

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2683 SLC HB 7 (FILE 4) - (FILE 5)

Chart 2 (from AIPSO Ins. Facts, 1982)

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

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

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

ATTACHMENT B

In view of the interest being expressed by a number of persons in reviewing the limits of liability required by the Alaska Safety Responsibility Act (financial responsibility law) the Division of Insurance has updated exhibits originally prepared when the limits were last revised in 1975.

EXHIBIT A reflects the purchasing power or value of the dollar based on the annual average value as measured by consumer prices. The base year utilized is 1959, the year of Alaska Statehood. The indices used were developed by the U. S. Bureau of Labor Statistics. Column (3) shows the limits of liability for bodily injury applicable to the particular year. Column (5) does the same for property damage. The figures for 1982 and 1983 are projections and are not firm.

EXHIBIT B is the same concept as EXHIBIT A except it uses the date of last change of limits as the base year and thus uses a shorter span of years.

EXHIBIT C is an excerpt from the FC&S BULLETINS published by the National Underwriter Company of Cincinnati, Ohio. It depicts the current (as of January 1983) limit of liability for each state of the United States and for each province in Canada.

March 1, 1983

Division of Insurance
Department of Commerce & Economic Development
State of Alaska

PURCHASING POWER OF FINANCIAL RESPONSIBILITY LAW LIMITS USING 1959 (statehood) AS BASE YEAR

(1) Year	(2) Purchasing Power indx	(3) B.I. Limits (000)	(4) Purchasing Power of (3)	(5) P.D. Limit (000)	(6) Purchasing Power of (5)
1959	1.000	10/20	10000/20000	5	5000
1960	.984	10/20	9840/19680	5	4920
1961	.975	10/20	9750/19500	5	4875
1962	.964	10/20	9640/19280	5	4820
1963	.953	10/20	9530/19060	5	4765
1964	.940	10/20	9400/18800	5	4700
1965	.924	10/20	9240/18480	5	4620
1966	.899	10/20	8990/17980	5	4495
1966	.899	15/30	13485/26970	5	4495
1967	.873	15/30	13095/26190	5	4355
1968	.838	15/30	12570/25140	5	4190
1969	.796	15/30	11940/23880	5	3980
1970	.751	15/30	11265/22530	5	3755
1971	.720	15/30	10800/21600	5	3600
1972	.698	15/30	10470/20940	5	3490
1973	.657	15/30	9855/19710	5	3285
1974	.587	15/30	8805/17610	5	2935
1975	.542	15/30	8130/16260	5	2710
1975	.542	25/50	13550/27100	10	5420
1976	.512	25/50	12800/25600	10	5120
1977	.481	25/50	12025/24050	10	4810
1978	.447	25/50	11175/22350	10	4470
1979	.402	25/50	10050/20100	10	4020
1980	.355	25/50	8875/17750	10	3550
1981	.325	25/50	8125/16250	10	3250
1982est.	.310	25/50	7750/15500	10	3100
1983est.	.295	25/50	7375/14750	10	2950

Proposals

1983est.	.295	50/100	14750/29500	25	7375
1983est	.295	100/200	29500/59000	25	7375

Prepared by: Alaska Division of Insurance
 Based on: U.S. Bureau of Labor Statistics
 Date: March 1, 1983

PURCHASING POWER OF FINANCIAL RESPONSIBILITY LAW LIMITS USING 1975 (date of last change in financial responsibility law limits) AS BASE YEAR

(1) Year	(2) Purchasing Power Indx	(3) B.I. Limits (000)	(4) Purchasing Power of (3)	(5) P.D. Limit (000)	(6) Purchasing Power of (5)
1975	1.000	25/50	25000/50000	10	10000
1976	.945	25/50	23625/47250	10	9450
1977	.887	25/50	22175/44350	10	8870
1978	.824	25/50	20600/41200	10	8240
1979	.742	25/50	18550/37100	10	7420
1980	.654	25/50	16350/36700	10	6540
1981	.599	25/50	14975/29950	10	5990
1982est.	.572	25/50	14300/28600	10	5720

Prepared by: Alaska Division of Insurance
 Based on: U.S. Bureau of Labor Statistics
 Date: March 1, 1983

TABLE OF LIMITS

Financial Responsibility and Compulsory Insurance Laws

The table that follows displays the minimum financial responsibility and compulsory Liability insurance limits for all states, the District of Columbia, and the Canadian provinces. (Limits are expressed in thousands.)

Alabama	.....	\$10/20/5	New Brunswick	.....	100
Alaska	.....	25/50/16	Newfoundland	.....	75
Alberta	.....	100	New Hampshire	.....	25/50/25
Arizona	.....	15/30/10	New Jersey	.....	15/30/5
Arkansas	.....	25/50/15	New Mexico	.....	15/30/5
British Columbia	.....	100	New York	.....	10/20/5*
California	.....	15/30/5	Northwest Territories	.....	50
Colorado	.....	15/30/5	North Carolina	.....	25/50/10
Connecticut	.....	20/40/5	North Dakota	.....	25/50/10
Delaware	.....	10/20/5	Nova Scotia	.....	100
District of Columbia	..	10/20/5	Ohio	.....	12.5/25/7.5
Florida	.....	10/20/5	Oklahoma	.....	10/20/10
Georgia	.....	10/20/10	Ontario	.....	200
Hawaii	.....	25/Unlimited/10	Oregon	.....	15/30/5
Idaho	.....	10/20/5	Pennsylvania	.....	15/30/5
Illinois	.....	15/30/10	Prince Edward Island	.....	100
Indiana	.....	15/30/10	Quebec	.....	50†
Iowa	.....	20/40/15	Rhode Island	.....	25/50/10
Kansas	.....	25/50/10	Saskatchewan	.....	100
Kentucky	.....	10/20/5	South Carolina	.....	15/30/5
Louisiana	.....	5/10/1	South Dakota	.....	15/30/10
Maine	.....	20/40/10	Tennessee	.....	10/20/5
Manitoba	.....	50	Texas	.....	10/20/5
Maryland	.....	20/40/10	Utah	.....	20/40/10‡
Massachusetts	.....	10/20/5	Vermont	.....	20/40/10
Michigan	.....	20/40/10	Virginia	.....	25/50/10
Minnesota	.....	25/50/10	Washington	.....	25/50/10
Mississippi	.....	10/20/5	West Virginia	.....	20/40/10
Missouri	.....	25/50/10	Wisconsin	.....	25/50/10
Montana	.....	25/50/5	Wyoming	.....	10/20/5
Nebraska	.....	15/30/10	Yukon	.....	75
Nevada	.....	15/30/10			

*50/100 for wrongful death.

†Because Quebec has a complete no-fault system for bodily injury, the minimum limit applies only to property damage within Quebec and combined bodily injury and property damage outside Quebec.

‡Or, \$30,000 combined single limit

ATTACHMENT C
ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

March 8, 1983

MEMORANDUM

TO: Representative Hille Koponen

FROM: David Neal
Research Staff

RE: Insurance Pools
Research Request Number 83-48

You asked the House Research Agency to explore potential advantages of providing insurance to a single pool versus competing pools. Although other possibilities exist, the implication of a single pool is compulsory insurance underwritten by the government.¹

In our conversation of March 2, you indicated an interest in applying the single pool concept to automobile insurance in Alaska. According to Don Koch, of the Division of Insurance in the Department of Commerce and Economic Development, 32 states now have some type of compulsory automobile insurance and 29 of those states adopted compulsory insurance laws (primarily no-fault) within the past 12 years. However, Jerry Sheehan, of the American Insurance Association, said these states require motorists to obtain an insurance policy from the private sector; no state acts as the underwriter (that is, the risk-taker) for automobile insurance.²

Several Canadian provinces are much more involved in providing automobile insurance. British Columbia, Manitoba, Saskatchewan and Quebec all have government-run corporations that underwrite automobile insurance. In my research of this topic, I spoke with Andy Neimers (Community

¹ Other forms of single pool insurance include (1) contracting with underwriters in the private sector for exclusive coverage of Alaska's population and (2) excluding private sector insurers from the market without making government-provided coverage mandatory. Both forms would require strong government involvement.

² Hawaii probably comes closest to providing insurance; the State pays insurance premiums for motorists on welfare. Note, however, that the underwriters are private sector insurance companies, not the State.

Relations Officer for the Insurance Corporation of British Columbia) and Lynn Holson, who works for the government insurance corporation in Saskatchewan. They listed the following as some of the advantages of the single pool concept.

- The pool made insurance more readily available to some sections of the population. One reason for government involvement was the alleged reluctance of private sector insurers to offer insurance in remote areas. Another allegation was that the premiums charged to young drivers were out of proportion to the risks.
- Security is greater when all motorists are insured. Innocent victims of accidents are assured of compensation for their losses.
- Administrative costs of a single pool can be much lower than for competing pools, such as those found in states that have compulsory insurance laws which require purchase of insurance from the private sector. This applies in particular to enforcement. A single pool can process information faster and more accurately than is likely to occur when information is not centrally gathered and processed.
- Premiums are lower. The need for profit is eliminated when the government acts as the underwriter.
- Income can be invested within the province.
- The private sector is not excluded from the insurance business. Policies are obtained from (and commissions are paid to) private insurance companies. In addition, private sector insurers can write policies in excess of the required coverage. In fact, very little "excess" insurance is purchased from private insurers because they cannot compete with the government premium structure. People can (and often do) purchase excess coverage from the government.

Both Canadian sources said the single pool concept has some opposition, but they said it tended to be philosophical/political rather than being aimed at the cost or efficiency of the programs. Note, however, that British Columbia had a fixed premium structure that subsidized drivers with poor driving records when the program began in 1973. According to Mr. Neimers, the program ran up a deficit of \$180 million and required a government bailout. He said the new "bonus/malice" premium schedule has reduced subsidies and claimed that the corporation now operates at

a breakeven level. Saskatchewan continues to charge a single fee for the minimum liability coverage.

The Canadians tie insurance to vehicle registration; our two sources recommended that Alaska adopt the same system if the State adopts the single pool concept. They voiced concern that linking insurance to a license to drive might result in people driving without a license. They noted that license plates are highly visible evidence of insurance while a driver's license might be examined only after an accident. Although the registration plates are evidence of insurance and are associated with the bulk of premium payments, the Canadians also assess a fee for a driver's license. The fee provides insurance coverage for auto accidents even if the holder is a pedestrian at the time of the accident.

As mentioned earlier in this memorandum, none of the United States provides automobile insurance in the same way as the Canadian provinces. However, several states--Nevada, North Dakota, Ohio, Washington, West Virginia and Wyoming--apply the single pool concept to workers' compensation insurance. I discussed the single pool concept with Jacqueline McClintock, director of the the Division of Workers' Compensation, and with Don Koch. They countered many of the advantages listed earlier in this memorandum and noted several disadvantages to adopting the single pool concept in Alaska. Their points are listed below.

- There is no compelling actuarial reason to have a single risk pool; when combined with policy-holders in other states, the competing pools are large enough to accurately project losses.
- There is not significant problem with availability of automobile insurance in rural Alaska.
- A government-run insurance program is a heavy intrusion into private industry. Increased government involvement would be a reversal of the current trend; many jobs would be shifted from the private sector to the state payroll.
- Alaska's new spending limitation could affect the State's ability to fund the personnel required to operate an insurance program.
- A government-run insurance program might have many hidden costs such as legal fees absorbed by the Attorney General's office.
- The downward pressure which competition places on rates and the inherent inefficiency of government may more than offset the gains due to the elimination of profit.

March 3, 1981

Page 5

- Compulsory insurance is costly because (1) the policy is unlikely to have exclusions, (2) fraud is eliminated as a defense if the insurance carrier must go to court, and (3) insurance coverage must be certified.
- Even compulsory insurance is unlikely to provide 100% coverage.
- Although a State corporation might invest more heavily in the state than would a large national corporation, additional investments may not be all that attractive, some analysts claim that Alaska has surplus liquidity.

Other solutions may provide similar security at a lower cost and/or with less disruption of the market and less impact on personal freedom. Options include:

- mandatory offering of underinsured as well as uninsured motorist coverage, for personal property as well as for bodily injury;
- stronger financial responsibility laws, such as "habitual offenders" provisions or a fee assessed at the time an uninsured (or unbonded) vehicle is registered and a fee if an uninsured vehicle is involved in an accident; and
- an "unsatisfied judgment fund" or similar program to compensate innocent victims of automobile accidents.

As you are aware, insurance is a complex topic with few solutions that solve all problems. The House Research Agency has performed research on automobile insurance in the past and has a voluminous file on the subject. Copies of released material are attached to this memorandum. If you or your staff wish to examine our files or would like us to perform additional work, please contact us.

Attachments

Summary, Choice of a Regulatory Environment for Automobile Insurance,
SRI International, 1979

The Manitoba Auto Insurance Plan

Research Requests: 69

81-16

81-32

81-173



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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

September 24, 1981

MEMORANDUM

TO: Representative Charles Anderson
FROM: David Teal *DT* Research Staff
RE: SB 287: Drivers' Liability Insurance
Research Request No. 81-173

This memorandum is in response to your request that agency staff analyze testimony and contact involved executive branch departments in order to identify problems with SB 287, which deals with motor vehicle insurance. Previous work on this topic was prepared by the House Research Agency for you and for Representative Buchholdt. Copies of memoranda presenting an overview of compulsory liability, no-fault, and other auto insurance options are attached for your information.

COMPULSORY LIABILITY INSURANCE

The declared purpose of SB 287 is to provide assurance that "innocent victims of motor vehicle accidents may be recompensed for the injury and financial loss inflicted upon them." The bill proposes to provide this assurance by requiring liability insurance coverage of all motor vehicles registered in the state. Testimony given at a meeting of the Senate Judiciary Committee on April 13, 1981, and research and analysis of this issue indicate that the present form of SB 287 may not adequately perform its stated function. Several concerns expressed during that meeting are summarized below:

Enforcement Procedures. Other states with mandatory insurance coverage have been unable to ensure that coverage remains in effect throughout the registration period. Mr. Thomas, an attorney representing the American Insurance Association, suggested that policies mandated by this bill may require full payment at the time the policy is written since insurance companies would hesitate to finance policies with a "guaranteed no cancel" clause. Although advance payment could be a financial burden to some vehicle owners, no other means of ensuring continuous coverage was suggested. The discussion at the hearing pointed out that penalties for non-compliance are not specified in the bill. Analysis of enforcement procedures in other states (see research request 81-16, sent to you on February 13, 1981) suggests that severe penalties would be

necessary and that proof of insurance should be required at every official contact. Administrative difficulties were implied, but not discussed at length.

Cost of Coverage. Inability of insurers to cancel policies of poor risks, increased monitoring costs, and a probable increase in the number of high-risk drivers that would be required to carry insurance would tend to increase costs of insurance. Costs could be decreased somewhat if policies were paid in advance, but our research suggests that other action -- specifically, high deductibles, a reinsurance plan, self-insurance, and free coverage for those receiving welfare -- might be more effective means of reducing costs to the insured. M. Thomas testified that he had no reason to expect mandatory policies to differ in costs from similar coverage under current law. Mr. Koch, from the Division of Insurance, testified he could find no evidence that compulsory insurance laws have reduced the costs of insurance coverage in other states. Increased costs have, in fact, been a major complaint in states that have adopted compulsory insurance laws.

Special Groups. Three groups attracted special attention. An assigned risk pool (composed of poor insurance risks) and the conditions and costs related to it were discussed at the hearing, but the question of whether the risk pool should be subsidized remains unresolved. Senator Ray indicated a desire to see high-risk drivers pay their full costs while Mr. Koch testified that the risk pool concept typically involves subsidization. Special attention was also given to Alaskans not required to register vehicles because they live in areas not connected by road to the highway system. Testimony indicating that insurance would be required only for registered vehicles apparently answered these concerns adequately. A third group contains drivers who operate certain vehicles on a limited basis and/or drive very cautiously when motor vehicle operation is necessary. It would be difficult to address the concerns of this group if insurance is required in order to register a motor vehicle.

Language. Several sections of the bill prompted questions of interpretation. Mr. Koch suggested changes which would clarify the terms and intent of the legislation. He submitted wording (attached) which rids the bill of some inconsistencies and provided a list of exclusions which he felt should be a part of any policy. However, these changes would be insufficient to resolve several problems mentioned by Bill Brown of the Division of Motor Vehicles. Mr. Brown pointed out that insurance linked to registration would leave loopholes for vehicles registered outside Alaska, including vehicles owned by military personnel and visitors, and for any operator who failed to transfer ownership in a timely manner.

Representative Charles Anderson
September 24, 1981
Page 3

He also testified that Alaska's current financial responsibility provisions and assigned risk plan should not be repealed even if a compulsory insurance bill is passed.

Many of the problems identified at the hearing can be addressed by altering the wording of SB 287. The basic problem, however, cannot be resolved without a substantial change in focus. The single underlying problem is that SB 287 would make liability coverage mandatory. A preponderance of evidence shows that compulsory insurance laws do not fulfill the goal of eliminating uninsured motorists from the roadways.

Compulsory liability insurance is especially difficult to enforce because liability coverage is designed to protect the policy holder from losing his income and assets if he causes loss to a second party. Drivers with no property or savings and low income have little economic incentive to purchase liability insurance because they have little to lose in a lawsuit. Experience in other states has shown that compulsory liability laws do not result in a fully insured population.

Compulsory insurance laws also tend to be costly, both in administrative expenses and in premium increases to responsible drivers. North Carolina employed more than 100 clerical staff to monitor coverage. Florida repealed its compulsory liability law in 1977 because of its upward effect on premiums. The California Department of Motor Vehicles reported in a 1976 study of its compulsory insurance law that "if all social costs associated with this program are considered, this program is almost certainly a social liability from the cost-benefit standpoint."

Alternatives to compulsory liability insurance include (1) compulsory no-fault insurance, which is no less controversial than compulsory liability, (2) strong financial responsibility laws, which Alaska currently has in effect, (3) uninsured motorist coverage, which is currently available in Alaska, and (4) an unsatisfied judgment fund, which is discussed below.

UNSATISFIED JUDGMENT FUND

The purpose of SB 287 -- protecting innocent victims of motor vehicle accidents -- may be accomplished by creating a fund to be used to compensate victims of uninsured accidents. New Jersey, Maryland, and New York operate funds similar to the concept presented in the following scenario.

Representative Charles Anderson
September 24, 1981
Page 4

At the time of vehicle registration, the owner would provide the name of his insurance company and the policy number involved and would indicate that he has and will maintain certain insurance minimums throughout the period of registration. The alternative to this self-certification would be payment of an additional fee to an unsatisfied judgment fund; insurance coverage would not be compulsory. If an innocent victim's loss is uninsured and the party at fault fails to satisfy the judgment of a court of law, the victim would be compensated from the fund.

The unsatisfied judgment fund would alleviate hardship caused by uninsured accidents without attempting to legislate financial responsibility. It could work within the existing framework of Alaska's financial responsibility provisions and is likely to create a much smaller administrative burden than a compulsory insurance law. Monitoring the certification process could be lenient or very strict, depending on legislative intent. Verification could be required only upon being found at fault in an accident or may be required upon any official contact with traffic law enforcement personnel. Penalties for making false statements about insurance coverage could involve loss of driving privileges and/or criminal prosecution.

Program costs would be borne by the uninsured rather than by motorists who voluntarily buy insurance coverage. A funding formula could be developed to ensure adequate resources or the fund could be supplemented by State appropriations. As a matter of interest, each dollar assessed to the 40 percent of Alaska's 292,000 motor vehicles that are uninsured would generate approximately \$100,000 of revenue to fund unsatisfied claims against uninsured motorists.

The concept may be particularly attractive in light of a statement in the 1980 statistical analysis of private passenger auto insurance (Alaska Department of Commerce and Economic Development) concerning legislated solutions to the uninsured motorist problem. The Department stated:

The solution to this dilemma is not going to be simple. It may have to be legislated, although that has often proven unsuccessful in other states. The Division of Insurance would support such a move only if it were tied to a true no-fault insurance system.

The unsatisfied judgment fund option has been discussed with Don Koch (Division of Insurance) and Bill Brown (Division of Motor Vehicles). Both feel the idea is a solution potentially superior to compulsory insurance. This reaction, however, is preliminary and does not necessarily reflect the attitudes of their directors. There are obviously many details that would have to be studied before such a plan could be implemented. The House Research Agency is gathering information on this subject and offers both the file and additional staff resources to you or your staff.

SB 287

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 23.10.012(1) is silent as to the timing of a cancellation notice to the Department of Public Safety. We would suggest that a reasonable amount of time be allowed for the State to receive and act on the notice before actual cancellation can take place.

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

MEMORANDUM
DIVISION OF INSURANCE

TO: Pete Jeans
Senate Advisory Council

FROM: Kenneth C. Moore
Director

DATE: July 18, 1983

SUBJECT: Auto Insurance Industry
SB 223

Thank you for your memo dated July 7, 1983.

SB 223 is similar to the House passed version of HB 7, namely CSSSHB 7(Fin). The Division of Insurance, on behalf of the Administration, has spoken against the measure on a number of occasions. The issues leading to that position are:

1. the bill would raise insurance costs;
2. the bill creates an unnecessary bureaucracy;
3. the bill would not be effective; and,
4. an inexpensive alternative is available.

About 32 states have some form of compulsory automobile insurance. The majority of these states have their compulsory law in conjunction with a no-fault law. The stated purpose for the proposals being considered by the Alaska Legislature is to impact the number of uninsured motorists driving in this state. The genesis of the widespread use of compulsory automobile insurance requirements has not been based on the concept of reducing the number of uninsured motorists, but rather was designed to avoid a constitutional challenge based on an equal protection argument in those states adopting a no-fault law. No-fault laws were intended to increase the portion of the premium dollar available for benefits and had nothing to do with reducing uninsured motorists populations. HB 7 and SB 223 are not no-fault proposals.

On May 24, 1983, I responded to a research effort by Mr. Jeff Day in the office of the Speaker of the House. That memo contains much that is pertinent to your inquiry. I have attached a copy for your review.

Our principal argument against this legislation concerns cost. The direct costs and the indirect costs would be, we believe, substantial. The fiscal note presented by the Department of Public Safety is a minimum enforcement approach and it exceeds a million dollars. The bureaucracy created basically is aimed at one purpose and can not avoid being ineffective by its very structure.

The direct cost to the consumer via increased insurance premium is a major concern and is one that does not lend itself

to precision in pricing. The extra hoops that an insurance company must go through do increase the administrative burden for the insurer thus the need for more premium. The less tangible factor comes as the result of a change in public attitude when they "know" that the other guy has insurance because the state requires it. This increase in litigiousness is difficult to measure but is generally reflected in experience after it occurs. While it does cause rates to rise, it does not do so in advance of the occasion for its rise. A study of states adopting a compulsory automobile liability insurance (without no-fault) shows that a rise occurs for a variety of reasons and when compared to states with similar demographic characteristics, geographic characteristics and number of insured vehicles, the compulsory state experiences a greater rise in premium. This can be seen with an examination of Exhibit III of the attached memo. Compulsory laws do not result in insurance savings.

We do not have studies from other states comparable to that conducted here. For the latest year for which we have compiled statistics that show profitability, the top 30 automobile liability insurers had a combined expense and loss ratio of .979 which means that the automobile insurers made a profit of 2.1% in 1981. The formulas used in this state as well as in most states calls for a profit margin of 5% built right in to the rate. Point is that in Alaska, insurers have hit the mark pretty close to where it should be and that is conducive to a healthy and competitive marketplace. The Alaska combined ratio is shown for each individual top 30 company in Exhibit I of the attached memo.

In our testimony before the Legislature, we have been estimating an immediate increase of about 10% due to the compulsory aspect of the bill alone. The increased limits effect is separate and pricey.

An inexpensive alternative to the compulsory automobile liability insurance proposal is already incorporated as sections 2, 4, and 18 of SSSB 223. The point of the exercise in which we are now engaged is not how many drivers are insured, but, how many people are experiencing uncompensated loss caused by an uninsured motorist. Accordingly, we developed the language found in sections 2, 4, and 18. This substitute which is also the Senate passed version of HB 7, would mandate an offer by every insurer writing automobile liability insurance in this state, of uninsured and underinsured motorists coverage for bodily injury and property damage in an amount at least as great as that purchased voluntarily for bodily injury and property damage liability. The offer currently exists only for basic limits uninsured motorists bodily injury coverage. This would allow the insured motorist to protect himself from losses caused by uninsured or underinsured drivers. The additional cost for this coverage would be minimal, on the order of \$10 to \$20 per car per year, a bargain. We do not have reliable numbers for uncompensated loss nor is that information available.

H B

7

#5



OFFICIAL BUSINESS

ALASKA STATE LEGISLATURE - SENATE
COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811
(907) 465-3844

MEMORANDUM

TO: Senator Dick Eliason
FROM: Sheila Peterson *Sheila*
RE: Financial Responsibility Act
DATE: April 18, 1984

Today Bill Brown, Chief of Driver Services, Department of Public Safety, confirmed a recent telephone conversation I had with Charles Hosack, Deputy Director of the Division of Motor Vehicles, regarding the functions of the existing Financial Responsibility Act.

If an individual causes an accident and is not covered by insurance, the driver is required to show proof of insurance for the next three years and to establish a system to repay the victim for damages. If these conditions are not met, the Department of Public Safety will suspend the license of the driver until these requirements are satisfactorily met.

Mr. Brown estimated that 2-3% of the victims of motor vehicle accidents are not compensated either by their insurance company or by an individual complying with the Financial Responsibility Act. This percentage relates to all accidents in Alaska.

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW

210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
TELEPHONE (907) 586-5912

JOHN C. HUGHES
OF COUNSEL

509 WEST THIRD AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 274-7522
CABLE ADDRESS: DENALI
TELECOPIER: 274-7525
TELEX: 090-26367

590 UNIVERSITY AVE., SUITE 200
FAIRBANKS, ALASKA 99701
TELEPHONE (907) 479-3181
CABLE ADDRESS: DENALI
TELECOPIER: 479-8478

200 CHENEGA STREET
P.O. BOX 787
VALDEZ, ALASKA 99686
TELEPHONE (907) 835-2988

DAVID H. THORSNESS
RICHARD O. GANTZ
JAMES M. POWELL
BRIAN J. BRUNDIN
MARCUS R. CLAPP*
KENNETH R. JACOBUS
GARY W. GANTZ
JERRY E. MELCHER
JOE M. HUDDLESTON
SIGURD E. MURPHY
RICHARD D. THALER
CARL J. D. BAUMAN
FRED B. ARVIDSON
DENNIS M. BUMP*
MARY K. HUGHES
FRANK A. PFIFFNER
RALPH R. BEISTLINE*
GORDON J. TANS***
R. CRAIG HESSER
ROBERT L. MANLEY
JAMES M. GORSKI
TIMOTHY R. BYRNES

JAMES M. SEEDORF
RONALD E. NOEL*
FREDERICK J. ODSEN
MICHAEL L. LESSMEIER**
STEVEN S. TERVOOREN
MATTHEW K. PETERSON
JOSEPH R. D. LOESCHER
JAMES F. KLASEN
KENNETH D. LOUGEE*
KENNETH F. BRITTAIN
DAVID H. MERSEREAU
CORY A. CARLSON
EARL M. SUTHERLAND
CRAIG A. CARLSON
JAMES E. RAMSEY
JOSEPH S. SLUSSER*
LESLIE A. MORRILL
JOHN B. THORSNESS
JAMES R. SZENDER
GAIL M. BALLOU*
GREGORY W. LESSMEIER*

*FAIRBANKS OFFICE
**JUNEAU OFFICE
***VALDEZ OFFICE

March 21, 1984

Senator Richard I. Eliason
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

RE: Mandatory Automobile Insurance
Our File: 00220-0044

Dear Senator Eliason:

On behalf of State Farm Insurance Company and Allstate Insurance Company, I am writing to you concerning the subject of mandatory automobile insurance. We understand the Conference Committee which has been considering this issue has now been given limited powers of Free Conference. We would urge the members of this body to seriously consider the alternatives to mandatory automobile insurance. Any form of mandatory automobile insurance carries an expensive price tag, not only to the consumer, but to the State as well. We strongly believe that the alternative measure, such as a mandatory offer of uninsured motorist and underinsured motorist coverage should be considered and given an opportunity to work. This alternative is much cheaper, will probably be more effective, and deserves consideration given the split of opinion among the public as to whether mandatory insurance should be enacted.

We have previously written members of the Conference Committee regarding an Anchorage television show called "Mid-Week", which addressed the topic of mandatory automobile insurance on March 1, 1984. This television show is a weekly, live call in show in Anchorage. During and after the television show, the station, MultiVisions, ran a television poll, asking the following question: "Do you favor mandatory automobile insurance in Alaska?" A partner of mine, Joe Huddleston, was in the control

room and watched the votes as they were telephoned in. During the preliminary stages of the program, none of the voters cast their votes against mandatory insurance. At the one-half hour mark, the votes were 82% for mandatory insurance and 18% against. From that point forward, the votes shifted dramatically. With five minutes to go, the voting trend had shifted so dramatically that the vote was 55% for mandatory insurance and 45% against and this was announced at the conclusion of the program. By the time we had left the studio, five minutes later, the votes were virtually equal.

MultiVisions continued to run the poll for several days, and as of 10:00 a.m. on March 8, 1984, 47% of the 9,478 votes cast were in favor of mandatory insurance, 51% were opposed. Enclosed herewith is a copy of a letter from MultiVisions certifying those results. The poll concluded on March 12, 1984, and Mr. Scott of MultiVisions advised us at that time that over 14,000 votes came in, with 49% responding affirmatively, and 48% responding negatively. Although this poll was not conducted in a scientific fashion, it does indicate that the people in Anchorage are split right down the middle on the issue of mandatory automobile insurance. We also believe the pattern of votes as they came in during the television show on mandatory insurance shows that once people understand that mandatory insurance is going to be expensive, not totally effective regardless of how it is enforced, and that there are other alternatives available which are much less expensive, their view toward mandatory insurance changes dramatically.

We have previously sent members of the Conference Committee a copy of a Best's Insurance Management Report, dated December 5, 1983, which shows the 1982 average private passenger automobile insurance premiums nationwide. For your information, we enclose a copy of that report for your records. As you can see, in 1982, Alaska's average automobile premium ranked number eight in expense when compared to the average premium rates in other states. Every single state which had an average automobile premium more expensive than Alaska is a state which has enacted mandatory insurance. We also think it significant that Texas enacted mandatory insurance in 1982, and as you can see the average premium rate rose enough to bring it from thirty-third in cost up to thirteenth in cost. West Virginia enacted compulsory insurance either in 1982 or shortly before 1982, and rose from twenty-second in cost up to ninth in cost. Although I do not know what forms of mandatory insurance these states did enact, the trend is nonetheless significant.

We do not believe that mandatory automobile insurance will be

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

looked upon favorably by members of the public if they know its cost, lack of effectiveness and that there are other alternatives available which cost less. Even the alternative mandatory insurance measure which is being considered by the Free Conference Committee carries a fiscal note of approximately \$1 million dollars. The alternatives will carry no such fiscal note, and as we have previously indicated to you, the costs to the policy holder are small. For example, we have previously estimated that uninsured motorist coverage for the average policy holder is presently in the area of \$8 semi-annually for coverage which meets the present minimum level of financial responsibility. To increase this coverage to the level set forth in the bills before you would result in an expected semi-annual premium increase for the average policy holder of approximately \$1.90. State Farm estimates the cost of underinsured motorists coverage, in the amount set forth in the bill before you to be approximately \$12 annually for bodily injury and \$10 annually for property damage. We clearly feel the expected costs of these alternatives is most reasonable, and that members of the public will so feel as well. We strongly urge members of this body to consider the alternatives to mandatory automobile insurance. These alternatives are cheaper administratively, cheaper to our policy holders, and we believe will be just as effective. If experience shows that this is not true, this body can always take steps to enact mandatory automobile insurance.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

By: 
Michael L. Lessmeier

Enclosures

MLL/mh

cc: All Alaska State Legislators

BEST'S INSURANCE MANAGEMENT REPORTS

Property/Casualty
Release No. 32
December 5, 1983



A.M. Best Company
Oldwick, N.J. 08852
201-439-2200

Financial News | Washington Review | Perspectives | On-Line Reports

1982 Average Private Passenger Automobile Insurance

Last year in the United States, approximately 147,968,000 drivers paid \$36,620,824,000 in premiums to insure themselves, third parties and almost 123 million automobiles against collision, personal injury, theft and the inevitable litigation springing from these various misfortunes of the road.

Using 1980 census estimates which put total U.S. population at 226,504,825, Americans now have, statistically, well over one car for every two individuals at their disposal. Although the country cannot yet claim an automobile for each licensed driver, the .83 car/driver ratio in 1982 reflects the long-standing fascination with private car ownership that Henry Ford envisioned over 60 years ago.

Most drivers are conscious of the fact that premiums paid for necessary insurance coverage vary widely from state to state. Cost is not directly related to amount of coverage, but

rather has to do with the individual state's particular body of laws that deals with the complicated process that takes place between the filing and paying of claims. Thus, in 1982, drivers in Alabama paid an average premium of \$190.55, while in New Jersey, comparable insurance cost owners \$455.80 per year.

The national average automobile premium in 1982 was \$298.30, up from \$274.79 in 1981. This is an increase of 8.6%, the highest percentage gain since 1977 and almost double the 4.6% increase from 1980 to 1981. The graph presented here shows the steady rise in average policy costs.

On this page is a table that shows average automobile premiums by state, ranked from the highest to the lowest premium paid. Although there was shifting back and forth within the ratings for almost all states, most changes were

continued

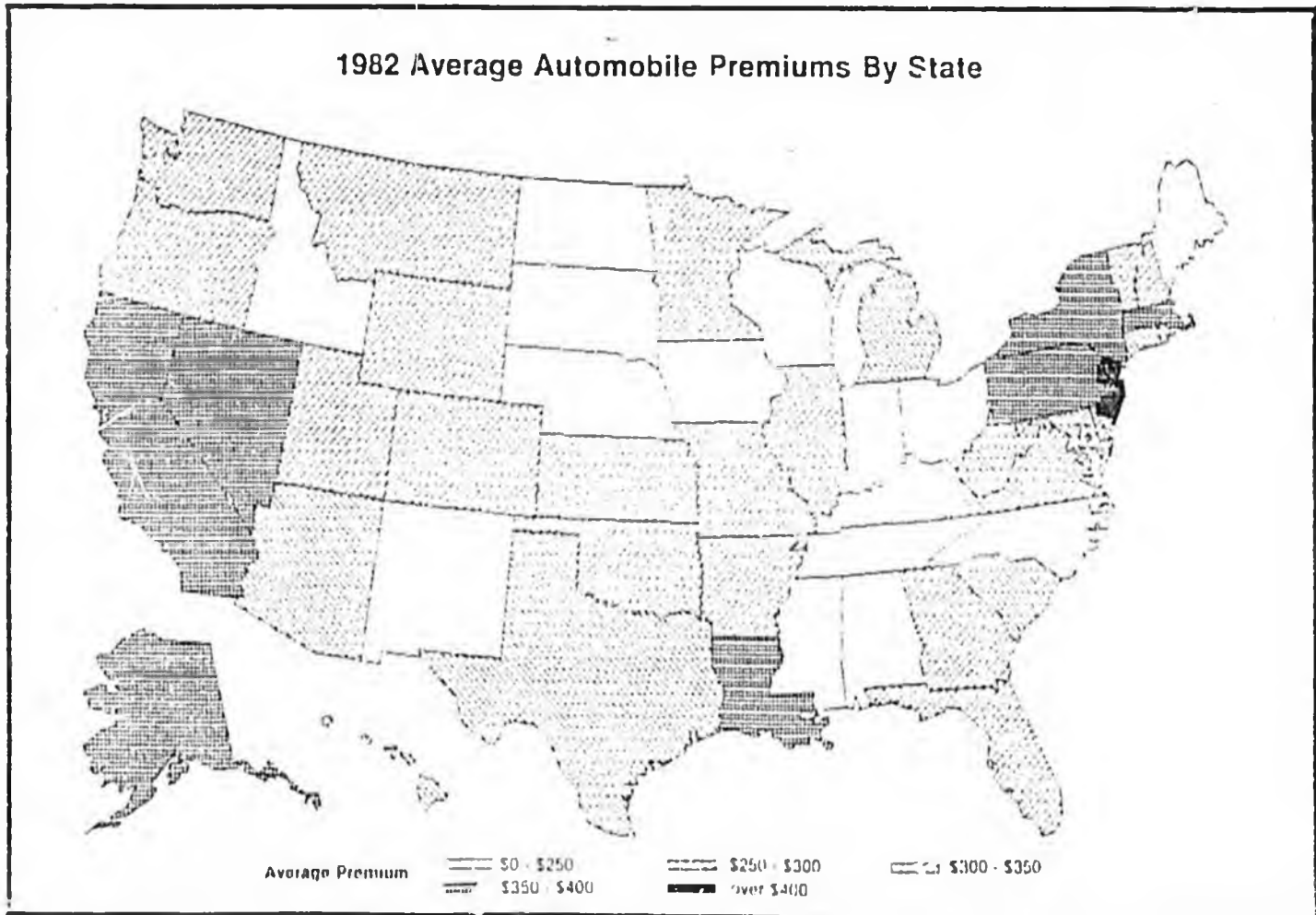
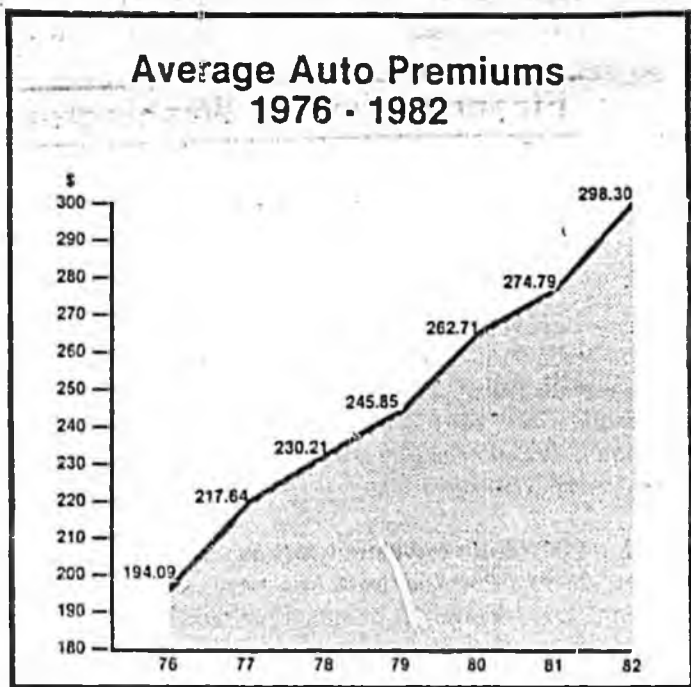
Average Automobile Premiums (Ranked highest to lowest)

1982	\$ Amount	1981	\$ Amount	1982	\$ Amount	1981	\$ Amount		
1	New Jersey	455.80	1	411.90	27	Florida	264.07	37	233.99
2	Massachusetts	387.49	5	338.82	28	Missouri	263.56	21	258.39
3	New York	384.81	3	351.52	29	Vermont	261.38	29	246.72
4	Nevada	384.44	2	380.15	30	Arkansas	259.51	46	218.96
5	Louisiana	368.59	4	348.06					
6	California	358.29	7	335.91	31	New Hampshire	256.93	36	234.12
7	Pennsylvania	357.98	8	318.74	32	Georgia	255.53	28	247.12
8	Alaska	354.09	6	335.93	33	Virginia	253.63	40	228.70
9	West Virginia	344.69	22	258.22	34	Montana	252.21	25	254.14
10	Hawaii	343.99	13	290.57	35	Oklahoma	251.52	35	235.15
11	District of Columbia	328.50	24	255.57	36	Utah	251.00	31	244.85
12	Maryland	318.47	11	295.71	37	Nebraska	247.28	32	243.52
13	Texas	310.40	33	243.29	38	North Dakota	241.22	34	237.03
14	Michigan	307.01	9	300.70	39	Maine	240.91	39	231.99
15	South Carolina	306.19	16	277.20	40	Idaho	231.25	38	232.14
16	Connecticut	305.80	10	296.28	41	New Mexico	229.86	30	246.51
17	Arizona	301.53	12	291.11	42	Wisconsin	229.64	42	226.46
18	Rhode Island	300.99	17	271.21	43	Iowa	229.05	45	224.14
19	Delaware	296.42	14	280.95	44	Indiana	226.51	41	228.61
20	Illinois	291.62	20	262.51	45	Kentucky	226.24	43	225.73
21	Oregon	291.17	18	270.42	46	Ohio	226.19	44	224.25
22	Colorado	287.00	26	253.80	47	Mississippi	211.52	47	211.35
23	Minnesota	285.59	15	278.97	48	North Carolina	210.72	49	193.87
24	Washington	282.71	19	264.41	49	South Dakota	201.14	48	197.24
25	Kansas	265.63	27	252.15	50	Tennessee	194.58	51	183.85
26	Wyoming	264.29	23	257.56	51	Alabama	190.55	50	187.14
						National Average	298.30		274.79

Automobile Premiums continued within a relatively small range. Outstanding exceptions are Texas, whose average premium rose sharply enough to bring it from 33rd to 13th. This apparent large increase, however, is mainly the result of a state compulsory insurance law that went into effect in January, 1982, resulting in a larger number of drivers contributing to the total premium pool. Arkansas went from 46th to 30th in the expense standings, and West Virginia and District of Columbia rose 13 places each.

The state of New Mexico reduced auto insurance enough to drop from 30th to 41st in premium cost.

The statistical data upon which these figures are partially based was extracted from a *Best's Executive Data Service* annual study, which makes available total direct premiums written by state in the private passenger line. The number of auto registrations used (122,763,369) is slightly inflated as the Federal Highway Administration includes commercial vehicles, mainly taxicabs (but not trucks or buses), in its tally of private automobiles.



A.M. Best Co. Datacenter is the source for the statistical exhibits in *Best's Insurance Management Reports*.

MultiVisions



March 8, 1984

Michael Lessmeier
Hughes, Thorsness, Gantz, Powell & Brundin
210 Ferry Way, Suite 100
Juneau, Alaska 99801

Dear Mr. Lessmeier:

Here are the results of our "Touch Vote" public opinion question that we have been running on Channel 52 for approximately one week.

Question: Do you favor mandatory auto insurance in Alaska?

Yes	Votes	4,478	47%
No	Votes	4,836	51%
Undecided	Votes	163	1%
Total	Votes	9,478	

These results are as of 10:00 a.m. on March 8, 1984. Due to the method of polling, results can be altered. MultiVisions in no way purports this to be a scientific poll.

Sincerely,

Stan

Stan Scott
Programmer

SS:sg

cc: Ted Berns
George Sullivan
John Smith

4792 Business Park Blvd.
Anchorage, Alaska 99503
907/562-2400



DICK RANDOLPH, Agent
Auto - Life - Health - Home and Business

1105 Cushman St., Fairbanks, Alaska 99701
Phone: Off: 907-456-7787

March 19, 1984

TO: All Alaska State Legislators
FROM: Dick Randolph
SUBJECT: Mandatory Auto Insurance

Mandatory automobile insurance has been and continues to be a topic of concern to many Alaskans and the legislature. This concern is legitimate and I believe ought to be addressed. However, the panacea that mandatory insurance is a cure all and the image that a large majority of Alaskans want a mandatory insurance law enacted, or that such action would be in the public interest is, I believe, incorrect. The history of mandatory auto insurance has been that it raises rates, is very difficult, expensive and frustrating to attempt to enforce, and that even under the most severe enforcement effort a substantial percentage of uninsured drivers still exist.

I agree that there is a problem. It should be resolved in as economical, effective and principled way as possible. The problem is that a certain percentage of Alaskan drivers are not able or required to perform financially when they are responsible for damaging or injuring others with an automobile. Our present financial responsibility law should be strengthened and vigorously enforced. In addition, I believe the legal system ought to require a much greater degree of responsibility than it does regardless of whether or not the offender has insurance. If drivers understand that responsibility is going to be required they will tend to be more responsible. The law currently allows those without insurance or assets to walk away. This should not be so easily allowed.

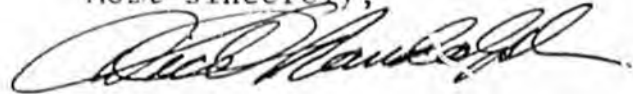
As for the insurance systems involvement, we must answer the question, what is the fairest, most cost effective, and acceptable (from the consumers point of view), way of dealing with this problem. I'm completely convinced that the cheapest, least frustrating way for all concerned is to assure that first party coverages to cover all possibilities, are available to every Alaskan who chooses to protect themselves. The following first party coverages are currently available. Bodily injury and property damage liability, bodily injury, uninsured motorist, medical up to \$100,000, comprehensive, collision, emergency road service, car rental, accidental death and disability income. IN ADDITION, UNINSURED

PROPERTY DAMAGE AND UNDERINSURED BODILY INJURY AND PROPERTY DAMAGE SHOULD BE MADE AVAILABLE. It is interesting that most states that have mandatory insurance laws still require the industry to offer these first party coverages; an admission that there are still uninsured and underinsured drivers on their highways. The liability, comprehensive, and collision coverages account for the major portion of an insurance premium. The other first party coverage cost very little. The same would be true of first party uninsured property damage and underinsured bodily injury and property damage. It will be cheaper and far less frustrating for the insurance consumer to purchase these coverages than to pick up their share of the increased cost and frustration of a mandatory program. More importantly anyone who wants to can absolutely guarantee that every contingency will be covered in the event they are involved in an accident. I recommend that all companies doing business in Alaska offer these additional first party coverages as the most effective solution.

This does not necessarily mean that the uninsured drivers avoids their responsibility. The insurance industry can and does subrogate against the at fault party and any money recovered is applied toward the loss ratio and has a positive effect on premiums.

Except for a couple of technical improvements, the Senate Substitute for HB7, which past last session, very adequately addresses all the legitimate concerns. I would urge you to support its passage.

Most sincerely,

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

Dick Randolph
Agent



Robert E. Gieringer, M.D.

A PROFESSIONAL CORPORATION
4048 LAUREL ST., SUITE 103
ANCHORAGE ALASKA 99508

TELEPHONE (907) 563-3232

March 14, 1984

Richard Eliason
Senate House
Juneau, Alaska

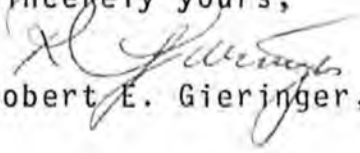
Dear Senator Eliason:

I'm writing you about the auto insurance legislation which House Speaker, Joe Hayes, has proposed over the past year. I've noticed that since his original proposal the legislation has been watered down and weakened to such an extent that it appears to me to have lost most of it's effect. Regarding most other aspects of social responsibility, we do not require someone to be responsible after the fact for their actions and I see no reason why we should alter our routine in this matter. Driving an automobile is not a right but is still a privilege which requires responsibility to other drivers.

In my work as an orthopaedic surgeon I see many people who are deprived of their livelihood and physically disabled because of the results of an unfortunate accident. Statistically, I understand that our chances of meeting an uninsured driver in an automobile accident is about 50%. When a person loses his transportation and perhaps the use of his arm or leg for several months, this is an economic disaster for him. I'm simply tired of seeing someone who is legally responsible for the cause of such an accident but financially irresponsible walk away from such a tragedy. Neither do I see that it is a fair responsibility for those of us who are insured to pay an additional fee for uninsured motorists.

On the other side, I'm sure there are many factors I don't see or understand. I know that strict legislation would discourage some newcomers, job seekers, job developers and so forth from coming to Alaska, but I think many of these less responsible newcomers detract from the quality of Alaskan development. I'm enclosing a copy of an editorial from the Anchorage Times on March 7, 1984. I hope you'll take time to read it and show it to some other members of the House Senate Negotiating Committee. I feel we have to be firm on this legislation.

Sincerely yours,


Robert E. Gieringer, M.D.

cc: Joe Hayes
REG/jjb

Auto insurance

A NEW EFFORT to enact more effective automobile insurance laws is being made by Rep. Joe Hayes. He hopes to overcome the resistance of the Senate. It is to be hoped that he will succeed.

The goal in the beginning was to require all motorists to carry accident insurance. The idea is a good one in view of the fact that a major portion of all accidents involve motorists who have no insurance to pay for damages they cause and, usually, those motorists who have no insurance are financially unable to pay personally.

Rep. Hayes filed a strong bill and won its approval in the House, only to have it go down the drain in the Senate. The upper house produced its own bill that was watered down to the point of doubtful value.

A COMPROMISE that has now been proposed by Mr. Hayes might open the door for further negotiations and enactment of a bill that still can help protect the public.

His compromise would be soft on enforcement until the motorist becomes involved in an accident. The original bill would have required proof of insurance before a car could be licensed. The new bill would require the purchase of insurance but no proof of it until an accident occurs.

After an accident, the whole world would come tumbling down on the motorist if he has failed to carry insurance. He would lose his driver's license for a year. Further than that, the compromise provides for loss of a driver's license when an uninsured motorist is ar-

rested for driving under the influence or is guilty of other serious charges.

To overcome rural opposition, the insurance requirements would be applicable only in urban centers.

THE NEW PROPOSAL now goes before the conference committee that reduced the original program to hash. There have been some indications that the House-Senate negotiators would be more willing to approve it. Apparently the mandatory provisions of the original bill were an obstacle.

It may be hard for some Alaskans to understand how senators cannot accept a provision that makes it mandatory for a motorist to protect the public from his delinquencies. This focus of attention on the wayward motorist, rather than his innocent victim, stirs recollections of discussions that criminals appear to get better protection from the law than do the victims of their crimes.

Any proposal that makes a man face up to his public responsibilities can't be all bad. The public needs all the help it can get to protect life, liberty and property from wrongful damage.

The compromise proposed by Rep. Hayes, although affording less protection than the original plan, does define the liability and put the responsibility on the back of the motorist, where it belongs. Without it, the irresponsible motorist can smash someone's automobile, pay for none of the damage and not even forfeit his driver's license.

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW

210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
TELEPHONE (907) 586-5912

JOHN C. HUGHES
OF COUNSEL

509 WEST THIRD AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 274-7522
CABLE ADDRESS: DENALI
TELECOPIER: 274-7525
TELEX: 090-26367

590 UNIVERSITY AVE., SUITE 200
FAIRBANKS, ALASKA 99701
TELEPHONE (907) 479-3161
CABLE ADDRESS: DENALI
TELECOPIER: 479-2478

200 CHENEGA STREET
P.O. BOX 767
VALDEZ, ALASKA 99686
TELEPHONE (907) 835-2988

DAVID H. THORSNESS
RICHARD O. GANTZ
JAMES M. POWELL
BRIAN J. BRUNDIN
MARCUS R. CLAPP*
KENNETH P. JACOBUS
GARY V. GANTZ
JERRY E. MELCHER
JOE M. HUDDLESTON
SIGURD E. MURPHY
RICHARD D. THALER
CARL J. D. BAUMAN
FRED B. ARVIDSON
DENNIS M. BUMP*
MARY K. HUGHES
FRANK A. PFIFFNER
RALPH R. BEISTLINE*
GORDON J. TANS***
R. CRAIG HESSER
ROBERT L. MANLEY
JAMES M. GORSKI
TIMOTHY R. BYRNES

JAMES M. SEEDORF
RONALD E. NOEL*
FREDERICK J. ODSEN
MICHAEL L. LESSMEIER**
STEVEN S. TERVOOREN
MATTHEW K. PETERSON
JOSEPH R. D. LOESCHER
JAMES F. KLASEN
KENNETH D. LOUGEE*
KENNETH F. BRITAIN
DAVID H. MERSEREAU
CORY A. CARLSON
EARL M. SUTHERLAND
CRAIG A. CARLSON
JAMES E. RAMSEY
JOSEPH S. SLUSSER*
LESLIE A. MORRILL
JOHN B. THORSNESS
JAMES R. SZENDER
GAIL M. BALLOU*
GREGORY W. LESSMEIER*

* FAIRBANKS OFFICE
** JUNEAU OFFICE
*** VALDEZ OFFICE

March 13, 1984

Senator Richard I. Eliason
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

RE: Compulsory insurance
Our File: 00220-0044

Dear Senator Eliason:

On February 29, 1984 we were asked to appear on a television show called "Midtown", which is a weekly, live call-in show in Anchorage. The topic of the television show was mandatory auto insurance. During and after the television show, the station, MultiVisions, ran a television poll, asking the following question: "Do you favor mandatory auto insurance in Alaska?" We have enclosed herewith a letter from MultiVisions showing the results of that poll as of 10:00 a.m. on March 8, 1984. As you can see from that letter, approximately 51% of the votes received at that time were opposed to mandatory auto insurance in Alaska.


We have since checked again with MultiVisions, and Mr. Scott has advised us that the poll concluded last night, March 12, 1984. Over 14,000 votes came in, 49% responding affirmatively, and 48% responding negatively. Although this poll was not conducted in a scientific fashion, it does indicate that people in Anchorage are essentially split right down the middle on the issue of mandatory auto insurance. We continue to believe that once consumers are aware of the cost and effectiveness of mandatory auto insurance,

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

they will not be in favor of it, particularly if other alternatives, such as uninsured motorist and underinsured motorist coverages are made available.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

By: 
Michael L. Lessmeier

Enclosure

MLL/mh

cc: Members of the Conference Committee on Compulsory Insurance

MultiVisions



March 8, 1984

Michael Lessmeier
Hughes, Thorsness, Gantz, Powell & Brundin
210 Ferry Way, Suite 100
Juneau, Alaska 99801

Dear Mr. Lessmeier:

Here are the results of our "Touch Vote" public opinion question that we have been running on Channel 52 for approximately one week.

Question: Do you favor mandatory auto insurance in Alaska?

Yes	Votes	4,478	47%
No	Votes	4,836	51%
Undecided	Votes	163	1%
Total	Votes	9,478	

These results are as of 10:00 a.m. on March 8, 1984. Due to the method of polling, results can be altered. MultiVisions in no way purports this to be a scientific poll.

Sincerely,

Stan

Stan Scott
Programmer

SS:sg

cc: Ted Berns
George Sullivan
John Smith

4792 Business Park Blvd.
Anchorage, Alaska 99503
907/562-2400

RONALD T. WEST, ATTORNEY AT LAW

605 W 4TH AVE 21

ANCHORAGE, ALASKA 99501

TELEPHONE
(907) 278-0342

March 8, 1983

*File
HB-7
Yes
3-13*

MAR 11 RECD

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

Dear Ramona:

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

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

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

Very truly yours,

Ronald T. West
Ronald T. West
Attorney at Law

RTW:me

ALASKA STATE SENATE

JOE P. JOSEPHSON
DISTRICT G - ANCHORAGE
1526 F STREET
ANCHORAGE, ALASKA 99501
(907) 277-4419



WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4907
(907) 465 4525

COMMITTEES
HEALTH, EDUCATION & SOCIAL SERVICES (CHAIR)
JUDICIARY (VICE CHAIR)
FINANCE
MAJORITY CAUCUS (CHAIR)

February 9, 1984

Mr. George King
Chairman
Anchorage Transportation Commission
Municipality of Anchorage
Pouch 6-650
Anchorage, Alaska 99502-0650

Dear George:

Thank you for your recent letter concerning mandatory automobile insurance. I am pleased to know that the Anchorage Transportation Commission supports Senate Bill 223, and the counterpart legislation introduced in the House of Representatives by Speaker Hayes.

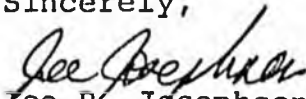
The Speaker and I have been working together from the inception to develop a bill that will meet the goal of mandatory automobile insurance. Polls indicate overwhelming support for mandatory automobile insurance in Anchorage.

We believe that a workable bill, and a bill that can be passed, has now been developed. A copy of the new draft is enclosed.

By copy of this letter, I am taking the liberty of acquainting all Anchorage Senators with the Anchorage Transportation Commission's views. Your comments about the particular provisions of the new draft are invited and will also be shared with my colleagues.

With best wishes, I am

Sincerely,


Joe P. Josephson
State Senator

JPJ:rak
Enclosure

cc: Senators Rodey, Sturgulewski, Faiks, P. Fischer
V. Fischer, Gilman, Kelly, Pettyjohn, Eliason ✓

Municipality of Anchorage



POUCH 6-650
ANCHORAGE, ALASKA 99502-0650
(907) 264-4877

TONY KNOWLES,
MAYOR

DEPARTMENT OF TRANSPORTATION
Transportation Inspection Division

January 30, 1984

Senator Joe Josephson
State Capital
Pouch V
Juneau, Alaska 99811

Dear Senator Josephson:

The Anchorage Transportation Commission, at its last meeting on January 25, 1984, unanimously passed a resolution to support any Senate bill that would require mandatory automobile insurance. We were pleased to hear that you have introduced Senate Bill 223 that addresses that problem.

The Anchorage Transportation Commission regulates taxicabs, limousines and airport limousines. The owners of these for-hire vehicles are not only saddled with high insurance costs but too frequently are involved in accidents with uninsured motorists. Consequently the owner of the vehicle suffers the cost of repairs and the large loss of down-time of the taxi or limousine.

We support your efforts to end this unfair treatment of all insured vehicle owners and urge all Senators to support Senate Bill 223.

Sincerely,

George King
Chairman, Anchorage Transportation Commission

GK:mb

RECEIVED

1984

Josephson,



EVANS EQUIPMENT COMPANY ☐ 720 EAST WHITNEY ROAD, ANCHORAGE, ALASKA 99501 ☐ (907) 276-4838

December 20, 1983

Richard I. Eliason
P.O. Box 143
Sitka, AK 99835

Dear Senator Eliason:

The attached is a typical situation that our Company and employees experience when mandatory insurance is not a requirement.

Please vote for compulsory liability insurance and protect us from those irresponsible individuals who don't care. The present system doesn't work!

Thank you.

Very truly yours,

EVANS EQUIPMENT COMPANY

Gene L. Tenny
Branch Manager

GLT/jb
Enclosure

R. N. SUTLIFF

LAWYER

125 CHRISTENSEN DRIVE, NO. 1 • ANCHORAGE, ALASKA 99501
TELEPHONE (907) 279-0661

November 16, 1983

Ms. Sharon Naus
State of Alaska
Department of Public Safety
Division of Motor Vehicles
Pouch N
Juneau, Alaska 99811

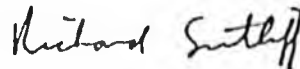
Dear Ms. Naus:

A truck owned by my client Evans Equipment Company was involved in an accident July 18, 1983 with a car driven by Mr. Leland. Mr. Leland backed into the Evans truck causing damage in the total amount of \$398.21. A copy of the accident report is included for your review as well as copies of estimates to repair the damage. To the best of my knowledge Mr. Leland is uninsured.

On August 17, 1983, a letter was written to Mr. Leland at the address given on the accident report demanding payment for the damages done to the Evans truck. The letter was returned "Not Deliverable as Addressed - Unable to Forward". A copy of that letter is enclosed for your review.

On behalf of Evans Equipment Company I request that you take action to have Mr. Leland's drivers license revoked as he has not met his financial responsibility in this accident.

Cordially yours,



R. N. Sutliff

Enclosures

cc: G. Tenny

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF PUBLIC SAFETY

DIVISION OF MOTOR VEHICLES

POUCH N
JUNEAU, ALASKA 99811
PHONE: 465-4361

November 21, 1983

R. N. Sutliff
125 Christensen Dr. #1
Anchorage, Alaska 99501

RECEIVED

NOV 23 1983

R. N. SUTLIFF, LAWYER

Your Client: Evans Equipment
Reference Number:
Accident Date: 7/18/83
SR Case Number: 83-09952
Other Party: Terry Leland

The driving privilege will be/ was suspended

Action will be taken upon receipt of a judgment obtained through a civil court. A certificate of fact must accompany the judgment.

Has filed compliance in the form of

Has reported liability insurance with

This accident cannot be processed under the Safety Responsibility Law unless:

Sufficient evidence is received which indicates there is a reasonable probability of a judgment being rendered against the uninsured party.

Sufficient evidence is received that property damages sustained are in excess of \$500 and/or medical bills for any amount up to \$25,000 for one person or \$50,000 per accident.

This case cannot be pursued as more than one year has elapsed since the accident.

This case is pending, awaiting additional information.

Remarks:

Financial Responsibility Section

R. N. SUTLIFF

LAWYER

125 CHRISTENSEN DRIVE, NO. 1 • ANCHORAGE, ALASKA 99501
TELEPHONE (907) 279-0661

December 2, 1983

Gene Tenny
Evans Equipment Company
720 Whitney Road
Anchorage, Alaska 99501

RE: Terry Leland Truck Accident
Our File No. 81.010

Dear Gene:

Enclosed is a copy of the response from the Financial Responsibility Section of the Department of Public Safety, Division of Motor Vehicles. You will note that the department refuses to take action because our damages did not exceed \$500.00. A review of the statute confirms the correctness of the position taken by the department. At this point in time our only option is to proceed with a suit against Mr. Leland. Given the size of this claim I do not recommend litigation but will proceed to sue Mr. Leland if you wish me to do so.

Cordially yours,



R. N. Sutliff

Enclosure



Robert E. Gieringer, M.D.

A PROFESSIONAL CORPORATION
4001 DALE STREET, SUITE 117
ANCHORAGE, ALASKA 99504
TELEPHONE (907) 276-7616

November 8, 1983

Rep. Richard Eliason
Box 143
Sitka, AK 99835

Dear Rep. Eliason:

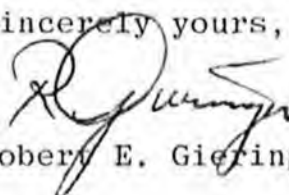
The responsibility of automobile drivers to others is becoming an increasing problem in urban Alaska. Recently we've been made more aware of the responsibility of the intoxicated motorist and legislation has been passed to curb this problem. Another problem which has not been addressed adequately by legislation is the financial responsibility of a driver. It appears to me that transportation by automobile is a privilege and not a right. For the vast majority of us it is a convenience not a necessity since there are other modes of public transportation available. I'm concerned about the loss to the responsible driver who is injured or has his automobile damaged by an uninsured motorist. The financial responsibility of driving must accompany the privilege in urban Alaska.

Other states have such legislation and it has been successful with strict provisions. The House of Representatives has recently passed such legislation with enforcement provisions in House Bill 35-2. Similar legislation passed in the senate lost any force because it eliminated any mandatory provision.

The responsibility for an uninsured motorist cannot be left in the hands of the insured motorist. Newcomers from the lower forty-eight arrive every day. We must have some means of insuring our safety against the irresponsibility of many of these people who arrive in their large heavily loaded four wheel drive trucks and worn-out tires.

Please give your attention to this urgent need for active legislation.

Sincerely yours,


Robert E. Gieringer, M.D.

REG/dk



DICK RANDOLPH, Agent
Auto - Life - Health - Home and Business

1105 Cushman St., Fairbanks, Alaska 99701
Phone: Off: 907-456-7787

Jan. 27, 1984

Senator Dick Eliason
Pouch V
Juneau, AK 99811

Dear Dick

I'm not going to attempt to debate the pros and cons of mandatory insurance in this letter, but do believe that the enclosed material, plus my brief comments should be of some value to you in considering the advisability of subjecting Alaskans to a mandatory insurance system.

I have studied Jeff Day's report of 5-1-83 and Ken Moore's response of 5-24-83 and basically agree with the Director's critique of Jeff's work.

I agree that there is a problem. It should be resolved in as economical, effective and principled way as possible. The problem is that a certain percentage of Alaskans drivers are not able or required to perform financially when they are responsible for damaging or injuring others with an automobile. Our present financial responsibility law should be strengthened and vigorously enforced. In addition, I believe the legal system ought to require a much greater degree of responsibility than it does regardless of whether or not the offender has insurance. If drivers understand that responsibility is going to be required they will tend to be more responsible. The law currently allows those without insurance or assets to walk away. This should not be so easily allowed.

As for the insurance systems involvement, we must answer the question, what is the fairest, most cost effective, and acceptable (from the consumers point of view), way of dealing with this problem. I'm completely convinced that the cheapest, least frustrating way for all concerned is to assure that first party coverages to cover all possibilities, are available to every Alaskan who chooses to protect themself. The following first party coverages are currently available. Bodily injury and property damage liability, bodily injury uninsured motorist, medical up to \$100,000, comprehensive, collision, emergency road service, car rental, accidental death and disability income. I've enclosed a brochure and a print out describing the coverages and showing the cost of each of these

coverage for an average driver with a medium priced car. You can readily see that the liability, comprehensive, and collision coverages account for the major portion of an insurance premium. The other first party coverage cost very little. The same would be true of first party uninsured property damage and underinsured bodily injury and property damage. It will be cheaper and far less frustrating for the insurance consumer to purchase these coverages than to pick up their share of the increased cost and frustration of a mandatory program. More importantly anyone who wants to can absolutely guaranteed that every contingency will be covered in the event they are involved in an accident. I recommend that all companies doing business in Alaska offer these additional first party coverages as the most effective solution.

This does not necessarily mean that the uninsured drivers avoids their responsibility. The insurance industry can and does subrogate against the at fault party and any money recovered is applied toward the loss ratio and has a positive effect on premiums.

Much more could be said, but I'm sure that you are not short on input. I do ask that you seriously consider my point of view and the enclosed information and that we have an opportunity to visit on this personally before a final determination is made.

Thanks, Dick, for your consideration. I look forward to hearing from you and to discussing this with you soon.

Most Sincerely,



Dick Randolph
Agent



JANUARY 26, 1984

S10486ACN50	AUTO RATE QUOTE--MUTUAL	
QUOTE # 1 1980	TERR:03	*
1FD:009 CLASS:1B	PREMIUM	*
GRD 50 100/25	\$73.92	*
DED \$25000	\$7.48	*
COMP \$50 DED	\$40.04	*
COLL \$200 DED	\$79.64	*
ERS	\$2.60	*
R-1 \$14/DAY	\$5.50	*
UM 50/100	\$9.90	*
S 2 AT 10000	\$6.00	*
Z 1 PERSON(S)	\$4.50	*
	NET PREMIUM	\$229.58
	TOTAL PREMIUM	\$229.58

PRESS ACCEPT TO CONTINUE

Pleasure use only

To y from 11/20/77

1977-78 11/20/77

DATE	DESCRIPTION	AMOUNT	BALANCE
11/20/77	1000.00	1000.00	1000.00
11/21/77	100.00	900.00	900.00
11/22/77	100.00	800.00	800.00
11/23/77	100.00	700.00	700.00
11/24/77	100.00	600.00	600.00
11/25/77	100.00	500.00	500.00
11/26/77	100.00	400.00	400.00
11/27/77	100.00	300.00	300.00
11/28/77	100.00	200.00	200.00
11/29/77	100.00	100.00	100.00
11/30/77	100.00	0.00	0.00
TOTAL		1000.00	1000.00



Excerpts from a Statement presented by State Farm Insurance Companies
to the Legislative Study Committee State of Tennessee
September 23, 1981

Compulsory insurance laws just don't work very well, despite the expensive price tag they carry. Direct costs to taxpayers and insurance buyers are high. Indirect costs in terms of harm to the insurance marketplace are often so great as to make the system a very destructive one.

The history of compulsory insurance in this country has shown that the problems spawned by such a system usually extend well beyond the governmental agencies directly involved such as the Insurance Department and the Department of Motor Vehicles. In some compulsory states, the entire fabric of government becomes infected as new problems develop and bureaucratic involvement become pervasive.

Though a proposal to require motorists to carry liability insurance seems simple enough in concept, the requirement has, in a number of states, led to demands for additional controls over insurers and their customers, with the ultimate effect being the destruction of most of the benefits derived from the highly competitive automobile insurance market. I am confident that the state of Tennessee is proud of the competitive vigor of its market and covets the continued benefits of competition on behalf of its citizens. Therefore, I believe the experience in states which have experimented with compulsory insurance, and whose citizens have suffered as a result, will be of interest to you.

To begin, we need to be reminded that people don't like to be compelled to do anything, whether they believe it is the government or the insurance industry which is compelling them. Compulsory liability

insurance focuses public attention on the subject of the compulsion, the liability insurance contract. The attention given the automobile insurance industry following passage of compulsory has often resulted in a take over by the state of basic insurance management decisions and the substitution of administrative control for healthy marketplace competition.

The first state to enact a compulsory insurance statute was Massachusetts in 1927. A half-century later, Massachusetts is generally conceded to have the worst insurance market in the country, for buyers and sellers alike. This has developed gradually over that fifty year period. First, there was a heavy increase in insurance costs. Motorists, operating under the belief that everyone was insured, immediately became very claims conscious. In addition, only bodily injury liability coverage was made compulsory. Therefore, a number of fenderbender accidents were accompanied by headaches, back pain, etc., so that the property damage of the not-at-fault driver might be recovered from the liability insurer of the offending driver, even though his property damage liability might not have been covered. Skyrocketing costs resulted in demands that government step in and "do something about it." The next step was a requirement that all rates for the compulsory coverage be uniform for all companies and effective on the first of January of each year. The result was, and continues to be, a political circus during the last month or two of the year as the insurance commissioner promulgates the raise for the year ahead. With prices established in an intense political spotlight of this nature, it is not surprising that, more often than not, rates are set too low for the

companies to make a reasonable profit, or even to break even in some years. Numerous lawsuits have been filed to force an increase (or occasionally a decrease) in rates. The market is characterized, for the most part, by very reluctant sellers.

With this constant turmoil there has, inevitably, been further government tinkering, attempts to correct the fundametal problem by treating only the symptoms. Classifications and territories have been changed arbitrarily, imposing subsidies upon some groups of premium payers in favor of others. And, in order to solve resulting availability problems, the state has instituted a reinsurance facility which requires every company to accept every applicant and permits the pooling of unwanted insureds. The number of insureds put into the reinsurance pool is approximately 40 percent. The pool loses substantial amounts of money, since high-risk drivers must be written at the same rates as are all other insureds. A recent Insurance Commissioner of Massachuetts estimated that approximately \$71 was being contributed, per voluntary insured, in order to subsidize the losses of the reinsurance facility. Those responsible for preserving the insurance market here in Tennessee should not even consider risking a situation which might result in the same aberrations as in the Massachusetts market.

The next state to enact compulsory liability insurance was New York and the lesson from New York is a lesson of gigantic costs for taxpayers and even bigger headaches for insurance consumers. The basic problems attendant to any compulsory insurance system are compounded when

serious attempts are made to enforce the law and heavy compulsion is exerted. New York determined to make its law work and the results have been spectacularly unsuccessful. It is estimated that, since inception, perhaps \$200 million have been spent attempting to enforce the New York law and no one is yet sure how much of an increase in the percentage of insured vehicles has been achieved. But the problems involve more than dollars spent attempting to force compliance. For the first 15 years insurers were required to notify the New York Bureau of Motor Vehicles whenever coverage had been cancelled. Because of this, every time a policyholder was late in remitting his premium, every time the premium was delayed by the U.S. Mails, or even when the policyholder decided to change companies, the insurance company was required to notify the Department of Motor Vehicles. In the meantime, most of the trady insureds remitted their premiums or the new company filed a notice of coverage, thus restoring the insured's eligibility. Often the DMV sent a notice to the insured threatening to pick up his plates and this was followed by an irate letter from the insured to the company asking why it was stupid enough to tell the Department that coverage was not in force. In 1973 the notice requirements were dropped but they have now been reinstated. As you can imagine, automobile insurance is not the most loved commercial enterprise doing business in New York; not, for the matter, is the Department of Motor Vehicles all that popular with the citizenry.

The State of North Carolina, might be characterized as a southern style Massachusetts. In 1953 North Carolina passed the third compulsory statute in the country. Immediately, the uniform rates, promulgated by

the North Carolina Rating Bureau and approved by the Insurance Department became subject to political pressure and were, more often than not, set at unrealistically low levels. The Assigned Risk Plan gradually increased in size until it became the largest in the country, percentage wise. So, in North Carolina as in Massachusetts, companies must take every applicant and may cede unwanted insureds to the Facility pool. Also as in Massachusetts, artificial changes in the rating plan have been required by the Insurance Commissioner and the legislature, and the result is groups of policyholders subsidizing others, primarily low-risk insureds subsidizing high risk drivers.

Michigan is experiencing one of the most unfortunate changes in an insurance marketplace ever seen in this country and this has been a direct result of the compulsory no-fault law in effect there. Trial lawyers attacked the very strong Michigan no-fault law but it was upheld by the state Supreme Court. However, almost as an after-thought and without giving the parties an opportunity to comment or to present briefs on the subject, the court declared that if insurance is compulsory, due process requires that each purchaser of the coverage must have an opportunity for a hearing and is entitled to certain other procedural safeguards concerning the price he pays for insurance. The response to this unfortunate decision was passage of legislation by the Michigan Legislature which has turned a healthy market into one which is in great turmoil. The terms of the statute defy description in any short statement but the primary requirement is a form of "take all comers" as in Massachusetts and North Carolina, plus the loss of rating criteria.

Finally, we have the state of South Carolina. Here again we have a requirement that companies write all applicants at their preferred rate.

In addition, the Insurance Commissioner establishes a uniform class plan and certain uniform rating criteria.

A recent editorial appearing in the National Underwriter, the leading insurance weekly trade publication, highlighted the problems of states with compulsory insurance, using North and South Carolina as primary examples. The editorial suggested that problems in these states "show, in graphic detail, how difficult it can be to implement social legislation and still make everybody happy. They also raise a number of important questions about efficacy of such legislation in the field of insurance. These questions go well beyond the nuances of the Carolina situations; they are national in scope. The editorial went on to refer to some of the unfortunate results which have arisen in these two states and the difficult situation in which insurance consumers find themselves as compared to consumers in other states.

With the passage of compulsory automobile liability insurance in the 29 states which presently have it, one of two results has usually occurred. In the majority of the states, a decision has been made not to devote a large amount of financial and manpower resources to the enforcement of the new compulsory law. This decision has resulted from a lack of budget and manpower or from a decision to permit people to respond voluntarily to the new compulsory requirements. The result in those states has usually been a modest increase in the number of insured vehicles, at the most a percentage point or two above what might be accomplished by careful enforcement of the financial responsibility law already in the statutes. The other approach is that described in this

statement, heavyhanded attempts to enforce the law by a handful of states. The results have been ineffective from the standdpoint of compliance, expensive in terms of money and manpower expended, and disastrous in terms of the effect on the insurance marketplace and on consumers who look to the automobile insurance industr for vigorous competition in price and service.

Compulsory Auto Insurance Does It Work?

"The compulsory liability insurance system is expensive to enforce, with only minimal increase in the percentage of drivers who are insured"

*. . .South Carolina Legislative Insurance Study
Committee Report.*

"The law is a farce". . .Louisiana Insurance Commissioner Sherman Bernard.

" . . .almost certainly a social liability from a cost-benefit standpoint. . .less than one-half of one percent of the drivers in California are financially responsible as a consequence of this program". . .California Department of Motor Vehicles program analysis.

**"Pennsylvania's mandatory no-fault insurance law is bogged down in a bureaucratic morass . . .from 800,000 to 2 million motorists are able to get their licenses without having insurance or cancel it once the registration is issued"
. . .National Underwriter**

"In order for the act to be properly enforced, 28 commissioned South Carolina highway patrolmen have been assigned solely to financial responsibility enforcement. . .the cost of administration and enforcement. . .for the current fiscal year. . .approximately \$1,308,000". . .South Carolina Financial Responsibility Administrator Fred Sojourner.

"The compulsory insurance law. . .(has) failed miserably to achieve its aims". . .New York Daily News.

"Failed miserably. . ."

New York then. . .

Excerpts from a *New York Daily News* series done six years after the state had put a compulsory insurance law on the books. Although it appeared some time ago (1963) it demonstrates how dismally the system was working:

"The compulsory insurance law. . .(has) failed miserably to achieve its aims. Insurance companies despise it, the Motor Vehicles Department is suffering with it, the district attorneys won't prosecute on it and police departments don't enforce it. . .as far as *News* reporters could determine, no uninsured driver has ever been sent to jail, no matter what human or property damage he has caused. . .the best official estimate of just how many deadbeats are menacing our streets and highways at this very moment. . .puts the figure at 226,000."

New York now. . .

Time apparently has not improved that condition. A study was ordered in 1978 for the New York Department of Motor Vehicles on the uninsured motorist problem in the state. In a spot check of just over 9,000 vehicles, 606 were discovered to be uninsured. That percentage, projected on total vehicles registered in the state (7,556,000) would indicate that there could be 491,000 uninsured cars on the road in New York.

. . .Meanwhile, back in Michigan

Another 1978 survey for the Michigan Department of State on compliance with the state's compulsory no-fault insurance law turned up similar results. Of 1,000 cars sampled, 116 were proven uninsured and owners of another 43 were listed as "uncooperative" to the extent that no determination could be made. With 4.5 million passenger cars registered in Michigan at that time, the projection of that percentage gets the potential uninsured total to well over the half million mark.

“...The law is a farce”

Excerpts from a *National Underwriter* story, Jan. 5, 1979:

The (Louisiana) law was not put into effect until July 1, 1978. The Office of Motor Vehicles was allocated \$1.2 million for the 1978-79 fiscal year to enforce the law. Beginning in January 1979, 16 special officers will begin picking up licenses of offenders, another 10 officers were expected to be in the field by March and their full-time job will be following up revocation notices. Leroy Havard,

assistant secretary of state, estimated there is about 83 to 84 percent compliance with the liability law.”

.....

Louisiana Insurance Commissioner Sherman Bernard commented on the law later in the article: “I honestly believe the law is a farce. It has been forced on the people. I don't believe it is fair for a state to say you have to buy insurance...”

“MORALLY AND SOCIALLY WRONG”

Excerpts from a report commissioned by the Joint Legislative Automobile Liability Insurance Study Committee, State of South Carolina. The report was prepared by Dr. John W. Hall, chairman, Insurance Department, Georgia State University.

“The compulsory liability insurance system is expensive to enforce, with only minimal increase in the percentage of drivers who are insured. . .

“The system forces people to pay high premiums relative to their income for benefits for others when they cannot themselves afford adequate benefits to cover their own loss. . .the more affluent. . .must carry relatively high liability insurance limits for the benefit of others. At the same time, the less economically well to do will purchase the minimum benefits which are totally unsatisfactory. . .for these reasons it appears morally and socially wrong to require liability insurance as a condition precedent to enjoying the privileges of automobile driving and ownership.”

After undue harrassment and untold dollars, we still have uninsured motorists

Excerpts from remarks by Clayton P. Sturgeon, chairman of the Insurance Industry Committee on Motor Vehicle Administration, before the joint public hearing of the Judiciary Committee and Financial Institutions and Insurance Committee, Washington State Senate, Oct. 27, 1979.

"Even with years and years of experience in trying to enforce these laws, and after undue harassment of thousands of motorists, and the expenditure of untold amounts of money, every state still ends up with an uninsured motorist problem. . .very serious thought must be given to the cost of any new program. A compulsory law becomes a farce unless adequate resources are directed toward enforcement."

He also told the 46th annual conference of the American Association of Motor Vehicle Administrators, on June 20, 1979:

"Most insurers prefer to improve existing motor vehicle financial responsibility laws. One advantage of such laws over compulsory insurance is that it is on an individual—not a group—basis.

"The requirement to produce evidence of financial responsibility is generally imposed only after a demonstration by act or accident that the public needs such protection. . . .in spite of the fact that such. . .a system is on a person-by-person basis, many states have demonstrated their lack of capacity to administer and enforce such modest laws.

"Advocates of compulsory auto insurance legislation rarely review the record of their own state in this area. It is ironic that such supporters propose to establish a significantly more complex and costly mechanism—and one with much less prospect of success."

Misdirected. . .Inefficient. . .Ineffective

Following is the conclusion from the "summary analysis of program effectiveness and efficiency of the California Compulsory Financial Responsibility Program," conducted for the California Department of Motor Vehicles, December 1976:

"From an overall standpoint, the Compulsory Financial Responsibility Program shows indications of being:

misdirected. . .The program is punishment oriented rather than protection or prevention oriented.

inefficient. . .If all social costs associated with this program are considered, this program is almost certainly a social liability from a cost-benefit standpoint.

ineffective. . .Less than one-half of one percent of the drivers in California are financially responsible as a consequence of this program."

"Bogged down in a bureaucratic morass"

Excerpts from a *National Underwriter* story, March 16, 1979:

"Enforcement of Pennsylvania's mandatory no-fault insurance law is bogged down in a bureaucratic morass in the automobile licensing agency—the Pennsylvania Department of Transportation...the Insurance Federation of Pennsylvania estimated that because of gaping loopholes in enforcement, from 800,000 to 2,000,000 motorists are able to get their licenses without having insurance or cancel it

once the registration is issued.

"...Reports of cancellations are sent to Penn DOT but the agency pleads poverty and lack of staff to administer the program...Robert Mustin, assistant director of the traffic safety bureau, said the 40,000 notices that come in from companies each month on cancellations or lapses are just too much for the staff to handle. 'We'll never be current,' he declares."

28 Patrolmen, \$1.3 million = 76,000 uninsured

Excerpts from remarks by Fred E. Sojourner, financial responsibility administrator, Motor Vehicle Division, South Carolina Department of Highways, at the American Association of Motor Vehicle Administrators conference in Clearwater Beach, Fla., June 19, 1979:

"In order for the act to be properly enforced, 28 commissioned South Carolina Highway Patrolmen have been assigned solely to financial responsibility enforcement..."

"Since enactment of the compulsory law in October of 1974, the estimated percentage of uninsured motor vehicles on South Carolina's highways has fallen...to approximately 4.4 percent."

"The cost for the administration and enforcement of the South Carolina Motor Vehicle Financial Responsibility Act and the South Carolina Automobile Reparation Reform Act for the current fiscal year through April 30, 1979 has totaled approximately \$1,308,000."

(Editor's Note: The 4.4 percent uninsured motorist estimate becomes about 76,000 motorists driving without insurance when applied to vehicles registered in South Carolina.)

"...You can't legislate responsibility"

Excerpts from the *Lexington, Ky. Leader*, Sept. 12, 1979:

"This week marks the first anniversary of a state law that was aimed at reducing uninsured auto injuries and deaths—the Kentucky insurance sticker law... according to numbers supplied by detectives assigned to the police department's hit-and-run unit, more than half of the drivers in Lexington's fatal accidents through August had no insurance."

"...State Rep. Bobby Richardson, D-Glasgow, majority leader and legislator who sponsored the

bill in last year's Kentucky General Assembly, contends the law is directly responsible for 'improving the automobile coverage rate in Kentucky.' But Fayette County's statistics of death involving uninsured drivers stand in silence alongside those conflicting claims... State Police Lt. Ernest Blevins offered the theory of the uninsured driver: "You just can't legislate responsibility."

There are better solutions

As this sampling of comments indicates, compulsory automobile insurance laws don't work.

Dozens of states have tried a variety of laws. While those laws have caused enforcement headaches, bureaucratic snarls, spending of needless millions of taxpayer dollars and unnecessary harassment of motorists, there is one thing they haven't accomplished. They have not appreciably reduced the number of uninsured motorists on the highways.

Strong, well-administered financial responsibility laws are a better solution.

Financial responsibility laws are publicly acceptable because they deal with specific individuals. The burden of proving financial responsibility falls only on those who have caused someone damage—not on the thousands or millions who have done nothing. And since those laws are administered and enforced on a person-by-person basis, they are much more cost-effective.

The private automobile insurance industry has long offered practical alternatives for assuring protection against the financially irresponsible driver. Uninsured motorist coverage is available in all states—generally for only a few dollars a year—which will indemnify the responsible motorist and his passengers for injuries caused by the uninsured.

Well-administered financial responsibility laws and broadened protection under the uninsured motorist coverages are goals far preferable to the imposition of a system of compulsory insurance—a system with a proven record of failure.

Prepared by the Public Relations Department
State Farm Insurance Companies
Home Office: Bloomington, Ill.

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW

210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
TELEPHONE (907) 586-5812

JOHN C. HUGHES
OF COUNSEL

509 WEST THIRD AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 274-7522
CABLE ADDRESS: DENALI
TELECOPIER: 274-7525
TELEX: 090-26367

590 UNIVERSITY AVE., SUITE 200
FAIRBANKS, ALASKA 99701
TELEPHONE (907) 479-3161
CABLE ADDRESS: DENALI
TELECOPIER: 479-8478

200 CHENEGW STREET
P.O. BOX 787
VALDEZ, ALASKA 99686
TELEPHONE (907) 835-2988

DAVID H. THORSNESS
RICHARD O. GANTZ
JAMES M. POWELL
BRIAN J. BRUNDIN
MARCUS R. CLAPP*
KENNETH P. JACOBUS
GARY W. GANTZ
JERRY E. MELCHER
JOE M. HUDDLESTON
SIGURD E. MURPHY
RICHARD D. THALER
CARL J. D. BAUMAN
FRED B. ARVIDSON
DENNIS M. BUMP*
MARY K. HUGHES
FRANK A. PFIFFNER
RALPH R. BEISTLINE*
GORDON J. TANS***
R. CRAIG HESSER
ROBERT L. MANLEY
JAMES M. GORSKI
TIMOTHY R. BYRNES

JAMES M. SEEDORF
RONALD E. NOEL*
FREDERICK J. ODSER
MICHAEL L. LESSMEIER**
STEVEN S. TERVOOREN
MATTHEW K. PETERSON
JOSEPH R. D. LOESCHER
JAMES F. KLASER
KENNETH D. LOUGEE*
KENNETH F. BRITAIN
DAVID H. MERSEREAU
CORY A. CARLSON
EARL M. SUTHERLAND
CRAIG A. CARLSON
JAMES E. RAMSEY
JOSEPH S. SLUSSER*
LESLIE A. MORRILL
JOHN B. THORSNESS
JAMES R. SZENDER
GAIL M. BALLOU*
GREGORY W. LESSMEIER*

* FAIRBANKS OFFICE
** JUNEAU OFFICE
*** VALDEZ OFFICE

February 3, 1984

Senator Richard I. Eliason
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

RE: Alaska HB 7

Dear Senator Eliason:

I am writing to you on behalf of Allstate Insurance Company and State Farm Insurance Company. We recently received a redraft of HB 7 from the Division of Insurance, and since we understand that redraft has been circulated to you, we wanted to provide our initial comments regarding that redraft, as well as a revised version which incorporates a number of our suggestions.

It is important for us to emphasize at the outset that neither State Farm or Allstate favor compulsory liability insurance. Once Alaska consumers understand the true effect of such a law, we do not believe they will either. It has been our experience that compulsory insurance laws simply don't work well, despite the expensive price tag they carry. The direct costs to taxpayers and insurance buyers are high, and indirect costs in terms of harm to the insurance marketplace are often so great as to make the system a destructive one.

These sentiments regarding compulsory insurance laws were very recently echoed by the Illinois Department of Transportation. In the latest issue of that department's Traffic Safety Update, the costs and complexities of compulsory laws are effectively detailed. We have enclosed herewith a copy of that article for your reference.

Although we remain opposed to compulsory insurance, we are aware of the political realities of this situation. If the legislature is determined to enact a compulsory law in 1984, we want to make every effort to ensure that the bill is well-conceived and well-implemented. It is in this context that our comments are offered and, we hope, received.

We are attaching hereto a revised version of HB 7 which incorporates our suggestions. Most of these suggestions are either technical in nature or merely clarify existing provisions. We have attempted not to disturb the basic underpinnings of the bill or the result it seeks to accomplish.

The following section references are to the attached draft.

1) We deleted the sections proposing an increase in limits in the Motor Vehicle Safety Responsibility Act and reduced the proposed minimum limits in AS 28.22.010(c) from 50/100/25 to the existing safety responsibility minimum limits of 25/50/10.

Alaska currently has one of the highest safety responsibility limits in the nation and we believe those limits are more than adequate for the vast majority of Alaska drivers. Drivers needing higher limits will find them readily available in the Alaska marketplace.

More importantly, increasing the minimum limits makes the insurance more expensive. (The actuarial department of State Farm indicates that the difference in premium for a State Farm policyholder could be as high as \$150 per year--and this is for bodily injury and property liability coverages alone. Uninsured and underinsured motorists (UM/UIM) coverage in such limits further exacerbates the price increase.) It seems unfair to Alaska consumers not only to mandate coverage, but to mandate it in amounts, and at an expense far greater than almost any other state in the nation.

Finally, the increased cost of the product defeats the purported purpose of a compulsory law--i.e. to reduce the uninsured motorist population. Many motorists currently insured will simply be economically forced to forego coverage irrespective of the prescribed severe penalties. Similarly, drivers who are presently uninsured are often so because of the cost. It is difficult to believe that increasing the cost of insurance will lead them to an insurance agent.

2) AS 28.20.440(b)(3)(A) and AS 28.22.010(b) define the term "underinsured motor vehicle".

There is much confusion among insurance purchasers as to the meaning of this term. Some believe the term means simply "inadequate". A consumer who must determine whether to retain or delete this coverage should understand what protection it provides and when that protection is "triggered".

The first portion of the definition is standard "difference in limits" language similar to that incorporated in the submitted draft. The second portion of the definition becomes relevant when multiple injured parties exist. The "reduction for payment to others" language eliminates the "rush to the pot of gold" and provides increased benefits for the insured.

3) AS 28.20.440(b)(3)(B)(1) and AS 28.22.010(c)(3)(D).

Clarify the intent that UM/UIM coverage does not come into play until after applicable liability policies and bonds have been exhausted.

4) AS 28.20.440(b)(3)(B)(2) and AS 28.22.010(c)(3)(A).

UM/UIM coverage should be a single combined coverage. This ensures that the insured will have the same protection available whether he is injured by an uninsured or underinsured motorist. It removes the fortuity factor and makes the selection process much simpler.

5) AS 28.20.440(b)(3)(B)(3) and AS 28.22.010(c)(3)(A).

Eliminate the potential problem of a court interpreting the rejection/deletion language as applying at each renewal. Once the insured makes his initial decision as to whether he desires UM/UIM coverage and, if so, at what limits, that decision should remain effective until he affirmatively requests otherwise. To require written rejections/deletions at each policy renewal (normally a six month interval) would be unnecessarily burdensome on both the insured and the insurer.

6) AS 28.20.440(b)(3)(C) and AS 28.22.010(c)(3)(E).

Provide that the "direct physical contact" requirement applies to both bodily injury and property damage claims.

7) AS 28.20.440(b)(3)(D) and AS 28.22.010(c)(3)(B)(1).

Define property damage for purposes of UM/UIM coverage.

8) AS 28.20.440(m)(2) and AS 28.22.010(n)(2).

Provide for an offset from the UM/UIM coverage for bodily injury liability payments. This situation commonly arises in comparative negligence states such as Alaska. An injured passenger may attempt to collect both under the insured driver's BI and UM/UIM coverages, alleging that his injuries were caused by the negligence of both the insured driver and an uninsured driver. An offset should be provided in such instances.

9) AS 28.20.440(n) and AS 28.22.010(o).

Modify the anti-stacking provisions and set out a priority of payment in instances where more than one UM or UIM coverage or policy may be applicable. The priority language is merely a technical amendment.

The anti-stacking provision, however, is critical. The language must make clear that coverage may not be stacked whether multiple vehicles are written under one policy or under several individual policies. The previous draft seemed to apply only when the vehicles were written on a single policy. This would be manifestly unfair to companies such as State Farm who write individual policies.

10) AS 28.20.440(o) and AS 28.22.010(p).

Clarify that UM/UIM coverage does not apply in situations where the alleged uninsured or underinsured vehicle is owned by the named insured or a resident relative, but not insured. In the absence of such provisions, a person could own several vehicles but insure only one. This is contrary to the intent underlying UM/UIM coverage and would work to the economic disadvantage of insureds who purchase separate policies (i.e. UM/UIM premiums would have to be increased to accommodate the increased loss expense).

11) AS 28.20.010(c).

Clarifies that subsequent to the effective date of the legislation all policies and renewals must contain certain enumerated provisions. The language allows for an automatic incorporation of UM/UIM at designated limits subject only to the insured's option to affirmatively delete such coverage.

Such language is common in other jurisdictions and we believe provides the most effective means of supplying the coverage. In accordance with subparagraph (2) of this subsection, if an

insured currently has UM coverage he automatically obtains UM/UIM at the same limits. If he has no existing UM coverage or has UM with limits less than \$25,000, he automatically has UM/UIM with \$25,000 limits. Again, any insured has the option of deleting the UM/UIM coverage entirely.

Paragraph (D) of this subsection affirmatively states that insurers may offer higher UM/UIM limits or UM/UIM property damage deductibles other than \$250.

12) AS 28.20.010(f).

The draft submitted to us proposed AS 28.20.010(e) which stated:

The motor vehicle liability policy need not insure liability under a workers' compensation law nor liability for damage to property owned by, rented to, in charge of, or transported by the insured.

We would delete this provision from proposed Chapter 22 and replace it with language making it clear that any limitation, exclusion, etc. is permitted unless it violates the requirements of Chapter 22 or other applicable laws.

Our concern is that the proposed subsection might be interpreted to mean that the stated limitations (e.g. workers' compensation) are the only ones which a motor vehicle policy may contain.

13) AS 28.22.010(i).

Eliminates excess, umbrella and miscellaneous other policies from the requirements of the chapter.

14) We deleted the following subsection from Chapter 22:

A motor vehicle liability policy may provide that the insured shall reimburse the insurance carrier for any payment the insurance carrier would not have been obligated to make under the terms of the policy except for the provisions of this chapter.

As in comment #12, we believe that this subsection applies for purposes of Chapter 20 (Motor Vehicle Safety Responsibility Act) but would be inappropriate in proposed Chapter 22. There is no absolute liability under Chapter 22, therefore a reimbursement provision is unnecessary.

15) AS 28.22.040 and AS 28.22.050.

These sections deal with method of proof following a reportable accident or moving traffic violation. We believe the requirement of a formal affidavit is unnecessarily burdensome on insurance agents, especially if notarization is required. We believe that "written confirmation" serves the same purpose and allows for greater ease and flexibility of compliance.

16) We deleted the proposed revision to existing AS 21.39.155(a).

The proposed change would authorize the director to require carriers to participate in an "assigned risk pool" if the director finds that such participation is in the public interest.

We find this proposal duplicative of existing law. AS 28.20.580 currently empowers the director to implement an assigned risk plan.

If the proposed amendment is meant to enable the director to establish a residual market pooling mechanism other than an assigned risk plan, we believe such a proposal is inappropriate at this time. The Alaska assigned risk plan is small and has functioned well. Even if a compulsory law substantially increased the population of the plan (an assumption our experience would not support), there is every reason to believe the current assigned risk plan could effectively handle the increase.

While State Farm and the insurance industry has every confidence in the wisdom and discretion of the current division staff, we are mindful of instances where insurance departments in other jurisdictions have severely hampered the underwriting, rating and sale of insurance through their orchestration of a residual market mechanism. We would not want such scenarios recreated in Alaska.

17) AS 21.89.020 is repealed.

The provisions now appear at AS 28.22.010(c)(2).

18) Finally we would like to express a general concern about the severity of the proposed penalties for failing to maintain insurance. Although we recognize the salutary purpose which the penalties are designed to accomplish, we believe that courts may be hesitant to subject violators to the harsh combination of a mandatory fine, license suspension and forfeiture of the person's motor vehicle.

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

We left the language intact, but we would like to invite a reconsideration of the provisions.

We thank you for the opportunity to provide this material to you.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN


Michael L. Lessmeier

MLL/mh

cc: Members of the Conference Committee on HB 7

JAN 30 1984

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CCS SS HB 7

IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to motor vehicles;
and providing for an effective date."

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

* Section 1. DECLARATION OF PURPOSE. The legislature is concerned over the rising toll of motor vehicle accidents and the suffering and loss inflicted by them. The legislature determines that it is a matter of grave concern that motorists be financially responsible for their negligent acts so that innocent victims of motor vehicle accidents may be recompensed for the injury and financial loss inflicted upon them. The legislature finds and declares that the public interest can best be served by the requirement that both the owner and the operator of a motor vehicle be required to maintain coverage under a motor vehicle liability policy issued in conformity with AS 28.22.010 or a certificate of self-insurance issued under AS 28.20.400.

The legislature also finds and declares that the most economical and practical time of proof of compliance with this requirement is when an operator of a motor vehicle has been involved in a reportable accident or charged with a moving traffic violation.

1 * Section 2. AS 28.20.440(b)(3) is amended to read:

2 (3) contain coverage in the amounts set out
3 in (2) of this subsection for the protection of
4 the persons insured under the policy who are
5 legally entitled to recover damages from owners or
6 operators of uninsured or underinsured motor vehicles
7 because of bodily injury or death, or damage to or
8 destruction of property in excess of \$250 arising out
9 of the ownership, maintenance or use of the uninsured
10 or underinsured motor vehicle. [EXCEPT THAT THIS
11 COVERAGE MAY BE WAIVED IN WRITING BY THE INSURED ON
12 OR BEFORE THE EFFECTIVE DATE OF THE POLICY.]

13 (A) "Underinsured motor vehicle" means
14 a motor vehicle licensed for highway use with
15 respect to the ownership, operation, maintenance
16 or use of which motor vehicle there is a bodily
17 injury or property damage insurance policy or a
18 bond applicable at the time of the accident and
19 the amount of insurance or bond:

20 (1) is less than the limit for
21 uninsured and underinsured motorists
22 coverage under the insured's policy; or

23 (2) has been reduced by payments
24 to persons other than an insured, injured
25 in an accident, to less than the limit for
26 uninsured and underinsured motorists
27 coverage under the insured's policy.

1 (B) The uninsured and underinsured
2 motorists coverage provided for in this chapter:

3 (1) shall not apply to bodily
4 injury, sickness, disease or death of an
5 insured or damage to or destruction of
6 property of an insured until the limits of
7 liability of all bodily injury and property
8 damage liability bonds and policies that
9 apply have been used up by payments or
10 judgments or settlements;

11 (2) shall be a single combined
12 coverage; and

13 (3) may be rejected by the insured
14 in writing. If the insured has rejected
15 such coverage, the coverage shall not be
16 included in any supplemental, renewal or
17 replacement policy unless the insured subse-
18 quently requests such coverage in writing.

19 (C) If both the owner and operator of the
20 uninsured vehicle are unknown, payment under the
21 uninsured and underinsured motorists coverage
22 shall be made only where direct physical contact
23 between the insured and uninsured or underinsured
24 motor vehicles has occurred. A vehicle that has
25 left the scene of the accident is presumed to be
26 uninsured if the person insured reports the
27 accident to the appropriate authorities within
28 24 hours.

1 (D) The uninsured and underinsured motorists
2 coverage for damage to or destruction of property
3 is subject to a deductible of \$250 in any one acci-
4 dent, but the insurer may offer a deductible other
5 than \$250. This coverage shall be limited to damage
6 to or destruction of the insured motor vehicle. It
7 shall not include loss of use of such vehicle.

8 * Section 3. AS 28.20.440 is amended by adding new
9 subsections to read:

10 (1) The maximum liability of the insurance
11 carrier under the uninsured and underinsured
12 motorists coverage required to be offered pursuant
13 to AS 28.20.440 (b)(3) shall be the difference
14 between the coverage limit of liability and the
15 amount paid to the insured by or on behalf of the
16 uninsured or underinsured motorist.

17 (m) Amounts payable under the uninsured
18 motorists and underinsured motorists coverage
19 required to be offered pursuant to AS 28.20.440
20 (b)(3) shall be reduced by:

21 (1) amounts paid or to be paid under
22 any workers' compensation law;

23 (2) amounts paid or payable under any
24 valid and collectible motor vehicle medical
25 payments or bodily injury or death liability
26 insurance; and

27 (3) amounts paid by or on behalf of
28 the uninsured or underinsured motorist.

1 (n) In the event an insured is entitled to
2 uninsured or underinsured motorists coverage
3 under more than one policy of motor vehicle
4 liability insurance, or under more than one
5 coverage if two or more vehicles are insured
6 under one policy, the maximum amount an insured
7 may recover shall not exceed the highest limit
8 of any one policy or coverage. Where multiple
9 policies or coverages apply, payment should be
10 made in the following order of priority, subject
11 to the limit of liability for each applicable
12 policy or coverage:

13 (1) a policy or coverage covering a
14 motor vehicle occupied by the injured
15 person at the time of the accident;

16 (2) a policy or coverage covering a
17 motor vehicle which came into contact with
18 the insured while a pedestrian; and

19 (3) a policy or coverage covering a
20 motor vehicle not involved in the accident
21 with respect to which the injured person is
22 an insured or a named insured.

23 (o) The uninsured and underinsured motorists
24 coverage provided for in this chapter does not
25 apply to bodily injury or death or damage to or
26 destruction of property of an insured.

1 (1) while occupying a motor vehicle
2 owned by, but not insured by, the named
3 insured or resident spouse or resident
4 relative; or

5 (2) through being struck by a vehicle
6 owned by the named insured, or resident
7 spouse or resident relative.

8 * Section 4. AS 28 is amended by adding a new chapter
9 to read:

10 Chapter 22. MOTOR VEHICLE LIABILITY INSURANCE

11 Section 28.22.010. MOTOR VEHICLE LIABILITY POLICY

12 (a) In this chapter "motor vehicle
13 liability policy" means an "owner's policy" or
14 an "operator's policy" containing an agreement
15 or endorsement as provided in this section and
16 issued by an insurance carrier authorized to
17 transact business in the state to or for the
18 benefit of the person named as insured.

19 (b) "Underinsured motor vehicle" means a
20 motor vehicle with respect to the ownership,
21 operation, maintenance or use of which there is
22 a bodily injury or property damage insurance
23 policy or a bond applicable at the time of the
24 accident and the amount of insurance or bond:

25 (1) is less than the limit for
26 insured and uninsured motorists coverage
27 under the insured's policy; or

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

(2) has been reduced by payments to persons other than an insured, injured in the accident, to less than the limit for uninsured and underinsured motorists coverage under the insured's policy.

(c) No new policy or renewal of an existing policy insuring against loss resulting from liability imposed by law for bodily injury or death or property damage suffered by any person arising out of the ownership, maintenance, or use of a motor vehicle shall be issued with respect to any motor vehicle registered or principally garaged in this state unless the owner's policy:

(1) designates by description or appropriate reference all vehicles that it covers;

(2) insures the person named against loss from liability imposed by law for damages arising out of the ownership, maintenance, or use of the vehicle in the United States or the Dominion of Canada subject to limits exclusive of interest and costs, with respect to each vehicle, as follows:

1 (A) \$25,000 because of bodily
2 injury to or death of one person in any
3 one accident, and, subject to the same
4 limit for one person, \$50,000 because of
5 bodily injury to or death of two or more
6 persons in any one accident; and

7 (B) \$10,000 because of damage
8 to or destruction of property of
9 others in any one accident;

10 (3) contains coverage for the protection
11 of the persons insured under the policy who
12 are legally entitled to recover damages
13 from the owner or operator of an uninsured
14 or underinsured motor vehicle because of
15 bodily injury or death, or damage to or
16 destruction of property in excess of \$250
17 arising out of the ownership, maintenance,
18 or use of the uninsured or underinsured
19 motor vehicle.

20 (A) The coverage shall be a
21 single combined coverage. This
22 coverage may be deleted by the insured
23 in writing. If the insured has
24 deleted such coverage, the coverage
25 shall not be included in any supplemental,
26 renewal or replacement policy unless
27 the insured subsequently requests such
28 coverage in writing.

1 (B) Uninsured and underinsured
2 motorists coverage shall be subject to
3 the following limits, exclusive of
4 interest and costs, and deductibles
5 for any one accident:

6 (1) damage to or destruction
7 of property shall have \$10,000
8 limits and be subject to a \$250
9 deductible. This coverage shall
10 be limited to damage to or
11 destruction of the insured motor
12 vehicle. It shall not include loss
13 of use of the vehicle.

14 (2) bodily injury or death
15 shall have limits equal to
16 the greater of either (a) the
17 insured's existing limits for
18 uninsured motorists coverage, or
19 (b) the amounts set out in (2)
20 of this section.

21 (C) Nothing contained in (B) of
22 this section shall preclude an insurer
23 from offering higher limits of uninsured
24 and underinsured coverage or a deductible
25 for damage to or destruction of property
26 other than \$250 in accordance with its
27 rating plans and rules at the written
28 request of the insured.

1 (D) The uninsured and underinsured
2 motorists coverage provided for in
3 this chapter shall not apply to
4 bodily injury, sickness, disease, or
5 death of an insured or damage to or
6 destruction of property of an insured
7 until the limits of liability of all
8 bodily injury and property damage
9 liability bonds and policies that
10 apply have been used up by payments
11 or judgments or settlements;

12 (E) Payment under the uninsured
13 and underinsured motorists coverage
14 shall be made only where direct
15 physical contact between the insured
16 and uninsured or underinsured motor
17 vehicles has occurred. A vehicle that
18 has left the scene of the accident is
19 presumed to be uninsured, if the
20 person insured reports the accident to
21 the appropriate authorities within 24
22 hours.

23 (d) The operator's policy of liability
24 insurance shall insure the person named as
25 insured against loss from the liability imposed

1 on the operator by law for damages arising
2 out of the use by the operator of a motor
3 vehicle not owned by the operator, within the
4 same territorial limits and subject to the same
5 limits of liability as are required for an
6 owner's policy of liability insurance.

7 (e) The motor vehicle liability policy
8 shall state the name and address of the named
9 insured, the coverage, the premium charges, the
10 policy period and the limits of liability, and
11 shall contain an agreement or an endorsement
12 that insurance is provided in accordance
13 with the coverage defined in (c)(2) of this
14 section for bodily injury and death or property
15 damage, or both.

16 (f) Nothing contained in this chapter
17 shall be interpreted to prohibit a motor vehicle
18 liability policy from containing limitations,
19 conditions, exceptions, exclusions or other
20 provisions which themselves do not violate the
21 requirements of this chapter or other applicable
22 laws.

23 (g) Every motor vehicle liability policy
24 is subject to the following provisions but these
25 provisions need not be contained in the policy:

1.
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

(1) the satisfaction by the insured of a judgment for injury or damages is not a condition precedent to the right or duty of the insurance carrier to make payment on account of injury or damage;

(2) the insurance carrier may settle a claim covered by the policy, and if settlement is made in good faith, the amount of settlement is deductible from the limits of liability specified in (c) of this section; and

(3) The policy, the written application for the policy, if any, and every rider or endorsement that does not conflict with the provisions of this chapter constitute the entire contract between the parties.

(h) A policy that grants the coverage required for a motor vehicle liability policy may also grant lawful coverage in excess of or in addition to the coverage specified for a policy and the excess or additional coverage is not subject to the provisions of this chapter. With respect to a policy that grants excess or additional coverage the term "motor vehicle liability policy" applies only to that part of the coverage that is required by this section.

1 (i) A policy shall be excluded from
2 the application of this chapter if the automobile
3 or motor vehicle liability coverage is provided
4 only on an excess or umbrella basis. Nothing in
5 this chapter shall be construed to require that
6 uninsured and underinsured motorist coverage
7 shall be offered or provided on any homeowner
8 policy, personal and resident's liability
9 policy, personal and farm liability policy,
10 general liability policy, comprehensive personal
11 liability policy, manufacturers' and contractors'
12 policy, premises liability policy, special multi-
13 peril policy, or any other policy or endorsement
14 where automobile liability coverage is offered
15 as incidental to some other basic coverage,
16 notwithstanding that any such policy may provide
17 automobile or motor vehicle liability coverage
18 on insured premises or the ways immediately
19 adjoining.

20 (j) A motor vehicle liability policy
21 may provide for proration of the insurance
22 with other valid and collectible insurance.

23 (k) The requirements for a motor vehicle
24 liability policy may be fulfilled by the policies
25 of one or more insurance carriers who together
26 meet the requirements.

1 (1) A binder issued pending the issuance
2 of a motor vehicle liability policy fulfills the
3 requirements for a policy.

4 (m) The maximum liability of the insurance
5 carrier under the uninsured and underinsured
6 motorists coverage required pursuant to AS
7 28.22.010 (c)(3) shall be the difference between
8 the coverage limit of liability and the amount
9 paid to the insured by or on behalf of the
10 uninsured or underinsured motorist.

11 (n) Amounts payable under the uninsured
12 motorists and underinsured motorists coverage
13 required pursuant to AS 28.22.010(c)(3) shall be
14 reduced by:

15 (1) amounts paid or to be paid
16 under any workers' compensation law;

17 (2) amounts paid or payable under any
18 valid and collectible motor vehicle
19 medical payments or bodily injury or death
20 liability insurance; and

21 (3) amounts paid by or on behalf
22 of the uninsured or underinsured motorist.

23 (o) In the event an insured is entitled to
24 uninsured or underinsured motorists coverage
25 under more than one policy of motor vehicle
26 liability insurance, or under more than one

1 coverage if two or more vehicles are insured
2 under one policy, the maximum amount an insured
3 may recover shall not exceed the highest limit
4 of any one policy or coverage. Where multiple
5 policies or coverages apply, payment should be
6 made in the following order of priority, subject
7 to the limit of liability for each applicable
8 policy or coverage:

10 (1) a policy or coverage covering a
11 motor vehicle occupied by the injured
12 person at the time of the accident;

13 (2) a policy or coverage covering a
14 motor vehicle which came into contact with
15 the insured while a pedestrian; and

16 (3) a policy or coverage covering a
17 motor vehicle not involved in the accident
18 with respect to which the injured person is
19 an insured or a named insured.

20 (p) The uninsured and underinsured motorists
21 coverage provided for in this chapter does not
22 apply to bodily injury or death or damage to or
23 destruction of property of an insured:

24 (1) while occupying a motor vehicle
25 owned by, but not insured by, the named
26 insured or resident spouse or resident
27 relative; or

1 (2) through being struck by a vehicle
2 owned by the named insured, or resident
3 spouse or resident relative.

4 Sec. 28.22.020. REQUIREMENTS OF POLICY. (a) A
5 policy is not effective under AS 28.22.010 unless it is
6 issued by an insurance company or surety company authorized
7 to do business in this state, except as provided in (b)
8 of this section, and unless it complies with the limit
9 requirements established in AS 28.22.010(c)(2).

10 (b) A policy is not effective under AS 28.22.010
11 with respect to a vehicle not registered in the state or
12 a vehicle that was registered in another jurisdiction at
13 the effective date of the policy or the most recent
14 renewal of it, unless the insurance or surety company
15 issuing the policy is authorized to do business in the
16 state, or if the company is not authorized to do business
17 in the state, unless it executes a power of attorney
18 authorizing the director of the Division of Insurance to
19 accept service on its behalf of notice or process in an
20 action upon the policy arising out of the accident.

21 Sec. 28.22.030. MOTOR VEHICLE LIABILITY INSURANCE
22 REQUIRED. (a) The operator or owner of a motor vehicle,
23 driven upon a highway, vehicular way or area, or other
24 public property in this state shall have motor vehicle
25 liability insurance that complies with AS 28.22.010 or a
26 certificate of self-insurance that complies with AS
27 28.20.400 in effect for the motor vehicle.

1 (b) A person involved in a reportable accident in
2 this state resulting in bodily injury to or death of a
3 person or damage to the property of any one person
4 exceeding \$500 must prove that a motor vehicle liability
5 policy was in effect for the motor vehicle involved in
6 the accident at the time of the accident.

7 (c) A person charged with or otherwise cited for a
8 moving traffic violation must prove that a motor vehicle
9 liability policy was in effect for the motor vehicle
10 operated at the time the charged violation occurred.

11 (d) A person who violates (a) of this section
12 commits a class B misdemeanor. Upon conviction the court
13 shall impose a fine of not less than \$250. The court may
14 not suspend the minimum fine imposed under this subsection.

15 (e) In addition to the fine required under (d) of
16 this section, the court shall impose the following sentence
17 on a person convicted of violating (a) of this section:

18 (1) for a person not previously convicted
19 of an offense under (a) of this section, suspension
20 of that person's driver's license for one year;

21 (2) for a person once previously convicted of
22 an offense under (a) of this section within 10 years,
23 suspension of the person's driver's license for not
24 less than one year nor more than two years with no
25 limited license privileges during the period of
26 suspension; and

1 (3) for a person twice or more previously
2 convicted of an offense under (a) of this section
3 within 10 years, suspension of that person's driver's
4 license for not less than two years with no limited
5 license privileges during the suspension and
6 forfeiture of the person's motor vehicle under AS
7 28.22.070.

8 Sec. 28.22.040. METHOD OF PROOF FOLLOWING A REPORTABLE
9 ACCIDENT. (a) A person involved in an accident required
10 to prove that a motor vehicle liability policy was in
11 effect pursuant to AS 28.22.030(b), shall within 15 days
12 of the accident:

13 (1) present a copy of the insurance policy, certifi-
14 cate, bond, or insurance binder to the Department of Motor
15 Vehicles for inspection; or

16 (2) provide the Department of Motor Vehicles with
17 written confirmation from an insurance company, insurance
18 agent, insurance broker or surplus lines broker confirming
19 that as of the time of the accident a valid motor vehicle
20 liability policy issued in conformity with AS 28.22.010
21 was in effect; or,

22 (3) advise the Department of Motor Vehicles that a
23 certificate of self-insurance is in effect.

24 (b) The Department of Motor Vehicles shall develop and
25 implement a program to spot check the veracity of the
26 documents filed as proof under this section.

1 (c) Knowingly providing false information required under
2 this section is a Class A misdemeanor.

3 Sec. 28.22.050. METHOD OF PROOF FOLLOWING A CHARGE
4 OF A MOVING TRAFFIC VIOLATION. (a) A person charged
5 with or otherwise cited for a moving traffic violation
6 described in AS 28.22.030(c) shall, at the time of
7 appearance in court, present written confirmation from
8 an insurance company, insurance agent, insurance broker
9 or surplus lines broker confirming that as of the time of
10 the charged violation, a valid motor vehicle liability policy
11 issued in conformity with AS 28.22.010 was in effect, or
12 advise the court that a certificate of self-insurance
13 issued by the Department of Motor Vehicles was in effect
14 and present a copy of the certificate.

15 (b) A person charged with or otherwise cited for a
16 moving traffic violation described in AS 28.22.030(c) who
17 elects to post bail in lieu of appearance in court, shall
18 present with the bail written confirmation from an insur-
19 ance company, insurance agent, insurance broker or surplus
20 lines broker confirming that as of the time of the
21 charged violation, a valid motor vehicle liability policy
22 issued in conformity with AS 28.22.010 was in effect, or
23 advise the court that a certificate of self-insurance
24 issued by the Department of Motor Vehicles was in effect
25 and present a copy of the certificate. The court shall
26 report any failure to present written confirmation
27 described in this subsection to the department.

1 Sec. 28.22.050. PROOF FOR THE FUTURE. (a) A
2 person who violates AS 28.22.030(a) must file proof of
3 financial responsibility for the future pursuant to AS
4 28.20.230 before the driving privilege may be restored or
5 before limited license privileges may be granted by the
6 court.

7 (b) A filing of proof of financial responsibility
8 under AS 28.20.230 shall be required for a period of
9 three years following expiration of the suspension of
10 license under AS 28.22.030(e).

11 Sec. 28.22.070. FORFEITURE OF MOTOR VEHICLE. (a)
12 After conviction of an offense under AS 28.22.030, if the
13 convicted person was twice or more previously convicted
14 within the last ten years of violating AS 28.22.030 or a
15 statute in another jurisdiction with elements substantially
16 similar to AS 28.22.030, the state may move the court to
17 order the forfeiture of a motor vehicle. Upon receipt of
18 a motion for forfeiture, the court shall schedule a
19 hearing on the matter and shall notify the state of the
20 time and place set for the hearing.

21 (b) After receiving notice of the time and place of
22 the hearing, the state shall provide to every person
23 who has an ascertainable ownership or security interest
24 in the motor vehicle written notice that includes:

- 25 (1) a description of the motor vehicle;
26 (2) the time and place of the forfeiture
27 hearing;