

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1689 SJ SB 283. - SB 287

~~SUB~~ CIVIL ACTION

WITHIN  
WITHIN

60 DAYS AFTER FINING

5 DAYS AFTER DISCOVERY

OFFER (EITHER PARTY)

WITHIN

10 DAY

(NOT ACCEPTED CONSIDERED  
WITHDRAWN)

CLAIMANT

PARTY

10,000 →

JUDGMENT 9000

NO INTEREST

CLAIMANT

PARTY

8000 OFFER →

JUDGMENT

9000 less 2%

CLAIMANT

PARTY

JUDGMENT

~~9000~~ + 2%

~~1800~~

6000 -

4000

10 1/2

PATRICK RODEY  
ANCHORAGE

601 W. 5TH AVE. SUITE 820  
ANCHORAGE, ALASKA 99501

DURING SESSION

POUCH V  
JUNEAU, ALASKA 99811

## Alaska State Senate

JUNEAU, ALASKA 99811

February 9, 1981

Kenneth M. Rosenstein  
Abbott, Lynch and Farney  
601 West 5th Avenue  
Anchorage, AK 99501

Dear Mr. Rosenstein:

Thank you for your letter concerning Offers of Judgement  
(AS.09.30.055).

I agree that the law currently is a disincentive to settle-  
ment of cases in this area, and have submitted your suggested  
amendments to the legal department for preparation of a  
draft bill.

Your time spent to express your interest in, and comments on  
this legislation, is greatly appreciated.

Sincerely,

Patrick M. Rodey  
Senator

PMR/ds

LAW OFFICES

ABBOTT, LYNCH AND FARNEY

1200 AIRPORT HEIGHTS DRIVE, SUITE 520  
ANCHORAGE, ALASKA 99504  
(907) 279-4437

A PROFESSIONAL CORPORATION  
8TH FLOOR  
ALASKA MUTUAL BANK BLDG.  
601 WEST FIFTH AVENUE  
ANCHORAGE, ALASKA 99501  
(907) 276-3222

751 OLD RICHARDSON HWY, SUITE 325  
FAIRBANKS, ALASKA 99701  
(907) 452-4497

PLEASE REPLY TO:  
FIFTH AVENUE OFFICE

*Kevin  
see Pat  
about.*

*ans  
2/9/81*

RECEIVED

FEB 02 1981

January 30, 1981

The Honorable Patrick M. Rodey  
Alaska Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator <sup>*Patrick*</sup> Rodey:

Brian Farney has asked that I write to you regarding the introduction of a bill which would clarify the offer of judgment interest adjustments contained in AS 09.30.055. The section was enacted during the last legislative session and was intended to act as an incentive for the settlement of civil cases without trial. As presently drafted, however, that section actually provides a disincentive to the settlement of cases since it does not operate unless the judgment is "more favorable to the offeree than the offer." In order to effectively operate as an incentive the statute should come into play when the judgment is not more favorable to the offeree than the offer. Enclosed is a copy of AS 09.30.055 with my suggested changes to make it effective for its intended purpose.

Thank you for your assistance.

Very truly yours,

ABBOTT, LYNCH and FARNEY

  
Kenneth M. Rosenstein

KMR/mlc  
Enclosure

Sec. 09.30.055. Offers of judgment. On or before the 60th day following the filing of an answer in a civil action, and on the fifth day following the day discovery closes as ordered by the court, either the party making a claim or the party defending against a claim may serve upon the adverse party an offer to allow judgment to be entered in complete satisfaction of the claim for the money or property or to the effect specified in his offer, with cost then accrued. If within 10 days after the service of the offer the adverse party serves written notice that the offer is accepted, either party may then file the offer and notice of acceptance together with proof of service, and the clerk shall enter judgment. An offer not accepted within 10 days is considered withdrawn and evidence of that offer is not admissible except in a proceeding to determine the form of judgment after verdict. If the judgment finally entered on the claim as to which an offer has been made under this section is more favorable to the offeree than the offer, the interest awarded under AS 45.45.010(a) and accrued up to the date judgment is entered shall be adjusted as follows:

not

reduced

- (1) if the offeree is the party making the claim, the interest rate shall be ~~increased~~ by two percent a year;
- (2) if the offeree is the party defending against the claim, the interest rate shall be ~~reduced~~ by two percent a year. (§ 3 ch 107 SLA 1980)

increased



Official Business

# Alaska State Legislature

## Senate

### Judiciary Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### A G E N D A

#### Senate Judiciary Committee Hearing

Friday, March 27, 1981  
Butrovich Committee Room - 1:30 p.m.

#### CALL TO ORDER

#### LEGISLATION BEFORE COMMITTEE:

- SB 7 "An Act relating to accretion, reliction, and erosion; and providing for an effective date."
- SB 283 "An Act relating to offers of judgment."
- SJR 25 Relating to the Klondike Gold Rush National Historical Park.

#### SCHEDULED TESTIMONY:

- SB 7: Thomas Koester  
Assistant Attorney General
- Michael Holmes

#### ADJOURN



Official Business

# Alaska State Legislature

## Senate

### Judiciary Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### SUMMARY OF SENATE JUDICIARY COMMITTEE HEARING OF MARCH 27, 1981

Butrovich Committee Room, State Capitol - Juneau, Alaska

#### Legislation Before Committee:

- SB 7 "An Act relating to accretion, reliction, and erosion; and providing for an effective date."
- SB 283 "An Act relating to offers of judgment."
- SJR 25 Relating to the Klondike Gold Rush National Historical Park.

The meeting of the Senate Judiciary Committee was called to order by Chairman Rodey at 1:35 p.m. Committee members present were: Senators Bennett, Hohman, Farr, Ray, and Rodey.

Testifying in favor of SB 7 was Mike Holmes, attorney representing Theodore J. Smith and Fred S. Honsinger in a case involving waterfront property in Juneau. Mr. Holmes gave an overview of those events leading up to the promulgation of the proposed resolution.

Thomas Koester, Assistant Attorney General, spoke before the Committee as to the opinion of the Attorney General's office. His written comments are being made a part of the committee's permanent file.

Chairman Rodey deferred action on SB 7 at this hearing, pending further research.

Chairman Rodey provided background information on SB 283, and legislation passed last session which was intended to provide that a party making an offer of settlement would, if the offer was rejected and he prevailed, receive an interest rate of 2%. Chairman Rodey stated that the intent was to encourage an offer of settlement, particularly if in good faith and a reasonable one was rejected, that the party acting unreasonably would bear a 2% loss, or the reasonable party would incur a 2% benefit.

FROM TERMINAL LQ22 ON PRINTER LQH6; DATE=81100, TIME=091215

SB 283 TITLE & SPONSOR SUMMARY

09:12 4/10/81 PAGE 1 OF 2

~~AMENDED TITLE:~~

AN ACT RELATING TO OFFERS OF JUDGEMENT

~~PRIME SPONSOR: SENATE JUDICIARY COMMITTEE.~~

CO-SPONSORS:

~~LEGISLATIVE STATUS: 4/07/81-POSTEND- 4/10/81(S)~~

FROM TERMINAL LQ22 ON PRINTER LQH6; DATE=81100, TIME=091317

SB 283 SENATE ACTION

09:13 4/10/81 PAGE 2 OF 2

DATE	SEG	PAGE	LEGISLATIVE ACTION
03/13/81	01	0449	FIRST READING -- COMMITTEE REPORTS
03/31/81	02	0588	JUD -- DF02, NR02
04/09/81	03	0698	RLS -- NR01, OTHER04 TAKEN UP IMMEDIATELY
04/09/81	04	0701	POSTPONED UNTIL 04/10/81 BY UNAN CONSENT
****	**	**	*** ** *

S

B

2

85

File Copy

ROBIN L. TAYLOR  
P.O. Box 869  
Wrangell, AK 99929

March 18, 1981

Honorable Ernie Haugen  
Representative  
P.O. Box 1049  
Petersburg, AK 99833

RE: Restitution sentencing and compensation  
for injured probationers.

Dear Ernie:

As you are aware, I have extensively utilized community work and restitution programs in sentencing Wrangell and Petersburg misdemeanors for the last four years. I found that these sentences work where traditional incarceration often fails to rehabilitate the defendant and the community receives significant benefit from these programs. At my urging and that of many other people who had used this form of sentencing, the legislature in 1978 passed AS 12.55.055 and AS 12.55.045 to allow judges to use community work and restitution in sentencing, thus making legal that which some of us had been doing by stretching the existing statutes.

The problem is that though I have not only continued to utilize this form of sentencing and even expanded my applications of this type of sanction, most of the other judges in the state have been reluctant to move into this scheme. They have good cause for that reluctance.

I also find that some city officials and agency personnel are also reluctant to participate in these sentences as supervisors.

The reason that the restitution and community work concepts have not really gotten off the ground in this state is due to the fear of those involved that they and their city or agency might be liable should a probationer be injured while doing community service or restitution work. I personally carry an extra one million in personal liability insurance, and have not had one incident during the last four years which would cause concern. The possibility of liability does exist and I fear that unless the legislature acts to correct that situation, that there will be little or no community service sentencing going on in the state.

Honorable Ernie Haugen  
March 18, 1981  
Page 2

Pursuant to our discussion about this situation, I have drafted in very rough form a sample piece of legislation which might work to remedy the problem. It is tailored after a Minnesota statute passed in May of 1979.

This legislation leaves it up to the legislature to hold hearings and award compensation, which seems a bit awkward to me. It might be more workable if placed under the workmens compensation program or some other agency which routinely deals with claims of this nature. I will happily leave such refinement to your good offices and hope that these meager efforts of mine will be of assistance to you in this matter.

I heartily support the community service and restitution concepts as they succeed where more traditional approaches often fail.

The City of Wrangell alone has received over \$12,000 in free work over the last four years and the program is growing all the time. These same offenders have a recidivism rate of less than 10%, compared to more traditional forms of punishment which nationally were between 50 to 70% repeaters. In addition to all of that, the cost of running the jail and transporting prisoners is greatly reduced, thus saving the taxpayers a substantial sum each year. Best of all, the victim always gets taken care of first under this system instead of being forgotten as the judicial system often did.

In essence, Ernie, this works well for everyone concerned and I've convinced several other judges to take a hard look at using this approach, especially when they see the success I've had with this approach in Wrangell and Petersburg. It would be a shame to let it die because everyone is afraid of being sued.

An additional matter which we discussed again last session is that of judicial services for Wrangell and Petersburg. In 1979 the legislature created a superior court for Kotzebue. I believe that political considerations were probably the reason for the improved judicial services for that community.

On March 12, 1979, I wrote to you, Ernie, sending along a statistical comparison between the case loads of the Wrangell/Petersburg courts and the case load in Kotzebue. In the first nine months of 1979, Kotzebue had 368 cases filed; in the same time period Wrangell had 567 and Petersburg had 368, for a total of 953 cases for this district court location.

1980 and 1981 statistics only indicate that there has been a further significant increase in the case load in Wrangell and Petersburg, thus making the disparity between these towns and Kotzebue even more obvious.

The cost of changing from a district court to a superior/district court for Wrangell/Petersburg is only the difference between a superior court judges salary and that of a district court judge, approximately \$8,000 to \$10,000. The improved

Honorable Ernie Haugen  
March 18, 1981  
Page 3

quality services to both of these towns and their surrounding trade areas would certainly seem justified when compared with Kotzebue.

As you are aware, I have filed for the superior court seat in Juneau, vacated by Allan Compton's appointment to the Supreme Court. As I would rather live and raise my family in the Wrangell/Petersburg area, I will withdraw my name from contention if you and Dick believe there is a possibility either this year or next of the Wrangell/Petersburg court becoming a superior/district court. Because the selection process for Juneau is presently moving forward, your prompt response would be appreciated.

Sincerely Yours,

Robin L. Taylor

P.S. For further indication of the need for superior court jurisdiction in Wrangell and Petersburg, you might contact Robert Hubby, Probation Office, and other state agency personnel in both communities who are involved in the judicial process. Of course the attorneys who practice in these communities could also lend insight regarding this matter.

RLT/ji  
enclosures  
cc: Honorable Senator Richard Eliason



Official Business

# Alaska State Legislature

## Senate

### Judiciary Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811

April 15, 1981

Judge Robin L. Taylor  
District Court  
State of Alaska  
First Judicial District  
P. O. Box 869  
Wrangell, Alaska 99929

Dear Judge Taylor:

Thank you for your comments and information on Senate Bill 285.

I expect the Judiciary Committee to hear and pass the bill out within a few weeks.

I will include your letter and enclosure in each committee member's file so they may review your comments and proposal.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat".

Senator Patrick M. Rodey  
Chairman

PMR/ods



RECEIVED

APR 13 1981

District Court

State of Alaska

FIRST JUDICIAL DISTRICT

P. O. BOX 869

WRANGELL, ALASKA

99929

ROBIN L. TAYLOR, Judge

April 6, 1981

Honorable Patrick Rodey  
Chairman, Senate Judiciary Committee  
Pouch V  
Juneau, Alaska 99811

Re: Senate Bill 285

Dear Senator:

Over the last four years I have extensively utilized community service as a sentencing tool and the results have been gratifying. The recidivism is reduced to approximately 7%, the costs of prisoner transport and jails is totally avoided and the community receives free labor. Best of all, the victim always gets paid for any damage done by the defendant.

Presently there are only a few judges in the state utilizing this form of sentencing. The reluctance of the judiciary is due to the fact that the legislature has not yet addressed two questions; work related injuries and liability for injuries or damages caused by these workers.

In 1978 the legislature passed AS 12.55.055 which allowed the courts to use community service sentencing. I had been using this form of sentencing extensively for two years at the time of the bill's passage. I crossed the liability question over 3 1/2 years ago by purchasing a million dollar floater on my personal policy. My response to the problem may not be appropriate but at least I could sleep nights and the program kept going.

The appropriate response is for the legislature to squarely address the question of liability of all participants in the community service sentencing problem and provide a solution so that this form of sentencing may truly become a reality. At the present time cities are unwilling to accept free services for fear of liability if the person doing the work gets

Honorable Patrick Rodey  
April 6, 1981

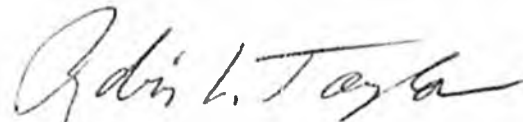
Page Two

injured or if that person injures someone else. Judges are unwilling to sentence people to do community service as the judge himself may bear some degree of responsibility to the parties.

Unless your committee is willing to solve the problem, there will be no community service sentencing in the near future. The concept is the most successful form of sentencing that I've seen - it works. It would be a tragedy to lose this alternative.

I have enclosed legislation enacted in Minnesota to solve part of the problem and have suggested in rough form similar legislation for this state, *which I forwarded to Ernie Haugen copy enclosed*

Sincerely yours,



Robin L. Taylor

*copy*

# MINNESOTA STATUTES ANNOTATED

## Sections

### I to 9

#### 3.739 Injury or death of conditionally released inmate

**Subdivision 1. Legislative authority.** Claims and demands arising out of the circumstances described in this subdivision shall be presented to, heard, and determined by the legislature:

(1) An injury to or death of an inmate who has been conditionally released from a state correctional facility and ordered to perform uncompensated work for a state agency, a political subdivision or public corporation of this state, or a nonprofit educational, medical, or social service agency, as a condition of his release, while performing the work;

(2) An injury to or death of a person who has been placed on probation by a court and who is performing work in restitution pursuant to court order; or

(3) An injury to or death of a person, including a juvenile who has been diverted from the court system and who is performing work in restitution pursuant to a written agreement signed by himself, and if a juvenile, by his parent or guardian.

**Subd. 2. Evaluation of claims.** Claims arising out of this section shall be paid pursuant to legislative appropriation following evaluation of each claim by the appropriate committees of the senate and house of representatives. Compensation will not be paid for pain and suffering.

**Subd. 3. Exclusive remedy.** The procedure established by this section is exclusive of all other legal, equitable and statutory remedies against the state, its political subdivisions, or any employees thereof.

Added by Laws 1979, c. 200, § 2, eff. May 30, 1979.

Library References  
States C-184.21.  
C.J.S. States §§ 277, 280.

**Sec. 12.55.045. Restitution.** (a) The court may order a defendant convicted of an offense to make restitution as provided in this section or as otherwise authorized by law. In determining the amount and method of payment of restitution, the court shall take into account the financial resources of the defendant and the nature of the burden its payment will impose.

(b) An order of restitution under this section does not limit any civil liability of the defendant arising from his conduct.

(c) If a defendant is sentenced to pay restitution, the court may grant permission for the payment to be made within a specified period of time or in specified installments. (§ 12 ch 166 SLA 1978; am § 38 ch 102 SLA 1980)

**Effect of amendment.** The 1980 amendment deleted the former first sentence of subsection (b), which read: "Before the court may sentence a defendant to a program of restitution, the victim must be given notice that restitution may be ordered."

**Editor's note.** Section 23 of ch 166, SLA 1978 provides, in subsection (d): "Except as provided in (c) of this section, sec 12 of this Act governs the punishment for any offense committed on or after the effective date of this Act." Subsection (c) relates to the applicability of AS 12.55.125 through 12.55.185.

Section 23 of ch 166, in subsection (f), provides: "Sections 1 - 4 of this Act do

not apply to or govern the construction of and punishment for any offense committed before the effective date of this Act or the construction or application of any defense to a prosecution for the offense. An offense shall be construed and punished according to the law existing at the time of the commission of the offense in the same manner as if this Act had not become law."

**Legislative history report.** For report on ch 102, SLA 1980 (HCS CSSR 511), see 1980 Senate Journal Supplement, No. 41, (May 29, 1980) or 1980 House Journal Supplement, No. 79, (May 29, 1980).

**Sec. 12.55.055. Community work.** (a) The court may order a defendant convicted of an offense to perform community work as a condition of a suspended sentence or suspended imposition of sentence, or in addition to any fine or restitution ordered. If the defendant is also sentenced to imprisonment, the court may recommend to the Department of Health and Social Services that the defendant perform community work.

(b) Community work includes work on projects designed to reduce or eliminate environmental damage, protect the public health, or improve public lands, forests, parks, roads, highways, facilities, or education. Community work may not confer a private benefit on a person except as may be incidental to the public benefit. (§ 12 ch 166 SLA 1978)

Sec. 12.55.065. Injury or death of conditionally released inmates and probationers. (a) All claims and demands arising out of the circumstances described herein shall be presented to, heard and determined by the legislature:

- (1) An injury to or death of an inmate who has been conditionally released from a state correctional facility and ordered to perform uncompensated work for a state agency, a political subdivision, or a public corporation of the state in a non profit educational, medical, or social service agency, as a condition of his release, while performing the work;
  - (2) An injury to or death of a person who has been placed on probation by a court and who is performing work in restitution pursuant to court order; or
  - (3) An injury to or death of a person, including a juvenile who has been diverted from the court system and who is performing work in restitution pursuant to a written agreement signed by the juvenile and by his parent or guardian.
- (b) Evaluation of Claims. Claims arising out of this section shall be paid pursuant to legislative appropriation of the senate and house of representatives.
- (c) Exclusive remedy. The procedure established by this section is exclusive of all other legal, equitable and statutory remedies against the state, its political subdivisions, or any employees thereof, including gratuitous volunteers providing supervisory assistance.



Superior Court

State of Alaska

FIRST JUDICIAL DISTRICT  
415 MAIN STREET  
KETCHIKAN, ALASKA  
99901

RECEIVED

APR 03 1981

Chambers of  
THOMAS E. SCHULZ, Judge

April 1, 1981

Senator Patrick M. Rodey  
Chairman  
Senate Judiciary Committee  
Touch V  
Juneau, Alaska 99811

Re: SB No. 285

Dear Senator Rodey:

As I remember, there are now two bills pending which relate to the alternatives to incarceration provisions in the new presumptive sentencing code. One is Senate Bill No. 285, and the other is a bill, which I do not have readily at hand, regarding the liability for injuries to the person performing the community work (workmen's compensation type claims). I support that legislation and would urge that the legislation be enacted.

Frankly, the Court in Ketchikan had better luck with community service before the new code went into effect than it does now, because the enactment of the new code caused some people to think about possible exposure to both workmen's compensation type claims and liability claims from third parties injured by either intentional or negligent acts of persons performing community service under court order. Those statutory provisions are extremely viable alternatives to incarceration, particularly in the case of first offenders, and this legislation is sorely needed in order to fully implement the alternatives presently available. Both the Borough and City governments and several State agencies in Ketchikan have expressed concern in both of these areas, and I am hopeful that they can be cleared up in this session of the legislature.

Very truly yours,

Thomas E. Schulz  
Superior Court Judge



District Court

State of Alaska

FIRST JUDICIAL DISTRICT

P. O. BOX 869

WRANGELL, ALASKA

99929

ROBIN L. TAYLOR, Judge

April 6, 1981

Honorable Patrick Rodey  
Chairman, Senate Judiciary Committee  
Pouch V  
Juneau, Alaska 99811

Re: Senate Bill 285

Dear Senator:

Over the last four years I have extensively utilized community service as a sentencing tool and the results have been gratifying. The recidivism is reduced to approximately 7%, the costs of prisoner transport and jails is totally avoided and the community receives free labor. Best of all, the victim always gets paid for any damage done by the defendant.

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The appropriate response is for the legislature to squarely address the question of liability of all participants in the community service sentencing problem and provide a solution so that this form of sentencing may truly become a reality. At the present time cities are unwilling to accept free services for fear of liability if the person doing the work gets

Honorable Patrick Rodey  
April 6, 1981

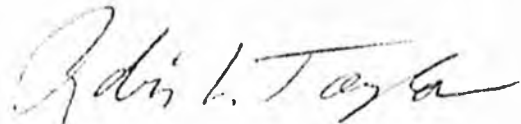
Page Two

injured or if that person injures someone else. Judges are unwilling to sentence people to do community service as the judge himself may bear some degree of responsibility to the parties.

Unless your committee is willing to solve the problem, there will be no community service sentencing in the near future. The concept is the most successful form of sentencing that I've seen - it works. It would be a tragedy to lose this alternative.

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Sincerely yours,



Robin L. Taylor

*Copy*

## MEMORANDUM

State of Alaska

TO: All Diversion Personnel

DATE: March 6, 1981

FILE NO.

TELEPHONE NO.

FROM: Wilson L. Condon  
Attorney GeneralSUBJECT: Liability of State  
for community work  
service referralsDaniel W. Hickey  
Chief ProsecutorBy: Patrick W. Conheady  
Assistant Attorney General  
Program Director

The issue of liability for clients referred to non-state agencies for community work service has finally been resolved by John Haywood of the Risk Management Division in the Department of Administration. Both referrals under Pretrial Intervention and under the Alternative Sentencing provisions are activities for which the State will assume liability, irrespective of accepting agency.

Agencies which raise the liability issue should be informed of this policy, and program personnel are authorized to state this in writing, if necessary.

ps

*Ernie:*  
I understood the dept. has withdrawn this letter - but it apparently has already confused the issue. Please see what you can do to take care of the liability problem. I've enclosed copies of Minnesota legis - our present legislation and a proposed draft of amending legis. If I can be of further assistance please call.

*A. Davis*

WORK ORDER REQUEST FORM

58 285

M12- 0596

KEYWORDS: availability

ASSIGNED TO Janet

original procedure

REQUEST FOR: BILL  RESOLUTION  RESEARCH  OTHER

SUBJECT \_\_\_\_\_

REQUESTED FOR \_\_\_\_\_ BY \_\_\_\_\_ EXT. \_\_\_\_\_

\* DELIVER TO \_\_\_\_\_ TAKEN BY \_\_\_\_\_

INSTRUCTIONS, EXPLANATIONS \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OBTAIN

SPECIAL DRAFTING INSTRUCTIONS ATTACHED

AUTHORIZED TO CONFER WITH \_\_\_\_\_

RETURN \_\_\_\_\_

TO REQUESTER

APPROVED: \_\_\_\_\_ Director, Legal Services

REVIEWED \_\_\_\_\_

IN \_\_\_\_\_ DUE \_\_\_\_\_

TYPED - Draft \_\_\_\_\_ DATE \_\_\_\_\_

Final \_\_\_\_\_ DATE \_\_\_\_\_

PROOFED \_\_\_\_\_ DELIVERED \_\_\_\_\_

SPECIAL INSTRUCTIONS TO TYPIST/PROOFREADER

DRAFT

FINAL

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SB 287

Testimony by the Division of Insurance  
Before the Senate Judiciary Committee  
April 13, 1981

SB 287 would require mandatory automobile insurance for every automobile registered in Alaska. The bill has a number of problems that tend to make the specific proposal unpalatable. Some of these features can be corrected and we will suggest amendments where possible.

Compulsory or mandatory automobile insurance laws have not generally worked. The usual intent is to reduce or eliminate the uninsured driving population. Unfortunately they tend to be administrative nightmares with heavy burdens placed on law enforcement agencies. The original compulsory law states are New York, North Carolina and Massachusetts and those states are purported to have high uninsured motorist populations.

Compulsory automobile insurance laws have been viewed as a means to reduce rates for automobile insurance but that has not been the experience in those states adopting a compulsory law. In fact, typically, the rate levels are higher in states with a compulsory law.

On page 2, lines 9-19, provide that on an owner's policy, every person using the insured vehicle with the express or implied permission of the named insured is covered under this policy. This will result in situations where persons with good driving records will have to bear rates applicable to a person covered under the policy with a bad record, even in cases where that person may have their own car. Presently such persons can be excluded. An example would be where a licensed young driver with adverse driving record cannot be excluded on his parents' policy, resulting in a rate that reflects the young driver as a potential exposure. Another example that frequently occurs is one where a married couple has separated, and one partner has an adverse record, the other partner with a good record, even though living apart, is rated according to the record of the adverse record because the policy automatically insures the spouse even though only one name appears on the policy.

One possible answer to a situation like this would be to permit exclusionary endorsements under certain conditions, such as the owning and insuring of a vehicle by the excluded driver or the securing of an operator's policy by the excluded driver. This could be done by adding a new subsection on page 2, between lines 26 and 27 to read:

"Notwithstanding (b) of this section, an owner's policy of liability insurance may exclude or void coverage for a named operator provided that the named operator maintains an owner's or operator's policy of liability insurance."

On page 3, lines 15 and 19, provide that the insurance company has absolute liability whenever injury or damage covered by the policy occurs. We believe that the proposed bill is looking for a no-exclusion liability coverage that must pay given a legal obligation of the covered

person to pay. Unfortunately for the concept, exclusions in an automobile policy exist for valid reasons. Removal of the exclusions would result in a product that must be priced substantially higher than it is now. Under an automobile policy, coverage is not provided:

1. For any person who intentionally causes bodily injury or property damage.
2. For any person for damage to property owned or being transported by that person.
3. For any person for damage to property rented to, used by, or in the care of that person. This exclusion does not apply to damage to a residence or private garage. It also does not apply to damage to any of the following type vehicles not owned by or furnished or available for the regular use of you or any family member.
  - a. private passenger autos;
  - b. trailers; or
  - c. pick-up, sedan delivery or panel trucks.
4. For any person for bodily injury to an employee of that person during the course of employment. This exclusion does not apply to bodily injury to a domestic employee unless workers' or workmen's compensation benefits are required or available for that domestic employee.
5. For any person's liability arising out of the ownership or operation of a vehicle while it is being used to carry persons or property for a fee. This exclusion does not apply to a share-the-expense car pool.
6. For any person while employed or otherwise engaged in the business or occupation of selling, repairing, servicing, storing or parking of vehicles designed for use mainly on public highways, including road testing and delivery. This exclusion does not apply to the ownership, maintenance or use of your covered auto by you, any family member, or any partner, agent or employee of you or any family member.
7. For any person maintaining or using any vehicle while that person is employed or otherwise engaged in any business or occupation not described in Exclusion 6. This exclusion does not apply to the maintenance or use of a private passenger type auto. It also does not apply to the maintenance or use of a pick-up, sedan delivery or panel truck that you own.
8. For the ownership, maintenance or use of a motorcycle or any other self-propelled vehicle having less than four wheels.
9. For the ownership, maintenance or use of any vehicle, other than your covered auto, which is owned by you or furnished or available for your regular use.

10. For the ownership, maintenance or use of any vehicle, other than your covered auto, which is owned by or furnished or available for the regular use of any family member. However, this exclusion does not apply to you.
11. For any person using a vehicle without a reasonable belief that the person is entitled to do so.
12. For any person for bodily injury or property damage for which that person is an insured under a nuclear energy liability policy would be an insured but for its termination upon exhaustion of its limit of liability. A nuclear energy liability policy is a policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters, Nuclear Insurance Association of Canada, or any of their successors.

We suggest that lines 15 through 19 on page 3 be deleted or restructured to clearly define intent.

The language on page 3, line 27, adds the written application as part of the contract, which is not now the case. This action in itself is not particularly objectionable though not without its problems. It does appear to conflict a bit with the intent apparent in Section(f)(1) which appears to aim at a no-exclusion policy. The only reason to make the application a part of the contract is to use it as evidence of a misrepresentation by the insured and potentially to void coverage. It just seems to be an inconsistency.

If our suggestion made concerning endorsements voiding coverage for certain persons is adopted, then lines 13 and 14 on page 4 should be modified by adding language to reflect that a policy is not proratable with the policy of a person excluded from coverage. The section should be reworded to read:

"Except with respect to a motor vehicle liability policy issued to a person excluded from coverage pursuant to ( ) of this section, a motor vehicle liability policy may provide for proration of the insurance with other valid and collectible insurance."

Section 28.10.012(1) is silent as to the timing of a cancellation notice to the Department of Public Safety. We would suggest that a reasonable amount of time be allowed for the State to receive and act on the notice before actual cancellation can take place.

The division annually prepares a statistical analysis of the private passenger automobile insurance market which includes marketshare, results and rating examples by geographic area. Exhibit V of that document has been recently updated with better information available. This is set forth in Commissioner Webber's March 26, 1981 letter to Representative Buchholdt.

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH D

JUNEAU, ALASKA 99811

Phone: 465-2500

March 26, 1981

Honorable Thelma Buchholdt  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

Dear Ms. Buchholdt:

Re: Motorists Insured in Alaska

Thank you for your request through the Division of Insurance for an analysis of the number of persons carrying automobile insurance in Alaska. This is a number that cannot be reached with any precision. The Division of Insurance does not maintain, require or request such statistics and is not in a position to need such statistics.

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 driving 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.

The following chart is the result of this compilation of data through the latest year for which data is available:

### INSURED PRIVATE PASSENGER AUTOMOBILE DATA

(1)	(2)	(3)	(4)	(5)
YEAR	REGISTERED AUTOS	INSURED CAR YEARS	% INSURED	% UNINSURED
1975	199,536	117,355	58.8	41.2
1976	221,386	120,964	54.6	45.4
1977	226,329	121,635	53.7	46.3
1978	232,425	123,581	53.2	46.8
1979	219,227	132,391	60.4	39.6

March 26, 1981

- (1) This column is on a calendar year basis.
- (2) The number of registered automobiles were obtained from the Division of Planning and Research in the Department of Transportation and Public Facilities. The number of auto registrations derive 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 non-fleet 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 a year.

$$(4) = (3) \div (2).$$

$$(5) = 100\% - (4).$$

The foregoing data 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 name automatically. The units of exposure, as far as the insurer is concerned, the number of vehicles not the number of potential operators.

If we can be of further assistance, please let me or the Division of Insurance know.

Very truly yours,

Charles R. Webber  
Commissioner



*Don K*

# State Farm Insurance Companies

March 31, 1981

One State Farm Plaza  
Bloomington, Illinois 61701

John J. Gordon  
Associate Counsel  
Phone: 662-6027

Kenneth Moore  
Director of Insurance  
Pouch "D"  
Juneau, AK 99811

APR 6 11 07 AM '81  
ALASKA DEPARTMENT OF  
COMMERCIAL DEVELOPMENT

Dear Director Moore:

As you are aware, SB-287 and HB-346 have been introduced in the Alaska legislature. Both bills are compulsory liability bills and similar in substance.

Mr. Robert J. Rowan, Director of the Division of Motor Vehicles, in Anchorage asked for information which was supplied by Robert H. Fitch, Secretary to the Insurance Industry Committee on Motor Vehicle Administration. With Bob Fitch's permission, a copy is enclosed, together with two enclosures, one prepared by our company.

You can appreciate our opposition to this type of compulsory legislation, and we are confident that you recognize the potential problems resulting from compulsory liability legislation, and would testify accordingly if asked on the wisdom of passing this type of legislation.

Any help that you could provide would be greatly appreciated.

Sincerely,

*John J. Gordon*  
John J. Gordon  
Associate Counsel

j1  
encl.



INSURANCE INDUSTRY COMMITTEE ON MOTOR VEHICLE ADMINISTRATION  
 20 North Wacker Drive, Chicago, Illinois 60606

Roy L. Born, Chairman  
 (312) 291-5918

David R. Anderson, Vice Chairman  
 (312) 558-3759

Robert H. Fitch, Secretary  
 (309) 662-2539

Clayton P. Sturgeon, Consultant, P.O. Box 946, Bloomington, Illinois 61701 (309) 662-1972

March 27, 1981

Mr. Robert J. Rowan, Director  
 Division of Motor Vehicles  
 P. O. Box 960  
 Anchorage, Alaska 99510

RECEIVED  
 DIVISION OF MOTOR VEHICLES  
 APR 6 11 07 AM '81  
 COMMUNICATIONS DEVELOPMENT

Dear Mr. Rowan,

I have reviewed Senate Bill 287 and House Bill 346 and would like to make the following observations.

Both bills are very similar in content, the principal difference being that HB 346 provides for an ID card and further provides for penalties for violation of the law. Otherwise, my comments relate to both bills equally.

First, automobile insurance is made compulsory. A car owner must provide satisfactory evidence to the department of the existence of a motor vehicle liability policy as defined in Section 28.10.012. A very disturbing provision in that definition is contained in subsection (f):

- (1) The liability of the insurance carrier becomes absolute whenever injury or damage covered by the policy occurs. The policy may not be cancelled or annulled as to this liability after the occurrence of the injury or damage. No statement made by the insured or on his behalf and no violation of the policy defeats or voids the policy.

This provision in effect causes all auto liability policies to be certified - everything but the SR 22 itself. Experience in states that have adopted compulsory insurance shows that compulsory usually results in increased insurance rates. Providing for certified coverage creates even greater pressures on rates. Generally, a certified policy wherein all normal policy defenses are voided can be expected to cost at least 10 per cent more than an ordinary policy. When "no violation of the policy defeats or voids the policy" it is possible a car owner might be responsible through his insurance company for damage caused by his car while it is in the possession of a car thief.

Aetna Insurance Company  
 Allstate Insurance Company  
 The Home Insurance Company  
 J.C. Penney Casualty Insurance Company  
 Liberty Mutual Insurance Company  
 Lumbermens Mutual Casualty Company

MFA Mutual Insurance Company  
 Nationwide Mutual Insurance Company  
 Royal-Globe Insurance Company  
 Sentry Insurance Group  
 State Farm Mutual Automobile Insurance Company

Alliance of American Insurers  
 American Insurance Association  
 National Association of Independent Insurers  
 Insurance Services Office  
 American Association of Motor Vehicle Administrators

Subsection (1) says:

"The insurance carrier shall provide notice to the department of the termination of a policy issued under (a) of this section."

I am sure you are fully aware of the flood of termination notices your department will receive, particularly if "termination" is interpreted to include expirations. The inclusion of all types of terminations not only causes a heavy labor burden for the department but also needlessly harasses the vast majority of car owners who voluntarily carry insurance. It is not uncommon for people to be late in paying premiums or to change insurance companies. Handling a high volume of termination notices through the necessary contacts with car owners and the resulting activities required of the department will be extremely expensive for the state and will result in a lot of hard feeling on the part of law abiding citizens.

Section 2AS2810.011 requires a registrant to provide evidence satisfactory to the department of the existence of an insurance policy. Details are not spelled out. Therefore, it appears the department could establish the procedure. If compulsory insurance is inevitable, experience in other states has shown that simple self-certification is the most cost-effective means of providing evidence.

In terms of cancellation notices, again, experience has indicated that reporting only cancellations occurring within the first six months (not including expirations), is the most effective procedure at the least cost to the department. This goes a long way toward picking up those people who buy insurance only long enough to register a car and then promptly cancel the coverage.

HB 346 provides for an ID card. This is no problem for the companies, almost all provide cards routinely as part of their service. The problem lies in the belief that an ID card establishes that insurance is in force. The person who cancels his coverage still has an ID card. The only thing an ID card does is to demonstrate that on the day the card was issued a policy was in effect. It does nothing more.

This is the whole problem with compulsory and is indicative as to why compulsory insurance simply does not work. Generally, more than 80 per cent of the people in a state voluntarily carry insurance. The hard core remainder will never continuously maintain coverage in force no matter what the law says. We believe a far more effective approach at much less expense and trouble for the average citizen is a well-administered financial responsibility law which includes provision for uninsured motorists coverage available with excess limits. In every state starting with Massachusetts, New York, and North Carolina, more than 20 years ago, compulsory insurance has failed to solve the uninsured driver problem.

Mr. Robert J. Rowan

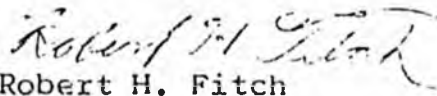
-3-

March 27, 1981

Attached is a set of the "Guidelines for the Enforcement of Compulsory Automobile Insurance by State Regulatory Authorities" published by the Insurance Industry Committee on Motor Vehicle Administration. If compulsory is inevitable, the Guidelines contain some ideas of what a law should contain.

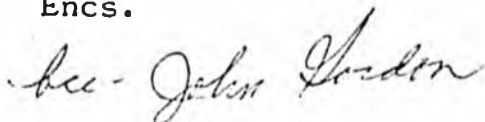
You may also find of interest the attached brochure prepared by State Farm.

Very truly yours,



Robert H. Fitch

RHF:lf  
Encs.





# INSURANCE INDUSTRY COMMITTEE ON MOTOR VEHICLE ADMINISTRATION

20 North Wacker Drive, Chicago, Illinois 60606

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Roy L. Born, Vice Chairman  
(312) 291-5918

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## Guidelines for the Enforcement of Compulsory Automobile Insurance by State Regulatory Authorities

The Insurance Industry Committee on Motor Vehicle Administration (IICMVA) recognizes from past experience that no system of enforcement can achieve total compliance at all times by every motor vehicle registrant with the requirements of a compulsory automobile insurance law. Past attempts by the state regulatory authorities to enforce such all-inclusive compliance have proven to be exercises in futility.

Just as it is impossible at any point in time to guarantee that every motorist on the road is properly licensed, or that every motor vehicle is legally registered, so is it impossible to guarantee that every motor vehicle subject to a compulsory law is properly insured. Any system attempting to accomplish such all-inclusive compliance must be reckoned with in light of the law of diminishing returns. Such a system invariably attempts to track down the uninsured minority by keeping tabs on the insured majority, the returns of which do not justify the attendant administrative difficulties and expenses involved. An inevitable side effect of such a system is that the insured public becomes unnecessarily harassed.

The burden of compliance with the insurance requirements of a motor vehicle law should be directed at the uninsured registrant, backed up with an effective program of enforcement that does not harass the law-abiding citizens or otherwise involve the state regulatory authorities and insurance industry in administratively expensive, ineffective, and time-consuming reams of paper work.

The IICMVA further believes that in the security section of a compulsory law a general provision should be included by which the state regulatory authorities are empowered to promulgate whatever rules and regulations or administrative guidelines are necessary to enforce the intent of the law. This would permit flexibility in revising a system of enforcement, as experience dictates, without resorting to amendatory legislation.

As encountered in several states, specific enforcement procedures embodied in statutory provisions have not properly taken into account either the administrative difficulties involved or whether the regulatory authorities were equipped or even given sufficient funds to carry them out. As experience has proven, these difficulties can be avoided under a general enforcement provision which will enable the regulatory authorities to work out appropriate initial enforcement procedures, including any changes subsequently needed to fit changing circumstances, with the assistance made available by the IICMVA.

It has become apparent to the IICMVA that the Financial Responsibility Law is a beneficial part of the enforcement procedure. Many states have continued these FR Laws when compulsory or no-fault laws were passed, but some have not. The committee's views regarding the FR Laws are set forth ahead of the guidelines because these laws are the basis of an effective, reasonable enforcement program.

Allstate Insurance Company  
The Home Insurance Company  
J.C. Penney Casualty Insurance Company  
Liberty Mutual Insurance Company  
Lumbermens Mutual Casualty Company

MFA Mutual Insurance Company  
Nationwide Mutual Insurance Company  
Royal-Globe Insurance Company  
Sentry Insurance Group  
State Farm Mutual Automobile  
Insurance Company

Alliance of American Insurers  
American Insurance Association  
National Association of Independent Insurers  
Insurance Services Office  
American Association of Motor Vehicle Administrators

With the foregoing understood as the IICMVA's position in general regarding the enforcement of insurance requirements under motor vehicle laws, below is a list of recommended guidelines deemed desirable. These guidelines involve enforcement procedures relating to Evidence of Insurance, Verification of Insurance, and Termination of Insurance. As an additional matter that may be affected by whatever enforcement procedures are eventually adopted, a general guideline concerning Evidence of Mailing is also set out.

Regarding basic priorities in terms of the need for enforcement and its economical implementation, it is recommended that the Self-certification described under Evidence of Insurance be established as a minimum requirement for the enforcement procedures of a compulsory law. Should additional enforcement procedures be considered, it is recommended that Self-certification be combined with the Random Verification described under Verification of Insurance.

Following each of the guidelines are certain procedures which, deemed especially undesirable, should be discouraged. Experience has proven them to be generative in one or more respects of unnecessary public harassment, regulatory difficulties, and administrative expense. In the process, enforcement efforts and funds are dissipated on the insured majority of registrants who are in compliance with the law, rather than being concentrated more effectively on identifying the uninsured minority of registrants attempting to circumvent the law.

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#### FINANCIAL RESPONSIBILITY LAWS

Upon the enactment of a compulsory automobile insurance law, the existing provisions of a Financial Responsibility Law regarding both security and financial responsibility for the future should be continued in effect. The procedures already established to enforce the requirements of these provisions will then serve to supplement whatever procedures--if any--are promulgated to enforce the compulsory law.

It should be noted that the number and types of motorists affected are not the same under both types of laws. Whereas a compulsory law is indiscriminate in application to motorists in general, the Financial Responsibility Law is selective in that it affects only certain motorists--those who have been involved in reportable accidents or convicted of traffic violations. Consequently, with the Financial Responsibility Law remaining in effect, the burden of compliance with the compulsory law can and should be more stringently imposed and enforced upon at least the motorists involved in accidents or otherwise convicted for violations.

Such motorists may not even be subject to the compulsory law. It then becomes of even greater importance for the Financial Responsibility Law to continue in effect. This is so that the traffic victims can be better protected from the financial loss caused by drivers, vehicle owners and nonowners alike, who are not only careless but also financially irresponsible.

EVIDENCE OF INSURANCE

Desirable - The registrant of a motor vehicle subject to the requirements of a compulsory automobile insurance law can be ordered to indicate compliance upon registration of the vehicle.

1. Self-Certification. A statement of self-certification by the registrant for an initial or renewal registration, indicating that he has and will maintain the insurance required by law throughout the period of registration, the violation of which will subject him to specified penalties. Also to be shown are the name of insurance company and policy number involved.

It is recommended that effective penalties be imposed for false certification.

It is also recommended that self-certification be established as a minimum requirement for the enforcement of a compulsory law, with such self-certification to serve as the foundation upon which to build any additional enforcement procedures that may be contemplated.

2. ID Cards. A requirement that insurance companies provide policyholders a nonprescribed insurance identification card as an aid for the insured in completing his statement of self-certification upon registration.

If ID cards are to be prescribed in format and specifications, they should be issued on a permanent noncertified basis, valid so long as the policy remains in effect and the required data remains the same.

Undesirable - Certificates of Insurance, prescribed ID cards and insurance stickers should be discouraged as having no bearing on whether or not the insurance indicated is in effect, or otherwise has been and will be maintained throughout the period of registration. Routine cancellations by the registrant and submissions of fraudulent certificates and ID cards can be expected.

1. Certificates of Insurance. To be issued by the insurance company for submission by the insured upon registration. This inevitably generates a multiplicity of other certificates involving further communication between the public, the industry, and the regulatory authorities in a futile attempt to identify the uninsured registrant.
2. Prescribed ID Cards. To be provided upon the initial issuance of a policy and every renewal thereof. Because of the frequency in which payments of renewal premiums are delayed, requiring the issuance of prescribed ID cards is especially conducive to public harassment.
- \* 3. Insurance Stickers. To be provided by mass mailing to all existing policyholders, on all newly issued policies, and annually thereafter.

Presence of a sticker on a vehicle supposedly means that the vehicle was insured at the time the sticker was issued. However, the sticker may have been fraudulently issued, may be a duplicate of a legitimate sticker or may have been placed on the wrong vehicle. Replacement of the sticker on an annual basis is a nuisance to all of the honest, law-abiding citizens, and is costly to the companies. Once a sticker is placed on a vehicle, the owner can get by without keeping his insurance in force.

### VERIFICATION OF INSURANCE

Desirable - Should additional enforcement procedures be considered with self-certification established as a prerequisite to the registration of a motor vehicle, it is recommended that priority be given to a procedure for random verification of the insurance certified by registrants.

Random Verification - Negative Basis. Statement of self-certification selected at random by the regulatory authorities for verification on a negative basis by the insurance companies involved. The negative basis of verification requires a response from the company regarding only the self-certifications which, based on the company name and policy number provided, indicates falsification. On this basis, enforcement efforts and attendant administrative expenses are further concentrated on the uninsured minority of registrants who are in violation of the law.

Additional verification may be conducted in connection with accidents, moving traffic violations, and road spot checks. In such instances, however, the name of the insurance company and policy number involved must be provided as required for the random verifications pursuant to registration.

Undesirable - Verification procedures entailing correspondence that also involves the insured majority of registrants should be avoided to the extent possible. They are wasteful of the attendant administrative expenses that otherwise could be more efficiently applied in identifying the uninsured registrant.

Positive Verification. A procedure which dissipates enforcement efforts by requiring the handling of responsive correspondence not only in negation of the uninsured minority of registrants, but also in positive verification of the majority of insured registrants.

### TERMINATION OF INSURANCE

Desirable - If the regulatory authorities are to require insurance companies to notify them whenever an automobile policy is terminated, it is recommended that this requirement be qualified by making it apply only to bona fide terminations involving registrants newly insured by a company. Regulatory authorities will thereby avoid the futility of expending enforcement efforts on the many registrants who, although apparently terminated, have continued to maintain the required insurance in effect. Such registrants are frequently found either to have delayed their payment of premium or, in the case of reliable insureds, changed insurance companies.

Limited Notice of Termination. Any requirement of companies to file a notice of termination with the regulatory authorities should be qualified to effect only those cancellations or terminations that are firmed up and take place within a limited period of time following issuance of the original policy. "Firmed up" means when the policy will not be reinstated to maintain coverage continuously in force.

Undesirable - To be discouraged is any unqualified requirement of companies to file with the authorities a notice of termination in disregard of commonly encountered circumstances that render the notice unnecessary. Such unrestricted notice should not be required when an insured is possibly dilatory in the payment of premium. Neither should it be required when an insured can be sufficiently relied upon to continue in effect the insurance he is required to have.

Unqualified Notice of Termination. A notice which is required to be filed on an unqualified basis, irrespective of whether or not the insured apparently being terminated is or will in fact be terminated. Affected by this type of notice are numerous embryonic situations which do not develop into effective terminations. Frequently involved are reliable insureds who, having kept their policies in effect with the company beyond a certain period of time, continue to remain insured without lapse of coverage. This is accomplished with either a delayed payment of premium or a change of insurance companies.

Prematurity is the most undesirable aspect of an unqualified notice which is not firmed up, but instead is required to be filed in advance of or immediately upon the indicated date of cancellation or termination. Such notices are very frequently invalidated by a belated payment of premium, as a result of which the policy in question is continued in force rather than terminated according to the premature notice.

Invariably involved with the filing of unqualified notices of termination is not only a waste of administrative expense but also, more significantly, the subsequent enforcement efforts which result in needless harassment of the public who are insured in compliance with the law.

#### EVIDENCE OF MAILING

Desirable - Should the insurance companies or regulatory authorities be required to show evidence of having mailed any documents required for the administration of a compulsory insurance law, it is recommended that the procedure currently established by them be recognized on the basis of their own merits.

Certificate of Mailing. If some uniform evidence of mailing is to be required, it is recommended that this be the U. S. Postal Service Certificate of Mailing, PS Form 3817.

Undesirable - Any required change in currently established mailing procedures should be discouraged as disruptive of procedures having been tested in court and continuing to be used successfully for the purposes intended.

Certified or Registered Mail. To be especially avoided because of the administrative expenses entailed is any requirement that mail be processed by certified or registered mail.

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The above guidelines are not intended to be descriptive of all the ramifications that may be involved with the enforcement of a particular compulsory law. Feasible

enforcement procedures depend on a variety of factors, some of which may be unique to a particular state. To be considered in any event, however, are not only the resources and facilities available to the regulatory authorities, but also the capability of insurance companies to comply with whatever procedures are contemplated.

Consequently, it is recommended that appropriate procedures and details involved be worked out in consultation with the IICMVA. To be of assistance in this regard, a mutually convenient meeting with representatives of the IICMVA can be arranged upon request.

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Guidelines originally issued February 20, 1974.

Additions to the Guidelines on March 27, 1979 indicated by asterisk (\*).

# Insurance **BACKGROUND**

*Background information on insurance topics for the news media  
Published by the Public Relations Department of the State Farm Insurance Companies  
One State Farm Plaza, Bloomington, Illinois 61701 . . . Phone (309) 662-2625*

## **Should Auto Liability Insurance Be Required By Law?**

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

Stories about uninsured drivers usually bring expressions of outrage from listeners, along with comments like: "There oughta be a law!" In several states there are laws that make it a crime to drive without liability insurance. This type of law has been on the books more than 50 years in Massachusetts and more than 20 years in New York and North Carolina. Whether these laws are in the best interest of the public, however, is a subject of great controversy.

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

### **Historical Background**

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

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

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

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

Today 24 states have compulsory liability insurance laws and one state, Florida, requires personal injury protection (no-fault) coverage without requiring liability coverage. Most of these laws were passed in the 1970s as part of some type of no-fault package; many legal authorities believed no-fault laws would have a stronger constitutional footing if they compelled motorists to buy auto insurance.

#### How Are Compulsory Insurance Laws Designed to Operate?

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

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

But either system causes problems. Even though a motorist has liability insurance when he gets his license plates, he can still drop the coverage later. In an attempt to prevent this, some compulsory laws require insurance companies to send a notice to state regulatory authorities when a policy is cancelled or not renewed. The state then sends a notice to the motorist asking for an explanation of the cancellation. If the motorist doesn't respond within the required time, the state

sends a notice suspending his license after a certain date. Failure of the motorist to respond by the effective date causes his license tags to be subject to seizure by any police officer. In theory, a state police officer will be sent to pick up the tags. In practice, because of manpower shortages, tags are seized in most states only when the motorist commits other traffic offenses that bring him to the attention of the police.

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

#### **Arguments For Compulsory Insurance Laws**

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

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

#### **Arguments Against Compulsory Insurance Laws**

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

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

#### **Compulsory Laws Don't Work**

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

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

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

Massachusetts, the first state to enact a compulsory insurance law, watched its auto insurance rates climb until they became the highest in the nation. In 1968, Gov. John Volpe told the Massachusetts legislature that "the people of the commonwealth have lost confidence in our compulsory automobile insurance system." After 53 years of compulsory insurance, the number of uninsured vehicles in Massachusetts still presents a serious problem.

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

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

Even in North Carolina, the state regarded by many observers to have done the most effective job of enforcing compulsory liability insurance, many vehicles are still uninsured after 23 years of well financed and highly sophisticated enforcement efforts.

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

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

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

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

#### Compulsory Laws Are Costly

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

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

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

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

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

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

#### Higher Rates For Responsible Drivers

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

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

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

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

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

A study by the University of Michigan found that the number of claims jumped 23 percent in New York and 35 percent in North Carolina in the first years after their compulsory insurance systems went into effect. These increases were well above the estimated rise in the number of insured drivers.

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

#### Alternatives to Compulsory Insurance

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

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

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

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

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

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

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

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

In states with no-fault laws, personal injury protection coverage is provided to all insured drivers. This coverage reimburses policyholders for their own medical expenses and lost wages without regard to fault. In states without no-fault laws, medical payments coverage is available with limits up to \$25,000. A loss-of-income coverage is also available from auto insurers.

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

#### Conclusion

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

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

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

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

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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

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 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

Table 2  
Distribution of Drivers by Sex

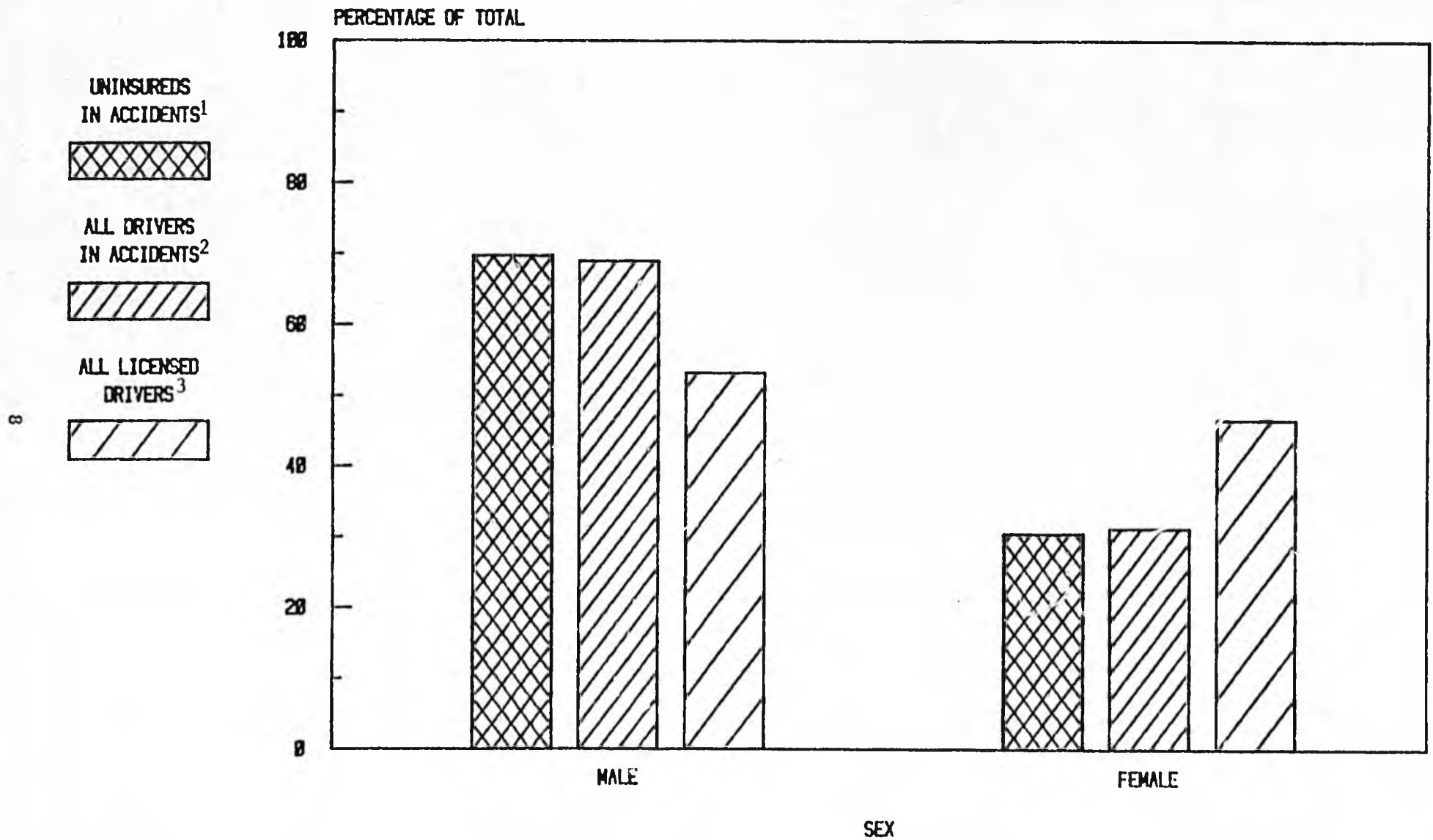
Sex	Percentage of Drivers <sup>1</sup>								Percentage of Drivers in Accidents <sup>2</sup> n=31,500,000
	CA n=1,024 (n=15,020,183)	FL n=2,165 (n=6,868,333)	LA n=778 (n=2,258,857)	NC n=51 (n=3,599,341)	OR n=440 (n=1,827,036)	VA n=772 (n=3,259,131)	WV n=906 (n=1,422,975)	7 States Combined n=6,136 (n=34,255,856)	
Male	66.6% (53.2)	69.8% (54.1)	63.4% (53.6)	80.4% (52.4)	73.4% (54.0)	73.7% (50.9)	74.3% (57.2)	69.5% (53.3)	68.9%
Female	33.4 (46.8)	30.2 (45.9)	36.6 (46.4)	19.6 (47.6)	26.6 (46.0)	26.3 (49.1)	25.7 (42.8)	30.5 (46.7)	31.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>1</sup>The first percentage shown is the percentage of uninsured motorists in accidents reported to state motor vehicle departments during a one-month period. The second (in parentheses) is the percentage of all licensed drivers as of 1978 (Source: Highway Statistics, 1978, pp. 35-40.)

<sup>2</sup>Source: Accident Facts-1979 Edition, p. 54 (based on reports from 24 state traffic authorities).

Figure 1

# DISTRIBUTION OF DRIVERS BY SEX



<sup>1</sup>Uninsured motorists in accidents reported to seven state motor vehicle departments during a one-month period.

<sup>2</sup>Source: Accidents Facts-1979 Edition, p. 54 (based on reports from 24 state traffic authorities).

<sup>3</sup>Source: Highway Statistics, 1978, pp. 35-40 (seven states combined).

Table 3  
Distribution of Drivers by Age

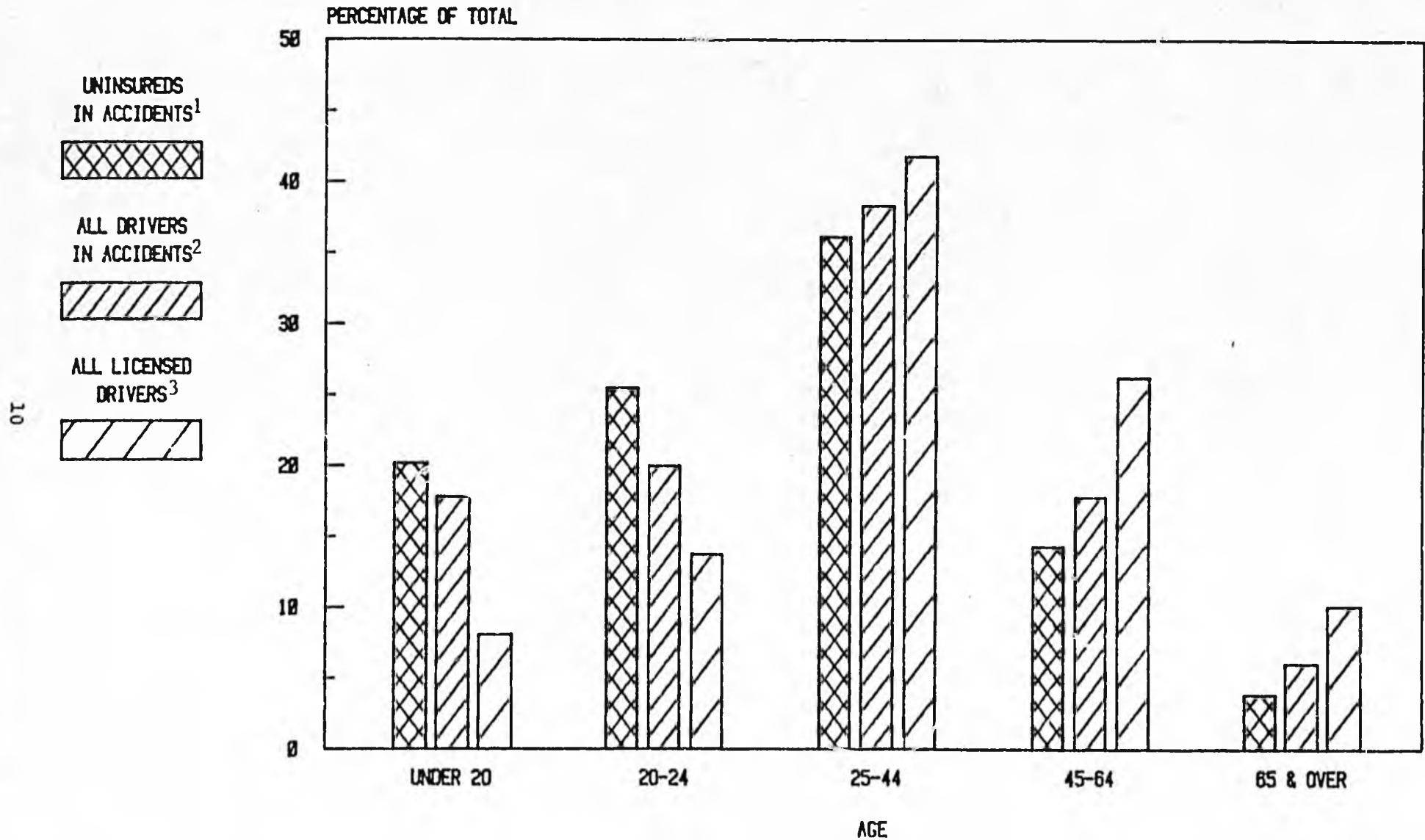
Age	Percentage of Drivers <sup>1</sup>							7 States Combined n=5,979 (n=34,255,856)	Percentage of Drivers in Accidents <sup>2</sup> n=31,500,000
	CA n=1,009 (15,020,183)	FL n=2,121 (n=6,868,333)	LA n=769 (n=2,258,857)	NC n=49 (n=3,599,341)	OR n=409 (n=1,827,036)	VA n=761 (n=3,259,111)	WV n=861 (n=1,422,975)		
Under 20	14.7% ( 7.3)	23.7% ( 7.6)	19.2% (11.2)	16.3% ( 9.5)	21.5% ( 7.6)	20.6% ( 8.5)	17.8% ( 8.6)	20.1% ( 8.0)	17.8%
20 - 24	26.6 (13.9)	22.6 (12.3)	19.5 (15.0)	16.3 (14.7)	33.5 (13.8)	32.7 (14.1)	26.9 (13.3)	25.5 (13.7)	20.0
25 - 44	40.5 (43.1)	32.6 (38.5)	37.1 (40.2)	44.9 (42.2)	37.2 (42.0)	35.2 (43.3)	39.1 (41.2)	36.2 (41.8)	38.4
45 - 64	15.2 (26.5)	15.6 (26.7)	19.2 (25.4)	22.4 (25.8)	5.9 (25.4)	10.1 (26.0)	13.6 (27.1)	14.4 (26.3)	17.8
65 & over	3.1 ( 9.1)	5.4 (14.8)	4.9 ( 8.2)	- ( 8.2)	2.0 (11.2)	1.3 ( 8.1)	2.6 ( 9.7)	3.8 (10.1)	6.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>1</sup>The first percentage shown is the percentage of uninsured motorists in accidents reported to state motor vehicle departments during a one-month period. The second (in parentheses) is the percentage of all licensed drivers as of 1978 (Source: Highway Statistics, 1978, pp. 35-40.)

<sup>2</sup>Source: Accident Facts-1979 Edition, p. 54 (based on reports from 24 state traffic authorities).

Figure 2

# DISTRIBUTION OF DRIVERS BY AGE



<sup>1</sup>Uninsured motorists in accidents reported to seven state motor vehicle departments during a one-month period.

<sup>2</sup>Source: Accidents Facts-1979 Edition, p. 54 (based on reports from 24 state traffic authorities).

<sup>3</sup>Source: Highway Statistics, 1978, pp. 35-40 (seven states combined).

Table 4

## Distribution of Drivers by Sex and Age

Sex and Age	Percentage of Drivers <sup>1</sup>							
	State							
	CA n=998 (15,020,183)	FL n=2,118 (n=6,868,333)	LA n=769 (n=2,258,857)	NC n=49 (n=3,599,341)	OR n=408 (n=1,827,036)	VA n=769 (n=3,259,111)	WV n=861 (n=1,422,975)	7 States Combined n=5,693 (n=34,255,856)
Male								
Under 20	10.0% ( 4.0)	17.3% ( 4.1)	11.8% ( 6.1)	14.3% ( 5.1)	16.2% ( 4.2)	14.2% ( 4.4)	13.5% ( 4.8)	14.3% ( 4.3)
20 - 24	18.7 ( 7.5)	16.7 ( 6.7)	14.2 ( 7.9)	14.3 ( 7.4)	24.3 ( 7.0)	24.9 ( 7.0)	20.3 ( 7.3)	18.8 ( 7.3)
25 - 44	25.2 (22.8)	21.7 (21.0)	22.6 (21.3)	34.7 (21.5)	27.5 (22.5)	25.3 (21.0)	27.5 (22.9)	24.2 (22.0)
45 - 64	10.3 (13.9)	10.2 (14.0)	11.6 (13.6)	16.3 (13.6)	4.2 (13.5)	8.0 (13.7)	10.7 (15.8)	9.8 (13.9)
65 and over	2.1 ( 5.0)	3.7 ( 8.4)	3.1 ( 4.9)	- ( 4.8)	1.5 ( 6.4)	1.3 ( 4.8)	2.2 ( 6.4)	2.7 ( 5.8)
Total Males	66.3	69.6	63.3	79.6	73.5	73.7	74.2	69.8

(Continued-)

<sup>1</sup>The first percentage shown is the percentage of uninsured motorists in accidents reported to state motor vehicle departments during a one-month period. The second (in parentheses) is the percentage of all licensed drivers as of 1978 (Source: Highway Statistics, 1978, pp. 35-40.)

Table 4 (Continued-)

## Distribution of Drivers by Sex and Age

Sex and Age	Percentage of Drivers <sup>1</sup>							
	State							
	CA n=998 (15,020,183)	FL n=2,118 (n=6,868,333)	LA n=769 (n=2,258,857)	NC n=49 (n=3,599,341)	OR n=408 (n=1,827,036)	VA n=769 (n=3,259,111)	WV n=861 (n=1,422,975)	7 States Combined n=5,693 (n=34,255,856)
Female								
Under 20	4.8% ( 3.4)	6.4% ( 3.5)	7.4% ( 5.1)	2.0% (4.4)	5.4% ( 3.4)	6.3% ( 4.1)	4.3% ( 3.8)	5.8% ( 3.7)
20 - 24	8.1 ( 6.4)	5.9 ( 5.6)	5.3 ( 7.1)	2.0 ( 6.8)	9.1 ( 6.4)	7.9 ( 7.2)	6.6 ( 6.1)	6.7 ( 6.4)
25 - 44	15.1 (20.3)	10.9 (17.6)	14.4 (18.9)	10.2 (20.7)	9.8 (19.5)	10.0 (22.3)	11.6 (18.3)	12.0 (19.8)
45 - 64	4.8 (12.6)	5.4 (12.8)	7.7 (11.8)	6.1 (12.2)	1.7 (11.9)	2.1 (12.2)	2.9 (11.4)	4.6 (12.4)
65 and over	0.8 ( 4.1)	1.8 ( 6.4)	1.8 ( 3.4)	- ( 3.4)	0.5 ( 4.8)	- ( 3.3)	0.3 ( 3.3)	1.1 ( 4.4)
Total Females	33.7	30.4	36.7	20.4	26.5	26.3	25.8	30.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>1</sup>The first percentage shown is the percentage of uninsured motorists in accidents reported to state motor vehicle departments during a one-month period. The second (in parentheses) is the percentage of all licensed drivers as of 1978 (Source: Highway Statistics, 1978, pp. 35-40.).

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.

Table 5

Distribution of Uninsured Motorists by Ownership  
Of the Vehicle Involved in the Accident

Owner of Vehicle Involved in the Accident	Percentage of Uninsured Motorists in Reported Accidents <sup>1</sup>							7 States Combined (n=6,081)
	State							
	CA (n=1,029)	FL (n=2,149)	LA (n=778)	NC (n=51)	OR (n=400)	VA (n=769)	WV (n=905)	
Yes	79.7%	77.2%	56.0%	66.7%	63.0%	58.3%	63.6%	69.5%
No	<u>20.3</u>	<u>22.8</u>	<u>44.0</u>	<u>33.3</u>	<u>37.0</u>	<u>41.7</u>	<u>36.4</u>	<u>30.5</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>1</sup>Uninsured motorists in accidents reported to state motor vehicle departments during a one-month period.

Table 6

Percentage of Uninsured Motorists in Reported Accidents Who Did Not Own  
The Vehicle Involved in the Accident by Age

Age	Number of Uninsured Motorists and Percentage of Uninsured Motorists Who Were Nonowners <sup>1</sup>															
	State											7 States Combined				
	CA		FL		IA		NC		OR		VA		WV			
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Under 20	148	44.6%	499	38.3%	148	71.6%	8	75.0%	81	51.9%	154	63.6%	153	56.9%	1191	50.0%
20 - 24	267	18.7	471	25.1	150	44.0	8	50.0	132	28.8	249	36.5	232	34.9	1509	29.7
25 - 44	407	15.0	686	17.6	285	43.2	22	18.2	139	37.4	268	36.6	336	33.6	2143	26.7
45 - 64	151	13.9	328	13.4	148	29.7	11	27.3	19	26.3	76	30.2	117	27.4	850	20.2
65 and over	31	6.5	118	10.2	38	7.9	-	-	7	14.3	10	50.0	22	13.6	226	11.5
Total	1004	19.9%	2102	23.1%	769	44.5%	49	34.7%	378	36.5%	757	41.6%	860	36.7%	5919	30.6%

<sup>1</sup>Uninsured motorists in accidents reported to state motor vehicle departments during a one-month period.

Table 7

## Distribution of Uninsured Vehicles by Model Year

Model Year	Cumulative Percentage of Uninsured Vehicles in Reported Accidents <sup>1</sup>							7 States Combined (n=5,992)	Cumulative % of Cars In Operation as of December 1978 <sup>2</sup> (n=108,386,000)
	State								
	CA (n=936)	FL (n=2,165)	IA (n=778)	NC (n=50)	OR (n=410)	VA (n=756)	WV (n=897)		
1965 and Prior	14.4%	4.7%	3.1%	16.0%	24.4%	7.1%	5.9%	7.9%	6.9%
1966	20.7	7.3	5.0	18.0	30.0	10.7	9.7	11.5	9.7
1967	26.0	10.8	8.0	20.0	35.1	15.2	13.9	15.6	13.0
1968	33.7	17.5	11.8	32.0	41.5	21.4	19.0	21.8	17.6
1969	42.6	27.0	16.5	46.0	50.2	29.9	26.9	30.2	23.2
1970	50.2	35.2	21.7	56.0	56.1	38.1	36.2	37.9	29.4
1971	59.3	43.2	27.5	68.0	63.9	49.2	45.7	46.4	36.2
1972	68.8	54.0	34.3	76.0	72.2	58.9	56.2	56.1	44.6
1973	77.0	64.9	44.5	84.0	79.5	69.0	67.3	66.2	54.4
1974	83.2	73.2	54.1	94.0	83.9	77.6	73.6	73.8	63.1
1975	86.5	77.3	62.5	96.0	88.5	82.4	78.5	78.6	69.8
1976	91.1	83.4	73.8	96.0	93.4	86.2	85.6	84.9	78.5
1977	95.2	90.3	85.3	98.0	95.9	92.6	92.9	91.5	88.1
1978 - 1979	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1</sup>Uninsured vehicles in accidents reported to state motor vehicle departments during a one-month period.

<sup>2</sup>Source: MMA Motor Vehicle Facts and Figures '79, p. 22 (40) estimated countrywide figures).

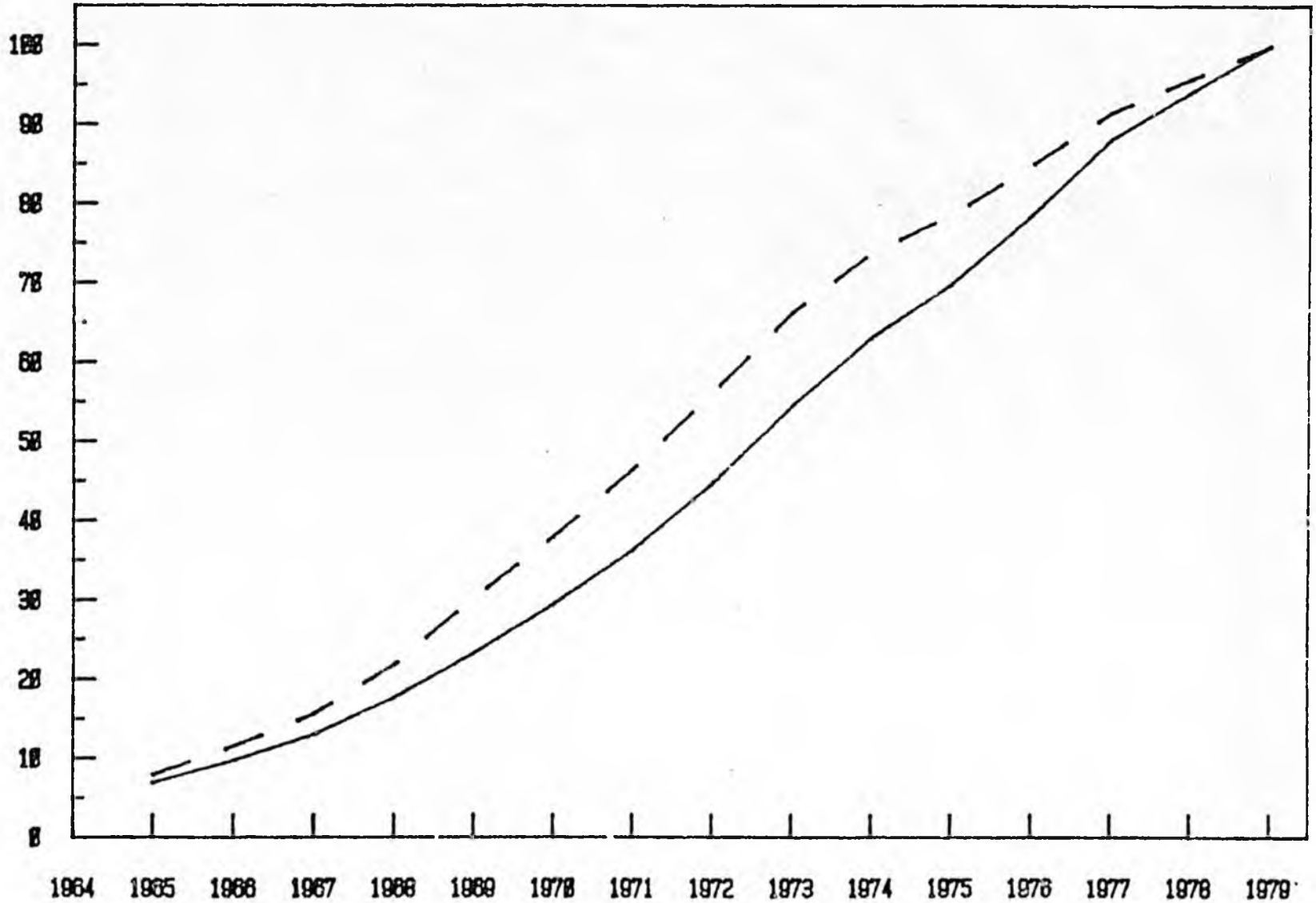
Figure 3

# UNINSURED VEHICLES VS ALL CARS

BY MODEL YEAR

CUMULATIVE PERCENTAGE

UNINSURED  
VEHICLES<sup>1</sup>  
- - - - -  
ALL CARS IN  
OPERATION<sup>2</sup>  
—————



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<sup>1</sup> Source: Uninsured vehicles in accidents reported to state motor vehicle departments in seven states during a one-month period.  
<sup>2</sup> Source: MVMA Motor Vehicle Facts and Figures '79, p. 22, 40 (estimated countrywide figures).

Table 8

## Distribution of Uninsured Vehicles by Make

Make	Percentage of Uninsured Vehicles in Reported Accidents <sup>1</sup>							7 States Combined (n=5,992)	% Cars in Operation/ Registered as of December 1978 <sup>2</sup> (n=108,386,000)
	State								
	CA (n=936)	FL (n=2,165)	LA (n=778)	NC (n=50)	OR (n=410)	VA (n=756)	WV (n=897)		
American Motors	1.1%	2.3%	0.6%	3.9%	1.4%	1.8%	2.9%	1.9%	2.8%
Buick	3.6	5.0	4.8	13.7	3.9	3.8	3.0	4.3	6.5
Cadillac	2.6	3.1	1.5	3.9	1.2	1.3	1.4	2.2	2.7
Chevrolet	20.9	22.4	24.4	21.6	19.3	24.3	25.5	22.9	22.0
Chrysler	1.4	2.1	2.2	3.9	1.2	2.2	1.4	1.9	2.3
Dodge	5.5	6.5	6.6	3.9	5.1	7.3	6.7	6.3	5.3
Ford	20.3	19.2	25.5	15.7	23.4	24.2	25.4	22.0	18.8
Lincoln	0.5	1.3	0.6	2.0	0.5	0.4	0.3	0.8	1.0
Mercury	3.2	3.9	4.5	-	2.9	3.5	2.1	3.4	3.9
Oldsmobile	3.4	6.7	7.3	5.9	4.3	3.0	5.7	5.5	7.1
Plymouth	5.3	4.8	3.1	5.9	8.7	6.0	6.9	5.4	6.1
Pontiac	5.2	8.4	6.2	7.8	5.3	5.3	5.5	6.6	7.0
Miscellaneous <sup>3</sup>	<u>26.8</u>	<u>14.5</u>	<u>12.7</u>	<u>11.8</u>	<u>22.7</u>	<u>17.0</u>	<u>13.1</u>	<u>16.9</u>	<u>14.6</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>1</sup>Uninsured vehicles in accidents reported to state motor vehicle departments during a one-month period.

<sup>2</sup>Source: Automotive News, 1979 Market Data Book Issue, No. 4753, p. 18, 20 (estimated countrywide figures).

<sup>3</sup>Includes imports.

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.

Table 9

Comparison of Residence ZIP Code Characteristics  
For Uninsured Drivers<sup>1</sup> Versus Total Population<sup>2</sup>

- Median 1977 Household Income -

Median Income Of Residence ZIP Code	Cumulative Percentage of Total							
	California		Louisiana		Virginia		West Virginia	
	Uninsured Motorists (n=961)	Population (n=21,541,189)	Uninsured Motorists (n=776)	Population (n=3,774,806)	Uninsured Motorists (n=686)	Population (n=5,079,961)	Uninsured Motorists (n=817)	Population (n=1,831,421)
\$ 1-10,000	7.7%	5.2%	10.2%	14.8%	9.6%	7.6%	12.9%	12.6%
10,001-11,000	15.0	10.2	26.3	28.0	18.2	16.1	35.4	33.4
11,001-12,000	21.1	15.2	50.5	48.3	31.2	34.0	75.4	67.8
12,001-13,000	29.4	22.1	65.8	63.4	49.4	55.4	89.8	87.9
13,001-14,000	44.8	35.7	80.1	76.4	60.5	68.4	95.4	94.5
14,001-15,000	59.4	52.1	88.0	86.9	67.6	73.6	98.1	97.1
15,001-20,000	92.6	88.3	97.9	96.4	87.4	90.6	99.9	100.0
20,001 or more	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1</sup>Uninsured motorists in accidents reported to state motor vehicle departments during a one-month period.

<sup>2</sup>Source: Reuben Donnelly Corporation and National Technical Information Service.

Table 10

Comparison of Residence ZIP Code Characteristics  
For Uninsured Drivers<sup>1</sup> Versus Total Population<sup>2</sup>

- Percentage of Households in 1977 With Length of Residence Less Than Two Years -

% of Households In ZIP Code With Length of Residence Less Than Two Years	Percentage of Total							
	California		Louisiana		Virginia		West Virginia	
	Uninsured		Uninsured		Uninsured		Uninsured	
	Motorists	Population	Motorists	Population	Motorists	Population	Motorists	Population
	(n=956)	(n=21,461,226)	(n=774)	(n=3,767,298)	(n=682)	(n=5,056,214)	(n=816)	(n=1,828,617)
0 - 15%	7.0%	8.0%	11.5%		8.2%	14.0%	4.9%	6.7%
16 - 20	7.4	8.1	13.6	13.2	9.2	13.8	10.3	13.1
21 - 25	15.0	16.1	22.5	20.9	18.2	18.0	20.3	18.9
26 - 30	21.7	22.1	26.4	29.1	18.9	17.7	38.9	35.6
31 - 35	20.3	19.9	11.2	11.4	17.0	13.9	10.4	10.4
36 - 40	13.2	11.9	8.8	8.3	13.9	10.6	6.1	7.1
41 or more	15.5	14.0	6.1	6.5	14.5	12.1	9.1	8.1

<sup>1</sup>Uninsured motorists in accidents reported to state motor vehicle departments during a one-month period.

<sup>2</sup>Source: Ruben Donnelley Corporation and National Technical Information Service.

Table 11

Accidents Involving Uninsured Motorists  
Versus Vehicles Registered in Dade County, Florida

% of Total Uninsured Motorists In Florida Whose Accidents Occurred in Dade County <sup>1</sup>	32.1% (n=2,169)
% of Total Vehicles in Florida Registered in Dade County <sup>2</sup>	14.5% (n=5,190,000)

<sup>1</sup>Uninsured motorists in accidents reported to the state motor vehicle department during a one-month period.

<sup>2</sup>Source: R.L. Polk Company (projected to December 1978).

Table 12

Accidents Involving Uninsured Motorists  
Versus Vehicles Registered in Los Angeles County, California

% of Total Uninsured Motorists In California Whose Accidents Occurred in Los Angeles County <sup>1</sup>	39.4% (n=1,020)
% of Total Vehicles in California Registered in Los Angeles County <sup>2</sup>	31.2% (n=14,469,000)

<sup>1</sup>Uninsured motorists in accidents reported to the state motor vehicle department during a one-month period.

<sup>2</sup>Source: R.L. Polk Company (projected to December 1978).

Table 13

Uninsured Motorists Versus Total Population  
Residing in Los Angeles, California

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% of Total Uninsured Motorists In California Residing in the City of Los Angeles <sup>1</sup>	13.0% (n=961)
% of Total Population in California Residing in the City of Los Angeles <sup>2</sup>	7.9% (n=21,541,474)

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<sup>1</sup>Uninsured motorists in accidents reported to the state motor vehicle department during a one-month period.

<sup>2</sup>Source: National Technical Information Service (as of 1976).

Appendix A

-Survey Form-



Appendix B

Survey Periods/Methods for the Seven States  
Participating in the Study of Uninsured Motorists

Appendix B

Survey Periods/Methods for the Seven States  
That Participated in the Study of Uninsured Motorists

State	Survey Period/Method
California	Accidents that occurred during November 1978
Florida	Reports processed during March 1979
Louisiana	Accidents that occurred during November 1978
North Carolina	Reports for which it was determined during January 1979 that the driver was uninsured
Oregon	Accidents that occurred during May 1979
Virginia	Accidents that occurred during October 1978
West Virginia	Reports processed during November 1978

## LIST OF PUBLICATIONS

### AUTOMOBILE INSURANCE

#### Automobile Injury Compensation

Examines the compensation systems used in the United States. Includes a survey of 42,204 injury-producing accidents involving 53,164 paid claims; a survey of 420 claims of serious injuries valued at \$100,000 or more each; and a consumer panel survey of auto injuries for 60,000 U.S. households.

Volume I: Automobile Injuries and their Compensation in the United States. A79-1, March 1979; xii, 254 pages.

Volume II: Automobile Injuries and their Compensation in the United States. Statistical tables supportive of the three surveys covered in Volume I. A79-1, March 1979, vi, 409 pages.

Both volumes are available at a cost of \$15.00 per set from the Research Department of the Alliance of American Insurers, 20 North Wacker Drive, Chicago, Illinois 60606, which agreed to distribute it on behalf of AIRAC. Please make checks payable to All-Industry Research Advisory Council.

Magnetic data tapes containing the data from the insurer study of closed claims and the consumer survey may be purchased by writing to the Research Department of the Alliance.

The following research reports are available at no cost from the All-Industry Research Advisory Council, 7315 Wisconsin Avenue, Suite 231-W, Bethesda, Maryland 20014. Each research report is an extension of findings from the two volume study Automobile Injuries and their Compensation in the United States.

Subrogation of PIP Claims by Ann Durand. A80-1, July 1980; ii, 12 pages. Free.

Attorney Representation by Lawrence W. Soular. A80-2, June 1980; ii, 8 pages. Free.

Extent of Auto and Health Insurance by Ann Durand. A80-3, July 1980; ii, 7 pages. Free.

An Analysis of Accident Location in Relation to Area of Residence by Ann Durand. A80-4, July 1980; ii, 5 pages. Free.

## Characteristics of Uninsured Motorists

The research report examines the characteristics of uninsured motorists and the vehicles they drive. Based on data from official accident reports filed with motor vehicle departments in seven states.

A Study of Uninsured Motorists Involved in Reported Automobile Accidents by Ann Durand. A80-5, August 1980; ii, 27 pages. Free.

## LIABILITY INSURANCE

### Municipal Liability

Two questionnaire surveys were carried out to identify and measure trends in liability of municipalities as to the availability of coverage, the cost of coverage, and actions needed to control rising liability. Survey responses were received from 83 insurance companies and 853 municipalities.

Municipal Liability Insurance: Survey of Municipalities and Insurance Companies. L80-1, May 1980; xi, 71 pages plus 284 pages of tables in appendices. \$11.50 postpaid.

Municipal Liability Insurance: Survey of Municipalities and Insurance Companies. Summary. L80-2, May 1980; vi, 9 pages plus 8 pages of tables. \$1.50 postpaid.

The foregoing reports are available from the All-Industry Research Advisory Council, 7315 Wisconsin Avenue, Suite 231-W, Bethesda, Maryland 20014

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH D

JUNEAU, ALASKA 99811

Phone: 465-2500

March 26, 1981

Honorable Thelma Buchholdt  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

Dear Ms. Buchholdt:

Re: Motorists Insured in Alaska

Thank you for your request through the Division of Insurance for an analysis of the number of persons carrying automobile insurance in Alaska. This is a number that cannot be reached with any precision. The Division of Insurance does not maintain, require or request such statistics and is not in a position to need such statistics.

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 driving 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.

The following chart is the result of this compilation of data through the latest year for which data is available:

### INSURED PRIVATE PASSENGER AUTOMOBILE DATA

(1)	(2)	(3)	(4)	(5)
YEAR	REGISTERED AUTOS	INSURED CAR YEARS	% INSURED	% UNINSURED
1975	199,536	117,355	58.8	41.2
1976	221,386	120,964	54.6	45.4
1977	226,329	121,635	53.7	46.3
1978	232,425	123,581	53.2	46.8
1979	219,227	132,391	60.4	39.6

- (1) This column is on a calendar year basis.  
 (2) The number of registered automobiles were obtained from the Division of Planning and Research in the Department of Transportation and Public Facilities. The number of auto registrations derive 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 non-fleet 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 a year.

$$(4) = (3) \div (2).$$

$$(5) = 100\% - (4).$$

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

If we can be of further assistance, please let me or the Division of Insurance know.

Very truly yours,

Charles R. Webber  
 Commissioner

# Alaska Statutes

## Title 28. Motor Vehicles.

Stated in *Buckalew v. Holloway*, Sup.  
Ct. Op. No. 1988 (File No. 4058), 604 P.2d  
240 (1979).

### Chapter 10. Vehicle Registration and Title.

#### Article

6. Registration and Title Violations (28.10.451 — 28.10.493)

#### Article 1. Registration.

#### Section

11. Vehicles subject to registration	vehicles and vehicles used for
181. Registration of unique and special	special purposes

**Sec. 28.10.011. Vehicles subject to registration.** Every vehicle driven, moved, or parked upon a highway or other public parking place in the state shall be registered under this chapter except when the vehicle is

- (1) driven or moved on a highway only for the purpose of crossing the highway from one private property to another, including an implement of husbandry as defined by regulation;
- (2) driven or moved on a highway under a dealer's plate or temporary permit as provided for in AS 28.10.031 and 28.10.181(j);
- (3) special mobile equipment as defined by regulation;
- (4) owned by the United States;
- (5) moved by human or animal power;
- (6) exempt under the Soldier's and Sailor's Civil Relief Act (50 U.S.C. App. 501 et seq.);
- (7) driven or parked only on private property;
- (8) the vehicle of a nonresident as provided under AS 28.10.121;
- (9) a commercial interstate vehicle under AS 28.10.141;
- (10) transported under a special permit under AS 28.10.151;
- (11) driven or moved on a highway or vehicular way not connected to the state highway system established under AS 19.10.020. (§ 7 ch 178 SLA 1978; am § 1 ch 54 SLA 1979)