

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2684 SLC HB 7 (FILE 5)

1 (3) the legal authority under which the motor  
2 vehicle may be forfeited; and

3 (4) notice of the right to intervene to  
4 protect the interest in the motor vehicle.

5 (c) At the hearing, a person who claims an ownership  
6 or security interest in the motor vehicle must establish  
7 by a preponderance of evidence that:

8 (1) the petitioner has an interest in the  
9 motor vehicle acquired in good faith;

10 (2) a person other than the petitioner was  
11 convicted of violating AS 28.22.030; and

12 (3) before parting with the motor vehicle, the  
13 petitioner did not know or have reasonable cause to  
14 believe that it would be used in the commission of  
15 an offense.

16 (d) If a person satisfies the requirements of (c)  
17 of this section, the court shall order that an amount  
18 equal to the value of the petitioner's interest in the  
19 motor vehicle be paid to the petitioner from the proceeds  
20 of the sale of the motor vehicle, or shall order that the  
21 motor vehicle be released to the petitioner together with  
22 title to the motor vehicle.

23 (e) Upon forfeiture of a motor vehicle, the court  
24 shall require the surrender of the registration and  
25 certificate of title of that motor vehicle for delivery  
26 by the court to the Department of Motor Vehicles unless  
27 the title is released to a petitioner under (d) of this  
28 section.

1 (f) If not released under (d) of this section, a  
2 motor vehicle forfeited under this section may be disposed  
3 of at the discretion of the department.

4 \* Sec. 5. AS 28.20.390(3), AS 28.20.490 and  
5 AS 21.89.020 are repealed.

6 \* Sec. 6. This Act takes effect January 1, 1985 and  
7 its provisions apply to policies issued, replaced or  
8 renewed subsequent to that date.



# Traffic Safety Update

JAN 30 1984

Published by the Illinois Department of Transportation / Division of Traffic Safety / Volume 4, Number 1

## Compulsory Insurance... a Simple Law?

The rationale for compulsory insurance could not be simpler - require every vehicle to be covered by a liability insurance policy.

Simple? Apparently not!

Currently, 34 states and the District of Columbia have some form of compulsory insurance statute. None of these states can report every automobile on the roads and streets within their jurisdiction as being insured.

The simplicity of compulsory insurance ends before it begins. What would it take to administer a law that would require everyone to have insurance on every vehicle every day of the year? How would it be enforced? What would be the expense?

Some states have attempted to administer a compulsory insurance law by requiring a motorist to give "self-certification" insurance information prior to being issued registration. The motorist gives the name of the insurance company, policy period, and policy number. The state may verify as high as 10 percent to test the insured's status. Room for error? Certainly. A motorist gives false information and has only one chance in ten of being discovered.

States that administer a compulsory insurance law requiring insurance companies to issue the motorist an I.D. card have their share of problems. The motorist can cancel the policy the day following the issuance of registration while retaining possession of the I.D. card. The motorist can also keep the I.D. card if the policy lapses. In addition, the I.D. cards can be "created" and the fraudulent cards used to purchase registration. The fraudulent card is likely to go undetected until someone verifies the validity with the insurance company. As with "self-certification," the highest rate verified by any state is 10 percent, while some states do not verify any of the information they receive.

Any attempt to administer compulsory liability insurance is expensive. It is expensive to the state and it is expensive to the insurance industry. In New York state, the annual cost to administer their compulsory insurance statute is estimated to be in excess of \$10 million. Any expense, naturally, is passed on to the motoring public

through taxation and increased insurance premiums. Even with compulsory statutes, most states continue to administer a financial responsibility law to determine the insurance status of a motorist who has been involved in an accident.

Financial responsibility laws and compulsory insurance laws came into existence in the mid-1920's. The financial responsibility law requires a motorist who has been in an accident to show that he has financial means to compensate his victims. Most motorists establish their financial responsibilities by carrying a liability policy. A motorist can also establish financial responsibility by depositing a security up to a specified limit. The failure of a motorist to establish financial responsibility after an accident usually results in suspension of the driver's driving privileges and the owner's registration privileges.

Opponents of compulsory insurance see several advantages in financial responsibility laws. These laws do not require insurance before vehicles can be licensed. They are aimed at drivers who cause accidents, not at every driver in the state. They do not make it a crime to drive without insurance - most compulsory insurance laws make driving without insurance a misdemeanor. The cost to administer a financial responsibility law is much less than compulsory laws.

A well-administered financial responsibility law is as effective as a compulsory law. Why spend large amounts of money attempting to administer a compulsory law that will harass the motoring public? Most drivers in states with financial responsibility laws carry liability insurance and, in addition, usually carry uninsured motorist and medical payment coverage to protect themselves if involved in an accident with an uninsured motorist.

It is clear that compulsory insurance requirements have failed in their attempts to force all motorists to buy liability insurance. Most states with compulsory statutes require insurance companies doing business in that state to offer uninsured motorist coverage. Why? Not all vehicles carry liability insurance.

Compulsory insurance statutes cannot be termed simple law.



# 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)

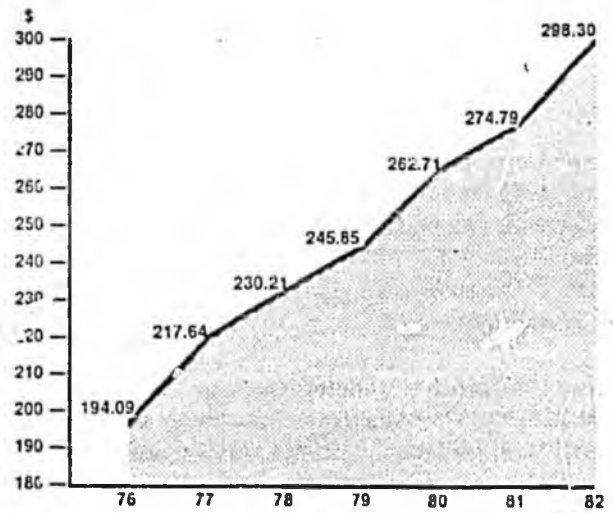
1982		\$	1981	\$	1982		\$	1981	\$
		Amount		Amount			Amount		Amount
1	New Jersey	455.80	1	411.90	27	Florida	264.07	37	233.99
2	Massachusetts	387.49	5	338.82	28	Missouri	263.56	21	258.39
3	New York	384.81	3	351.52	29	Vermont	261.38	29	246.72
4	Nevada	384.44	2	380.15	30	Arkansas	259.51	46	210.96
5	Louisiana	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	252.63	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	Dist. 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	5	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	295.28	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	265.89	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 in cost up 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.

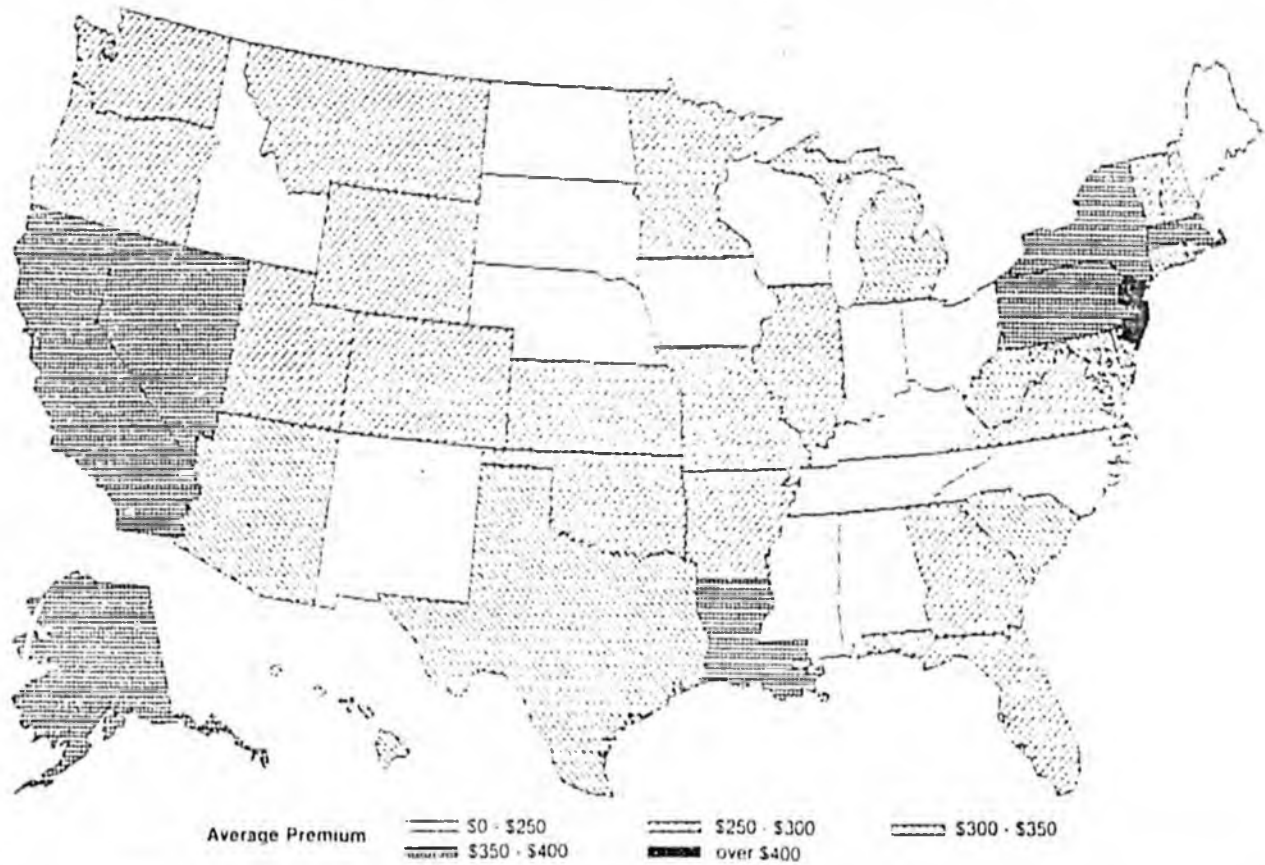
The state of New Mexico reduced auto insurance enough to drop from 30th to 41st in premium cost.

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.

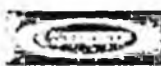
**Average Auto Premiums  
 1976 - 1982**



**1982 Average Automobile Premiums By State**



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



Copyright 1983 by  
 A.M. Best Company, Inc. Oldwick, New Jersey 08858

# Alaska State Legislature



Speaker of the House of Representatives

Official Business

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

## MEMORANDUM

June 25, 1983

To: All Senators

From: Rep. Joe Hayes  
Speaker of the House *J. Hayes*

Re: DHSS MEMO/ Cost of uninsured drivers

*counter-  
argument  
by Dept  
attached*

During the hearing process on HB 7/ auto liability insurance, my office was contacted by the Department of Health and Social Services. Spokesmen for the department indicated that hundreds of thousands of dollars are paid annually to the victims of uninsured motorists. I have attached a memo from Rod Betit: Director, Division of Public Assistance.

He outlines 5 typical examples of victims of uninsured drivers. While the Senate Labor and Commerce Committee spent much time reviewing alternatives, the approach proposed by the Committee to solving this problem would not help all of these victims.

Our current law only requires insurance after someone has become a victim of an irresponsible driver. The Senate L&C version makes no changes to that policy while the House version would change that philosophy to require insurance prior to registration or renewal of registration.

32 other states have passed similar legislation. I encourage you to consider passage of legislation substantively similar to the House version of HB 7.

Thanks

To: Rod Betit  
Director  
Division of Public Assistance

From: Henry Jeske  
Collections Manager  
Medical Review

Date: May 25, 1983

SUBJECT: Medical Assistance Required Because of Uninsured Motorists.

In response to your inquiry of Medical Assistance needs related to uninsured automobile drivers and owners I am providing you with this report of the TPL office involvement within this area.

It has been the experience of the Public Assistance TPL office during the last four years that the State of Alaska does pay a significant amount of public assistance for individuals who have been injured by uninsured automobile owners or drivers who are determined to be liable to the injured recipient. A difficulty of providing statistics in this area, however, is inherent in that this office normally has not been made aware if the past of uninsured accident cases requiring medical assistance. As there was little probability of obtaining any recovery, they were never investigated. The current system, though, does investigate all injury related medical assistance over \$500.00 for possible third party liability and statistics for automobile injury medical care needs will be available in the future.

There are enough past "vivid" examples of the need for public assistance brought about because of uninsured motorists, however, that they should be described in this report for purposes of providing evidence that there is significant cost to the public due to the State having inadequate requirements of liability and medical insurance for automobile owners and drivers. The cases listed below are accidents which have been investigated by this office within the last two years for third party liability.

1. Pedestrian hit and dragged by automobile. Driver of vehicle cited for DWI. No insurance. Cost to medical assistance was \$30,000.00.
2. Taxi-driver was hit head on by uninsured driver and owner. Cost of medical assistance exceeds \$120,000. Future cost of medical care and public assistance may be substantial.

3. An individual injured when his car was struck by another car which ran a stop light. Insurance was available for \$50,000, but inadequate for \$150,000 medical cost to date. Cost to public is \$100,000 medical assistance plus substantial medical care and public assistance in the future.
4. Individual was passenger in a vehicle driven and owned by uninsured driver. An accident in which driver was cited resulted in injury leaving passenger paralyzed for life. Cost exceeds \$50,000.
5. Teenager on motorcycle hit by camper truck pulling boat. Driver of the vehicle was uninsured. Due to no insurance, the accident was never properly investigated for possible liability. Injured party has been in a coma since July 5, 1980 accident. Medical assistance cost to date exceeds \$100,000.

I regret not having a more comprehensive compilation of statistics in this area. Past concentration on recovery probabilities, though, precluded accumulation of information on Medicaid paid victims of uninsured motorists that were recoverable by this office.

\* \* \* \* \*

From Don Lock

# MEMORANDUM

# State of Alaska

TO: **Red Betit**  
**Director**  
**Division of Public Assistance**

DATE: **May 25, 1983**

FILE NO:

TELEPHONE NO

FROM: **Henry A. Jeske**  
**Collectibles Manager**  
**Medical Review**

SUBJECT: **Medical Assistance**  
**Required Because of**  
**Uninsured Motorists**

In response to your inquiry of Medical Assistance needs related to uninsured automobile drivers and owners I am providing you with this report of the TPL office involvement within this area.

It has been the experience of the Public Assistance TPL office during the last four years that the State of Alaska does pay a significant amount of public assistance for individuals who have been injured by uninsured automobile owners or drivers who are determined to be liable to the injured recipient. A difficulty of providing statistics in this area, however, is inherent in that this office normally has not been made aware in the past of uninsured accident cases requiring medical assistance. As there was little probability of obtaining any recovery, they were never investigated. The current system, though, does investigate all injury related medical assistance over \$500.00, for possible third party liability and statistics for automobile injury medical care needs will be available in the future.

There are enough past "vivid" examples of the need for public assistance brought about because of uninsured motorists, however, that they should be described in this report for purposes of providing evidence that there is significant cost to the public due to the State having inadequate requirements of liability and medical insurance for automobile owners and drivers. The cases listed below are accidents which have been investigated by this office within the last two years for third party liability.

1. Pedestrian hit and dragged by automobile. Driver of vehicle cited for DWI. No insurance. Cost to medical assistance was \$30,000.00.
2. Taxi driver was hit head-on by uninsured driver and owner. Cost of medical assistance exceeds \$120,000. Future cost of medical care and public assistance may be substantial.
3. An individual injured when his car was struck by another car which ran a stop light. Insurance was available for \$50,000, but inadequate for \$150,000 medical cost to date. Cost to public is \$100,000 medical assistance plus substantial medical care and public assistance in the future.
4. Individual was passenger in a vehicle driven and owned by uninsured driver. An accident in which driver was cited resulted in injury leaving passenger paralyzed for life. Cost exceeds \$50,000.

Rod Betit  
May 25, 1983  
Page 2

5. Teenager on motorcycle hit by camper truck pulling boat. Driver of the vehicle was uninsured. Due to no insurance, the accident was never properly investigated for possible liability. Injured party has been in a coma since July 5, 1980, accident. Medical assistance cost to date exceeds \$100,000.

I regret not having a more comprehensive compilation of statistics in this area. Past concentration on recovery probabilities, though, precluded accumulation of information on Medicaid paid victims of uninsured motorists that were unrecoverable by this office.

Addendum:

A Mr. Donald Koch, Chief of Market Surveillance, Division of Insurance, came to my office May 23, 1983, to discuss a comment attributed to Jeff Day during legislative hearings on HB 7 that I had telephoned Jeff Day and informed him that there were one and a half million dollars of medical assistance provided parties injured by uninsured drivers and that a portion of that is to be recovered. Wrong! I telephoned Jeff Day with a question of whether the cost of medical assistance required because of uninsured motorists had been discussed in the deliberations of HB 7. He informed me that it had not and that he was glad to be aware of this cost area. The million and a half figure during our discussion pertained to my receivables in all areas of TPL when I described my job functions in response to his question of what I did for DPA. My original inquiry regarding HB 7 resulted from interest that passage of this bill would assist with medical assistance cost avoidance. I also informed Jeff Day that if he needed specific data that he would have to contact Bob Oyden and/or yourself for instructing the TPL office to extract this information from files.

cc: Karen Martz  
Brent Miner

M E M O R A N D U M

TO: Honorable Richard Eliason  
Chairman, Senate Labor and Commerce Committee

FROM: Michael T. Thomas  
American Insurance Association

DATE: June 22, 1983

RE: Constitutionality and Fairness of Sen CS for  
CS for SS HB 7 (L+C)

The current CS for HB 7 would require purchase of liability insurance as a condition of registration of a car. Where registration is not required, because the car is located and driven in an area not connected to the State road system, insurance would be required. In addition, the bill would now authorize exemption from the insurance requirement if a car is to be operated in communities accessible to the connected state highway system by the State ferries, except seven named communities.

As you know from the June 21 hearing, it is unclear whether all communities not connected with the rest of the State by highway - Nome, Kotzebue, Barrow, Bethel and others - are legally exempt from registration. Apparently enforcement of registration has been suspended in Kotzebue, and perhaps elsewhere. The question of registration may not be critical, in and of itself; but HB 7 would require a several hundred dollar insurance payment, not a \$30 registration fee. More important, criminal sanctions and presumptive sentencing would follow on whether registration is or is not required.

My initial conclusion is that the committee substitute proposed on June 21 raises substantial constitutional questions of two kinds. First, it appears to violate Article I, Section 1 of the State Constitution, which guarantees to all persons "equal rights, opportunities and protection under the law." It does that by treating persons in different communities differently, in a law having criminal sanctions, without the kind of substantial justification that our Supreme Court would require. Second, the law raises questions of unconstitutional vagueness, inasmuch as citizens are not reasonably able to determine from the face of the law whether they are excused from its obligations.

The modern standard for review of equal protection claims under the State Constitution was stated in State v. Erickson, 574 P.2d 1, 12 (Alaska 1978):

"Initially, we must look to the purpose of the statute, viewing the legislation as a whole, and the circumstances surrounding it. It must be determined that this purpose is legitimate, that it falls within the police power of the state. Examining the means used to accomplish the legislative objectives and the reasons advanced therefore, the court must then determine whether the means chosen substantially further the goals of the enactment. Finally, the state interest in the chosen means must be balanced against the nature of the constitutional right involved.  
[footnotes omitted]

Without doing an exhaustive analysis, it appears that the means chosen by the bill - requiring insurance in all major communities and in all communities inter-connected by road - do not substantially advance the stated objective of the legislation. The Declaration of Purpose in Section 1 states that:

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 the owner of a motor vehicle be required to furnish evidence of the existence of a motor vehicle liability policy ...

Assuming for discussion that passing legislation requiring insurance would guarantee recompense to victims of accidents (which as you know we doubt), it is difficult to see how enforcing the obligation (or criminal sanctions) on citizens in Spenard, Minto, Cordova and Wrangell, but not on citizens in Kotzebue, Nome, Dillingham or Yakutat, can be justified. (A list of other examples is attached). There are cars, and highways, and accidents, and victims, in all of those places. Working poor people in all of those places need their vehicles. Yet people in one group of towns face presumptive sentences if they don't buy insurance, and

people in the other towns get none of the asserted benefit of the law even if they themselves choose to buy liability insurance.

The vagueness problem comes about because of the uncertainty over registration. Could any legislator voting for this bill tell a constituent from Nome or Bethel, or any isolated community with state-built and maintained roads, whether the law applied? The inability to know the answer voids the law. Poole v. State, 524 P.2d 286 (Alaska 1974); Brown v. Municipality of Anchorage, 584 P.2d 35 (Alaska 1978).

It is clear that the law would be challenged, since prosecutions would be brought under it.

We would also suggest that the bill is unfair and somewhat illogical. In an attempt to accomodate poor drivers in certain villages, it treats them very differently from poor people in other parts of the state. It also treats victims of accidents differently, depending upon where they are when they are injured. Finally, to the extent the bill does exempt poorer citizens, it is counter-productive, since people without assets are the ones who must have insurance if they are to respond in damages. Making people with assets buy insurance does not advance the bill's stated purpose.

We are willing to undertake a more extensive analysis of the constitutional problems if it would be helpful. We have not addressed the question of whether this would be considered a "local or special act," and thus violate Article II, Section 19 of the Constitution, for example.

Insurance  
Required

Insurance  
Not Required

Situation  
Unknown

(Partial list - For Illustrated Purposes Only)

---

Minto  
Eagle  
Manley Hot Springs  
Circle  
Livingood  
Talkeetna  
Delta  
Cantwell  
Paxson  
Sutton  
Copper Center  
Anchor Point  
Seward  
Copper Landing  
Cordova

Craig  
Klawock  
Hydaburg  
Cold Bay  
Dutch Harbor  
Dillingham  
Angoon  
Hoonah  
Whittier  
Kotzebue  
Port Lions  
Afognak

Barrow  
Nome  
Bethel  
Yakutat  
Whittier

**TITLE 17.  
TRANSPORTATION  
AND PUBLIC FACILITIES**

**Chapter**

- 5. Administration  
(17 AAC 05.010-17 AAC 05.020)
- 7. Regulations for Professional Services  
Contracts  
(17 AAC 07.010-17 AAC 07.900)
- 10. Engineering: Encroachments,  
Driveways, and Road Approaches  
(17 AAC 10.010-17 AAC 10.050)
- 15. Utility and Railroad Permits  
(17 AAC 15.010-17 AAC 15.901)
- 20. Maintenance  
(17 AAC 20.010-17 AAC 20.040)
- 25. Operations, Wheeled Vehicles  
(17 AAC 25.010-17 AAC 25.110)
- 30. North Road Operations  
(17 AAC 30.010-17 AAC 30.070)
- 40. Aviation  
(17 AAC 40.010-17 AAC 40.550)
- 50. Buildings (17 AAC 50.010)
- 70. Marine Transportation  
(17 AAC 70.010-17 AAC 70.230)
- 80. Water and Harbors  
(17 AAC 80.010-17 AAC 80.110)

**CHAPTER 05.  
ADMINISTRATION**

**Section**

- 10. Alaska Highway System
- 20. Commissioner's deed

**17 AAC 05.010. ALASKA HIGHWAY SYSTEM.** (a) A highway system consisting of such facilities as the commissioner may designate shall be known as the "Alaska Highway System."

(b) The Alaska Highway System shall be compiled in a list and published for public information in a suitable manner and shall contain the following:

- (1) the name common to or designated for the facility;
- (2) its numerical designation, if any;
- (3) its beginning and terminal points; and

(4) its general route by denoting principal settlements and landmarks along its course.

(c) Maps and other identifying documents may be inspected at district and headquarter offices located at Anchorage, Fairbanks, Juneau, Nome and Valdez.

(d) The Alaska Highway System shall become official upon a declaration of adoption by the commissioner, and no revision, addition, or deletion to it may become effective without a similar declaration, except by law; official maps of the system shall be made available at cost.

(e) The provisions of this section relating to the adoption of the Alaska Highway System do not apply to minor adjustments, revisions, or relocations to it so long as the general location, route, and termini remain substantially unchanged and the class of the highway is not altered.

(f) The Alaska Highway System may include both present and future routes, provided that the latter are suitably distinguished from the former upon all maps, and in all recommendations and declarations. (Eff. 6/25/69, Reg. 30; am 9/3/72, Reg. 43)

Authority: AS 19.05.020  
AS 19.10.020

**17 AAC 05.020. COMMISSIONER'S DEED.** Whenever any real property, or interest therein, shall have been acquired by or transferred to the state through inadvertence or mistake in connection with highway purposes, the department shall prepare and submit a deed signed by the commissioner reconveying the right, title, or interest acquired. However, the reconveyance may not be executed until the state has been repaid the consideration, if any, for the acquisition or transfer. (Eff. 6/19/69, Reg. 30; am 9/3/72, Reg. 43)

Authority: AS 19.05.020  
AS 19.05.040

MEMORANDUM

June 23, 1983

SUBJECT: Comments on the American Insurance Association's June 22, 1983 memorandum on constitutionality and fairness of the revised section 7 of the June 22 draft of SCSCSSSB 7

TO: Senator Richard I. Eliason  
Chairman, Labor and Commerce Committee

FROM: Richard C. Folta  
Legislative Counsel

You have asked for a response to the memorandum of Mr. Thomas on the above bill.

Under the Pooler and Brown cases cited in the memorandum, it is my opinion that the section is not void for vagueness. The term "connected state highway system" is not uncertain and owners of motor vehicles are able to ascertain whether registration is required under the present law. The cases above define a vague statute as when "its indefinite contours confer unbridled discretion on government officials and thereby raise the possibility of uneven and discriminatory enforcement". At the present time 17 AAC 05.010 provides the procedure for the determination of what highways are in the state highway system and the adoption of an official map by the commissioner. The list and map are readily available to the public. Whether highways are connected to the state highway system are obvious from a look at the map. Very little discretion is exercised by the commissioner because the designation of state highways is usually self evident.

The equal protection argument raises more serious questions in my view. There is no doubt that the purpose of the legislation, that is the requirement for mandatory motor vehicle liability insurance, is a legitimate purpose.

It is constitutionally permissible for the legislature to create two classes of motor vehicle owners; one requiring

Senator Richard I. Eliason

Page 2

June 23, 1983

insurance and the other not, if the distinction is reasonable. With the use of the official state highway map, a motor vehicle owner can determine if he or she is in a community where registration or mandatory insurance coverage is required. The issue arises when the question is asked if the purposes of the mandatory insurance act are substantially furthered by placing isolated villages like Bethel or Nome, with a significant number of vehicles, in a non-mandatory insurance classification. Without factual data to substantiate the reasonableness of the two classifications, I would agree with Mr. Thomas. Section 7 of the bill would likely fail a judicial equal protection examination, in my opinion.

Enclosure

RCF:lmb

L2/074



Official Business

# Alaska State Legislature

Senate

Office of the President

Pouch V  
State Capitol  
Juneau, Alaska 99811

## MEMORANDUM

DATE: June 21, 1983

TO: Senator Dick Eliason  
Chairperson, Labor and Commerce Committee  
attn: Laura Flemming

FROM: Senator Jay Kerttula  
Senate President

RE: The costs of un- and under-insured motorist protection as  
an alternative to compulsory auto insurance in HB 7.

The attached material was recently received in my office. I am  
forwarding it to you for the perusal of you and your committee.

Attachment

JMK:jdk

HUGHES THORSNESS GANTZ  
POWELL & BRUNDIN

JUN 18 1983

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) 274-7122  
CABLE ADDRESS: DEN/ 1  
TELECOPIER: 274-7523  
TELEX: 090-26367

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

200 CHENEGA STREET  
P.O. BOX 767  
VALDEZ, ALASKA 99686  
TELEPHONE (907) 835-2986

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. GOPSKI  
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. KLASSEN  
KENNETH D. LOUGEE\*  
KENNETH F. BRITTAIN  
DAVID H. MERSEREAU  
CORY A. CARLSON  
EARL M. SUTHERLAND  
CRAIG A. CARLSON  
JAMES E. RAMSEY  
JOSEPH S. SLUSSEY\*  
LESLIE A. MORRILL  
JOHN B. THORSNESS  
JAMES R. SZENDER  
GAIL M. BALLOU\*  
GREGORY W. LESSMEIER\*

June 17, 1983

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

The Honorable Jalmar Kerttula  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

RE: HB 7  
Compulsory Insurance

Dear Senator Kerttula:

On behalf of Allstate Insurance Company and State Farm Insurance Company we enclose herewith a copy of the written testimony we offered to the Labor and Commerce Committee on June 8, 1983. Since we do not know if we will have an appropriate opportunity to address you on this issue, we did want to provide this written testimony to you.

One of the issues that has been discussed at the various hearings on compulsory insurance concerns the expected cost of the alternatives to compulsory insurance, those being a compulsory offer of uninsured motorist coverage and a compulsory offer of under-insured motorist coverage. State Farm estimates that uninsured motorist coverage, for the average policyholder, is presently in the area of \$8.00 semi-annually for coverage which meets the present minimum level of financial responsibility. To increase this coverage to the level set forth in the bill before you would result in an expected semi-annual premium increase for the average policyholder of approximately \$1.90. State Farm estimates the cost of under-insured motorist coverage, in the amount set forth in the bill before you, to be approximately \$12.00 annually for bodily injury and \$10.00 annually for property damage. We clearly feel the expected cost of these alternatives is most reasonable.

HUGHES THORSNESS GANTZ POWELL & BRUNDIN  
ATTORNEYS AT LAW

The Honorable Jalmar Kerttula

-2-

June 17, 1983

One of the other issues that has come up at the various hearings concerns the administrative cost of enacting such a bill. Although we do not have precise figures as to the cost of the additional paperwork, we can give you some idea of the volume of paperwork one might expect to be generated as a result of this bill. For example, in May of 1983, Allstate in Alaska sent approximately 1,600 cancellation notices, but only terminated coverage for approximately 100 people. If this is projected over an entire year, it would mean that Allstate will be sending out approximately 19,000 cancellation notices and terminating about 1,200 people. Given the fact that in 1981, Allstate had approximately 19.3 percent of the Alaska market, you can see that the volume of paperwork that will probably be generated if this bill is passed will be staggering.

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

Sincerely,

HUGHES THORSNESS GANTZ POWELL  
& BRUNDIN

By:



Michael L. Lessmeier

Enclosure

MLL/sw

# Alaska State Legislature



Speaker of the House of Representatives

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

Official Business

## MEMORANDUM

June 16, 1983

To: Senator Dick Eliason  
Chairman  
Senate Labor and Commerce Committee

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

Re: HB 7 information

Though I realize you probably have been inundated with information on this bill, I have attached a few more items for consideration in anticipation that you will act favorably on this needed legislation.

First, a few comments are in order relating to a chart that was passed out at the last meeting purporting to show that insurance rates in compulsory insurance states have risen faster than premiums in non-compulsory states. The chart, in my opinion, is very misleading for a variety of reasons.

1. 3 of the states listed as compulsory states (Maryland, Oregon and South Carolina) are no fault states not simple liability. Mr. Thomas testified that he believed none of the states listed were no-fault. HB 7 deals with liability and not no fault.
2. At least 3 of the states listed as non compulsory have since passed compulsory laws. (Texas, Indiana, West Virginia) This would seem to indicate that such a law was desired by these states despite the information on this chart. Research has indicated that at least 8 of the states listed as non compulsory states have seriously considered enactment of compulsory legislation and are still considering it.
3. California, listed as a compulsory state, really has little more than a stricter financial responsibility law and is not considered a truly compulsory state. It is misleading to use this state as a typical example of

how rates might increase under a compulsory law.

4. This chart is the one I testified about in the previous meeting when I stated that the group that prepared it, the National Association of Independent Insurers, also included 2 caveats that Mr. Thomas neglected to mention. The NAII also stated that:

Comparing the increase of insurance premiums before and after passage of a compulsory insurance law is not a reliable indication of the affects of compulsory insurance on insurance rates.

The study that resulted in this chart also stated that the approach in determining rate differences may be subjected to criticism because of "possible flaws" in the approach the Association used.

For all of these reasons, I am very skeptical of this chart and of much of the information distributed by the insurance industry. I would urge the committee to examine these facts carefully.

I have also attached some miscellaneous research notes from my files which may answer some of the questions and testimony presented by the insurance lobbyists at the last meeting.

Thanks for your effort and consideration on this legislation. I know this is a very complicated subject. Please feel free to contact me for any further information if desired.

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

Misc. Research Notes

-2-

Philadelphia Enquirer 2/18/81

Philadelphia's law requires coverage using both liability and no fault. Article noted that University of Virginia law professor Jeffrey O'Connell was a pioneer in creating the concept of no fault.

NEVADA Interviews from 3/12/83

Charles Knaus....Division of Insurance  
Dave Lawson Registration 702-885-3252  
Bruce Glover Drivers Licensing

No fault law enacted in 1974 was repealed in 1980 but a mandatory law is still on the books. Requires signature on affidavit at time of registration. Companies must issue cards which are requested as proof at random stops. If person can provide proof..no charge. If not they must present proof to court. If no proof they face a fine of \$100-\$500. License and registration are revoked until proof of insurance for next three years is proven. Lawson estimates 10% uninsured of 790,000 vehicles.

Glover "Yes I do feel the law has worked because it forced more people into buying it."

Lawson "If we didn't have anything, we would probably have more outcry. I think we have what the public wants." Noted that DWI and insurance laws go together,

Knaus says that showing proof at time of registration was repealed because "that's the way powerful people wanted it to be." Lawson said he believed after this session that requirement would be reinstated for first time registrations only because that's where the problem usually is. Knaus added that any discussions to repeal mandatory law never got to the point of serious legislation.

Random sampling is used similar to Oregon law.

INTERVIEW 2 with Knaus and Lawson 5/28

KNAUS- said over a period of time compulsory insurance would stabilize rates or cause them to go down for preferred rate customers. He did add it could cause rates for some bad drivers to increase. However he said as more people become insured it will tend to lower both uninsured motorist and collision rates since the insured driver is already subsidizing the uninsured indirectly thru higher collision insurance rates. For example in many instances it's hard to tell who's at fault in an accident. If a person is hit by an uninsured motorist, the insured persons collision insurance would end up paying.

He said he believes 7-10% of the collision premium was due to the uninsured motorist who would have paid via liability insurance if it had been in effect.

He said that insured drivers will end up subsidizing uninsured one way or another by doing so in the pool or by paying higher collision rates. He also noted that the more insureds a company has that fit certain underwriting costs..the more predictable results tend to be and the assigned risk pool population will tend to work into the regular market as potential costs for insurance companies become more predictable.

He also said that Nevada's AR pool is small..about 1000 people. He said the law becomes more effective over time as it becomes a training program to get people in the habit of buying insurance and over time you convert most people. He said it is effective in cutting down the uninsured population but it also depends on how the law is enforced.

He also noted that the difference between 25/50/10 and 50/100/25 in Nevada amount to 10% or a raise from \$49 to \$54. He noted that most cars are worth more than \$10,000 and those people carrying minimum insurance are already forcing others to pay more to make a car whole after an accident thru collision. He speculated that if minimums were raised there would be few cars that could not be made whole via liability thus reducing the burden on the insured person's collision premium. So in effect some of those now carrying higher limits might see a slight reduction. Granted, this would be small.

LAWSON: believes that such a law does get the marginal people and has some positive effect. 2 years ago there was a belief that 40% were uninsured and now it's 10%.

#### MONTANA

Tanya Aske..I have received a letter indicating the law and that the insurance commissioner does not feel there has been any increase in rates as a result of the law.

MAY 27, 1983

Wyoming            Larry Elson     Insurance    307 777 7401  
                     Larry Pittman   DMV                        777 7961

Elson guess the rates had gone up about an aveage of 25%. However he said there are no more accidents than before the law was enacted but the severity of the accidents have increased. He added he felt the compulsory law had no effect at all on premiums. He added he didn't believe the insurance companies even considered it in setting rates.





## Speaker of the House of Representatives

Official Business

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

The following states have mandatory insurance laws. Some are no-fault while others are liability or a combination of the two.

ARIZONA  
CALIFORNIA  
COLORADO  
CONNECTICUT  
DELAWARE  
FLORIDA  
GEORGIA  
HAWAII  
IDAHO  
INDIANA  
KANSAS  
KENTUCKY  
LOUISIANA  
MARYLAND  
MASSACHUSETTS  
MICHIGAN

MINNESOTA  
MONTANA  
NEVADA  
NEW JERSEY  
NEW MEXICO  
NEW YORK  
NORTH CAROLINA  
NORTH DAKOTA  
OKLAHOMA  
OREGON  
PENNSYLVANIA  
SOUTH CAROLINA  
TEXAS  
UTAH  
WEST VIRGINIA  
WYOMING



# STATE OF MONTANA

OFFICE OF  
E. V. "SONNY" OMHOLT

STATE AUDITOR  
COMMISSIONER OF INSURANCE  
SECURITIES COMMISSIONER  
CENTRAL PAYROLL SYSTEM

HELENA, MONTANA 59604

May 31, 1983

Mr. Jeff Day  
c/o Speaker of the House  
Pouch V  
Juneau, AK 99811

Re: Mandatory Auto Liability Insurance

Dear Mr. Day:

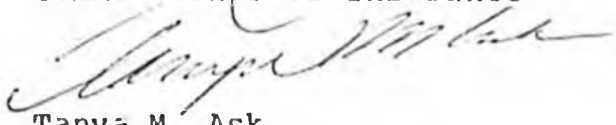
Enclosed are copies of the Mandatory Liability Law and other laws within that chapter that may be of help. I was in error. The 1979 Legislature enacted the mandatory laws.

Our Chief Deputy Insurance Commissioner felt there had been no impact on rates caused by this legislation.

Mr. Larry Majerus is the Administrator for the Motor Vehicle Division, Department of Justice. His number is (406) 449-3000.

Sincerely,

E. V. "SONNY" OMHOLT  
State Auditor & Ex Officio  
Commissioner of Insurance

  
Tanya M. Ask  
Paralegal

TMA/me  
Encl.

## Automobile insurance

Dear Editor:

The uninsured motoring population in Alaska is estimated at 40 percent of 400,000 registered vehicles. The Insurance Division's 1982 report firmly stated that this figure was the most accurate available. This number of uninsured is unacceptable.

The House recently passed legislation which would require drivers to have insurance. While I do not assume that a compulsory law will result in 100 percent compliance, I am certain it will go a long way towards reducing the number of uninsured drivers and providing the public with a greater chance of compensation from an accident.

Thirty-two states have enacted some form of compulsory insurance. North Carolina is a perfect example of where such a law is a success. That state has one of the oldest compulsory laws on the books. A study conducted by their Division of Motor Vehicles in the past year proved that 2 to 3 percent went uninsured out of 4.5 million vehicles. Some of the provisions of their law are incorporated into HB 7. North Carolina public safety officials are very pleased with the law. They say it works and has caused no problems in enforceability.

Oregon also has an effective compulsory law. Before it went into effect in 1979, 14 percent of the motor vehicles there were uninsured. The recent estimate is 6 percent. New York, even with enforcement problems has achieved a 6 percent uninsured population. Massachusetts has obtained a 6 percent uninsured population. Arizona just enacted a law because of a 27 percent uninsured rate.

The fact is that states with

such laws are achieving a reduction of the uninsured population to near 5 percent. If Alaska could achieve that by implementation of such a law, I would consider it a success.

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

Ken Moore, insurance division director, has called our financial responsibility law perhaps the toughest in the nation. But it does not seem to have produced an acceptable decrease in the number of uninsured drivers. Nor has it done so in any other state and all have had similar laws.

The major problem with the current law is that it requires a person to have insurance only after being in an accident. It does nothing to try to prevent the injuries, damage and death caused by irresponsible drivers, or ensure that victims of auto accidents are adequately compensated. Because of that failure, a majority of states now have compulsory laws as we are now considering.

After considering the options, I strongly believe this is the best approach to take to solve what is becoming a crisis situation. I hope the Senate will demonstrate its concern for this added protection of the public by taking quick action on this legislation.

Rep. Joe L. Hayes  
Speaker of the House

MICHAEL L. LESSMEIER  
JUNEAU RESIDENT

HUGHES THORSNESS GANTZ  
POWELL & BRUNDIN  
ATTORNEYS AT LAW  
210 FERRY WAY, SUITE 100  
JUNEAU, ALASKA 99801  
(907) 586-5912

June 8, 1983

The Honorable Richard I. Eliason  
Alaska State Legislature  
Labor & Commerce Committee  
Fouch V  
Juneau, AK 99811

RE: HB 7  
Compulsory Insurance

Dear Senator Eliason:

Enclosed please find a copy of the testimony we intended to offer at the May 31, 1983 hearing for the Senate Labor and Commerce Committee. As you will recall, not everybody that wished to testify was able to do so at this hearing. Since we have been advised by your staff that the work session scheduled for tomorrow probably will not present an appropriate opportunity for presentation of oral testimony, we did want to submit a written version of testimony into consideration before acting on the question of compulsory automobile liability insurance.

One of the things that was discussed at the May 31, 1983, hearing was the expected cost of compulsory uninsured motorist coverage and compulsory under-insured motorist coverage. State Farm estimates that uninsured motorist coverage, for the average policyholder is presently somewhere in the area of \$8.00 semi-annually for coverage which meets the present minimum level of financial responsibility. To increase this coverage to the level set forth in the bill before you would result in an expected semi-annual premium increase for the average policyholder of approximately \$1.90. State Farm estimates the cost of under-insured motorist coverage, in the amount set forth in the bill before you to be approximately \$12.00 annually for bodily injury, and \$10.00 annually for property damage.

With respect to the administrative cost of enacting such a bill, we do not have the precise figures as to the cost of the additional paperwork, but we can give you some idea of the volume of paper-

HUGHES THORSNESS GANTZ POWELL & BRUNDIN  
ATTORNEYS AT LAW

Senator Richard I. Eliason

-2-

June 8, 1983

work we expect to be generated as a result of this bill. For example, in May of 1983, Allstate in Alaska sent 1,609 cancellation notices, but only terminated coverage for 100 people. If this is projected over an entire year, it would mean that Allstate will be sending out approximately 19,000 cancellation notices, and terminating about 1,200 people. Given the fact that in 1981 Allstate had approximately 19.3 percent of the Alaska market, you can see that the volume of paperwork that will probably be generated if this bill is passed will be staggering.

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

Sincerely,

HUGHES THORSNESS GANTZ POWELL  
& BRUNDIN

By:

  
Michael L. Lessmeier

Enclosure

cc: Members of the Labor and Commerce  
Committee, w/enclosures

MLL/sw

STATEMENT IN OPPOSITION TO  
THE ENACTMENT OF A COMPULSORY AUTOMOBILE LIABILITY  
INSURANCE STATUTE IN ALASKA  
HEARING BEFORE THE  
SENATE LABOR AND COMMERCE COMMITTEE  
MAY 31, 1983

Mr. Chairman, members of the Labor and Commerce Committee, my name is Michael Lessmeier. I am a lawyer from Juneau and I am here on behalf of Allstate Insurance Company and State Farm Insurance Company. Both Allstate and State Farm have had a long and generally negative experience with compulsory insurance. We believe compulsory insurance laws, such as the bill before you, aren't needed, create more problems than they solve, don't benefit the general public or our policyholders, will unnecessarily raise premium rates and in the final analysis, don't work.

The real question is whether the cost of compulsory insurance justifies the realistic benefit we can hope to achieve from it. We believe the answer to this question is no and we want to explain why.

The theoretical goal of compulsory insurance is to guarantee that innocent victims of automobile accidents are compensated for their injuries. But we know that the enactment of compulsory insurance

does not guarantee that these people will be so compensated. Compulsory insurance has never in any state reached the objectives sought by its sponsors.

One of the reasons compulsory insurance has not been effective, is that uninsured drivers are generally made up of those who can't afford insurance, have no drivers license, do not register their vehicles, are driving stolen vehicles or vehicles involved in hit-and-run accidents. Many of these people will not purchase liability insurance regardless of whether there is a compulsory law. Others in this category include out-of-state drivers and new residents with vehicles registered elsewhere. Most of these people will continue to remain uninsured even after passing a compulsory law and this is shown by experience in other states.

For example, California spent \$2.32 million to increase the percentage of its insured drivers by five (5) percent. Maryland spent \$1.5 million to increase its percentage of insured drivers by the same five (5) percent. South Carolina paid \$1.3 million for an eight (8) percent increase. Massachusetts, which has had a compulsory insurance law longer than any other state, still has an estimated 10 -15 percent level of uninsured drivers. Current estimates of uninsured drivers in compulsory states still range from five (5) percent to 15 percent, depending upon the level of enforcement.

Nor is the concept of compulsory insurance related to safety. The enactment of a compulsory insurance law won't reduce the number of accidents. By its very nature, compulsory insurance relates to what happens after an accident. Compulsory insurance laws simply require insurance, they do not provide a means to remove high-risk drivers from the road.

We do not believe that uncompensated injuries are reduced by the enactment of a compulsory law. We believe that on the average, insured car occupants will receive injuries from uninsured motorists at about the same rate after enactment of compulsory legislation as they do before passage of these laws. Although compulsory legislation may increase the insured population by a small percentage, we do not believe it will result in a measurable reduction in the number of bodily injuries caused by financially irresponsible drivers.

Even if we were to assume there would be a decrease in the number of bodily injuries caused by financially irresponsible drivers, the question still is whether the benefit we can realistically expect from compulsory insurance is worth the cost and we believe the cost will be significant. For example, we know there will be a significant administrative cost to the State of Alaska simply to implement and enforce the compulsory insurance legislation before you. In effect, in a time of declining state revenues, virtually a whole new

bureaucracy will have to be created to implement and enforce this legislation. The administrative cost to the public is an important concern, particularly when there are other pressing needs in this state.

The second cost aspect of this legislation that must be considered is the effect on premium rates of policyholders. We believe premium rates of everyone will increase significantly because administrative costs of the industry will increase, companies in effect will be forced to take almost all applicants, the bill does away with policy defenses in certain situations, the pure premium cost in a compulsory state has been shown to increase much more rapidly than the pure premium cost in a non-compulsory state, and finally, the cost of compulsory insurance will probably lead to more claims and more litigation.

Other costs which are impossible to quantify, include the social cost to people who can't afford insurance, and the inconvenience of adding another layer of intrusion by government into people's lives. Most people currently buy insurance because they feel they need it. Liability insurance has traditionally been purchased by people who have assets to protect, not to protect others. In other words, people who, in the past, had few assets, had very little incentive to purchase liability insurance. A report, Profile of Uninsured Motorists in California showed that geographic areas with high

rates of uninsureds had significantly lower median incomes, and a higher incidence of poverty level than areas with low rates of uninsured drivers. A 1981 study by the All-Industry Research Advisory Council asked households with one or more uninsured vehicles why the vehicles were uninsured. Forty percent of the people surveyed listed cost as the reason. The next major reason, "car not currently in use", was only 16 percent of the total response. In short, requiring insurance of low-income households will not compel them to purchase something they simply cannot afford. Dr. John Hall of Georgia State University testified before South Carolina's Joint-Legislative Automobile Liability Insurance Study Committee in December of 1979. Dr. Hall said:

As a practical matter, the economically disadvantaged have less real need for liability insurance to protect their own interests. As a practical matter, these persons tend to be judgment proof. In any event, they tend to be unaware of the benefits which a liability policy provides. They perceive the liability insurance policy as taking care of other people. They must pay a high premium for insurance which provides benefits for others as a condition precedent to having the right to drive. Because of their economic status, most often they are unable to purchase insurance to provide for their own injuries, and those of their families, in accidents where they are at fault. The compulsory liability insurance system forces these people to pay high premiums relative to their income for benefits for others when they cannot themselves afford adequate benefits to cover their own losses.

Dr. Hall concluded:

For these reasons, it appears morally and socially wrong to require liability insurance on a compulsory basis as a condition precedent to enjoying the privilege of automobile driving and ownership.

Not only does compulsory legislation extract a disproportionate cost from low-income groups, but it raises the price level of everyone's insurance. Compulsory insurance thus imposes the additional higher premium and administrative costs on those currently insured, which in any event is the vast majority of the driving public, to get at the remaining minority, those currently uninsured.

So the question remains, is the cost to everyone worth the realistic benefit we can hope to achieve. Bodies investigating compulsory insurance in other states have said no, primarily for the same reasons. In 1981 a Tennessee Subcommittee studying automobile compulsory insurance laws made the following recommendation:

Our findings reveal that despite considerable and varied enforcement efforts in other states, including the adoption of no-fault, no state has devised a workable or cost-effective enforcement system. In addition, experience in other states indicate the adoption of compulsory insurance in Tennessee would only increase the percentage of insured drivers from the current 80 percent to 85 percent. More importantly, the cost of liability insurance plus uninsured motorist coverage in Tennessee is less than the same coverage in any compulsory state, and considerably less than the same coverage in any compulsory no-fault state. The responsible motorist should

not pay more for insurance coverage nor be subjected to harrassment in a futile effort to enforce a compulsory insurance law.

November 19, 1981 letter from the Tennessee Subcommittee Studying Automobile Compulsory Insurance Laws.

A similar conclusion was reached by the State Auditor of Wisconsin on March 10, 1981:

Experience in other states indicates that mandatory insurance programs do not substantially reduce the number of uninsured motorists and the cost of administering such a program is more than double the cost of the safety responsibility program.

March 10, 1981 letter from the State Auditor of Wisconsin.

If our goal is to guarantee compensation for victims of financially irresponsible motorists, we can achieve that goal more efficiently and effectively through compulsory uninsured and under-insured legislation. If every person who bought insurance included this coverage, careful drivers would be protected regardless of whether the at-fault other party had liability insurance. Only those who chose not to purchase this coverage would be without protection.

Uninsured motorist coverage is provided by companies to pay for bodily injury damages to the policyholder caused by an uninsured motorist. Virtually every state with a compulsory liability insurance law also requires insurers to offer uninsured motorist coverage, which in effect indicates a lack of faith in

the effectiveness of compulsory insurance legislation. By purchasing uninsured motorist coverage, a vehicle owner is assuring that all drivers and passengers in the insured automobile will have protection against losses caused by an uninsured motorist. Compulsory automobile insurance cannot make this promise.

Compared to the cost of liability insurance, uninsured motorist coverage is very inexpensive. We urge each of you to look at your own policies to gain an idea of its cost. Furthermore, a compulsory uninsured and under-insured requirement does not impose the administrative cost to either the public or private sector that compulsory liability insurance legislation would impose.

In sum, we believe compulsory liability insurance, if enacted, will prove to be both costly and burdensome to the State of Alaska, and the insurance industry. Ultimately it will prove to be both costly and burdensome to our policyholders and to members of the general public. We urge this committee to seriously consider the cost and effectiveness of compulsory insurance before recommending such a program. We believe there are other alternatives available which cost much less and achieve much more.

MICHAEL L. LESSMEIER  
JUNEAU RESIDENT

HUGHES THORSNESS GANTZ  
POWELL & BRUNDIN  
ATTORNEYS AT LAW  
210 FERRY WAY, SUITE 100  
JUNEAU, ALASKA 99801  
(907) 586-5912

June 7, 1983

The Honorable Richard I. Eliason  
Alaska State Legislature  
Labor & Commerce Committee  
Pouch V  
Juneau, AK 99811

RE: Compulsory Insurance

Dear Senator Eliason:

In my letter of May 27, 1983, I indicated that the anticipated costs of raising the financial responsibility requirements for a person who presently meets the minimum level to the level set forth in House Bill 7 would result in an anticipated increase in that person's premium of approximately 29 percent. I have just discovered that this figure is incorrect. This figure is accurate for the minimum requirements set forth in the original bill (100/300). The bill passed by the House Finance Committee provided for minimum limits of 50/100, and these minimum limits would result in an average premium increase to a person who presently meets the minimum requirements of financial responsibility of approximately 12 percent.

I apologize for this error and hope that it has not caused inconvenience to you.

Sincerely,

HUGHES THORSNESS GANTZ POWELL  
& BRUNDIN

By:   
Michael L. Lessmeier

cc: Members of the Labor & Commerce  
Committee

MLL/sw

HUGHES THORSNESS GANTZ  
POWELL & BRUNDIN

ATTORNEYS AT LAW  
210 FERRY WAY, SUITE 100  
JUNEAU, ALASKA 99801  
(907) 586-5912

MICHAEL L. LESSMEIER  
JUNEAU RESIDENT

May 27, 1983

The Honorable Richard Eliason  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Eliason:

I have just learned that HB 7 relating to compulsory insurance has been scheduled for a hearing before the Senate Labor & Commerce Committee on Tuesday, May 31, 1983. I would like to take this opportunity on behalf of State Farm Insurance Company and Allstate Insurance Company to comment on this proposed legislation. Although the bill does have surface appeal, we oppose this legislation for the following reasons:

- 1) The bill compels all people who wish to operate a motor vehicle to contract for insurance;
- 2) The bill compels companies to take almost all applicants;
- 3) Experience in other states shows that bills such as this cannot be enforced;
- 4) These bills are extremely costly to administer, both to the public and private sector;
- 5) A bill such as HB 7 will increase premiums for responsible drivers and policyholders because it forces insurers to accept almost everyone, creates higher administrative costs on the part of the insurance industry, does away with policy defenses in certain situations, leads to more litigation, and
- 6) There is no reason to enact a compulsory insurance law where there are viable alternatives that do not impose the same problems of enforcement and costs such as compulsory uninsured and underinsured mandatory requirements.

The Honorable Richard Eliason -2-

May 27, 1983

At the outset, we would point out that most drivers in Alaska currently buy liability insurance voluntarily because they feel they need it. Compulsory insurance attempts to force everyone to buy liability insurance whether they need it or not, and whether they can afford it or not. Such a concept is bad for people, because it forces them to buy a product they do not wish to buy and may not be able to afford. Such a concept also will inevitably increase premium rates, and nobody wants that.

As we have stated above, experience in other states shows that bills such as this cannot be enforced and are extremely costly to administer, both to the public and private sector. In 1981 the Tennessee legislature reviewed the experience of other states with compulsory automobile insurance. On November 19, 1981, a subcommittee recommended that Tennessee not adopt any form of compulsory insurance. In its report, the subcommittee stated:

Our findings reveal that despite considerable and varied enforcement efforts in other states, including the adoption of no-fault, no state has devised a workable or cost-effective enforcement system. In addition, experience in other states indicate the adoption of compulsory insurance in Tennessee would only increase the percentage of insured drivers from the current 80 percent to 85 percent. More importantly, the cost of liability insurance plus uninsured motorist coverage in Tennessee is less than the same coverage in any compulsory state, and considerably less than the same coverage in any compulsory no-fault state. The responsible motorist should not pay more for insurance coverage nor be subjected to harrassment in a futile effort to enforce a compulsory insurance law.

November 19, 1981 letter from the Tennessee Subcommittee Studying Automobile Compulsory Insurance Laws. (Copy attached).

A similar conclusion was reached by the State Auditor of Wisconsin on March 10, 1981:

Experience in other states indicates that mandatory insurance programs do not substantially reduce the number of uninsured motorists and the cost of administering such a program is more than double the cost of the safety responsibility program.

March 10, 1981 letter from State Auditor of Wisconsin. (Copy attached).

The Honorable Richard Eliason

-3-

May 27, 1983

Experience in other states shows that compulsory insurance is difficult to enforce, costly to enforce, and that it does not significantly increase the percentage of insured drivers. For example, California spent \$2,324,000 to increase the percentage of insured drivers by five percent. Maryland spent \$1,500,000 and experienced the same five percent gain. The people of South Carolina have paid \$1,300,000 for an eight percent increase in the number of insured drivers.

In weighing the expected benefit of compulsory insurance legislation with its cost, the cost to private citizens should also be considered. The information we have shows almost uniformly that the pure premium cost of compulsory insurance increases much faster over the same period of time than does the pure premium of non-compulsory insurance. These statistics were obtained from data obtained from the National Association of Independent Insurers and the Insurance Services Office. The pure premium increase is significant because it suggests that the average claim for insured vehicle has risen as a result of the inclusion of those motorists who did not carry automobile liability insurance before adoption of the compulsory law.

A first comparison compares the compulsory state of California which enacted compulsory insurance on January 1, 1975, with the non-compulsory states of Illinois, Ohio and Texas. Between 1976 and the second quarter of 1981, California experienced a 43 percent pure premium rate increase, whereas Illinois experienced a 24.2 percent increase, Ohio a 17.7 percent increase, and Texas a 34.0 percent increase.

A second comparison compared Louisiana, a compulsory state which enacted legislation on July 1, 1978, with the non-compulsory states of Alabama, Mississippi, and Tennessee. From the period of enactment until the second quarter of 1981, pure premium rates in the compulsory state of Louisiana increased 14.2 percent, whereas in Alabama the increase was .1 percent, in Tennessee increase was 1.6 percent, and Mississippi experienced a decrease of 1.2 percent.

Maryland enacted its compulsory legislation on July 1, 1973 and between 1976 and 1981, it experienced a 43.3 percent pure premium increase. During this same period of time, the non-compulsory state of Indiana experienced a 21.3 percent increase, Virginia a 32.0 percent increase, and District of Columbia a 23.9 percent increase.

Another example in this survey compares the compulsory state of Oregon which enacted its legislation on January 1, 1976, with non-compulsory states of Maine, West Virginia and Wisconsin. Between 1976 and 1981 Oregon experienced an increase of 35.0 percent, Maine an increase of 19.6 percent, West Virginia an increase of 18.8 percent, and Wisconsin an increase of 12.8 percent.

The Honorable Richard Eliason -4-

May 27, 1983

Not only will the pure premium cost in a compulsory state increase more rapidly than in a non-compulsory state, but it is clear that the adoption of compulsory insurance itself will raise insurance prices for all consumers, a result that simply should not occur. The reason premiums go up is because compulsory laws exert an upward pressure on insurance company expenses. Insurance company paperwork increases as they are forced to engage in verification procedures and compliance with state reporting costs. Insurance premiums also increase because compulsory insurance forces insurers to accept almost everyone, and the bill in question does away with policy defenses in certain limited situations.

Although there is no way we can predict as to what the rate of the pure premium increase in Alaska to be in the event this bill is passed, we expect it to be significant. We also know that the anticipated cost of raising the financial responsibility requirements for a person who presently meets the minimum level to the level set forth in HB 7 will result in an anticipated increase in that persons premium of approximately 29.2 percent. This is completely independent of the other increase in costs associated with compulsory insurance. In short, every person who at the present time meets the minimum level of financial responsibility will experience an increase in their rates of approximately 29 percent to meet the minimum level required by the legislation before you.

The enactment of this legislation will result in considerable expense to the State of Alaska and experience in other states leads us to believe the effect of the legislation on the number of uninsured motorists will be minimal. We know the enactment of compulsory insurance legislation alone will result in a significant increase in premium rates to every policyholder and that the pure premium cost in a compulsory insurance state will probably increase much more rapidly than this same cost in a a non-compulsory state. We also know that the estimated increase in premium rate to a person who presently meets the minimum requirements of financial responsibility will be approximately 29 percent of their current premium to comply with the limits of the legislation before you. The legislation before you thus will have a significant financial impact on everyone, particularly on low income groups.

Most importantly, there are other alternatives available, one of which is compulsory uninsured and under-insured motorist coverage. Uninsured and under-insured motorist coverage is much cheaper to the policyholder, and such a program not only would be capable of being enforced, but it would be much less costly to administer than a compulsory program. We urge you to seriously study the cost and effectiveness of compulsory automobile insurance legislation in other states before passing this bill out of committee. If this committee engages in this activity and also considers the alternatives available, we do not believe it will recommend compulsory insurance legislation.

I thank you for this opportunity to provide this information to you.

HUGHES THORSNESS GANTZ POWELL & BRUNDIN  
ATTORNEYS AT LAW


The Honorable Richard Eliason

-5-

May 27, 1983

Sincerely,

HUGHES THORSNESS GANTZ POWELL  
& BRUNDIN

By:   
Michael L. Lessmeier

Enclosures

cc: Members of the Senate Labor & Commerce  
Committee

MLL/sw

MICHAEL L. LESSMEIER  
JUNEAU RESIDENT

HUGHES THORSNESS GANTZ  
POWELL & BRUNDIN  
ATTORNEYS AT LAW  
210 FERRY WAY, SUITE 100  
JUNEAU, ALASKA 99801  
(907) 586-5912

June 7, 1983

The Honorable Richard I. Eliason  
Alaska State Legislature  
Labor & Commerce Committee  
Pouch V  
Juneau, AK 99811

RE: Compulsory Insurance

Dear Senator Eliason:

In my letter of May 27, 1983, I indicated that the anticipated costs of raising the financial responsibility requirements for a person who presently meets the minimum level to the level set forth in House Bill 7 would result in an anticipated increase in that person's premium of approximately 29 percent. I have just discovered that this figure is incorrect. This figure is accurate for the minimum requirements set forth in the original bill (100/300). The bill passed by the House Finance Committee provided for minimum limits of 50/100, and these minimum limits would result in an average premium increase to a person who presently meets the minimum requirements of financial responsibility of approximately 12 percent.

I apologize for this error and hope that it has not caused inconvenience to you.

Sincerely,

HUGHES THORSNESS GANTZ POWELL  
& BRUNDIN

By:

  
Michael L. Lessmeier

cc: Members of the Labor & Commerce  
Committee

MLL/sw

W. EUGENE GUESS 1932-1975  
JOSEPH RUDD 1933-1978

ROBERT C. ELY  
THEODORE E. FLEISCHER  
FRANCIS E. SMITH, JR.  
HERBERT BERKOWITZ  
MICHAEL G. BRIGGS  
DAVID H. BUNDY  
HARRIS SAXON  
PHILLIP J. EIDE  
GARY A. ZIPKIN  
DONN T. WONNELL  
JOSEPH M. WILSON  
GORDON E. EVANS  
JOSEPH A. McLEAN, OF COUNSEL  
LOUIS R. VEERMAN  
CLIFFORD W. HOLST  
RICHARD M. ROSSTON  
JAMES D. LINXWILER\*  
LOUIS AGI  
JOSEPH J. PERKINS, JR.  
PEGGY MENTELE  
SUSAN R. SHARROCK  
DANIEL WEBER  
GLENN E. CRAVEZ  
LYNN M. ALLINGHAM  
TRICIA COLLINS  
JOHN A. McDONAGH  
PAUL S. STAHL

LAW OFFICES OF  
**ELY, GUESS & RUDD**  
A PROFESSIONAL CORPORATION  
318 4TH STREET  
JUNEAU, ALASKA 99801

510 L STREET  
ANCHORAGE, ALASKA 99501  
TELEPHONE [907] 276-5121  
TELEX [090] 25-292

\*ADMITTED IN D.C. AND ALASKA  
OTHERS ADMITTED IN ALASKA

June 2, 1983

The Honorable Senator Dick Eliason  
Chairman  
Senate Labor and Commerce Committee  
Alaska Legislature  
Juneau

Dear Senator Eliason:

On behalf of the Alaska Independent Insurance Agents and Brokers Association, I wanted to testify on HB 7 mandatory auto insurance at the last committee meeting, but unfortunately there was not enough time to hear from a number of us. This letter will summarize our position, assuming you cannot continue with the public hearing.

Briefly, this association, who are the insurance representatives you and the other legislators usually do business with throughout all of Alaska, takes the position that those sections of the Bill mandating compulsory auto insurance are not workable in Alaska, although other sections, strengthening our financial responsibility laws and enlarging the uninsured motorists coverages, Sections 14, 18 and 19 are good. We recommend therefore, that the Bill be amended accordingly, as has also been urged by the Alaska Division of Insurance and the Administration.

All the witnesses agree the mandatory insurance sections will increase the costs of automobile insurance but in addition there will be a tremendous increase in costs to the Division of Motor Vehicles and the Department of Public Safety in enforcing the proposed law as now written. \$1.1 million is the fiscal note for starters, without the cost of special staffing to enforce the lifting of licence plates.

The Honorable Senator Dick Eliason  
Page -2-  
June 2, 1983

This cost can easily be in excess of \$2 million for the enforcement envisioned by proponents, as indicated in the statement of Jeff Day who admitted that enforcement is a problem, and if the program was to be successful, the enforcement of the law must be "tight". See page 4 of his report.

In addition to the very valid objections presented in other testimony, I want to add that additional problems center around the handling of mandatory insurance in the rural areas where just getting ordinary insurance coverage in the normal way is still a major undertaking. Then too, about one-third of all the used cars sold in Alaska are handled by private individuals and the transfer of Title with the cancelling and rewriting of insurance will unnecessarily be held up if this proposal were to pass. Another serious problem is Section 7 of the law pertaining to residents who are out of State. When these Alaska licensed drivers and vehicles do come to Alaska either on the Alaska Highway, the ferry system or barged in, the Alaska Troopers will have to meet all the transportation routes and verify insurance before the vehicles can continue on in Alaska, a very exasperating situation.

Though I intended to testify in greater detail I feel that the passage of the mandatory insurance sections of the Bill would largely serve to exclude many young people and the poor from driving on Alaska Highway, keeping them away from jobs, and instead putting them on State Welfare. Moreover, I believe the Legislature is opposed to building up a large State police force and expanding the Court system which would be the result if this law goes in affect as unsnarling the mess will be a major tragedy for the general public. The logical step, as the Insurance Director has very ably stated, is strengthening the financial responsibility laws and providing for broader uninsured motorist coverage. In other words, deleting most of the present Bill except for Sections 14, 18 and 19.

Respectfully submitted,

ELY, GUESS & RUDD

*Joe McLean*  
Joseph A. McLean

cc: Senators Mulcahy  
Pattyjohn  
Sackett  
Rodey

JAM/pm

HUGHES THORSNESS GANTZ  
POWELL & BRUNDIN

ATTORNEYS AT LAW  
210 FERRY WAY, SUITE 100  
JUNEAU, ALASKA 99801  
(907) 586-5912

MICHAEL L. LESSMEIER  
JUNEAU RESIDENT

May 27, 1983

The Honorable Richard Eliason  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Eliason:

I have just learned that HB 7 relating to compulsory insurance has been scheduled for a hearing before the Senate Labor & Commerce Committee on Tuesday, May 31, 1983. I would like to take this opportunity on behalf of State Farm Insurance Company and Allstate Insurance Company to comment on this proposed legislation. Although the bill does have surface appeal, we oppose this legislation for the following reasons:

- 1) The bill compels all people who wish to operate a motor vehicle to contract for insurance;
- 2) The bill compels companies to take almost all applicants;
- 3) Experience in other states shows that bills such as this cannot be enforced;
- 4) These bills are extremely costly to administer, both to the public and private sector;
- 5) A bill such as HB 7 will increase premiums for responsible drivers and policyholders because it forces insurers to accept almost everyone, creates higher administrative costs on the part of the insurance industry, does away with policy defenses in certain situations, leads to more litigation, and
- 6) There is no reason to enact a compulsory insurance law where there are viable alternatives that do not impose the same problems of enforcement and costs such as compulsory uninsured and underinsured mandatory requirements.

The Honorable Richard Eliason -2-

May 27, 1983

At the outset, we would point out that most drivers in Alaska currently buy liability insurance voluntarily because they feel they need it. Compulsory insurance attempts to force everyone to buy liability insurance whether they need it or not, and whether they can afford it or not. Such a concept is bad for people, because it forces them to buy a product they do not wish to buy and may not be able to afford. Such a concept also will inevitably increase premium rates, and nobody wants that.

As we have stated above, experience in other states shows that bills such as this cannot be enforced and are extremely costly to administer, both to the public and private sector. In 1981 the Tennessee legislature reviewed the experience of other states with compulsory automobile insurance. On November 19, 1981, a subcommittee recommended that Tennessee not adopt any form of compulsory insurance. In its report, the subcommittee stated:

Our findings reveal that despite considerable and varied enforcement efforts in other states, including the adoption of no-fault, no state has devised a workable or cost-effective enforcement system. In addition, experience in other states indicate the adoption of compulsory insurance in Tennessee would only increase the percentage of insured drivers from the current 80 percent to 85 percent. More importantly, the cost of liability insurance plus uninsured motorist coverage in Tennessee is less than the same coverage in any compulsory state, and considerably less than the same coverage in any compulsory no-fault state. The responsible motorist should not pay more for insurance coverage nor be subjected to harrassment in a futile effort to enforce a compulsory insurance law.

November 19, 1981 letter from the Tennessee Subcommittee Studying Automobile Compulsory Insurance Laws. (Copy attached).

A similar conclusion was reached by the State Auditor of Wisconsin on March 10, 1981:

Experience in other states indicates that mandatory insurance programs do not substantially reduce the number of uninsured motorists and the cost of administering such a program is more than double the cost of the safety responsibility program.

March 10, 1981 letter from State Auditor of Wisconsin. (Copy attached).

The Honorable Richard Eliason

-3-

May 27, 1983

Experience in other states shows that compulsory insurance is difficult to enforce, costly to enforce, and that it does not significantly increase the percentage of insured drivers. For example, California spent \$2,324,000 to increase the percentage of insured drivers by five percent. Maryland spent \$1,500,000 and experienced the same five percent gain. The people of South Carolina have paid \$1,300,000 for an eight percent increase in the number of insured drivers.

In weighing the expected benefit of compulsory insurance legislation with its cost, the cost to private citizens should also be considered. The information we have shows almost uniformly that the pure premium cost of compulsory insurance increases much faster over the same period of time than does the pure premium of non-compulsory insurance. These statistics were obtained from data obtained from the National Association of Independent Insurers and the Insurance Services Office. The pure premium increase is significant because it suggests that the average claim for insured vehicle has risen as a result of the inclusion of those motorists who did not carry automobile liability insurance before adoption of the compulsory law.

A first comparison compares the compulsory state of California which enacted compulsory insurance on January 1, 1975, with the non-compulsory states of Illinois, Ohio and Texas. Between 1976 and the second quarter of 1981, California experienced a 43 percent pure premium rate increase, whereas Illinois experienced a 24.2 percent increase, Ohio a 17.7 percent increase, and Texas a 34.0 percent increase.

A second comparison compared Louisiana, a compulsory state which enacted legislation on July 1, 1978, with the non-compulsory states of Alabama, Mississippi, and Tennessee. From the period of enactment until the second quarter of 1981, pure premium rates in the compulsory state of Louisiana increased 14.2 percent, whereas in Alabama the increase was .1 percent, in Tennessee increase was 1.6 percent, and Mississippi experienced a decrease of 1.2 percent.

Maryland enacted its compulsory legislation on July 1, 1973 and between 1976 and 1981, it experienced a 43.3 percent pure premium increase. During this same period of time, the non-compulsory state of Indiana experienced a 21.3 percent increase, Virginia a 32.0 percent increase, and District of Columbia a 23.9 percent increase.

Another example in this survey compares the compulsory state of Oregon which enacted its legislation on January 1, 1976, with non-compulsory states of Maine, West Virginia and Wisconsin. Between 1976 and 1981 Oregon experienced an increase of 35.0 percent, Maine an increase of 19.6 percent, West Virginia an increase of 18.8 percent, and Wisconsin an increase of 12.8 percent.

The Honorable Richard Eliason -4-

May 27, 1983

Not only will the pure premium cost in a compulsory state increase more rapidly than in a non-compulsory state, but it is clear that the adoption of compulsory insurance itself will raise insurance prices for all consumers, a result that simply should not occur. The reason premiums go up is because compulsory laws exert an upward pressure on insurance company expenses. Insurance company paperwork increases as they are forced to engage in verification procedures and compliance with state reporting costs. Insurance premiums also increase because compulsory insurance forces insurers to accept almost everyone, and the bill in question does away with policy defenses in certain limited situations.

Although there is no way we can predict as to what the rate of the pure premium increase in Alaska to be in the event this bill is passed, we expect it to be significant. We also know that the anticipated cost of raising the financial responsibility requirements for a person who presently meets the minimum level to the level set forth in HB 7 will result in an anticipated increase in that persons premium of approximately 29.2 percent. This is completely independent of the other increase in costs associated with compulsory insurance. In short, every person who at the present time meets the minimum level of financial responsibility will experience an increase in their rates of approximately 29 percent to meet the minimum level required by the legislation before you.

The enactment of this legislation will result in considerable expense to the State of Alaska and experience in other states leads us to believe the effect of the legislation on the number of uninsured motorists will be minimal. We know the enactment of compulsory insurance legislation alone will result in a significant increase in premium rates to every policyholder and that the pure premium cost in a compulsory insurance state will probably increase much more rapidly than this same cost in a non-compulsory state. We also know that the estimated increase in premium rate to a person who presently meets the minimum requirements of financial responsibility will be approximately 29 percent of their current premium to comply with the limits of the legislation before you. The legislation before you thus will have a significant financial impact on everyone, particularly on low income groups.

Most importantly, there are other alternatives available, one of which is compulsory uninsured and under-insured motorist coverage. Uninsured and under-insured motorist coverage is much cheaper to the policyholder, and such a program not only would be capable of being enforced, but it would be much less costly to administer than a compulsory program. We urge you to seriously study the cost and effectiveness of compulsory automobile insurance legislation in other states before passing this bill out of committee. If this committee engages in this activity and also considers the alternatives available, we do not believe it will recommend compulsory insurance legislation.

I thank you for this opportunity to provide this information to you.

HUGHES THORSNESS GANTZ POWELL & BRUNDIN  
ATTORNEYS AT LAW


The Honorable Richard Eliason

-5-

May 27, 1983

Sincerely,

HUGHES THORSNESS GANTZ POWELL  
& BRUNDIN

By:   
Michael L. Lessmeier

Enclosures

cc: Members of the Senate Labor & Commerce  
Committee

MLL/sw

MAR 14 1983

March 9, 1983

Representative Joe L. Hayes  
Pouch V  
Juneau, Alaska 99811

Dear Representative Hayes:

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

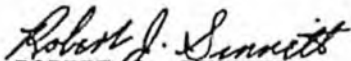
The law concerning the requirement to have auto insurance, better known as "the State gives you a free one" is at best a farce. Having lived here 44 years and watching the traffic increase to the point beyond the capacity of our road system, coupled with the irresponsible attitude of the outsiders coming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

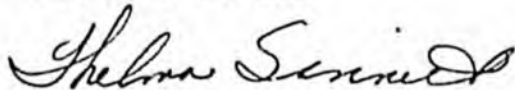
It is imperative that mandatory auto insurance be required of those wishing to drive in the State of Alaska. When auto licenses are renewed or bought, or with registration and/or titles, proof of insurance at that time should be shown. Upon cancellation of insurance, then licenses revoked. In short No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

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

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

Sincerely,

  
ROBERT J. SINNETT



THELMA SINNETT  
2001 Salem Court  
Anchorage, Alaska 99504

May 26, 1983

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

The Honorable Richard I. Eliason  
Pouch "V"  
Juneau, Alaska 99811

Dear Richard:

I would like to take this opportunity to direct to you my thoughts on pending legislation. House Bill No. 7 and Senate Bill No. 223 is proposed legislation which requires compulsory insurance in order to obtain a driver's license or vehicle tags. The idea of compulsory insurance does have surface appeal, but I believe that it does not stand close scrutiny. As you know, I am an attorney practicing law in Anchorage. I am significantly involved in insurance defense actions and I have researched this subject at length.

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

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

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

A superficial review of this subject might suggest that the respective insurance carriers would be in favor of this type of legislation. What greater boon could one envision to the insurance industry than legislation which mandates that everyone must buy their product? However, the insurance industry has

realized that compulsory insurance creates a bureaucracy in state government and in private industry and, further, significantly raises insurance premium rates.

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

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

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

#### AN ALTERNATIVE SOLUTION

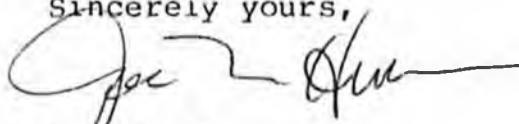
The concept that citizens of the state of Alaska should be protected from physical and financial reverses of this type is laudable and should be pursued. However, there is a much more

The Honorable Richard I. Eliason  
May 26, 1983  
Page 3

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

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

Sincerely yours,



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

JMH/ph

# Alaska State Legislature



## Speaker of the House of Representatives

Official Business

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

April 25, 1983

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

Dear Joe:

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

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

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

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

Joe Huddleston  
April 25, 1983  
Page 2

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

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

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

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

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

Joe Huddleston  
April 25, 1983  
Page 3

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

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

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

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

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

Joe Huddleston  
April 25, 1983  
Page 4

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

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

Thanks again for your comments.

Very truly yours,

Joe L. Hayes  
SPEAKER OF THE HOUSE

JLH:jkd

Alaska State Legislature

*Classen*

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



DISTRICT 11  
3305 OREGON DRIVE  
ANCHORAGE, ALASKA 99503

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

Representative Mae Tischer

MEMORANDUM

TO: All Legislators

FROM: Representative Mae Tischer *MT*

DATE: April 28, 1983

RE: HB 7 and SB 223

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

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

attachements  
MT/ssw

APR 22 1983

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

April 15, 1983

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

Dear Mae:

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

*want to notify Joe*

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

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

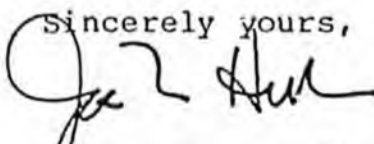
Notwithstanding the above, my three major reservations concerning this legislation are that it will (1) significantly increase the premium rates for responsible policy holders; (2) significantly increase the case loads at the Superior Court level; and (3) engender disrespect for law.

AN ALTERNATIVE SOLUTION

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

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

Sincerely yours,



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

JMH/ph

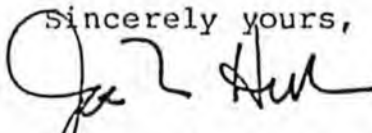
(over)

AN ALTERNATIVE SOLUTION

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

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

Sincerely yours,



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

JMH/ph

(over)

Alaska State Legislature

District 11  
3305 Oregon Drive  
Anchorage, Alaska 99503



While in Juneau  
Pouch V  
Juneau, Alaska 99811  
(907) 465-3759

Representative Mae Tischer

M E M O R A N D U M

TO: Senator Dick Eliason  
Chairman, Senate Labor & Commerce

FROM: Representative Mae Tischer *MT*

DATE: May 20, 1983

RE: SB 223

A constituent recently sent me several suggested changes to SB 223 which he felt would improve the bill. I have attached these recommendations and hope that you will give them due consideration.

The gentleman who submitted these suggested amendments, Bob Nestel, is very well versed in the insurance field.

Thank you for your consideration.

MT/gnt

MEMBER: Rules  
CO-CHAIR: Health, Education & Social Services  
VICE-CHAIR: Community & Regional Affairs  
FINANCE SUBCOMMITTEES: Health & Social Services • Rural Education Budget Oversight • Corrections

# TELEGRAM

ALASCOM, INC.  
PHONE: 586-6442  
JUNEAU, AK 99802

02069 NL TDA EAGLE RIVER AK 366 05-15 9554 ADT

PMS REP MAE TISCHER  
BOUCH V  
**3612**

JUNEAU AK

RE: <sup>HFR-5/10</sup> CSSSHE7 SENATE COUNTER PART SF223 <sup>SL+C 1/3/31</sup>

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

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

THE SAME OR SIMILAR PHRASES APPEAR ON PAGE 6 LINE 9; PAGE 7 LINE 1; PAGE 10 LINE 5, 14 AND 21.

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

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

PAGE 5, LINE 26; "180 DAYS" SHOULD BE CHANGED TO "6 MONTHS OR MONTHS." MOST AUTO POLICIES ARE WRITTEN FOR THESE TERMS. THE

EAGLE RIVER AX 99577

BOX 1753

FOR RENTAL

PUT THIS IS RECOMMENDED AS AN ADDITION.

PROVISION IS MADE IN THE BILL TO COMBINE SINGLE LIMITS COVERAGE

MOST AUTO INSURANCE POLICIES COVERED SINGLE LIMITS. NO

"PROPERTY DAMAGE"

PROPERTY DAMAGE SHOULD BE ADDED TO "AND INCLUDING DESTRUCTION OF

"PROPERTY"

SUSTAINED BY ANY PERSON INCLUDING DEATH AT ANY TIME RESULTING

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

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

"PERMIT"

PAGE 10 LINE 28; INSERT "THE MOTOR VEHICLE" AFTER THE "KNOWINGLY

INSURED OF ITEMS NOT COVERED BY THE POLICY.

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

PAGE 9 LINE 11 THROUGH 14; I AM NOT SURE WHY THIS PROVISION IS

BUSINESS.

IN THE LIFE INSURANCE BUSINESS NOT THE PROPERTY AND CASUALTY

PAGE 9, LINE 1; DELETE "AND EVERY RISK" THE TERM RISK IS USED

IS NOT BROADER THAN THE INSURANCE POLICY.

BY THE DEPARTMENT OF PUBLIC SAFETY OR DIVISION OF INSURANCE SO IT

PAGE 9, LINE 9 THROUGH 14; "THE CARD" WORDING SHOULD BE PROVIDED

# TELEGRAM

ALASCOM, INC.  
PHONE: 586-6442  
JUNEAU, AK 99802

#

02074 NL TDA EAGLE RIVER AK 366 05-16 955A ART

PMS SEN RICHARD I ELIASON

POUCH V **3019**

JUNEAU AK

RE: CRSSHR7 SENATE COUNCIL PART 50285

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

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

THE SAME OR SIMILAR PHRASES APPEAR ON PAGE 6 LINE 2; PAGE 7 LINE 1; PAGE 10 LINE 6, 14 AND 21.

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

PAGE 9, LINE 8; "DOMINION OF CANADA." THIS WOULD APPEAR TO BE LEGISLATION WHEN WORDING IN THE AUTO INSURANCE POLICY PROVIDES COVERAGE.

PAGE 5, LINE 26; "180 DAYS" WOULD BE CHANGED TO "6 MONTHS OR 3 MONTHS." MOST AUTO POLICIES ARE WRITTEN FOR THESE TERMS. THE

2288 AV 0018 1962

NOV 1962

NOV 1962

THE FOLLOWING IS RECOMMENDED AS AN ADDITION:

PROVISION IS MADE IN THE BILL TO COVER THE FIRST THREE

AND ALSO INCLUDE POLICIES OF THE GOVERNMENT UNDER THIS

SECTION.

PROVISION SHOULD BE MADE TO THE EFFECT OF

SECTION.

PROVISION SHOULD BE MADE TO THE EFFECT OF

PERSONS SHOULD BE COVERED BY THE BILL IN THE EVENT OF

THROUGHOUT THE BILL THE TERM "MONEY" SHOULD BE

SECTION.

PAGE 1, LINE 10: "THE WORDS 'MONEY' SHOULD BE

INSTEAD OF "MONEY" NOT COVERED BY THE BILL.

INSTEAD OF "MONEY" IN THE BILL. IT SHOULD BE

PAGE 1, LINE 11 THROUGH 14: "I AM NOT SURE WHY THIS PROVISION

SECTION.

IN THE BILL INSURANCE POLICIES NOT THE PROPERTY AND CASUALTY

PAGE 5, LINE 1: "THE WORDS 'MONEY' SHOULD BE

IT IS NOT CLEAR THAT THE INSURANCE POLICY.

BY THE DEPARTMENT OF PUBLIC SAFETY OR DIVISION OF INSURANCE SO

PAGE 6, LINE 5 THROUGH 14: "THE WORDS 'MONEY' SHOULD BE

ALASCOM, INC.  
PHONE: 586-6442  
JUNEAU, AK 99802  
#

*Senator Dick Eliason  
Labor & Commerce*

*(JME)  
see a copy for  
me. R.*

02065 NL TDA EAGLE RIVER AK 566 05-16 955A ADT

PMS REP -HUGH MALONE

POUCH V **3999**

JUNEAU AK

RE: C555HB7 SENATE COUNTER PART SB223

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

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

THE SAME OR SIMILAR PHRASES APPEAR ON PAGE 5 LINE 9; PAGE 7 LINE 1; PAGE 10 LINE 6, 14 AND 21.

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

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

PAGE 5, LINE 26; "180 DAYS" SHOULD BE CHANGED TO "6 MONTHS OR 3 MONTHS." MOST AUTO POLICIES ARE WRITTEN FOR THESE TERMS. THE SAME PHRASE IS ON PAGE 9, LINE 13.

PAGE 6, LINE 9 THROUGH 14; "THE CARD" WORDING SHOULD BE PROVIDED BY THE DEPARTMENT OF PUBLIC SAFETY OR DIVISION OF INSURANCE SO IT IS NOT BROADER THAN THE INSURANCE POLICY.

PAGE 9, LINE 1; DELETE "AND EVERY RIDER" THE TERM RIDER IS USED IN THE LIFE INSURANCE BUSINESS NOT THE PROPERTY AND CASUALTY BUSINESS.

PAGE 9 LINE 11 THROUGH 14; I AM NOT SURE WHY THIS PROVISION IS INCLUDED IN THE BILL. IT APPEARS TO REQUIRE PAYMENT BY THE INSURED OF ITEMS NOT COVERED BY THE POLICY.

PAGE 10 LINE 28; INSERT "THE MOTOR VEHICLE" AFTER THE "KNOWINGLY PERMIT."

THROUGHOUT THE BILL THE TERM "BODILY INJURY TO OR DEATH OF ONE PERSON" SHOULD BE CHANGED TO "BODILY INJURY, SICKNESS OR DISEASE SUSTAINED BY ANY PERSON INCLUDING DEATH AT ANY TIME RESULTING THEREFROM."

PROPERTY DAMAGE SHOULD BE AMENDED TO "AND INCLUDING DESTRUCTION OF TANGIBLE PROPERTY."

MOST AUTO INSURANCE POLICIES OFFER COMBINED SINGLE LIMITS. NO PROVISION IS MADE IN THE BILL TO COMBINE SINGLE LIMITS COVERAGE BUT THIS IS RECOMMENDED AS AN ADDITION.

BOB NESTEL

BOX 1753

EAGLE RIVER AK 99577

5 copies

MSG 83-00023818 PRTY 1 06/08/83 17:09:40 ORIG: LK00 IN= 0006 OUT= 0097  
FROM: JUNE G/KETCHIKAN TO: JUNEAU INFO  
TARGET: LJHL SUBJ: FOM6/8/83.

TO: ALL MEMBERS OF LABOR & COMMERCE COMMITTEE, ELIASON, MULCAHY,  
BENNETT, ROBEY, SACKETT.  
FROM: KEN LILJEKVIST  
BOX 5824  
KETCHIKAN, ALASKA 99901 225-5368 (MSG)  
RE: HB 7, MOTOR VEHICLES

IF REQUIRED TO OBTAIN AUTO LIABILITY INSURANCE, I MAY LOSE MY CAR AND LICENSE.  
DUE TO A DISABILITY, MY PREMIUMS AND THE PREMIUMS OF MOST HANDICAPPED  
INDIVIDUALS WILL BE PROHIBITIVE. (IN 1 YR. OF DRIVING - NO VIOLATIONS AND  
HAVE CONSUMED NO CONTROLLED SUBSTANCE) MALE, 23, SINGLE, UNEMPLOYED ATHETOID  
CEREBRAL PALSY.

\*\*\*\*\*E\*\*\*\*\*

11/18/89

# Alaska State Legislature



Speaker of the House of Representatives


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

Official Business

## MEMORANDUM

June 24, 1983

To: All Senators

From: Rep. Joe Hayes  
Speaker of the House 

RE: Auto Liability Insurance HB 7

Attached are just a few of the letters we have received in support of the House version of HB 7 which requires motorists to have insurance. I hope you will consider these prior to your vote and pass legislation substantially similar to that passed 35-2 by the House.

Thanks.

er

May 12, 1983

Joe L. Hayes  
Speaker Of The House  
Fouch V  
Juneau, Alaska 99811

MAY 16 1983

Dear Joe:

Thank you for answering my POM on the Mandantory Auto Insurance Bill. I am happy that a reasonable limit has been set and that proof of insurance will be required to register a vehicle while this is a commendable start I find that I cant support a Bill that has no means of enforcement other than being in an accident or stopped by an Officer for some reason who asks for proof of insurance.,

I feel that an Amendment to the Bill requiring Insurance Companies to notify the State upon cancellation of a policy will provide the means of enforcement. The State can then require the vehicle owner to show proof of insurance within 15 days or turn in their licence plates.

This would protect the people who follow the Law and carry insurance it should also reduce insurance rates in the state. I know this Amendment would work as its working now in other States.

Very Truly Yours

Richard M. Howes Jr.  
St. Box 2150  
Wasilla, Alaska 99687

MAY 11 1983

5/9/83

REP JOE HAYES  
JUNEAU, ALASKA 99801

DEAR MR. HAYES:

I AM IN FAVOR OF AND SUPPORT THE PENDING LEGISLATION  
WHICH WILL REQUIRE ALL DRIVERS TO BE INSURED. I WAS THE  
VICTIM OF AN UNINSURED DRIVER RECENTLY, AND MY  
INSURANCE COMPANY HAD TO PAY FOR THE DAMAGES. I THINK  
THAT IS UNFAIR.

SINCERELY,

LILLIAN S. DEMOSKI

U 3 1983

## Collins, Weed and Associates

---

DENALI TOWERS SOUTH  
SUITE 501  
2600 DENALI STREET  
ANCHORAGE, ALASKA 99503  
(907) 276-7943

April 27, 1983

Rep. Joe Hayes  
Pouch B  
Juneau, Alaska 99811 .

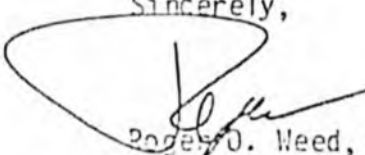
Dear Rep. Hayes:

I would like to add my name to the list of people supporting the Mandatory Liability Insurance for autos. As a victim of a \$500.00 accident in a parking lot, the lady responsible had no insurance and refused to pay the damage. By the time a small claims court action was initiated, the lady moved from the state. I then was responsible for the \$200 deductible, in order to repair my car.

I believe that this is absolutely essential, particularly due to the very large number of people who appear to drive without any kind of insurance.

Please enthusiastically continue to promote this legislation.

Sincerely,



Roger O. Weed, Partner

ROW/mab

5-3-83

MAY 07 1983

Joe Hanges,

I hope you get mandatory  
auto insurance; <sup>likely</sup> any car  
should have insurance  
no question WITH it like

Thom D. Carter  
3000 E. 15<sup>th</sup> Ave  
Anchorage, AK 99504

# SPENARD AUTO SUPPLY, INC.

3400 SPENARD ROAD • ANCHORAGE, ALASKA 99503 • OFFICE - 276-5721

May 4, 1983

Speaker of the House Joe L. Hayes  
Capitol, Room 214  
Pouch V  
Juneau, Alaska 99811

Dear Joe:

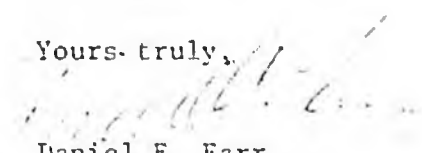
This letter is written in support of a mandatory insurance law on motor vehicles.

I have been in the automotive parts business for over twenty years and presently have ten delivery trucks on the road eight to ten hours daily, which makes us very vulnerable to accidents due to road conditions, etc.

I have reviewed my files for the past four years only, and have found that in fifteen accidents involving our delivery trucks, the other person did not carry insurance.

There is already a state law on the books that is obviously not enforced. I believe legislation should be passed so offenders will be penalized.

Yours truly,

  
Daniel E. Farr

Dl.f :af

MAY 09 1983.



*Robert E. Gieringer, M.D.*

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

May 5, 1983

Representative Joe Hayes  
Pouch V  
Juneau, AK 99811

Dear Mr. Hayes:

I was pleased to see in the Anchorage Times that you are proposing a bill in the legislature for mandatory automobile insurance with stiff penalties for noncompliance.

I want you to know that I strongly support this legislation and if I am not able to give my own time to support it as a volunteer, I would certainly give financial support.

Please let me know of the progress of this bill as it proceeds to the floor.

Sincerely yours,

Robert E. Gieringer, M.D.

REG/pd

MAY 7 1983

# G Cathcart Ltd.

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

May 5, 1983

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

SUBJECT: Mandatory Auto Insurance

Dear Representative Hayes:

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

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

Cathcart Ltd.

Page 2 - Representative Joe Hayes -- May 5, 1983

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

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

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

Sincerely,



Wallace Cathcart III  
President

WCIII/pab

APR 19 1983

# The Flying Dutchman Pastry Shop

341 E. BENSON · ANCHORAGE, ALASKA 99503 · PHONE 274-1072

Anchorage April 13

Dear Mr Hayes

Please work hard on the mandatory auto insurance bill. I am sick and tired of getting hit by uninsured drivers and it is not fair that I am paying for them. There should also be a mandatory automobile inspection state wide. Today I had to slow down because a car in front of me was smoking so bad that he obscured the vision not to mention the smell.

Also Abbott Road between Abbott Loop and Service High school is dangerously narrow considering the enormous amount of traffic.

There have been many accidents and a major accident is about to happen if nothing is done.

Thanks for your time and the good work.

Bernard Ben Hoper

22,

MAR 3 1 1952

Seems but complete  
simple  
We need Jean Parsons

THE ARIZONA REPUBLICAN  
Wednesday, December 2

3 and columns

# Auto-insurance law has teeth

On Saturday, Arizona's new mandatory automobile insurance law will go into effect. For the first time, Arizona drivers will be required to carry minimal liability and property-damage insurance.

Under the new law, when you apply for initial registration or renewal of registration of your automobile, you must show proof that it is covered for damages that may be caused to others in the event of an accident. Although you can comply with the law by posting a bond or a certificate of deposit, the only practical solution for most people is to buy insurance.

In addition to proof of insurance, you will have to sign and date the following sworn statement: "I affirm that the vehicle described in this application is in compliance with state financial-responsibility requirements and will remain so during the entire registration period."

The reference to financial responsibility in this statement means insurance.

The minimum amount of insurance you must carry is \$15,000 for bodily injury to one person in any one accident and \$30,000 for bodily injury to two or more people in any



Van O'Steen

one accident.

You also must carry insurance of at least \$10,000 for damage to property of others. The mandatory insurance law does not require insurance to cover injuries to yourself or your family members. But for obvious reasons that protection should be included in your insurance plan.

The new law makes it illegal, after Saturday, to operate a motor vehicle registered in Arizona on any highway in Arizona without liability insurance.

On a first violation, there is a minimum \$250 fine. A second violation requires a minimum \$500 fine and a three-month suspension of your driver's license. A third violation requires minimum penalties of a \$750 fine, a six-month suspension of your driver's license and five days in jail.

Those are minimum, mandatory penalties; no plea bargaining will be allowed under the new law.

The maximum penalty is six months in jail and a \$1,000 fine plus extra court costs.

Van O'Steen is a lawyer with Van O'Steen and Partners in Phoenix.

Jean M. Parsons  
Box 3 414  
Anchorage, AK  
99501

## NOTES ON HB7

The attached proposal is an updated version of the Senate Committee Substitute for HB7, passed by the Senate last session. It incorporates the changes made to the uninsured and underinsured motorists coverage found in both the House and Senate versions of the bill. It is my concern that a mandatory approach to automobile liability insurance at this time may be an overreaction to a perceived problem. If one examines where the complaints and concerns emanate, it is from persons who have acted responsibly by purchasing coverage and have been involved in an accident with someone who has not acted responsibly. The response should not be to require everyone to buy the coverage, it should be one that allows the responsible person to cover all contingencies arising out of his operation of an automobile and to strictly enforce the financial responsibility law as to those persons who do not act responsibly. A mandatory automobile insurance bill by its very nature, must have some administrative cost reflected. This, of course, will vary depending on how complicated a system is adopted. I contend that the Senate proposal will do as much to protect those with whom we are concerned as any mandatory insurance plan we might devise and do it with absolute minimum expense. I urge that you seriously consider the attached proposal as the most desirable alternative. The results can be monitored and if after 3 or 4 years the problem has not been alleviated, another approach could then be considered.

\*\*\*\*\*  
3/1/84, SHIPLEE AND LIO, 19721

TO: SENATORS ELIASON, MULCAHY AND V. FISCHER  
REPRESENTATIVES HAYES, BUSSELL AND WENDTE

FROM: BESSIE FERRARA  
(RES: 900 W. 26TH AVENUE)  
P.O. BOX 4-150  
ANCHORAGE, AK 99509  
(H) 276-8448

RE: HOUSE BILL 7

WHY DO WE HAVE TO WAIT UNTIL THERE IS AN ACCIDENT BY SOMEONE  
UNINSURED BEFORE THAT PERSON IS REQUIRED TO HAVE MANDATORY  
INSURANCE? WHAT IF THERE IS A FATALITY OR DISABLEMENT FOR LIFE  
AND THERE IS NO MONEY TO COVER? DO NOT PASS THE COMPROMISE BILL.  
PLEASE PASS HOUSE BILL 7. THANK YOU.

\*\*\*\*\*