfy any judgments for damages resulting from the accident which may be recovered against each driver or owner. The determination shall not be made with respect to a driver or owner who is exempt from the requirements as to security and suspension.

(c) The department shall determine the amount of security deposit required upon the basis of the reports or other information submitted. If a person involved in an accident as described in this chapter fails to make a report or submit information indicating the extent of his injuries or the damage to his property within 30 days after the accident, and the department does not have sufficient information on which to base an evaluation of injuries or damage, then the department after reasonable notice to the person, if it is possible to give notice, otherwise without notice, shall not require a deposit of security for the benefit or protection of the person.

(d) Within 30 days after receipt of report of an accident and upon determining the amount of security to be required of any person involved in the accident or to be required of the owner of any vehicle involved in the accident, the department shall give to every person written notice of the amount of security required to be deposited by him and stating that an order of suspension will be made upon the expiration of 10 days after the notice is sent unless within that time security is deposited as required. No license may be suspended unless the licensee is afforded a hearing by the department at which it is determined that there is a reasonable possibility of a judgment being rendered holding him liable.

(e) A peace officer investigating an accident that results in bodily injury to or the death of a person or damage to the property of a person exceeding \$500 shall inform persons involved in the accident in writing of the requirements of this chapter as they apply to suspension of an operator's license or driving privileges.

HISTORY (Sec. 7 ch 163 SLA 1959; am sec. 1 ch 127 SLA 1972; am sec. 11 ch 144 SLA 1977; am sec. 3 ch 78 SLA 1982)

Sec. 28.20.060.

EXCEPTIONS TO REQUIREMENT OF SECURITY.

The requirements as to security and suspension in this chapter do not apply to

(1) the driver or owner if the owner had in effect at the time of the accident an automobile liability policy or bond with respect to the vehicle involved in the accident, except that a driver is not exempt if at the time of the accident the vehicle was operated without the owner's express or implied permission;

(2) the driver who is not the owner if there was in effect at the time of the accident an automobile liability policy or bond with respect to his driving of vehicles not owned by him;

(3) a driver or owner whose liability for damages resulting from the accident is, in the judgment of the department, covered by another form of liability insurance policy or bond;

(4) a person qualifying as a self-insurer under sec. 400 of this chapter or to a person operating a vehicle for a self-insurer;

(5) the driver or owner of a vehicle involved in an accident in which no injury or damage was caused to the person or property of anyone other than the driver or owner;

(6) the driver or owner of a vehicle which at the time of the accident was parked, unless the vehicle was parked at a place where parking was at the time of the accident prohibited by a law or ordinance;

(7) the owner of a vehicle if at the time of the accident the vehicle was operated without his express or implied permission or was parked by a person operating the vehicle without the permission;

(8) the owner of a vehicle or the driver of a vehicle operating it with permission if at the time of the accident the vehicle was owned or leased to the United States, this state or a political subdivision of this state or a municipality of the state; or

(9) the driver or the owner of a vehicle if at the time of the accident the vehicle was operated by or under the direction of a police officer who, in the performance of his duties, assumed custody of the vehicle.

Sec. 28.20.070. .

REQUIREMENTS AS TO POLICY OR BOND.

(a) No policy or bond is effective under sec. 60 of this chapter unless it is issued by an insurance company or surety company authorized to do business in this state, except as provided in (b) of this section, and if the accident resulted in bodily injury or death, unless the policy or bond is subject to a limit, exclusive of interest and costs, of not less than \$25,000 because of bodily injury to or death of one person in any one accident and, subject to the same limit for one person, to a limit of not less than \$50,000 because of bodily injury to or death of two or more persons in any one accident, and if the accident has resulted in injury to, or destruction of, property to a limit of not less than \$10,000 because of injury to or destruction of property of others in any one accident.

(b) No policy or bond is effective under sec. 60 of this chapter with respect to a vehicle not registered in this state or a vehicle which was registered in another jurisdiction at the effective date of the policy or bond or the most recent renewal of it, unless the insurance or surety company issuing the policy or bond is authorized to do business in this state, or if the company is not authorized to do business in this state, unless it executes a power of attorney authorizing the director of the division of insurance to accept service on its behalf of notice or process in an action upon the policy or bond arising out of the accident.

(c) The department may rely upon the information in an accident report as to the existence of insurance or a bond unless the department has reason to believe that the information is erroneous.

HISTORY (Sec. 9 ch 163 SLA 1959; am sec. 1 ch 146 SLA 1966; am sec. 1 ch 202 SLA 1975; am sec. 12 ch 144 SLA 1977)

Sec. 28.20.080.

FORM AND AMOUNT OF SECURITY.

(a) The security required by this chapter shall be in the form and amount the department requires, but in no case in excess of the limits specified in sec. 70 of this chapter for the acceptable limits of a policy or bond.

(b) Every depositor of security shall designate in writing the person in whose name the deposit is made and may at any time change the designation, but a single deposit of security applies only on behalf of a person required to furnish security because of the same accident.

HISTORY (Sec. 10 ch 163 SLA 1959)

Sec. 28.20.090.

SUSPENSION FOR FAILURE TO DEPOSIT SECURITY.

(a) If a person required to deposit security under this chapter fails to deposit security within 10 days after the department sends notice, the department shall suspend

- (1) the license of each driver involved in the accident;
- (2) the privilege of operating a vehicle subject to registration if the driver is a nonresident;
- (3) the privilege of the owner to operate or permit the operation within this state of a vehicle subject to registration if the owner is a nonresident.

(b) Suspensions shall be made in respect to persons required by the department to deposit security who fail to deposit such security, except as otherwise provided under succeeding sections of this chapter.

HISTORY (Sec. 11 ch 163 SLA 1959) CITATION

Sec. 28.20.100.

RELEASE FROM LIABILITY.

(a) A person is relieved from the requirement for deposit of security for the benefit or protection of another person injured or damaged in the accident if he is released from liability by the other person.

(b) A covenant not to sue relieves the parties to it as to each other from the security requirements of this chapter.

(c) If the department evaluates the injuries or damage to a minor in an amount not more than \$500, the department may accept, for the purposes of this chapter only, evidence of a release from liability executed by a natural or legal guardian on behalf of the minor without court approval.

HISTORY (Sec. 12 ch 163 SIA 1959; am sec. 13 ch 144 SLA 1977)

Sec. 28.20.110.

ADJUDICATION OF NONLIABILITY.

A person is relieved from the requirement for deposit of security for a claim for injury or damage arising out of the accident if the person is finally adjudicated not to be liable for the claim. HISTORY (Sec. 13 ch 163 SLA 1959)

HISTORY (Sec. 14 ch 163 SLA 1959; am sec. 4 ch 78 SLA 1982)

Sec. 28.20.120.

AGREEMENTS FOR PAYMENT OF DAMAGES

(a) Two or more persons involved in or affected by an accident as described in AS 28.20.050 may at any time enter into a written agreement for the payment of an agreed amount with respect to their claims because of bodily injury, death, or property damage arising from the accident. The agreement may provide for payment in installments. The parties may file a signed copy of the agreement with the department.

(b) If proof of financial responsibility is provided and to the extent provided by the written agreement filed with it, the department shall not require the deposit of security and shall terminate a previous order of suspension, or if security was deposited, the department shall immediately return the security to the depositor or his personal representative.

(c) If there is a default in a payment under the agreement upon notice of default the department shall take action suspending the license of the person in default as is appropriate in case of failure of the person to deposit security when required under this chapter. (d) The suspension remains in effect and the license may not be restored until

(1) security is deposited as required under this chapter in the amount the department determines; or

(2) when, following default and suspension, the person in default pays the balance of the agreed amount; or

(3) one year elapses following the effective date of the suspension and evidence satisfactory to the department is filed with it that during the period no action at law upon the agreement is pending.

Sec. 28.20.130.

PAYMENT UPON JUDGMENT.

The payment of a judgment arising out of an accident, or the payment upon judgment of an amount equal to the maximum amount which could be required for deposit under this chapter, for the purposes of this chapter, releases the judgment debtor from the liability evidenced by the judgment. HISTORY (Sec. 15 ch 163 SLA 1959; am sec. 12 ch 2 SLA 1964)

Sec. 28.20.140.

TERMINATION OF SECURITY AGREEMENT

If satisfied as to the existence of a fact which under secs. 100 - 130 of this chapter entitles a person to be relieved from the security requirements, the department shall not require the deposit of security and shall terminate a previous order of suspension in respect to the person, and shall immediately return the deposit to the person or his personal representative. HISTORY (Sec. 16 ch 163 SLA 1959)

Sec. 28.20.150.

DURATION OF SUSPENSION.

(a) Unless a suspension is terminated under other provisions of this chapter, an order of suspension by the department remains in effect until terminated and no license may be renewed or issued to a person whose license is suspended until proof of financial responsibility for the future is provided and

(1) the person deposits or there is deposited on his behalf the security required under this chapter; or

(2) three years elapse following the date of suspension.

(b) Repealed by sec. 9 ch 78 SLA 1982.

HISTORY (Sec. 17 ch 163 SLA 1959; am sec. 5, 9 ch 78 SLA 1982)

Sec. 28.20.160.

APPLICATION TO NONRESIDENTS, UNLICENSED DRIVERS, UNREGISTERED VEHICLES AND ACCIDENTS IN OTHER STATES.

(a) If a driver or owner of a vehicle subject to registration under the laws of this state involved in an accident in this state does not have a license or registration in this state, then the driver may not be licensed, nor may the owner register a vehicle in this state until he complies with the requirements of this chapter to the extent necessary if, at the time of the accident, he had held a license or been the owner of a vehicle registered in this state.

(b) When a nonresident's operating privilege is suspended under sec. 90 of this chapter the department shall send a certified copy of the record of the action to the official in charge of the issuance of licenses and registration certificates in the state in which the nonresident resides, if the law of the other state provides for action similar to that provided for in (c) of this section.

(c) Upon receiving certification that the operating privilege of a resident of this state has been suspended or revoked in another state under a law providing for its suspension or revocation for failure to deposit security for the payment of judgments arising out of an accident under circumstances which would require the department to suspend a nonresident's operating privilege if the accident had occurred in this state, the department shall suspend the license of the resident. The suspension continues until the resident furnishes evidence of his compliance with the law of the other state relating to the deposit of security.

HISTORY (Sec. 18 ch 163 SLA 1959)

Sec. 28.20.170.

AUTHORITY OF DEPARTMENT TO DECREASE AMOUNT OF SECURITY.

The department may reduce the amount of security ordered within six months after the date of the accident if in its judgment the amount is excessive. If the security originally ordered is on deposit, the excess deposit over the reduced amount ordered shall be returned immediately to the depositor or his personal representative. HISTORY (Sec. 19 ch 163 SLA 1959)

Sec. 28.20.180.

CORRECTION OF ACTION OF DEPARTMENT. If the department takes action or fails to take action under this chapter due to erroneous information or no information, upon receiving correct information within one year after the date of an accident the department shall take appropriate action to carry out the purposes and effect of this chapter. However, this section does not require the department to re-evaluate the amount of a deposit required. HISTORY (Sec. 20 ch 163 SLA 1959)

Sec. 28.20.190.

CUSTODY OF SECURITY. The department shall place security deposited with it in the custody of the Department of Revenue. HISTORY (Sec. 21 ch 163 SLA 1959)

Sec. 28.20.200.

DISPOSITION OF SECURITY.

(a) The security deposited is available only for

(1) the payment of a settlement agreement covering a claim arising out of the accident upon instruction of the person who made the deposit, or

(2) the payment of a judgment given against the person required to make the deposit for damages arising out of the accident in an action at law begun not later than one year after the deposit of security, or within one year after the date of deposit of security following failure to make payments under an agreement to pay.

(b) Every distribution of funds from a security deposit is subject to the limits of the department's evaluation on behalf of a claimant. HISTORY (Sec. 22 ch 163 SLA 1959)

Sec. 28.20.210.

RETURN OF DEPOSIT.

(a) Upon the expiration of two years from the date of deposit of security, the security remaining on deposit shall be returned to the person who made the deposit or his personal representative if an affidavit or other evidence satisfactory to the department is filed with it showing that

(1) no action for damages arising out of the accident for which deposit was made is pending against the person on whose behalf the deposit was made, and

(2) there does not exist any unpaid judgment against the person in an action.

(b) This section does not limit the return of a deposit of security under any other provision of this chapter authorizing return. HISTORY (Sec. 23 ch 163 SLA 1959; am sec. 6 ch 78 SLA 1982)

Sec. 28.20.220.

MATTERS NOT TO BE EVIDENCE IN CIVIL SUITS. The report required after an accident, the action taken by the department under this chapter, the findings, if any, of the department upon which its action is based, and the security filed shall not be referred to, and shall not be evidence of the negligence or due care of either party, at the trial of an action to recover damages. HISTORY (Sec. 24 ch 163 SLA 1959)

Sec. 28.20.230

PROOF OF FINANCIAL RESPONSIBILITY FOR THE FUTURE.

(a) The provisions of this chapter requiring the deposit of proof of financial responsibility for the future apply to persons who are convicted of or forfeit bail for certain offenses under motor vehicle laws or who, by ownership or operation of a vehicle of a type subject to registration under ch. 10 of this title, are involved in an accident in this state which results in bodily injury or death of a person or damage to the property of any one person exceeding \$500.

(b) The term "proof of financial responsibility for the future" as used in this chapter means proof of ability to respond in damages for liability, on account of an accident occurring after the effective date of proof, which arises out of the ownership, maintenance or use of a vehicle subject to registration under the laws of this state, in the amount of \$25,000 because of bodily injury to or death of one person in any one accident, and, subject to the same limit for one person, in the amount of \$50,000 because of bodily injury to or death of two or more persons in any one accident, and in the amount of \$10,000 because of injury to or destruction of property of others in any one accident. As used in this chapter the terms "proof of financial responsibility" or "proof" mean proof of financial responsibility for the future.

HISTORY (Sec. 25 ch 163 SLA 1959; am sec. 59 ch 69 SLA 1970; am sec. 2 ch 202 SLA 1975; am sec. 14 ch 144 SLA 1977)

Sec. 28.20.240.

PROOF REQUIRED WHEN USE OF LICENSE IS RESTRICTED.

Whenever under a law of this state the license of a person is suspended, revoked, limited under AS 28.15.201, or canceled for any reason, the department may not issue to that person a new or renewal of license in his name until permitted to do so under the motor vehicle laws of this state. A period of suspension, revocation, limitation, or cancellation under this section continues until proof of financial responsibility for the future is provided.

HISTORY (Sec. 26 ch 163 SLA 1959; am sec. 7 ch 78 SLA 1982)

Sec. 28.20.250.

ACTION IN RESPECT TO UNLICENSED PERSON.

(a) If a person does not have a license, but by final order or judgment is convicted of, or forfeits bail or collateral deposited to secure an appearance for trial for an offense requiring the suspension or revocation of license, or for driving a motor vehicle upon the highways without being licensed to do so, or for driving an unregistered vehicle upon the highways, no license shall be issued to the person unless he gives and thereafter maintains proof of financial responsibility for the future.

(b) Whenever the department suspends or revokes a nonresident's operating privilege for conviction or forfeiture of bail, the privilege remains suspended or revoked unless the person has previously given or immediately gives proof of financial responsibility for the future.

HISTORY (Sec. 27 ch 163 SLA 1959)

Sec. 28.20.260.

WHEN PROOF REQUIRED AFTER ACCIDENTS.

(a) Upon receipt by the department of the report of an accident resulting in bodily injury or death, or property damage to any one person exceeding \$500, the department shall suspend the license of the driver of a motor vehicle involved in the accident unless the driver or owner

(1) has previously furnished or immediately furnishes security required by this chapter, or is excepted from furnishing security under sec. 60 of this chapter, and

(2) maintains proof of financial responsibility for three years following the accident.

(b) This section does not apply to an owner or operator with respect to an accident in which a judgment in his favor is given on a cause of action arising out of the accident which establishes his freedom from fault.

HISTORY (Sec. 28 ch 163 SLA 1959; am sec. 15 ch 144 SLA 1977)

Sec. 28.20.270.

SUSPENSION FOR NONPAYMENT OF JUDGMENTS. Upon receipt of a certified copy of a judgment and a certificate of facts relative to the judgment, the department shall immediately suspend the license or nonresident's operating privilege of a person against whom the judgment is given except as otherwise provided in this chapter. HISTORY (Sec. 2^a ch 163 SLA 1959)

Sec. 28.20.280.

WHEN COURTS TO REPORT NONPAYMENT OF JUDGMENTS. If a person fails within 30 days to satisfy a judgment arising out of a motor vehicle accident, the clerk of the court, or the judge if there is no clerk, in which the judgment is given, shall forward to the department a certified copy of the judgment and a certificate of facts relative to the judgment. HISTORY (Sec. 30 ch 163 SLA 1959)

Sec. 28.20.290.

FURTHER ACTION WITH RESPECT TO NONRESIDENTS. If the defendant named in a certified copy of a judgment reported to the department is a nonresident, the department shall send a certified copy of the judgment to the official in charge of the issuance of licenses and registrations of the state of which the defendant is a resident. HISTORY (Sec. 31 ch 163 SLA 1959)

Sec. 28.20.300.

EXCEPTION FOR GOVERNMENT VEHICLES. Sections 260 and 270 of this chapter do not apply to an accident caused by the ownership or operation, with permission, of a vehicle owned or leased to the United States, this state, or a political subdivision or municipality of this state. HISTORY (Sec. 32 ch 163 SLA 1959)

Sec. 28.20.310.

EXCEPTION WHEN CONSENT GRANTED BY JUDGMENT CREDITOR. If the judgment creditor consents in writing in a form prescribed by the department to the issuance of a license or nonresident's operating privilege to the judgment debtor, the department may allow it for six months from the date of such consent and thereafter until the consent is revoked in writing, if the judgment debtor furnishes proof of financial responsibility notwithstanding default in the payment of judgment, or of an installment of the judgment prescribed in sec. 270 of this chapter. HISTORY (Sec. 33 ch 163 SLA 1959) -

Sec. 28.20.320.

EXCEPTIONS WHEN INSURER LIABLE. No license or nonresident's operating privilege shall be suspended under this chapter if the department finds that an insurer is obligated to pay the judgment upon which suspension is based at least to the extent and for the amounts required in this chapter, but has not paid the judgment for any reason. A finding by the department that an insurer is obligated to pay a judgment is not binding upon the insurer and has no legal effect except for the purpose of administering this section. If in a judicial proceeding it is determined by a final judgment, decree or order that an insurer is not obligated to pay a judgment, the department, notwithstanding any contrary finding made by it, shall immediately suspend the license or nonresident's operating privilege of a person against whom the judgment is given, as provided in sec. 270 of this chapter. HISTORY (Sec. 34 ch 163 SLA 1959)

Sec. 28.20.325.

EXCEPTION FOR BUSINESS RELATIONSHIP. If the driver at the time of an accident was driving, in the course and scope of his employment, a vehicle owned, operated or leased by his employer, the security deposit, proof of future responsibility and suspension provisions of this chapter apply to the employer and to the vehicles owned by him or registered under his name and do not apply to the driver. HISTORY (Sec. 1 ch 25 SLA 1966)

Sec. 28.20.330.

SUSPENSION TO CONTINUE UNTIL JUDGMENTS PAID AND PROOF GIVEN.

(a) If a person has an unsatisfied judgment against him requiring suspension under sec. 27C of this chapter, his license or nonresident's operating privilege shall remain suspended and shall not be renewed, nor shall a license or registration be issued in the name of the person, including a person not previously licensed, until the judgment is stayed or satisfied and until the person gives proof of financial responsibility subject to the exceptions in secs. 310 - 320, and 370 of this chapter.

(b) The proof required by (a) of this section shall be maintained during the period the person has a license or nonresident's operating privilege.

HISTORY (Sec. 35 ch 163 SLA 1959)

Sec. 28.20.340

LICENSE CANCELLED, SUSPENDED OR REVOKED.

Upon receiving a record of the conviction of a person for driving a vehicle while his license was suspended, the department shall immediately suspend the registration of every vehicle registered in his name until he gives proof of financial responsibility for the future for each vehicle registered in his name. HISTORY (Sec. 36 ch 163 SLA 1959)

Sec. 28.20.360.

PAYMENTS SUFFICIENT TO SATISFY REQUIREMENTS.

(a) For the purpose of this chapter, a judgment is satisfied when

(1) \$25,000 is credited upon a judgment given in excess of that amount because of bodily injury to or death of one person as the result of any one accident; or

(2) subject to the limit of \$25,000 because of bodily injury to or death of one person, the sum of \$50,000 is credited upon a judgment given in excess of that amount because of bodily injury to or death of two or more persons as the result of any one accident; or

(3) \$10,000 is credited upon a judgment given in excess of that amount because of injury to or destruction of property of others as a result of any one accident.

(b) However, payments made in settlement of a claim because of bodily injury, death or property damage arising from the accident shall be credited in reduction of the amounts provided for in this section.

HISTORY (Sec. 38 ch 163 SLA 1959; am secs. 60, 61 ch 69 SLA 1970; am sec. 3 ch 202 SLA 1975)

Sec. 28.20.370.

INSTALLMENT PAYMENT OF JUDGMENTS; DEFAULT.

(a) A judgment debtor upon due notice to the judgment creditor may apply to the court in which such judgment was rendered for the privilege of paying the judgment in installments and the court, without prejudice at any other legal remedy, may order and fix the amount and time of payment of the installments.

(b) The department shall not suspend a license or nonresident's operating privilege, and shall restore a license or nonresident's operating privilege suspended following nonpayment of a judgment, when the judgment debtor gives proof of financial responsibility and obtains an order permitting the payment of the judgment in installments. (c) If the judgment debtor fails to pay an installment specified by the court order, upon notice of default, the department shall immediately suspend the license or nonresident's operating privilege of the judgment debtor until the judgment is satisfied as provided in this chapter.

HISTORY (Sec. 39 ch 163 SLA 1959) -

Sec. 28.20.380.

REGISTRATION AND OPERATOR'S RIGHTS LIMITED BY EXTENT OF PROOF.

(a) When a certificate is filed showing that a policy is issued covering a motor vehicle owned by the insured, but not insuring the person when operating a motor vehicle not owned by him, the restriction may be removed upon the filing of a certificate showing an operator's policy issued to the person.

(b) If the department receives evidence of the violation of the restriction on the license, it may suspend the license until a certificate is filed showing an operator's policy issued to the holder of the license. HISTORY (Sec. 40 ch 163 SLA 1959)

Sec. 28.20.390.

ALTERNATE METHODS OF GIVING PROOF.

Proof of financial responsibility for a person who is not the owner of a vehicle may be given by filing

(1) a certificate of insurance as provided in secs. 410 or 420 of this chapter;

(2) a bond as provided in sec. 470 of this chapter;

(3) a certificate of deposit of money or securities as provided in sec. 490 of this chapter; or

(4) a certificate of self-insurance as provided in sec. 400 of this chapter, supplemented by an agreement by the self-insurer that, for accidents occurring while the certificate is in force, he will pay the same amount that an insurer would be obligated to pay under an owner's motor vehicle liability policy if it had issued a policy to the self-insurer.

HISTORY (Sec. 41 ch 163 SLA 1959)

Sec. 28.20.400.

SELF-INSURERS.

(a) A person whose name more than 25 vehicles are registered in this state may qualify as a self-insurer by obtaining a certificate of self-insurance issued by the department as provided in (b) of this section.

(b) The department may issue a certificate of self-insurance when it is satisfied that the person has and will continue to have ability to pay judgments obtained against him. The certificate may be issued authorizing a person to act as a self-insurer for either property damage or bodily injury, or both, or within the limits the department prescribes.

(c) Upon not less than 10 days' notice and a hearing pursuant to the notice, the department may upon reasonable grounds cancel a certificate of self-insurance. Failure to pay a judgment within 30 days after judgment becomes final is a reasonable ground for the cancellation of a certificate of self-insurance. HISTORY (Sec. 42 ch 163 SLA 1959)

Sec. 28.20.410.

CERTIFICATE OF INSURANCE AS PROOF.

Proof of financial responsibility for the future may be furnished by filing with the department the written certificate of an insurance carrier authorized to do business in this state certifying that there is in effect a motor vehicle liability policy for the benefit of the person required to furnish proof of financial responsibility. The certificate shall give the effective date of the motor vehicle liability policy, which shall be the same as the effective date of the certificate, and shall designate by description or appropriate reference all vehicles covered by it, unless the policy is issued to a person who is not the owner of a motor vehicle.

HISTORY (Sec. 43 ch 163 SLA 1959)

Sec. 28.20.420.

CERTIFICATE FURNISHED BY NONRESIDENT AS PROOF.

(a) A nonresident may give proof of financial responsibility by filing with the department a written certificate of an insurance carrier authorized to transact business in the state in which the vehicle described in the certificate is registered, or if the nonresident does not own a vehicle, then in the state in which the nonresident resides, if the certificate otherwise conforms with this chapter; the department shall accept it upon condition that the insurance carrier complies with (b) and (c) of this section.

(b) The insurance carrier shall execute a power of attorney authorizing the department to accept service on its behalf of notice or process in an action arising out of a motor vehicle accident in this state.

(c) The insurance carrier shall agree in writing that the policy shall conform with the laws of this state relating to the terms of motor vehicle liability policies issued in this state.

HISTORY (Sec. 44 ch 163 SLA 1959; am sec. 44 ch 32 SLA 1971) -