

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2680 SLC HB 7 (FILE 2) - (FILE 3)

(3) lost household services provided by the injured party to the household, up to \$12 a day for 260 weeks; and survivors' benefits to replace lost income and household services. It did not provide for no-fault insurance benefits for property damage.

Under the Illinois no-fault law, insurers were exempted from paying any no-fault insurance benefits to insured and other individuals covered by the policy when, at the time of the accident, the beneficiary (1) intentionally caused the injury; (2) was operating the automobile while under the influence of liquor or drugs; (3) was operating the automobile without a license or with a suspended license; (4) was operating the automobile in a race for a wager or bet; (5) was eluding arrest; (6) was operating or occupying a known stolen automobile; (7) was committing a felony; or (8) was committing some other act, for which the director of the Department of Insurance had promulgated an exclusion.

The 1972 law did not prevent a person from bringing a tort action but did limit the amount recoverable for noneconomic loss to 50 percent of medical treatment expenses, up to \$500, and the total amount of medical expenses over \$500. It also provided for mandatory arbitration in actions in which the amount in controversy did not exceed \$3,000.

On April 17, 1972, less than 5 months after the no-fault law went into effect, the Illinois Supreme Court held it unconstitutional.<sup>7</sup> The court stated that (1) the law constituted invalid special legislation because it applied to owners of private passenger automobiles only; and (2) the mandatory arbitration provision violated the constitutional right to a trial by jury and the constitutional provision prohibiting fee officers in the judicial system.

#### Current Illinois Legislation

Three bills proposing no-fault motor vehicle insurance have been introduced in the 82nd General Assembly. House Bills 332 (Bradley et al.) and 2478 (Yourell) would require all motor vehicle owners, except motorcycle owners, to have no-fault motor vehicle insurance. House Bill 2573 (Van Duyne et al.) would require owners of passenger vehicles for 10 or fewer people except motorcycles and mopeds to have no-fault motor vehicle insurance. House Bill 332 was introduced on February 24, 1981 and was assigned to the House Insurance Committee on February 26. The bill is now on the House Insurance Committee Interim Study Calendar.

House Bill 2478 was introduced on April 1, 1982 and was assigned to the House Rules Committee. House Bill 2573 was introduced on April 13, 1982 and was assigned to the House Rules Committee.

House Bills 332 and 2478 would require an insurer to pay the following benefits to motor vehicle accident victims regardless of fault:

- medical expenses not to exceed \$25,000;
- 85 percent of lost income for 3 years;
- replacement service expenses (to replace services provided by the victim to the household) not to exceed \$20 a day for 3 years; and
- death benefits to the victim's estate not to exceed \$1,500.

House Bill 2478 would also require benefits for property damage in the amount of \$5,000.

House Bill 2573 would require insurers to pay medical expenses, 75 percent of lost wages, and substituted household service expenses incurred within 2 years of the accident regardless of fault. Insurers could limit total benefits covering these expenses to a \$10,000 maximum.

Under H.B. 332 and H.B. 2478, accident victims, eligible for no-fault benefits, would be prohibited from bringing a tort action:

- to the extent that the no-fault benefits covered expenses; and
- for noneconomic loss unless death, "serious and irreparable permanent disfigurement," or "serious and permanent injury," occurred.

Motor vehicle accident victims who intentionally cause the accident would be denied benefits under all three proposals. Under H.B. 332 and H.B. 2478 benefits could be denied to a victim who voluntarily occupied a known stolen vehicle. House Bill 332 states that an insurer does not have to provide benefits to a person in a vehicle with three or fewer load bearing wheels; H.B. 2573 states that benefits are not available for accident victims who contributed to the accident by operating a vehicle under the influence of alcohol or marijuana.

Policy Questions<sup>8</sup>

Proponents of no-fault motor vehicle insurance attack the concept of negligence as applied to motor vehicle accidents. They discount the moral value of the negligence concept in automobile accidents; the idea that awareness on the part of a driver that he will be penalized for carelessness will improve his driving habits. They point out that the negligent driver can insure himself against these consequences now and add that it is unlikely that anyone would be induced under a no-fault system to operate a motor vehicle so carelessly as to risk serious injury or death by knowing that expenses will be compensated.

Proponents further argue that motor vehicle negligence cases clog the court system; that small "nuisance value" personal injury claims are overcompensated, while meritorious claims based on serious injuries are undercompensated; and that third party liability insurance, because of legal fees, court costs, and other expenses, delivers no more than 45 cents of compensation for every premium dollar. They contend that no-fault insurance would mitigate all these shortcomings.

The opponents of no-fault insurance argue that the elimination of the rule that liability should follow negligence would in their view be a retrogression to the early common law notion of absolute liability, which the courts abandoned for the fault system in the 19th century. Under a system of absolute liability, parties are held liable or accountable whether or not they were at fault for the occurrence.

Restrictions of the right to sue for pain and suffering have also aroused opposition. Opponents of no-fault insurance claim that the flexibility of the courts allows judges and juries to "tailor justice to each individual case" while the no-fault system awards benefits on a "rigid structured, objective basis."

Other objections center on the treatment of collateral sources of recovery. It is argued that the deduction of collateral source benefits from recoveries under the no-fault policies will deprive accident victims of additional protection that rightfully belongs to them.

1977 U.S. Department of Transportation Study

In 1977 the U.S. Department of Transportation conducted a study of the existing no-fault systems, including a summary of studies done by individual states.<sup>9</sup>

Major conclusions of the report are as follows.

- All known evidence indicates that state no-fault plans, in varying degrees, provide more adequate and equitable benefits than the tort liability system.
- The goal of providing more prompt payment of economic loss appears to be achieved under the no-fault system.
- The effective coordination of benefits from various compensation systems affects the potential for savings in all such systems.
- The increase in the number of first-party, no-fault claims reflects a clear shift from inefficient third-party benefits towards more efficient first-party benefits. Although the quantitative evidence is meager, being reflected chiefly in the relative reduction in claims personnel, this would appear to indicate that cost efficiency has improved with no-fault.
- Available evidence indicates that the burden on the courts and the legal system is being reduced.
- Depending on the trade off between cost saving features and higher economic loss benefits, any particular no-fault plan can result in higher premiums, lower premiums, or no change at all. Benefit maximizing no-fault plans must be accompanied by strong cost saving features if insurance prices are to be held in check.

The report concluded:

In summary, State experience with no-fault automobile insurance would appear to confirm the basic soundness of the theory and the feasibility of the theory's implementation. No-fault plans of sharply varying objectives and character are widely seen as successes. No problem has arisen in the implementation of no-fault for which there does not appear to be a readily available and feasible solution, given the political will to make the necessary change. No-fault automobile insurance works.

## Public Opinion

A majority of people apparently favors the implementation of a no-fault insurance system, according to a 1974 public opinion study, conducted by Louis Harris and Associates and the Insurance Department, Wharton School, University of Pennsylvania. According to the authors of the study:

Public opinion apparently favors the concept of no fault insurance by 50 to 60%, with about 25% opposed. While this may seem to be a clear endorsement, there is evidence that the public wants it both ways. Nearly half (49%) of those surveyed, would reserve the right for accident victims to sue those responsible for amounts in excess of financial loss in order "to compensate them for the pain and suffering they have endured."<sup>10</sup>

For a more complete breakdown of the results, see Appendix C.

## Notes

1. The law was repealed, effective January 1, 1980, because of strong opposition from various interest groups.

2. The source of information for the section concerning the no-fault insurance laws of states other than Illinois is Commerce Clearing House, Inc., Automobile Law Reporter (looseleaf to date), par. 1935-1987C.

3. Insurers in Connecticut may accumulate payments of less than \$100 for up to 30 days.

4. Florida (one of the vehicles involved must be a commercial vehicle); Minnesota (one of the vehicles involved must be a commercial vehicle that weighs in excess of 5,500 pounds when empty); Georgia, New York, North Dakota (one of the vehicles must weigh in excess of 6,500 pounds when empty).

5. P.A. 77-1430.

6. *Grace v. Howlett*, 51 Ill. 2d 478, 283 N.E.2d 474 (1972).

7. Same as note 6.

8. The sources for this section are: Collins, James, "A Short Course on No-Fault's Faults," *Trial*, Mar. 1979, pp. 44-46; Gillespie, Paul and Miriam Klipper, No-Fault: What You Save, Gain, and Lose With the New Auto Insurance (1972); O'Connell, Jeffrey, "Operation of No-Fault Auto Laws: A Survey of the Surveys," *Insurance Law Journal*, p. 152, Mar. 1977;

O'Connell, Jeffrey, and Janet Beck, "An Update of the Survey on the Operation of No-Fault Auto Laws," Insurance Law Journal, p. 129, Mar. 1979.

9. U.S. Department of Transportation, "State No-Fault Automobile Insurance Experience, 1971-1977," June 1977.

10. Louis Harris and Associates and the Department of Insurance, the Wharton School, University of Pennsylvania, Sentry Insurance National Opinion Study: A Profile of Consumer Attitudes Toward Auto and Homeowner's Insurance, p. 67 (January, 1974).

## Appendix A

## Major Provisions of 23 State No-fault Motor Vehicle Insurance Systems and Three Illinois Bills

States <sup>1/</sup>	Compulsory	Total benefits	Benefits for medical expenses	Lost income benefits	Replacement service benefits	Benefits for burial expenses	Survivors' benefits
Arkansas	No	No limit	Limited to \$5,000	70% of income not to exceed \$125/week	up to \$70 per week	None <sup>2/</sup>	\$5,000
Colorado	Yes	No limit	\$25,000 limit add. \$25,000 allowed for rehab.	\$125/week limit	\$15/week limit	None <sup>2/</sup>	\$1,000
Connecticut	Yes	\$5,000 limit (includes funeral limited to \$2,000)	No limit	85% of income up to \$200/week	65% of value of service NTE \$200/wk	\$2,000	up to \$200/wk
Delaware	Yes	\$10,000 limit/person \$20,000 limit/accident	No limit	No limit	No limit	\$2,000	None
Florida	Yes	\$10,000 limit	80% of expenses	60%	No limit	\$1,750	None
Georgia	Yes	\$5,000 limit	\$2,500 limit	85% of income up to \$200/week	\$20/day limit	\$1,500	*
Hawaii	Yes	\$15,000 limit	No limit	\$800/month limit	\$800/month limit	\$1,500	*
Illinois		No limit	\$25,000 limit	85% of lost income for 3 years	up to \$20/day for 3 years	None <sup>2/</sup>	\$1,500
1981 H.B. 332	Yes					None <sup>2/</sup>	\$1,500
1982 H.B. 2478	Yes					None <sup>2/</sup>	\$1,500
1982 H.B. 2573	Yes	\$10,000 limit	No limit	75% of income for 2 years	All expenses for 2 years	No limit	None mentioned

Appendix A (cont'd)

<u>States<sup>1/</sup></u>	<u>Compulsory</u>	<u>Total benefits</u>	<u>Benefits for medical expenses</u>	<u>Lost income benefits</u>	<u>Replacement service benefits</u>	<u>Benefits for burial expenses</u>	<u>Survivors' benefits</u>
Kansas	Yes	No limit	\$2,000 limit \$2,000 limit for rehab.	80% of income up to \$650/month	\$12/day limit	\$1,000	•
Kentucky	Yes	\$10,000 limit	\$1,000 limit	\$200/week limit	\$200/week limit	\$1,000	•
Maryland	Yes	\$2,500 limit (includes funeral)	No limit	No limit	No limit	Benefits provided <sup>3/</sup>	•
Massachusetts	Yes	\$2,000 limit (includes funeral)	No limit	75% of income	No limit	Benefits provided <sup>3/</sup>	•
Michigan <sup>4/</sup>	Yes	No limit	No limit	\$2,049/month limit	\$20/day limit	\$1,000	for lost income and household services up to \$1,475 for 3 years
Minnesota	Yes	\$30,000 limit	\$20,000 limit	\$200/week limit	\$15/day limit	\$1,250	up to \$200/wk for lost income and up to \$200/wk for household services
New Jersey	Yes	No limit	No limit	\$5,200 limit for 100 weeks	\$4,380 limit \$12/day	\$1,000	Whatever decedent could have collected
New York	Yes	\$50,000 limit	No limit	\$1,000/month limit	\$25/day limit	None <sup>2/</sup>	\$2,000
North Dakota	Yes	\$15,000 limit	No limit	\$150/week limit	\$15/day limit	\$1,000	•
Oregon	Yes	No limit	\$5,000 limit	70% of income up to \$750/month	\$18/day limit	\$1,000	None

Appendix A (cont'd)

<u>States<sup>1/</sup></u>	<u>Compulsory</u>	<u>Total benefits</u>	<u>Benefits for medical expenses</u>	<u>Lost income benefits</u>	<u>Replacement service benefits</u>	<u>Benefits for burial expenses</u>	<u>Survivors' benefits</u>
Pennsylvania	Yes	No limit	No limit	\$1,000/month limit total limit \$15,000	\$25/day limit	\$1,500	for lost income and household services up to \$5,000
South Carolina	Yes	\$1,000 limit (includes funeral)	No limit	No limit	No limit	Benefits provided <sup>2/</sup>	None
South Dakota	No	No limit	\$2,000 limit	\$60/week limit	\$30/week limit	None <sup>2/</sup>	\$10,000
Texas	Yes	\$2,500 limit (includes funeral)	\$2,500 limit	No limit	No limit	Benefits provided <sup>3/</sup>	"
Utah	Yes	No limit	\$2,000 limit	85% of income up to \$150/week	\$12/day limit	\$1,000	\$2,000
Virginia	No	No limit	\$2,000 limit; includes funeral	\$100/week limit	No coverage	Benefits provided <sup>3/</sup>	\$2,000 for expenses incurred within 1 year of death

A-3

Source: Commerce Clearing House, Inc., Automobile Law Reporter (looseleaf to date), par. 1935-1987C.

\* Benefits provided for lost income and substituted household services.

<sup>1/</sup> Benefits are generally limited to expenses incurred within 2 years of the accident; some states have a 3-year limit while some others have a 1-year limit.

<sup>2/</sup> Lump sum survivors' benefits provided instead.

<sup>3/</sup> No limits are placed on funeral expenses, but such expenses may not exceed limits on total benefits.

<sup>4/</sup> Michigan law provides that the maximum rates for work loss benefits should be adjusted annually to reflect changes in the cost of living under administrative rules. The maximums listed are current maximums that were administratively set.

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 Statutory Limitations on Tort Liability in 23 States
 

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State	Type of Limitation
Arkansas	None.
Colorado	Tort action not allowed (1) for economic loss to the extent that no-fault benefits cover the loss; (2) for noneconomic loss unless one of the following occurs: death, dismemberment, permanent disability, permanent disfigurement.
Connecticut	Tort action not allowed unless one of the following occurs: death; permanent injury; fracture of a bone; permanent significant disfigurement; permanent loss of bodily function; expense in excess of \$400.
Delaware	None.
Florida	Tort action not allowed (1) to the extent benefits cover the economic loss; (2) for noneconomic loss unless one of the following occurs: significant or permanent loss of bodily function, permanent injury, significant and permanent disfigurement, or death.
Georgia	Tort action not allowed unless one of the following occurs: expenses exceed benefits; death; fractured bone; permanent disfigurement; dismemberment; permanent loss of bodily function; permanent or partial loss of sight or hearing; injury resulting in medical expenses exceed \$500; injury resulting in disability for 10 or more consecutive days.
Hawaii	Tort action not allowed unless one of the following occurs: death; permanent injury; permanent disfigurement; or medical expenses exceed the no-fault benefits.
Illinois H.B. 332 H.B. 2478	Tort action for economic loss is not allowed if no-fault benefits cover the losses and not allowed for noneconomic loss unless death, serious and irreparable permanent injury, or serious and permanent injury results.

Appendix B (cont'd)

<u>State</u>	<u>Type of Limitation</u>
Illinois H.B. 2573	None.
Kansas	Tort action for noneconomic loss not allowed unless one of the following occurs; medical costs for injury exceed \$500; permanent disfigurement; fracture to a weightbearing bone; compound, comminuted, displaced, or compressed fracture; or permanent loss of bodily function.
Kentucky	Tort action not allowed unless: (1) no-fault benefits do not cover the loss; (2) for noneconomic loss unless one of the following occurs: medical costs exceed \$1,000; permanent disfigurement; fracture to a weightbearing bone; compound, comminuted, displaced, or compressed fracture; permanent injury; permanent loss of bodily function; or death.
Maryland	None.
Massachusetts	Tort action not allowed unless: (1) benefits do not cover the loss; (2) for noneconomic loss unless one of the following occurs: medical and funeral expenses exceed \$500; death; loss of a body part; sight or hearing loss; or fracture.
Michigan	Tort action not allowed unless: (1) for all actions unless one of the following occurs: intentional harm; damages exceed benefits; motor vehicle damages to extent not insured; (2) for noneconomic loss unless one of the following occurs: death; serious impairment of bodily function; or permanent serious disfigurement.
Minnesota	Tort action not allowed unless: (1) benefits do not cover expenses; (2) for noneconomic loss unless one of the following occurs: medical expenses exceed \$4,000, injury results in: permanent disfigurement, permanent injury, death, or disability for 60 days or more.

<u>State</u>	<u>Type of Limitation</u>
New Jersey	Tort liability is not allowed unless one of the following occurs: (1) the injury is to soft tissue of the body and treatment is less than \$200; (2) death; (3) permanent disability; (4) permanent significant disfigurement; or (5) permanent loss of bodily function or body member.
New York	Tort liability is not allowed unless: (1) benefits do not cover expenses; (2) for noneconomic loss unless one of the following occurs: death, dismemberment, significant disfigurement, fracture, or permanent loss of the use of a body organ.
North Dakota	Tort action not allowed: (1) for noneconomic loss unless the injury is serious; (2) for economic loss to the extent no-fault benefits cover the loss.
Oregon	None.
Pennsylvania	Tort liability not allowed unless: (1) motorist is unsecured; (2) action is against a person for repairing or manufacturing a vehicle; (3) intentional injury occurs; (4) the loss is uncompensated by no-fault benefits; (5) for noneconomic loss unless one of the following occurs: death or serious injury, medical costs exceed \$750, medical impairment, cosmetic disfigurement.
South Carolina	None.
South Dakota	None.
Texas	None.
Utah	Tort liability not allowed unless one of the following occurs: (1) death; (2) dismemberment or fracture; (3) permanent disability; (4) permanent disfigurement; or (5) medical expenses exceed \$500.
Virginia	None.

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Source: Commerce Clearing House, Inc., Automobile Law Reporter (looseleaf to date), par. 1935-1987C.

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## Appendix C

## 1974 Public Opinion Report

Attitude Toward All Auto Owners Being Required To  
Purchase Auto Insurance To Cover Their Own  
Personal Injuries

	<u>Favor</u>	<u>Oppose</u>	<u>Not Sure</u>
Total	66%	22%	12%
Have automobile insurance	67	23	10
Own automobile but no automobile insurance	60	23	17
Under \$5,000	61	20	19
\$ 5,000 to \$9,999	63	20	12
\$10,000 to \$14,999	69	22	9
\$15,000 and over	66	24	10

If Injured In An Automobile Accident And It Were  
The Other Driver's Fault, Would You Be Willing To  
Forego Your Right To Sue Him If Your Insurance  
Company Agreed To Pay All Medical Expenses  
And Wage Losses?

(Base: Own auto insurance = 78%)

	<u>Would Be Willing</u>	<u>Would Not Be Willing</u>	<u>Not Sure</u>
Total	55%	32%	13%
8th grade	41	41	18
High School	56	32	12
College	60	29	11
White	56	32	12
Non-white	51	35	14
Age 18 to 29	62	27	11
Age 30 to 49	54	33	13
Age 50 and over	52	35	13

To a similar question, 57-27 percent of the public said it would favor a state law requiring each auto insurance company to pay its own policyholders "regardless of who is to blame for the accident."

Appendix C (cont'd)

Attitude Toward Law Whereby Each Auto Insurance  
Company Pays Its Own Policyholder Regardless  
Of Who Was To Blame For The Accident

	<u>Favor</u>	<u>Oppose</u>	<u>Not Sure</u>
Total	57%	27%	16%
Have automobile insurance	59	28	13
Own automobile but no automobile insurance	61	26	13
East	61	24	15
South	49	31	20
Midwest	59	26	15
West	63	25	12
Cities	62	24	14
Suburbs	61	25	14
Towns	49	32	19
Rural	52	30	18
Under \$5,000	50	25	25
\$ 5,000 to \$ 9,999	56	27	17
\$10,000 to \$14,999	61	27	12
\$15,000 and over	61	28	11
Male	62	26	12
Female	49	28	23

Attitude Toward No-Fault Insurance Law In Your State

	<u>Favor</u>	<u>Oppose</u>	<u>Not Sure</u>
Total	52%	25%	23%
Have automobile insurance	55	25	20
Own automobile but no automobile insurance	47	35	28
East	59	23	18
South	41	29	30
Midwest	55	24	21
West	56	22	22
Cities	59	21	20
Suburbs	57	22	21
Towns	41	28	27
Rural	45	29	26
8th grade	37	26	37
High School	51	27	22
College	63	21	16

## Appendix C (cont'd)

	<u>Favor</u>	<u>Oppose</u>	<u>Not Sure</u>
White	54%	24%	22%
Non-white	46	26	28
Age 18 to 29	57	27	16
Age 30 to 49	53	24	23
Age 50 and over	49	23	28
Male	57	24	19
Female	44	25	31

Attitude Toward Auto Accident Victims Being Able  
To Sue Those Responsible For The Accident, For  
Amounts In Excess Of Loss To Cover Suffering

	<u>Favor</u>	<u>Oppose</u>	<u>Not Sure</u>
Total	49%	38%	13%
Under \$5,000	51	30	19
\$ 5,000 to \$ 9,999	48	39	13
\$10,000 to \$14,999	52	38	10
\$15,000 and over	46	44	10
8th grade	54	29	17
High School	51	36	13
College	45	45	10
White	48	39	13
Non-white	55	32	13
Age 18 to 29	45	44	11
Age 30 to 49	52	37	11
Age 50 and over	51	33	16

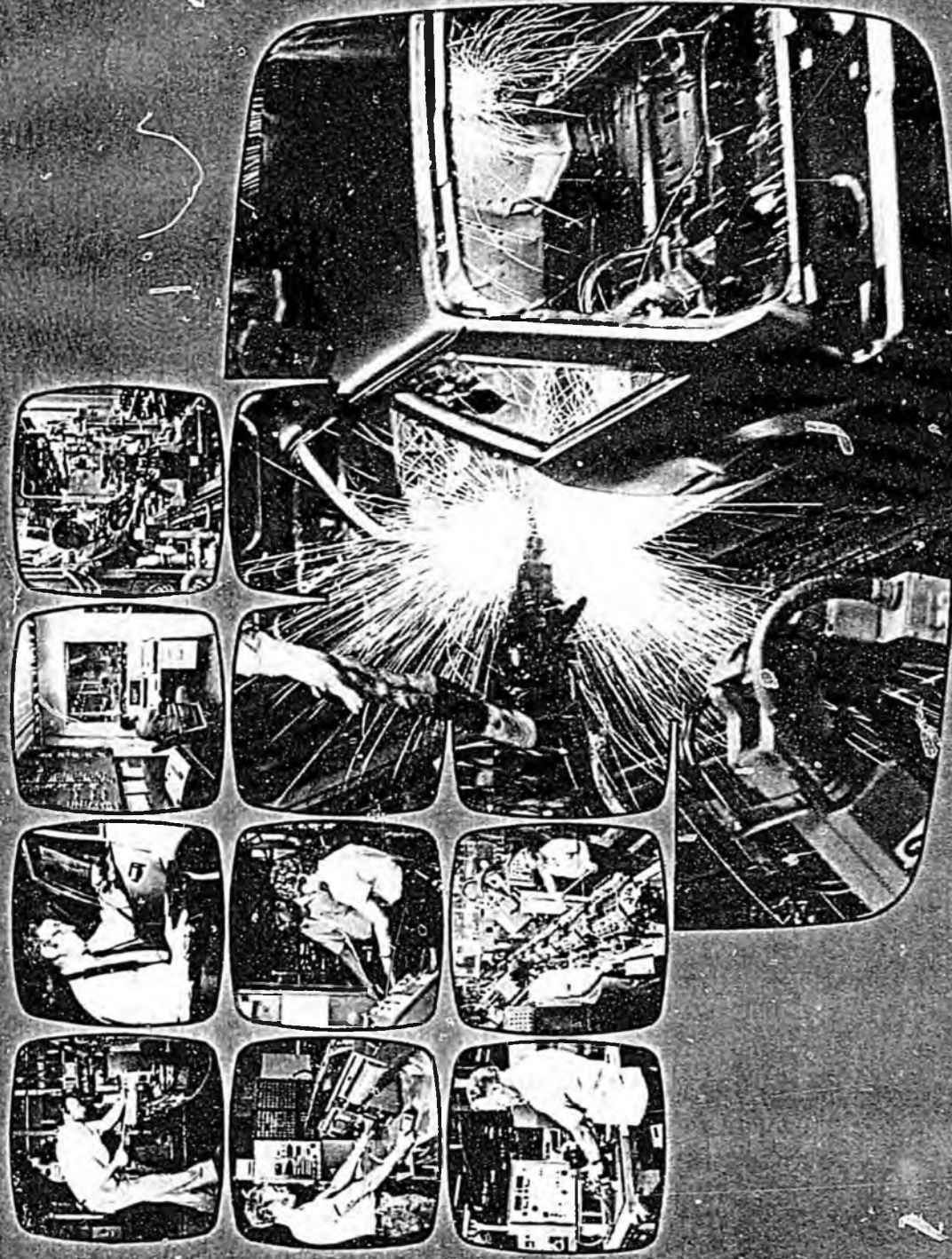
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Source: Louis Harris and Associates and the Department of Insurance, the Wharton School, University of Pennsylvania, Sentry Insurance National Opinion Study; A Profile of Consumer Attitudes Towards Auto and Homeowner's Insurance, pp. 65-68 (January, 1974).

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**2ND INDUSTRIAL REVOLUTION—  
PEOPLE AND HI-TECH**

# PRESIDENT'S MESSAGE

One of the most severe sales declines the motor vehicle industry has experienced plus record import sales penetration have combined to provide the catalyst for the industry's unequalled redevelopment many call the Second Industrial Revolution.

The domestic motor vehicle industry moves toward the middle of the Eighties after a decade of rebuilding its facilities, re-tooling its machines, incorporating robotics, re-thinking employer-employee relationships and coming to market with a more diversified, quality-oriented, fuel-efficient product line than ever before.

The result of this historical self-improvement project: U.S. car and truck makers are ready to regain their leadership role in world transportation.

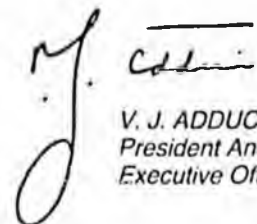
This year's *Facts & Figures*, from its cover and industry overview on "Second Industrial Revolution - People and Hi-Tech," to the 96 pages of statistics and charts, touches virtually every facet of the new motor vehicle industry.

I believe '83 *Facts & Figures* aptly explains this industry's story to the wide and varied audience it serves. Reporters, educators, government officials, statisticians, economic analysts - and men and women in the industry itself - will find it an excellent resource document.

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# Alaska State Legislature



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Speaker of the House of Representatives

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Official Business

May 4, 1983

The Honorable Richard A. Lyon  
Commissioner  
Department of Commerce and Economic Development  
Juneau, Alaska 99811

Dear Commissioner Lyon:

I have reviewed the position paper on SSHB 7, an act relating to motor vehicles. This legislation is now moving through the House. Research has indicated that many of the arguments used to oppose this legislation by the Division of Insurance are inaccurate and misleading. From research my staff has conducted, I do not believe the arguments are valid.

The uninsured motoring population in Alaska is estimated at 40% of 380,000 registered vehicles. The Insurance Division's 1982 report firmly stated that this figure was the most accurate available. This number of uninsured is unacceptable. While I do not assume that a compulsory law will result in 100% compliance, I am certain it will go a long way towards reducing the number of uninsured drivers and providing the public with a greater chance of compensation from an accident.

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

New York's law is often criticized. With 6 million vehicles, it has grown to such proportions that enforcement is a problem. But state officials told my office last week that even with it's problems and even if it increased auto premiums, which was not proven, the law was worth keeping from a social standpoint.

Richard A. Lyon  
May 4, 1983  
Page 2

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

You say the programs are costly to administer. We have received a fiscal note saying this will cost over one million dollars to put into effect. I do not believe it will cost that much. There are several inaccuracies that the fiscal note was based on. Other states with 10 times the number of motor vehicles spend the same amount of money as the fiscal note says this will cost. I cannot believe enforcement in a state with 380,000 vehicles will cost the same as one with 4 million. There will be a cost, but I suggest such a cost is necessary to avoid the death, injury and property damage that I believe this law will negate. Additionally, this cost could be offset, for example, by a very minimal increase in the cost of registering a vehicle or implementing a system that charges drivers with poor driving records a slightly higher fee than those with good records for either registration or a license.

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

Richard A. Lyon  
May 4, 1983  
Page 3

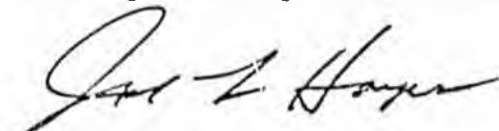
premiums should decrease. If we do raise the minimum limits for liability coverage, there would be an increase for those who do not presently carry such limits. I am willing to negotiate on this point, but I am not convinced that simply initiating a compulsory law will have a great effect on premiums.

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

The Department asserts that the uninsured population will decrease by enactment of a strong financial responsibility law. Insurance Division Director, Ken Moore, has called our law perhaps the toughest in the nation. It does not seem to have produced an acceptable decrease in the number of uninsured drivers.

I have attached a report prepared by my staff on the experience of other states which have enacted a compulsory law. I request that you consider it and re-evaluate the Department's position on this legislation. I believe this legislation is supported by the public and is necessary for the protection of motorists throughout Alaska.

Thank you for your consideration.



Joe L. Hayes  
SPEAKER OF THE HOUSE

JLH:jkd

# Alaska State Legislature



Speaker of the House of Representatives

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

Official Business

## MEMORANDUM

May 24, 1983

To: Senator Dick Eliason  
Chairman  
Senate Labor and Commerce Committee

Committee Members  
Sen. Don Bennett  
Sen. Pat Rodey  
Sen. Bob Mulcahy  
Sen. John Sackett

From: Rep. Joe Hayes  
Speaker of the House

A handwritten signature in dark ink, appearing to be "J. Hayes", written over the typed name of the sender.

Subject: HB 7...An Act Relating to Motor Vehicles

This legislation has been referred to the Labor and Commerce Committee. While I will be supplying extensive backup to the Committee at a later date, I am distributing a report prepared by staff on this bill for your early review. Please contact my office for any further information. This bill passed the House 35-2, and I hope you will give it equally strong support.

Thanks.

# Alaska State Legislature



## Speaker of the House of Representatives

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

Official Business

May 1, 1983

### MANDATORY AUTO INSURANCE: THE OTHER SIDE

by Jeff Day

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

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

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

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

#### THE INDUSTRY SIDE

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

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

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

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

#### THE ALASKA SITUATION

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

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

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

That number of uninsured was 40%! Cheney wrote,

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

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

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

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

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

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

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

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

#### LAWS IN OTHER STATES

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

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

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

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

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

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

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

#### ENFORCEMENT

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

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

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

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

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

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

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

New York requires notification of cancellation at anytime. With 5 million cars, the result became a large backlog. A new computer system is now being installed which should help ease this problem. It is interesting to note most states now implementing the law do utilize computers to a large degree which cuts the amount of staff needed and expedites the enforcement process.

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

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

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

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

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

### PENALTIES

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

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

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

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

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

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

### EFFECTIVENESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### EFFECT ON PREMIUMS

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

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

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

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

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

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

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

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

New York Division of Insurance spokesman Stan Dorf said:

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

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

#### COST OF ENFORCEMENT

Just a brief comment on the proposed cost.

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

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

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

#### MORE ON INDUSTRY OPPOSITION

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

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

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

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

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

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

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

The 1982 report from the Division of Insurance reported:

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

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

CONCLUSIONS

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

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

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

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

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

This report will be updated as additional material becomes available.

# # # # #

REVISED  
April 6/10

Page 1 line 24 rewrite to read

\* Sec. 3. AS 28.10.011 is amended by adding new subsections to read : [ (b) remains the same  
add new (c) and (d) ]

(c) An owner of a motor vehicle is exempt from (b) of this section if that person submits to the Department a sworn affidavit as may be prescribed by the Department declaring, under penalty of perjury, that either

(1) the motor vehicle will not be operated on a highway or vehicular way connected to the state highway system as established under AS 19.10.020 and explaining the reasons therefor; or

(2) the motor vehicle will be continuously garaged and operated outside the State of Alaska and explaining the reasons therefor; or

(3) the motor vehicle will be operated only within ~~or between~~ communities not to exceed \_\_\_\_\_ in population.

A person who violates a provision sworn to within such an affidavit is subject to penalties as provided by AS 28.10.491 (9) (B). A person required to show proof of financial responsibility required by AS 28.20 may not claim this exemption.

(d) A person registering a motor vehicle in compliance with (c) of this section by signing an affidavit in lieu of providing the department with proof of financial responsibility shall be issued unique vehicle plates as provided for by AS 28.10.181 (1). When the person provides

proof of financial responsibility for the motor vehicle as required in (b) of this section, the unique vehicle plates shall be returned and registration plates as provided for by AS. 28.10.161 or other provisions of AS 28.10.181 shall be issued to the person for the motor vehicle.

Page 2 lines 4 and 8. after "(b)" on each line add  
"or (c)."

Page 2 line 23 after "person's name" add  
"pursuant to AS 28.10.011 (b) or (c)"

ADD NEW SECTION AFTER SECTION 5 AND RENUMBER REMAINING  
SECTIONS ACCORDINGLY

\* Sec. 6 AS 23.10.181 is amended by adding a new subsection to read: (1) Uninsured motor vehicles. A person who registers a motor vehicle as provided for by AS 28.10.011(c) in lieu of AS 28.10.011 (b) shall be issued unique vehicle plates. When the person provides proof of financial responsibility for the motor vehicle as required by AS 28.10.011(b), the person shall return the unique plates and shall be issued vehicle plates as provided for by AS 28.10.161 or other provisions of this section.


PROPOSED LETTER OF INTENT

It is the Legislature's intent that special vehicle permits issued in accordance with AS 28.22.520 (c) be unique and clearly distinguishable from other special permits which may be issued by the Department. Such permits will specifically explain the purpose for which they are issued.

It is further intended that the exemption allowed by AS 28.10.011 (c) is primarily designed to apply to motorists in rural, less populated areas of the state in which exposure to potential traffic accidents and resulting liability is considered to be minimal. The exemption is also to apply to those vehicles which may be registered in Alaska but garaged and operated outside the State. The issuance of a special vehicle plate is intended to provide enforcement authorities with an easy method to identify potential violators of the mandatory insurance law should a vehicle with such plates be operated in areas where insurance would be required.

It is further intended, when proof of insurance is required for issuance of a driver's license, that such proof is not required if the licensee complies with AS 28.10.011 (c) in lieu of AS 28.10.011 (b).

It is also intended that the Department initiate a public information program prior to the effective date of this act to educate Alaskans about the requirements of the law and potential penalties for failing to comply with the law.



## Notes

This would make no changes to vehicles required to be registered but it would allow an exemption from the requirement to show insurance at the time of registration or to carry liability insurance at any time if the owner will sign a sworn affidavit promising that either the vehicle will not be driven in communities of more than \_\_\_\_\_ people or that it will not be operated in the state or that it will not be operated on the connected state highway system. A vehicle registered in accordance with the exemption would be issued unique license plates. These unique plates would be exchanged for regular plates when a vehicle is subsequently insured. The intent would be for enforcement authorities to easily spot such uninsured drivers if the vehicle was driven in areas where insurance would be required. If the person violates what he/she has promised to do by the affidavit, that person becomes subject to the penalties already in statute for making a false statement to obtain registration. And if caught without insurance, the person would be subject to the penalties for making a false statement to obtain registration already in law which is a felony.

# Alaska State Legislature



Speaker of the House of Representatives

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

Official Business

April 6, 1984

To: Senator Dick Eliason  
From: Joe L. Hayes *JLH*  
Re: HB 7

A revised version of HB 7 will be delivered to your office by noon. Since we have agreed to meet on Monday at 1 p.m. and the Senate has adjourned until 2 p.m. Monday, you may want to inform the Senate Secretary's office of the meeting time so that it may be posted. I will announce the meeting time on the House floor as well.

Thanks.

# Alaska State Legislature



## Speaker of the House of Representatives

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

Official Business

### MEMORANDUM

June 17, 1983

To: Senator Dick Eliason  
Chairman  
Senate Labor and Commerce Committee

From: Jeff Day *Jeff Day*  
Assistant to the Speaker

Re: Response to testimony regarding HB 7

1 On June 16, Bill Brown testified that he felt tying driver's license renewal to proof of insurance would be burdensome and that no other states had adopted this procedure.

Research indicates at least two states which have enacted laws in the past 4 years have added provisions relating to licenses. These are Montana and Louisiana. Additionally, several states have also required proof of insurance to be shown at the time of vehicle inspections. These include Delaware, Florida, Utah and New Jersey.

HB 7 does not enact the effective date relating to the license provisions until January 1985 which allows both the time for DMV to prepare the computers to cross reference registrations and licenses and the time to educate the public as to what information will be required at the time license renewal is necessary. Since licenses are renewed only every five years, this is a minimal inconvenience for the public but it adds one more check to assure the people are in compliance with the law which will remove a far significant inconvenience from the public..the uninsured driver.

Mr. Brown also referred to the fact that the court system might be inundated with hearings and trials. However, a letter to Representative Walt Furnace from Karla Forsyth, General Counsel to the Alaska Court System stated:

It is difficult to quantify the impact on the court, particularly since the Department of Law believes there

will be no fiscal impact on its operations. However, any new hearings will add to the already considerable workload of the district court, particularly in Anchorage, and may require additional judicial and clerical resources, depending on the volume of cases filed.

The point is that Department of Law has continually submitted a zero fiscal note. As it regards the needs for more people at DMV offices around the state, the Department of Public Safety has requested no additional staff to handle driver's licenses or registrations as a result of the proposed legislation.

CS OK There is no objection to proposed amendments which would allow the Department to define mobile home by definition or to specify that a person cited for failure to provide insurance may do so prior to the scheduled court appearance. The only potential loophole there is if the court appearance is 2 months after the issuance of a citation. A reasonable time should be allowed to prove that a policy was in effect at the time the citation was issued but, in my opinion, no longer than two weeks. An earlier version of the bill proposed 5 days and, it's felt that time is adequate and parallels other states' provisions for this action. CS 2

Finally, while there is some dispute as to how many uninsured motorists are driving, the estimates range from 11 to 40%. A review of accident reports for two years indicated about 20% of those involved were not insured. This is similar to the percentage in other states which have successfully enacted a mandatory law and reduced that percentage to 5% based on the review of accident reports. It's felt that even if the uninsured population is closer to 20% than 40%, this legislation is still necessary.

Response to written testimony by Michael Lessmeier

In general, most of Mr. Lessmeier's contentions have been responded to in previous memos on this subject and I would encourage you to refer to them rather than repeating the same statements here.

The written testimony is basically a verbatim transcript of the public relations kit published by those companies opposing such legislation. There are no new arguments, and those that are presented can be refuted by the research which has been presented to you in prior memos.

Mr. Lessmeier says Massachusetts has a 10-15% uninsured population, yet the research by this office indicated that DMV officials there felt it was down to 5%.

The cost figures are misleading since other states which have spent over a million dollars to enforce the law have as many as ten times the number of vehicles Alaska has. The potential offsetting costs of reduced General Relief Medical care payments are also never mentioned.

While it was never stated that compulsory insurance would cut down on the number of injuries or accidents, it has been proven that the number of uninsured persons involved in accidents will decrease..thus a larger number of those accident victims will be compensated.

The comments relating to premium rates are misleading and I have provided counter statements in previous memos. The argument that such a law is unfair to low income persons may be useful as an emotional bargaining chip, but there's certainly no argument that low income people drive any better than moderate income people and thus should not have to shoulder the same responsibility as moderate income persons.

The objections to instituting ONLY provisions for uninsured and underinsured insurance have been summarized previously. A major difference between that approach and that of HB 7, is that the insurers approach does nothing to provide public protection by seeing that people are insured before an accident happens. To leave the current law in place without the provisions of HB 7 means people only have to become responsible after they have been involved in an accident.

cc: Senator John Sackett  
Senator Pat Rodey  
Senator Bob Mulcahy  
Senator Fritz Pettyjohn  
Senator Joe Josephson

# Consumer Affairs

(The Times-Picayune, June 18, 1978)

## 80 % of La. Motorists Predicted to Have Liability by July 1

By PAUL ATKINSON

A top official of the Louisiana State Insurance Rating Commission predicts that nearly 80 percent of the state's motorists will have their required auto liability insurance by the July 1 enforcement deadline.

Walter Walker, administrator for the rating commission which keeps all insurance policies, said he expects as many as 400,000 new policies to be sold from April 1 to July 1.

If things continue as they are going, he said in a weekend interview, we will have 75 percent to 80 percent of the vehicles covered by liability insurance by July 1.

Walker said about 65 percent of the vehicles were insured on April 1—indicating the massive increase.

He said there are an estimated 24 million vehicles and "the way things are going just over 19 million should be insured by July 1."

Meanwhile, the state police are gearing up to begin enforcement of the new law in July.

Leroy Havard, assistant secretary of the Office of Motor Vehicles of the Department of Public Safety, said that beginning July 1 his office will begin checking every one of the estimated 165,000 accidents a year to determine which vehicles carried the required liability insurance.

If it is found a vehicle owner doesn't have liability insurance, Havard said he faces suspension of his driver's license for at least six months and suspension of his motor vehicle registration.

Havard said he has heard from insurance agents they are doing a booming business and he also expects 80 percent compliance with the law by July 1.

Mrs. Virginia Morgan, chief file clerk for the general insurance section

at the rating commission, said that the workload has "increased tremendously" in the last two months. She said they are handling about 35 percent more policies a day.

"We have some clerks coming in at 7 in the morning because they want to catch up," said Mrs. Morgan.

Havard said that so far the Department of Public Safety's \$124 million budget for the 1978-1979 fiscal year beginning July 1 is intact with the appropriations bill now in the Senate.

The funding will provide for the hiring of 65 new personnel, most of them to be revocation officers, he said.

Havard said the main enforcement tool for his office will come through checking all the 165,000 accidents. He said reports of the accidents will be received and the owner of each vehicle will be sent a notice asking for insurance information.

Once this is returned by those in the accidents, the insurance companies will be asked if the policies were in force. Should the insurance companies tell his office there was no insurance, the vehicle owner will be notified he will be given an opportunity for a hearing.

"We know the insurance companies can make a mistake also," said Havard. Once it is conclusively determined there was no insurance and the vehicle owner falsified the information, Havard said his officers will move in to pick up the driver's license.

Havard said vehicle owners will also have to certify they have liability insurance when they get their safety inspections and when they get a motor vehicle license. "So they will have to certify this three times in two years," said Havard.

He admitted that officials in this instance "will be basically taking their word."

But he said the idea of requiring an insurance ID card proposed earlier has been scrapped as too costly. "Where that has been tried elsewhere it hasn't worked," he said. "You have deterioration and the insurance companies just pass the cost of this on to increased rates."

Havard said there will be periodic spot checks by computers to see that vehicle owners are complying with the law.

The law provides that vehicle owners must have liability coverage of \$5,000 for injury to one person or \$10,000 for two or more and \$5,000 for property damage or else show other financial responsibility.

## Consumer Affairs

(Mont.) Gazette, June 9, 1979

# Liability law in effect now for July licenses

By KIM LARSEN  
Of The Gazette Staff

Most motorists without liability insurance will no longer be able to renew their car licenses or obtain new license plates.

Yellowstone County Treasurer May Jenkins said Friday that car owners applying for July license renewals without proof of liability will be turned away from the license-plate lines in the courthouse.

The mandatory insurance measure, passed by the Legislature, goes into effect July 1.

But Mrs. Jenkins is enforcing the law now because July license renewals are being made now.

Pat Briscoll, chief assistant attorney general in Helena, said it is legal to require proof of insurance on licenses due after the effective date of the law, even though that date is three weeks away.

Mrs. Jenkins said that if enforcement

were not allowed now, car owners buying July licenses would have to be told to come back next month.

Minimum insurance requirements for all vehicles are \$25,000 liability, \$50,000 medical and \$5,000 property damage.

The easiest way a motorist can prove he has the required insurance is to present a copy of his policy when he applies for a new or renewed license.

Other proofs that will be accepted are a certificate of liability statement, a memorandum from an insurance agent, an insurance identification card, a premium payment receipt or an application or binder.

"Absolutely no licenses will be issued if no proof of insurance is shown," Mrs. Jenkins said.

The treasurer also warned motorists that their insurance must be continuously in effect. "Those who think they can take out a

policy and drop it in three months will be in violation of the law," she said.

Any motorist caught without insurance after having obtained a license will be guilty of a misdemeanor, according to the new law.

Motorcycles, vehicles propelled by auxiliary power, and government agency vehicles are exempt from the insurance requirement.

Mrs. Jenkins said the Motor Vehicle Department already has had to turn away "a few" license applicants because they could not prove they have insurance.

The new law is a good one, Mrs. Jenkins said, but she does not like the burden of it being placed on county treasurers. Demanding proof of insurance and noting it on registration forms will require more paperwork and cause "long lines again," she said.

"Until we get the problems worked out, I hope the public will be sympathetic — very patient with us," Mrs. Jenkins said. "It's the law, so we have to do it."

Mrs. Jenkins announced six other changes in licensing that go into effect July 1.

• The lien filing fee will be raised from \$2 to \$3 while the registration fee will go up \$1. Vehicles weighing more than 2,850 pounds

will cost \$12 while those under that weight will cost \$7.

• County designation stickers will be issued for personalized plates as soon as the state prepares the decals. These stickers must be placed on the upper left hand corner of the plate.

• Personalized plates will be issued on a staggered basis just as numerical plates are now issued. Existing personalized plates will remain on a calendar-year basis, however.

• Mopeds will be deleted from the motorcycle law. House Bill 819, called the "Moped Relief Act," will allow mopeds to be ridden on the streets without registration, title or taxes.

• Special mobile plates will have a grace period to Feb. 15 of each year. Special mobiles are construction equipment used primarily on job sites but use the roads to move from site to site. Plates for these vehicles, in the past, had to be renewed on the first of the year and no grace period was allowed.

• An individual will be able to transfer one set of plates between two vehicles while still owning both. Registration fees will cease on the first vehicle upon transfer.

# Alaska State Legislature



## Speaker of the House of Representatives

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

Official Business

May 29, 1983

To: Senator Dick Eliason  
Senator John Sackett  
Senator Pat Rodey  
Senator Fritz Pettyjohn  
Senator Bob Mulcahy  
Senator Joe Josephson

From: Rep. Joe Hayes  
Speaker of the House

A handwritten signature in dark ink, appearing to be "JAY", written over the name "Rep. Joe Hayes".

Re: HB 7.. Auto Liability Insurance

This bill requires proof of insurance to be shown at the time of vehicle registration & renewal of registration. It also requires drivers seeking a license to show proof of insurance on vehicles they own and operate in the state. One estimate indicates 40% of Alaska's motorists are uninsured. This bill is similar to laws passed in over 30 other states and have had a large impact in reducing the number of uninsured drivers. I have provided the Labor and Commerce Committee with additional material on the provisions of the bill in anticipation of the committee hearing.

The following are the arguments that are typically used in opposition to this legislation. My staff has been conducting extensive research on this bill. This memo is offered as a summary of that research. Further details can be found in the materials provided to the committee.

ARGUMENT:

A compulsory insurance law will force premiums to increase at least 10% and possibly more.

ANSWER:

Research has shown that insurance officials in other states with compulsory laws will not say that compulsory insurance has a direct effect on raising rates. The National Conference of State Legislatures was asked to supply information on this question. A legislative research report from Ohio

pointed out that comparing compulsory and non-compulsory state rates is misleading since the factors which determine rates differ in every state. Inflation alone will cause rates to increase.

To quote the Ohio Research Report:

"It is difficult to demonstrate how compulsory automobile insurance affects automobile insurance rates. Data was made available to us from Nationwide Insurance. While it is possible to point out that Boston, which is in a compulsory state, has higher rates than Cleveland, which is in a non compulsory state, it is highly speculative to attribute the difference in rates between these two cities solely to the presence of compulsory insurance in Massachusetts and its absence in Ohio. The major reason for the speculative nature of such an analysis is the very complex interplay of the many variables that affect the establishment of a rate such as;

The influence of inflation and the cost of living in a particular area.

The rate filing law.

The permissible rate classifications. (Some states do not allow premiums to be decided on the basis of gender or age for example.)

State's have different automobile insurance statutes in general which create different determinations of rates.

The State of Illinois has conducted numerous research reports on this type of legislation. Last year, the Illinois Legislative Research Council examined all states with a compulsory law and concluded:

"Statistically it is very difficult to link compulsory insurance, only one of many factors contributing to the cost of insurance, to increased premium costs. Comparing the increase of insurance premiums before and after passage of a compulsory insurance law is not a reliable indication of the affects of compulsory insurance on insurance rates, mainly because inflation rates, a principal factor in insurance rates, differ from year to year. Thus, a major increase after the passage of a compulsory insurance law may be linked to a major increase in the inflation rate." (emph. added)

It should be noted that this conclusion was stated in a study prepared by the National Association of Independent Insurers...the same organization the insurance industry lobbyists are quoting as a definitive source in an attempt to prove compulsory insurance will raise rates. What the insurance lobbyists fail to mention is that the study also warns that its approach in determining rate differences may be subjected to criticism because of possible "flaws" in the approach the association used.

Some insurers contacted in Alaska stated that rates should, in fact, decline since the uninsured premium should lower as a result of more insured drivers on the road which lessen the potential liability claim cause by uninsured drivers.

Nevada has a mandatory law. Insurance Commissioner Dan Heath noted, "Rate increases are a reflection of the national economy. The mandatory law should bring a price down-trend for preferred customers."

New Jersey has a compulsory law. New Jersey Insurance Commissioner James Sheeran summed up the reason for rate hikes by noting, "Unrelenting inflation in the cost of hospital and medical bills and auto repair and replacement is the cause of higher rates."

Insurance officials in Wyoming, Oregon and Idaho were contacted in the past week to comment on rate increases following recent enactment of mandatory liability insurance laws.

Wyoming Insurance Division spokesman, Larry Elson, who is in charge of reviewing rate filings for auto insurance companies, said he felt the compulsory law had no effect on premiums. He added that he believed the insurance companies didn't even consider the law when filing rates. He said the increases could be attributed to inflation and increasing severity of auto accidents.

Idaho Insurance Division spokesman Dick Cook said it would be difficult to say if the mandatory law had an effect of increasing rates, but he believed it was not a major cost factor with insurance companies.

Oregon's Deputy insurance Commissioner, Bob Miller, said he was very skeptical that the law had any effect on raising rates. He also noted that the population of Oregon's assigned risk pool has been decreasing over several years to where it now has about 200 people in it. He adds this decrease comes from the availability of a reasonably priced product.

It should be noted that Alaska's Division of Insurance says a mandatory law will increase the population of the assigned risk pool thus raising everyone's rates. Oregon's experience is in direct contrast.

The 1982 Alaska Division of Insurance report stated, "While the population (of the pool) continues to decrease the division feels that many insureds being placed in the plan could be written by companies on a voluntary basis." It may be suggested that the Division should undertake increased efforts to depopulate the plan with or without a mandatory law. The 1982 report made one suggestion as to how this may be accomplished. That was a requirement that agents give insureds a brochure explaining the plan and advising, by shopping, that they may find companies willing to write voluntarily at lower rates or with improved coverage and better service. It's not known whether the Division has implemented such a procedure. The insurance industry also makes this point:

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

The Alaska Division of Insurance, in a February 7 memo to Senator Josephson noted that a number of states had recently adopted mandatory insurance laws and, generally, insurance rates had risen on an average of ten percent. The memo did not specify what might have caused the rate increases such as inflation. But, it must be noted that inflation, alone, has increased the cost of goods and services over ten percent in the past few years. That memo went on to state:

"Just what the impact would be on this state is not known and there is no adequate way of determining the impact since there is not a single source to which to go for an evaluation. There is a wide diversity of rates depending on the insurer providing the coverage and the record of the driver."

This statement further counters the argument that, based on other states experiences, one can conclusively say rates will rise if a compulsory law is passed. Other states won't confirm that, and Alaska's Division of Insurance could not definitely state that rates would increase. A preponderance of the evidence and research suggests that enactment of a compulsory law will not have the direct effect of raising rates. To say that it will is a misleading attempt to discredit this legislation and similar legislation in other states.

The 1982 annual report from the Alaska Division of Insurance concluded by saying:

"We will continue our efforts to assure that auto insurance rates in Alaska are neither excessive, inadequate nor unfairly discriminatory."

It is expected that the Division would follow that statement after passage of this legislation.

ARGUMENT:

This law can't be enforced well enough to make it effective and has not made major impacts in the number of uninsured drivers in other states.

ANSWER:

Similar laws have significantly resulted in more insured drivers. North Carolina's law, under which HB 7 is modeled, in part, has achieved a 2-3% uninsured population. Oregon has reduced uninsured drivers from 14% to 6%. Oregon's figures are based on accident reports. The uninsured figure for April 1983 was about 4.3%. Louisiana had 35% uninsured before the law was enacted. By the time the law went into effect that was down to 20% and decreasing. Minnesota now has a 5% uninsured population. New Jersey is 4 percent. New York and Massachusetts are down to 5% uninsured. There are many more examples.

IF THE LAW IS AS INEFFECTIVE AS THE INSURANCE INDUSTRY WOULD LIKE US TO BELIEVE, WHY HAVE 32 STATES ADOPTED SUCH A LAW AND NONE ARE SEEKING TO REPEAL IT???

ARGUMENT:

Offering uninsured and underinsured insurance would be cheaper and still protect the responsible driver.

ANSWER:

This method places more financial burden on the already insured driver and it does not address the attempt to get the irresponsible driver off the road. Also if a pedestrian who might not drive and thus not have insurance is hit by another person without insurance, the victim has no recourse to recover. This bill mandates offering of such insurance as part of the program, not in lieu of mandatory insurance.

ARGUMENT:

People will buy insurance to comply with the registration law and cancel the next day thwarting the attempted law.

ANSWER:

This bill has a mechanism that requires insurers to notify DMV of cancellations only in the first 6 months after a policy is issued. This is the least costly and most effective way to solve this problem. It has worked in other states and even the insurance industry agrees it is the most effective way to solve this problem. A March 27, 1981 memo to the Alaska Division of Motor vehicles from Robert Fitch, Secretary of the All-Insurance Industry Committee on Motor Vehicle Administration stated:

"In terms of cancellation notices, again, experience has indicated that reporting only cancellations occurring within the first six months, 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."

The burden is only on the insurers for 6 months because research has indicated this is where the problem people are. HB-7 adopts that enforcement mechanism.

ARGUMENT:

The current financial responsibility law is sufficient to see that problem drivers are insured.

ANSWER:

The law does not require insurance coverage until after someone has been involved in an accident. Other states had very similar laws and chose instead to go to a compulsory law because the FR law was not effective. The Declaration of Purpose in our current statutes states:

"The legislature determines that it is a matter of grave concern that motorists be financially responsible for their negligent acts so that innocent victims of motor vehicle accidents may be recompensed for the injury and financial loss inflicted upon them."

If that is a legislative goal, why is financial responsibility required only after someone has become the victim of a motor vehicle accident? If this requirement is deemed adequate after the fact, why not before the fact as well?

ARGUMENT:

The cost of this law to administer and enforce is too high and unreasonable.

ANSWER:

The cost of uncompensated death, injury, property damage is too high to tolerate any longer. Computers have made administration of this law relatively quick and cost efficient.

The Department of Health and Social Services notes in a May 25 memo, that

"The State of Alaska does pay a significant amount of public assistance for individuals who have been injured by uninsured automobile owners or drivers who are determined to be liable to the injured recipient."

The memo points out five examples of accidents which occurred in the past 2 years involving uninsured motorists. These 5 accidents resulted in payment of \$400,000 in medical assistance with future amounts unknown because of a lack of insurance which would have otherwise have paid most of these costs.

Thus the bill may actually result in a decreased expenditure of funds in another portion of the budget. In one respect, this legislation may actually save the state money.

ARGUMENT:

Wouldn't a no-fault law ensure that victims were adequately compensated without creating an enforcement burden or a need for a compulsory law?

ANSWER:

No fault became popular in the mid-70's but has since declined in popularity. In 1980 Nevada became the first state to repeal its no fault law. But it retained its mandatory liability law and is now working to strengthen it. There is not conclusive evidence that a no fault law will lower rates. Not one state which has adopted no-fault is considered to have a pure no-fault law. Some require a combination no fault/liability program. It must also be noted that most of the states which have no fault laws also have mandatory insurance laws. In some cases, mandatory insurance laws were adopted in states and only followed years later by adoption of a no fault concept. If there is support for a no fault law, it should be considered. But in no way should that support lessen the need to enact the mandatory program proposed in HB 7 at this time.}}

Representative Russell Kowalyshyn (D) from Pennsylvania summed up one fallacy inherent in no fault insurance by stating:

"One of the sad ironies of the no-fault law is that those who ignore it by failing to obtain insurance are protected anyway and the cost of the protection is paid by those who are legally insured."

While I have not ruled out the concept of proposing a no fault law for Alaska, research shows it is an area that requires more study at this time. However, I am convinced that a compulsory law proposed in HB 7 is necessary now and will accomplish a major goal of reducing the uninsured motorist population.

My staff assistant, Jeff Day, has compiled extensive research on this subject and is available to discuss the issue with you or a staff member at any time. Please feel free to call him with any questions you may have. I would also encourage you to read the report I distributed recently on auto insurance. It provides additional information to supplement what has been stated in this memo.

Thanks for your consideration, and I hope you will act quickly and favorably on this legislation.

# Alaska State Legislature



## Speaker of the House of Representatives

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Juneau, Alaska 99811  
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Official Business

The following are offered as amendments to version 1 of the proposed LC substitute for HB 7.

\* Page <sup>6</sup>~~2~~ Line <sup>24</sup>~~12~~  
Before the word "accessible" add "only"

\* Page <sup>7</sup>~~2~~ Line <sup>3</sup>~~21~~ add new section (d)

(d) A person who registers a motor vehicle in compliance with (c) of this section by signing an affidavit in lieu of providing the department with proof of financial responsibility shall be issued unique vehicle plates as provided for under AS 28.10.181(1). When the person provides proof of financial responsibility for the motor vehicle as required in (b) of this section, the unique vehicle plates shall be returned and registration plates as provided for under AS. 28.10.161 or other provisions of AS 28.10.181 shall be issued to the person for the motor vehicle.

\* Page <sup>7</sup>~~2~~ Line <sup>6</sup>~~27~~ after (b) add "or (c)"

\* Page <sup>7</sup>~~2~~ Line <sup>10</sup>~~27~~ after (b) add "or (c)"

\* Page <sup>7</sup>~~2~~ Line <sup>11</sup>~~28~~ Add new section <sup>10</sup>~~6~~ and renumber following sections.

\* Sec. 6. AS 28.10.131 is amended by adding a new subsection to read:

(c) A person registering a vehicle under AS 28.10.011(c) may be issued a temporary permit by the department to operate or transport the motor vehicle in areas other than those to which the vehicle is restricted under AS 28.10.011 (c) if the vehicle is to be moved or driven only for the purpose of maintenance, repair, rebuilding or dismantling. A person applying for this permit shall provide adequate evidence to the department that the vehicle will be operated only for the purposes for which the permit may be granted. A permit granted under this subsection is effective for no more than 30 days.

THE CURRENT SECTION <sup>10</sup> ~~8~~ BECOMES SECTION <sup>11</sup> ~~7~~...  
FOLLOWING THIS NEW SECTION ~~8~~ <sup>11</sup>. ADD A NEW SECTION ~~8~~ <sup>12</sup> and  
renumber following sections

\* Sec. 8. AS 28.10.181 is amended by adding a new subsection to read:

(1) Uninsured motor vehicles. A person who registers a motor vehicle under AS. 28.10.011(c) in lieu of AS 28.10.011(b) shall be issued unique vehicle plates. When the person provides proof of financial responsibility for the motor vehicle as required by AS 28.10.011 (b), the person shall return the unique plates and shall be issued vehicle plates under AS 28.10.161 or other provisions of this section.

Page <sup>8</sup> 3 Line <sup>1</sup> 18 after "name" insert " under AS 28.10.011 (b) or (c) "

# Alaska State Legislature



*Revised*

## Speaker of the House of Representatives

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

Official Business

### MEMORANDUM

June 9, 1983

To: Senator Dick Eliason  
Chairman  
Senate Labor and Commerce

From: Rep. Joe Hayes  
Speaker of the House

*JAH*

Re: HB 7..Auto Insurance

*includes list*

The following are proposed amendments to address the questions raised regarding special vehicles and custom plates.

PAGE 14 LINE 14 after the word "person" add new sentence

The department shall retain, for a period not exceeding one year, special vehicle plates as defined by AS.28.10.181 turned in under this section and reissue the identical plates to the person in accordance with this section.

option 2

ADD NEW SECTION

Sec. 28.22.525 VEHICLE EXEMPTION Vehicles registered as defined by AS. 28.10.181 (b) are exempt from the provisions of this chapter.

THE HAS THE EFFECT OF EXEMPTING HISTORIC VEHICLES FROM THE MANDATORY INSURANCE LAW. CONSIDERING THERE ARE PROBABLY FEW OF THESE TYPE VEHICLES. THIS MAY BE A MORE CONVENIENT SOLUTION.

Senator Dick Eliason  
June 9, 1983  
Page 2

I have also attached a list of communities in Southeast Alaska which would be affected by this bill. The mandatory auto insurance provisions are required to be followed by vehicles which must be registered in the state. By current definition vehicles which are not connected to the highway system are exempt from registration and this law.

John Bates from the Department of Transportation has provided the list of communities and in discussion with my staff noted that virtually all areas north and West of Fairbanks would not be subject to the provisions of the bill. Also, simply because a village or town has a state maintained road does not mean it is connected to the state highway system. There must be a physical connection by the marine highway or other roadway to obtain access to the connected highway system. I believe this definition is the best compromise in determining which communities are affected. Additionally, it must be noted that the insurance division has stated that the product of insurance is readily available and at what it considers to be reasonable rates. I do not believe there would be difficulty for those persons in more remote areas that would fall under the provisions of this law to obtain reasonably priced insurance.

My staff has also been following up on statements made throughout the debate on this bill. The insurance lobbyists noted that West Virginia created a papermill when it enacted its law two years ago and that the public was unduly harassed. The truth, according to the supervisor of the Insurance Unit in West Virginia, is that the law required insurers to notify DMV 30 days before a policy was to cancel. In turn, DMV had to send people letters warning that if they didn't pay, they would lose their license. The insurance companies were, in effect, using the DMV to get people to pay premiums on time. In April of 1982 that was changed so that notification by insurance companies is now required within 5 days of termination of a policy. This is somewhat similar to what HB 7 proposes. The West Virginia DMV now reports that the law is working well with few problems and has resulted in a 95% insured motoring population. The insurance lobbyists did not bother to tell you that part of the story.

The insurance lobbyists are also making a case that requiring the offering of uninsured and underinsured insurance for property damage and bodily injury would assure that responsible drivers who have insurance are protected. This approach has several flaws.

Senator Dick Eliason

June 9, 1983

Page 3

1. It does nothing to increase the uninsured population. While statistics vary as to how many are uninsured, it's my opinion that all statistics are too high a population of uninsured motorists.
2. What about the case where a pedestrian who has no car and thus no insurance is hit by an uninsured motorist? That pedestrian obviously will not have uninsured motorist coverage and there can't be a claim against the driver of the vehicle because he was uninsured.
3. Assuming that people would buy uninsured and underinsured insurance, this simply puts an added financial burden on those already taking the responsibility to protect themselves. In effect, we would be saying we don't care about those people who drive without insurance and that we don't feel it's important to encourage that they take the responsibility that comes with the privilege to drive.

In essence, I believe mandatory laws have been successful in many other states after initial resistance. Reviewing the research compiled by my staff has made me more certain of this belief. The options are not satisfactory. I believe the insurance industry has been misleading legislators throughout the session on this subject in an effort to protect their own profits and to avoid a minor increased administrative requirement at the expense of the safety of Alaskans. That stand and tactic is intolerable and I urge that you adopt HB 7 in substantially its current form.

cc: Senator Joe Josephson  
Senator Fritz Pettyjohn  
Senator Bob Mulcahy  
Senator Pat Rodey  
Senator John Sackett

## SOUTHEAST ALASKA COMMUNITIES

Access to State Highways  
June 2, 1983

## Statewide Planning &amp; Programming

<u>Community</u>	<u>Statewide Maintained Land System</u>	<u>State Marine Highway System</u>
Angoon		X
Craig	X	X
Gustavus	X	
Haines	X	X
Hollis	X	X
Hoonah	X	X
Hyder	X	
Juneau	X	X
Kake	X	X
Ketchikan	X	X
Klawock	X	X
Metlakatla		X
Pelican		X
Petersburg	X	X
Skagway	X	X
Sitka	X	X
Tenakee		X
Wrangell	X	X
Yakutat	X	

# Alaska State Legislature



Speaker of the House of Representatives


Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811  
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## MEMORANDUM

June 18, 1983

To: Sen. Dick Eliason  
Chairman  
Senate Labor and Commerce

From: Jeff Day   
Assistant to the Speaker

Re: HB 7..Auto Insurance

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The following are new proposed amendments to the House Finance committee version of HB 7 which address questions raised regarding special vehicles and custom plates. There are several technical amendments offered here as well.

\* Page 1 Line 23

delete "in AS. 45.30.100" and replace with "by regulation"

\* Page 1 line 24 rewrite to read

\* Sec. 3. AS 28.10.011 is amended by adding new subsections to read : (b) An owner of a motor vehicle may not register a motor vehicle in the state and may not renew the registration of a motor vehicle in the state without providing evidence satisfactory to the department of the existence of a motor vehicle policy that complies with AS 28.22.010 or a certificate of self insurance that complies with AS 28.20.400 or unless cash, securities or a bond has been deposited



or filed with the department upon such terms and conditions that will provide the same benefits available under a required motor vehicle liability policy.

(c) An owner of a motor vehicle is exempt from (b) of this section if that person submits to the Department a sworn affidavit as may be prescribed by the Department declaring, under penalty of perjury, that either

(1) the motor vehicle will not be operated on a highway or vehicular way connected to the state highway system as established under AS 19.10.020 and explaining the reasons therefor; or

(2) the motor vehicle will be continuously garaged and operated outside the State of Alaska and explaining the reasons therefor; or

(3) the motor vehicle will be operated only within and between communities not to exceed 900 in population. A person who violates a provision sworn to within such an affidavit is subject to penalties as provided by AS 28.10.491 (9)(B). A person required to show proof of financial responsibility required by AS 28.20 may not claim this exemption.

(d) A person registering a motor vehicle in compliance with (c) of this section by signing an affidavit in lieu of providing the department with proof of financial responsibility shall be issued unique vehicle plates as

provided for by AS 28.10.181 (1). When the person provides proof of financial responsibility for the motor vehicle as required in (b) of this section, the unique vehicle plates shall be returned and registration plates as provided for by AS. 28.10.161 or other provisions of AS 28.10.181 shall be issued to the person for the motor vehicle.

\* Page 2 lines 4 and 8. after "(b)" on each line add  
"or (c)."

\* Page 2 Line 9

ADD NEW SECTIONS AFTER SECTION 5 AND RENUMBER FOLLOWING  
SECTIONS ACCORDINGLY

\* Sec 6. AS 28.10.131 is amended by adding a new subsection to read: (d) A person registering a vehicle as allowed by AS 28.10.011 (c) may be issued a temporary permit by the Department to operate or transport the motor vehicle in areas other than those to which the vehicle is restricted under that section if the vehicle is to be moved or driven only for the purpose of maintenance, repair, rebuilding or dismantling. A person applying for such a permit must provide adequate evidence to the Department that the vehicle will be operated only for the purposes for which the permit may be granted. Such a permit is effective for no more than 30 days.

\* Sec. 7. AS 28.10.151 is amended by adding a new subsection to read: (4) a vehicle subject to AS. 28.22.520 which is to be moved or driven only for the purpose of maintenance, repair, rebuilding or dismantling. Such a permit shall be effective for 30 days.

\* Sec. 8. AS 28.10.181 is amended by adding a new subsection to read: (1) Uninsured motor vehicles. A person who registers a motor vehicle as provided for by AS 28.10.011(c) in lieu of AS 28.10.011 (b) shall be issued unique vehicle plates. When the person provides proof of financial responsibility for the motor vehicle as required by AS 28.10.011(b), the person shall return the unique plates and shall be issued vehicle plates as provided for by AS 28.10.161 or other provisions of this section.

\* Page 2 line 18

After "may be issued" Delete "or" and insert

, renewed, or reissued following a suspension or revocation

\* Page 2 line 23 after "person's name" add

"pursuant to AS 28.10.011 (b) or (c)"

\* Page 6 line 8 AND

Page 10 line 5

after "AS. 28.20.400" add

"or unless cash, securities or a bond has been deposited or filed with the department upon such terms and conditions that will provide the same benefits available under a required motor vehicle liability policy,"

\* Page 11 line 11

After "the citation" insert "within 5 days"

\* Page 11 line 15

After "issued" add

" or that cash, securities or a bond had been deposited or filed with the department at the time the citation was issued and meets conditions that will provide the same benefits available under a required motor vehicle policy."

\* Page 11 line 28

Delete "up to" and insert "not less than 10 days nor more than"

\* Page 12 Line 7

Insert "minimum" before the phrase "period of suspension"

\* Page 12 Line 15

Insert "minimum period of" before the word "suspension"

\* PAGE 14 LINE 6 Rewrite sec 28.22.520 to read

Sec. 28.22.520. UNUSED MOTOR VEHICLES. (a) A person may terminate or suspend a motor vehicle liability policy covering a vehicle that is unused. A person exercising this option shall removed the unused vehicle plates and deliver them to the nearest department office. Except as provided in (c) of this section, when the vehicle is to be used, the person shall present evidence satisfactory to the department of a motor vehicle liability policy that complies with AS 28.22.010 or a certificate of self insurance that complies with AS 28.20.400 covering the vehicle and the person, at which time the department shall reissue vehicle plates to the

person. Cash, securities or a bond which will provide the same benefits available under a required motor vehicle policy may be deposited or filed with the Department in lieu of a motor vehicle liability policy or certificate of self insurance.

(b) The department shall retain, for a period not to exceed one year, special vehicle plates as defined by AS. 28.10.181 turned in under this section and reissue the identical plates to the person in accordance with this chapter.

(c) When the vehicle is to be driven or transported only for the purposes for which registration is not required pursuant to AS 28.10.151, the department shall issue a special permit which shall be effective for a 30 day period. Presentation of evidence of financial responsibility as required by (a) of this section is not required for issuance of this special permit.

(d) A person seeking a special permit under (c) of this section must present evidence satisfactory to the department that the vehicle will be operated only as allowed by AS 28.10.151.

\* \* \* \* \*

The effect of these amendments is to require suspension of the driver's license for at least 10 days following the first conviction. The bill currently would allow a judge to not suspend the license at all. The other changes allow a judge the discretion to allow limited driving priveleges following the minimum suspension of a license for such activities as work. The change regarding the mobile home section was requested by DMV to allow it to define mobile home by regulation.

The amendments concerning the use of a signed affadavit would make no changes to vehicles required to be registered but it would allow an exemption from the requirement to show insurance at the time of registration or to carry liability insurance at any time if the owner will sign a sworn affadavit promising that either the vehicle will not be driven in or between communities of more than 900 people or that it will not be operated in the state or that it will not be operated on the connected state highway system. A vehicle registered in accordance with the exemption would be issued unique license plates. These unique plates would be exchanged for regular plates when a vehicle is subsequently insured. The intent would be for enforcement authorities to easily spot such uninsured drivers if the vehicle was driven in areas where insurance would be required. If the person violates what he/she has promised to do by the affadavit, that person becomes subject to the penalties already in statute for making a false statement to obtain registration. Provisions have been made to allow for the issuance of a special permit which would allow vehicles registered without insurance to be moved in areas where insurance is required as long as the vehcile is only moved for the purpose of repair, rebuilding, dismantling or maintenance.

## PROPOSED LETTER OF INTENT

It is the Legislature's intent that special vehicle permits issued in accordance with AS 28.22.520 (c) be unique and clearly distinguishable from other special permits which may be issued by the Department. Such permits will specifically explain the purpose for which they are issued.

It is further intended that the exemption allowed by AS 28.10.011 (c) is primarily designed to apply to motorists in rural, less populated areas of the state in which exposure to potential traffic accidents and resulting liability is considered to be minimal. The exemption is also to apply to those vehicles which may be registered in Alaska but garaged and operated outside the State. The issuance of a special vehicle plate is intended to provide enforcement authorities with an easy method to identify potential violators of the mandatory insurance law should a vehicle with such plates be operated in areas where insurance would be required.

It is further intended, when proof of insurance is required for issuance of a driver's license, that such proof is not required if the licensee complies with AS 28.10.011 (c) in lieu of AS 28.10.011 (b).

It is also intended that the Department initiate a public information program prior to the effective date of this act to educate Alaskans about the requirements of the law and potential penalties for failing to comply with the law.

Provided by Jeff Day / Rep  
Hayes

Page 1 line 24 rewrite to read

\* Sec. 3. AS 28.10.011 is amended by adding new subsections

to read : [ (b) remains the same  
add new (c) ]

(c) An owner of a motor vehicle is exempt from  
(b) of this section if that person submits to the Department  
a sworn affidavit as may be prescribed by the Department  
declaring, under penalty of perjury, that either

(1) the motor vehicle will not be operated on a highway  
or vehicular way connected to state highway system as  
established under AS 19.10.020 and explaining the reasons  
therefor; or

(2) the motor vehicle will be continuously garaged and  
operated outside the State of Alaska and explaining the  
reasons therefor; or

(3) the motor vehicle will be operated only within  
communities not to exceed \_\_\_\_\_ in population.

A person who violates a provision sworn to within such an  
affadavit is subject to penalties as provided by AS 28.10.491

(9) (B). A person required to show proof of financial  
responsibility required by AS 28.20 may not claim this  
exemption.

Page 2 lines 4 and 8. after "(b)" on each line add

"or (c)."

Page 2 line 23 after "person's name" add

"pursuant to AS 28.10.011 (b) or (c)"

This would make no changes to vehicles required to be registered but it would allow an exemption from the requirement to show insurance at the time of registration or to carry liability insurance at any time if the owner will sign a sworn affidavit promising that either the vehicle will not be driven in communities of more than \_\_\_\_\_ people or that it will not be operated in the state or that it will not be operated on the connected state highway system. This also allows issuance of a drivers license by either meeting insurance requirements for vehicles the licensee owns and which are located in the state or by signing the affidavit required in lieu of proof of insurance for registration.

The vehicle may be registered and given registration plates. If the person then violates what he/she has promised to do by the affidavit, that person becomes subject to the penalties already in statute for making a false statement to obtain registration. and is caught without insurance, the person would be subject to the penalties for making a false statement to obtain registration already in law which is a felony.

## PROPOSED LETTER OF INTENT

It is the Legislature's intent that special vehicle permits issued in accordance with AS 28.22.520 (c) be unique and clearly distinguishable from other special permits which may be issued by the Department. Such permits will specifically explain the purpose for which they are issued.

It is further intended that the exemption allowed by AS 28.10.011 (c) is primarily designed to apply to motorists in rural, less populated areas of the state in which exposure to potential traffic accidents and resulting liability is considered to be minimal. The exemption is also to apply to those vehicles which may be registered in Alaska but garaged and operated outside the State.

It is further intended, when proof of insurance is required for issuance of a driver's license, that such proof is not required if the licensee complies with AS 28.10.011 (c) in lieu of AS 28.10.011 (b).

It is also intended that the Department initiate a public information program prior to the effective date of this act to educate Alaskans about the requirements of the law and potential penalties for failing to comply with the law.

PMS SEN RICHARD I ELIASON

POUCH V **3019**

JUNEAU AK

RE: CSSSHE7 SENATE COUNTER PART SB223

THE FOLLOWING RECOMMENDATIONS ARE SUGGESTED HOUSEKEEPING MEASURES THAT WILL IMPROVE THE BILL.

PAGE 3, LINE 22; THE TERMS "AUTHORIZED TO DO BUSINESS IN THE STATE" MAY CREATE UNCERTAINTY THE DIVISION OF INSURANCE MAKES THE DISTINCTION OF ADMITTED OR NONADMITTED COMPANIES. SUGGEST USING WORDING ON PAGE 10, LINE 20 AFTER THE COMMA THROUGH LINE 25.

THE SAME OR SIMILAR PHRASES APPEAR ON PAGE 6 LINE 9; PAGE 7 LINE 1; PAGE 10 LINE 6, 14 AND 21.

PAGE 10, LINE 21 AND 22; USE THE PHRASE "OR IF THE COMPANY IS NOT AUTHORIZED TO DO BUSINESS IN THE STATE." IS THIS INTENDED TO MEAN NONADMITTED COMPANIES?

PAGE 5, LINE 8; "DOMINION OF CANADA." THIS WOULD APPEAR TO BE LEGISLATION WHEN WORDING IN THE AUTO INSURANCE POLICY PROVIDES COVERAGE.

PAGE 5, LINE 26; "180 DAYS" SHOULD BE CHANGED TO "6 MONTHS OR 3 MONTHS." MOST AUTO POLICIES ARE WRITTEN FOR THESE TERMS. THE SAME PHRASE IS ON PAGE 9, LINE 15.

PAGE 6, LINE 9 THROUGH 14; "THE CAR" WORDING SHOULD BE PROVIDED BY THE DEPARTMENT OF PUBLIC SAFETY OR DIVISION OF INSURANCE SO IT

27255 2V 2212 21277

POX 1752

FOR 12345

THE THIS IS RECOMMENDED AS AN ADDITION.

PROVISION IS MADE IN THE BILL TO COVER SINGLE LIMIT COVERAGE

AND AUTO INSURANCE POLICIES WITH SINGLE LIMITS. NO

PROPERTY DAMAGE.

PROPERTY DAMAGE SHOULD BE ADDED TO "AND INCLUDING DESTRUCTION OF

THE FOLLOWING:

SUSTAINED BY ANY PERSON INCLUDING DEATH AT ANY TIME RESULTING

PERSON SHOULD BE CHANGED TO "BODILY INJURY, SICKNESS OR DISEASE

THROUGHOUT THE BILL THE TERM "BODILY INJURY TO OR DEATH OF ONE

PERSON."

PAGE 10 LINE 28; INSERT "THE WORDS HEREIN" AFTER THE "KNOWINGLY

ISSUED OF THIS NOT COVERED BY THE POLICY.

INCLUDED IN THE BILL. IT APPEARS TO REQUIRE PAYMENT BY THE

PAGE 6 LINE 11 THROUGH 14; I AM NOT SURE WHY THIS PROVISION IS

BUSINESS.

IN THE LIFE INSURANCE BUSINESS NOT THE PROPERTY AND CASUALTY

PAGE 8, LINE 1; DELETE "AND EVERY ITEM" THE TERM HEREIN IS USED

IS NOT BROADER THAN THE INSURANCE POLICY.

BY THE DEPARTMENT OF PUBLIC SAFETY DIVISION OF INSURANCE SO IT

PAGE 6, LINE 9 THROUGH 14; "THE WORDS" SHOULD BE PROVIDED

# Alaska State Legislature



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

DISTRICT 11  
3305 OREGON DRIVE  
ANCHORAGE, ALASKA 99503

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

Representative Mae Tischer

## MEMORANDUM

TO: All Legislators

FROM: Representative Mae Tischer *MT*

DATE: April 28, 1983

RE: HB 7 and SB 223

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

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

attachements  
MT/ssw

APR 22 1983

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

April 15, 1983

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

Dear Mae:

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

*want to notify Joe*

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

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

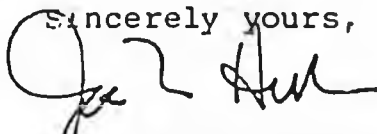
Notwithstanding the above, my three major reservations concerning this legislation are that it will (1) significantly increase the premium rates for responsible policy holders; (2) significantly increase the case loads at the Superior Court level; and (3) engender disrespect for law.

AN ALTERNATIVE SOLUTION

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

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

Sincerely yours,



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

JMH/ph

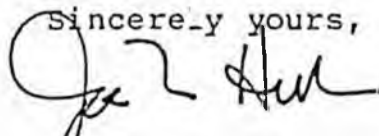
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It is my firm belief that the passage of House Bill No. 7, Senate Bill No. 223 will result in a morass of bureaucracy and paperwork and significant expense to the citizens of the state of Alaska. Additionally, compulsory insurance will significantly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

Sincerely yours,



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

JMH/ph

(over)

# Alaska State Legislature



## Speaker of the House of Representatives

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

Official Business

April 25, 1983

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

Dear Joe:

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

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

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

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

Joe Huddleston  
April 25, 1983  
Page 2

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

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

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

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

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

Joe Huddleston

April 25, 1983

Page 3

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

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

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

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

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

Joe Huddleston  
April 25, 1983  
Page 4

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

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

Thanks again for your comments.

Very truly yours,

Joe L. Hayes  
SPEAKER OF THE HOUSE

JLH:jkd

NOTE REGARDING THE FOLLOWING FRAME(S) ON MICROFILM:  
COMPLETE DOCUMENT IS AVAILABLE IN ORIGINAL FILES.  
TITLE PAGE ONLY HAS BEEN FILMED.

MANDATORY AUTOMOBILE LIABILITY INSURANCE

GENERAL INFORMATION

PREPARED BY: HOUSE SPEAKER'S OFFICE  
MARCH 1984