

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 86/2

2685 SLC HB 7 (FILE 5) - (FILE 6)

HB7 - AUTOMOBILE INSURANCE

The Senate Labor & Commerce Committee substitute for HB7 would require companies who sell auto insurance to offer insurance against both personal and property damage caused by uninsured motorists. It is supported by the Administration (DMV and Insurance) and by insurance companies, agents and brokers. The Hayes bill, requiring everyone in some communities to either buy insurance or commit a crime, is opposed by those same people.

HERE'S WHY

COST TO THE STATE:

Enforcement of similar laws in other states has proven very expensive. North Carolina and New York spent millions trying to keep track of who was insured. North Carolina has backed off their enforcement effort, and attempts at a computer assisted enforcement system in New York has been abandoned. DMV and Public Safety estimate over one million dollars a year for a system that would not try to go get uninsured driver's plates.

COST TO THE DRIVER:

Aside from administrative hassles to all drivers, it is inevitable that rates will rise, by more than would otherwise be the case, for liability insurance. That is because poor risks would be forced into the system, and because people involved in small accidents would become much more claim conscious. A sheet showing what happened in 6 "compulsory" states, compared to similar states without those laws, is attached.

EFFECTIVENESS:

The Hayes approach will not solve the problem of uninsured drivers. Experience in other states shows that a large percentage of the real problem drivers, find ways to avoid buying, or keeping, insurance. People who want to protect themselves and their families end up buying uninsured motorist coverage anyway - its cheap, and it does solve the problem.

EXPERIENCE IN OTHER STATES:

Advocates of compulsory insurance say: "32 states have passed it; why have they not repealed it?" The answer is: 19 states passed, not compulsory liability insurance, but no-fault. One state with a compulsory liability

insurance law, Florida, did repeal it. Several others, including North Carolina, New York and Oregon, have either backed off from expensive enforcement programs or have enforced the law only minimally to begin with. It is hardly a successful model to follow. We should expect that independent minded Alaskans might be tougher than others to force into buying a product they do not want.

THE IDEA OF EXEMPTING SMALL COMMUNITIES:

The most recent version of the Hayes bill would exempt all but a dozen communities that are not on the main (Southcentral and Railbelt) highways. Thus, someone who lives in Minto will have to buy insurance or face criminal sanctions, but someone who lives in Whittier will apparently get none of the purported benefits of the bill (that is, having others insured) even if he or she chooses to buy liability insurance. That is unfair, illogical (there are certainly accidents and injuries wherever there are roads and cars) - and it is also in all likelihood unconstitutional.

The Senate L + C version of the bill has none of these problems. It allows those who want to, to protect themselves, by buying insurance they would probably pay for anyway if it were now available.

Michael Thomas
American Insurance Ass'n

APPENDIX

INSURANCE RATE LEVELS IN STATES WITH COMPULSORY SYSTEMS VERSUS INSURANCE
RATE LEVELS IN COMPARABLE STATES WITHOUT COMPULSORY SYSTEMS

<u>Compulsory States (a)</u>	<u>Comparable States (b)</u>	<u>Overall Pure Premium Percentage Change (c)</u>	<u>Average Annual Pure Premium Percent Change (c)</u>
<u>CALIFORNIA (1/1/75)</u>		<u>43.0%</u>	<u>8.2%</u>
	Illinois	24.2	5.5
	Ohio	17.7	3.4
	Texas	34.0	6.0
<u>LOUISIANA (7/1/78)</u>		<u>14.2%</u>	<u>11.2%</u>
	Alabama	0.1	0.9
	Mississippi	-1.2	1.4
	Tennessee	1.6	-1.3
<u>MARYLAND (7/1/73)</u>		<u>43.3%</u>	<u>7.9%</u>
	Indiana	21.3	5.0
	Virginia	32.0	6.2
	D.C.	23.9	4.4
<u>OKLAHOMA (12/11/76)</u>		<u>11.6%</u>	<u>3.7%</u>
	Arkansas	10.9	3.5
	Iowa	7.0	2.8
	Missouri	3.7	1.0
<u>OREGON (1/1/76)</u>		<u>35.0%</u>	<u>8.4%</u>
	Maine	19.6	3.9
	West Virginia	18.8	6.8
	Wisconsin	12.8	3.7
<u>SOUTH CAROLINA (10/1/74)</u>		<u>27.0%</u>	<u>5.6%</u>
	Alabama	22.5	5.5
	Arkansas	21.1	4.1
	Tennessee	14.9	2.9

- (a) - The figures in the parentheses by the compulsory states are the effective dates of their compulsory laws.
- (b) - The comparison states were chosen for their similarity to a compulsory state in demographic characteristics, geographic characteristics and the number of insured vehicles.
- (c) - The liability pure premium ratio was used as a basis for comparison because it represents the average amount of loss per insured vehicle. An increase in pure premium suggests that the average claim per insured vehicle has risen as a result of the inclusion of those motorists who did not carry auto liability insurance prior to the adoption of the compulsory law.

SOURCE OF DATA: Fast Track Monitoring System, comprising loss experience of companies reporting to the National Association of Independent Insurers and the Insurance Services Office. The Fast Track Monitoring System loss experience begins with data for the year ending fourth quarter 1976.

TIME PERIOD: The time period selected for comparison purposes is that period after which each compulsory law has become effective (and limited to when the Fast Track Monitoring System loss experience begins) through the year ending second quarter 1981.

INSURANCE TERMS

LIABILITY INSURANCE:

Insurance against damages the insured driver causes to someone else. It can be either for bodily injury, property damage, or both.

UNINSURED MOTORIST COVERAGE:

Insurance covering the insured driver (and passengers) against injury caused by another person who is not insured.

UNDERINSURED MOTORIST COVERAGE:

Insurance covering the insured driver and passengers against injury caused by another person who has some insurance, for amount between the coverage the other person has and a higher limit chosen by the purchaser of the "underinsured" coverage.

PROPERTY DAMAGE (PD):

Coverage for damage caused by the insured to property of another person.

BODILY INJURY (BI):

Coverage for personal injury caused by the insured to another person.

NO-FAULT INSURANCE:

So-called "first party" coverage, where the insured driver is covered against the injuries and damages he and his passengers suffer, regardless of who is at fault. It is available, only in states which have passed statutes requiring it of every driver.

COLLISION INSURANCE:

Property damage coverage for the insured driver's own property suffered in a collision or other defined casualty.

COMPREHENSIVE COVERAGE:

Property damage coverage for the insured driver's own property from miscellaneous causes - vandalism, hail, etc.

Anch. Daily News
March 29, 1984

Automobile insurance deal sought

By DEAN FOSDICK
The Associated Press

JUNEAU — Efforts are under way to find an acceptable compromise with the Senate on House Speaker Joe Hayes' bill that would require mandatory auto liability insurance in Alaska. But a lawmaker said Wednesday that if such a measure is to become law this session, it won't be mandatory.

Hayes, R-Anchorage, introduced the bill (HB 7) last March and it was wheeled rapidly through the House. But it was routed to a conference committee last summer after differences arose between the House and Senate over whether rural drivers should be included and how the law should be enforced.

"The Senate essentially removed all the House language and included a provision that insurance companies had to offer insurance for underinsured and uninsured people," Hayes said. "Theirs is not a mandatory insurance bill, it's just a provision for buying more insurance for those already buying insurance."

Motorists are not required to carry auto liability insurance in Alaska until after they have an accident.

Alaska's insurance industry opposes mandatory auto policies, contending they would raise rates and create more paperwork, yet fail to force bad drivers off the roads.

Hayes disputes that argument, however, and has written a compromise measure he plans to submit to the six-member conference committee. The panel was named June 26 but hasn't met thus far this session.

Among the compromise proposals:

- Motorists would not be required to prove they have auto insurance when licensing their vehicles. But they would have to show they were insured if involved in an accident causing more than \$500 in damage, or if cited for a traffic violation carrying a six-point penalty.

- Rather than charge people with a misdemeanor for violating the law, the bill would revoke their licenses for at least one year. Those cited would not have to pay a \$250 fine as required by the earlier plan, but would have to come up with \$250 to have their licenses reinstated.

- People living in rural communities would be exempt unless they have a history of traffic violations or accidents.

- Coverage offered as uninsured and underinsured insurance is expanded and defined, but basically the measure allows a \$250 deductible.

Sen. Dick Eliason, R-Sitka and chairman of the Senate side of the conference committee, said the House compromise basically follows the California plan, which makes it illegal not to carry auto insurance.

But Eliason said the Senate version requiring companies to offer uninsured and underinsured coverage is cheaper and more effective.

"You know you're being insured when you're hit by somebody else," he said. "If you're hit with the mandatory law in place and you're hit by an uninsured driver, you still wouldn't be covered."

News
recognizes
"Compromise"
bill —

Legislature '84

Anch. Times 3-29-84

Senate seeks auto insurance compromise

by Dean Fosdick
Associated Press

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MSG 84-00012166 PRTY 1 02/10/84 09:01:31 ORIG: LA09 IN= 0001 OUT= 0019
FROM: SHIRLEE ANC LID TO: POMS' JUNEAU INFO
TARGET: LJHK SUBJ: P.O.M.

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

FROM: BOB NESTEL
BOX 771753
EAGLE RIVER, AK 99577 (H) 694-4372

HOUSE BILL 7 HAS AN EXCELLENT COMPROMISE OFFERED BY DIRECTOR OF
INSURANCE, KEN MOORE. I SUPPORT THE COMPROMISE AND FEEL A TELECONFERENCE
WOULD BE IN ORDER. THE INSURANCE INDUSTRY WOULD LOOK FAVORABLY ON
RECOMMENDATIONS BY DIRECTOR MOORE.

MSG 84-00002253 PRTY 1 01/10/84 15:42:09 ORIG: LA09 IN= 0002 OUT= 0085
FROM: SHIRLEE ANC LIO TO: POMS/JUNEAL INFO
TARGET: LJHK SUBJ: POM

TO: ALL LEGISLATORS

FROM: KEITH KLEMME
6630 EAST TENTH AVENUE
ANCHORAGE, AK 99504 (H) 337-2216

I AM AGAINST MANDATORY INSURANCE FOR AUTOMOBILES IN THE STATE
OF ALASKA, BUT I AM FOR A VERY MUCH NEEDED LEMON LAW FOR THE
AUTOMOBILE INDUSTRY FOR THE STATE OF ALASKA TO PROTECT THE
CONSUMER AGAINST THE CAR DEALERS.

Sen Elason

MultiVisions



March 8, 1984

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

Dear Mr. Lessmeier:

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

Question: Do you favor mandatory auto insurance in Alaska?

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

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

Sincerely,

Stan

Stan Scott
Programmer

SS:sg

cc: Ted Berns
George Sullivan
John Smith

4792 Business Park Bl 1.
Anchorage, Alaska 99503
907.562.2400

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

June 21, 1983

SUBJECT: Mandatory motor vehicle insurance
(SCS CSSSHB 7 (L&C))

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

FROM: Richard C. Folta 
Legislative Counsel

Here is the sectional analysis you requested for SCS
CSSSHB 7 (L&C).

Section 1 sets out the findings by the legislature on why
mandatory motor vehicle insurance is necessary in the state.

Section 2 adds a new section to AS 45.45 relating to motor
vehicle warranties.

AS 45.45.300(a) places a duty on a manufacturer or distribu-
tor of motor vehicles, or their agents or dealers, to make
repairs under the terms of express warranties that apply to
new vehicles, during the term of the warranty or one year,
whichever period ends first.

AS 45.45.300(b) provides that if a motor vehicle cannot be
repaired under the terms of the warranty after a reasonable
number of attempts, and the defect that cannot be repaired
substantially impairs the use and value of the vehicle, the
owner may return the vehicle and receive a new, comparable
replacement or a refund of the purchase price, at the option
of the owner.

AS 45.45.300(c) gives the manufacturer, distributor, agent
or dealer two affirmative defenses to the owner's claim for
replacement or refund:

(1) that the defect complained of does not substan-
tially impair the use and value of the vehicle; and

(2) that the defect is the fault of the owner or any other party not an official representative of the manufacturer, distributor, agent or dealer.

AS 45.45.300(d) establishes a presumption that a reasonable number of attempts to repair the vehicle have occurred if the defect has been repaired four or more times during a year, but continues to exist, or if the vehicle is out of service for more than 30 days during the warranty term or the one-year period. The one-year time period during which the owner may seek repair is extended by periods during which repairs are not available for reasons that are not the responsibility of the owner. The 30 day time period does not include periods of time when repairs are not made for reasons that are beyond the control of the manufacturer, distributor, agent, or dealer.

AS 45.45.300(e) makes violation of the section an unfair trade practice under AS 45.50.471.

AS 45.45.300(f) prohibits the resale of a vehicle returned under the section, without full disclosure of the reason for the return to the prospective buyer.

AS 45.45.300(g) makes the remedy provided by the section non-exclusive and allows owners to seek remedies that they may have under other provisions of law.

AS 45.45.300(h) requires manufacturers or distributors to maintain warranty service facilities near population centers of the state to service vehicles sold in the state. Manufacturers or distributors may contract with independent facilities to provide warranty service if the contract requires full payment for such service. Payment for shipping motor vehicles to and from service facilities is allowed in lieu of establishing additional facilities.

AS 45.45.300(i) requires owners to resort to informal dispute settlement procedures established under federal law, if such procedures exist in the state, before exercising the rights provided in (b) of the section.

AS 45.45.300(j) provides that no claim may be filed by the owner more than 12 months after expiration of the express warranty.

AS 45.45.300(k) defines terms used in the section, including "distributor", "motor vehicle", "owner", "population center", "substantial impairment of use and value", and "reasonable allowance".

Section 3 provides for an amendment to AS 28.20.440(b)(3) for insurance coverage for underinsured motor vehicles and for damage to or destruction of property arising from underinsured vehicles.

Section 4 amends AS 21.89.020(a) to require a motor vehicle liability policy to contain 50,000/100,000/25,000 coverage.

Section 5 amends AS 21.89.020 by adding a subsection requiring 50,000/100,000/25,000 coverage for uninsured and underinsured motorists.

Section 6 adds "mobile homes" to the list of eleven other vehicles exempt from motor vehicle registration under AS 28.10.011.

Section 7 adds a new subsection to AS 28.10.011 requiring evidence of a motor vehicle liability policy or a certificate of self-insurance or deposit of cash, securities or bonds, before a motor vehicle may be registered or a registration renewed in the state. A second new subsection allows submittal of an affidavit exempting an owner for vehicles out-of-state or in certain communities served by the Alaska ferries off the connected state highway system.

Section 8 adds a new subsection to AS 28.10.021 requiring applicants for vehicle registration to comply with AS 28.10.011(b) or (c).

Section 9 adds a new subsection to AS 28.10.111 requiring applications for renewal of vehicle registration to comply with AS 28.10.011(b) or (c).

Section 10 adds a new subsection to AS 28.10.131 allowing temporary permits for a maximum of 30 days for driving or moving unused motor vehicles for repair, maintenance, etc. purposes.

Section 11 adds a new paragraph to AS 28.10.151 allowing a temporary permit for a maximum of 30 days for moving or driving a motor vehicle for repair, maintenance, etc. purposes.

Section 12 amends AS 28.10.181 by adding a new subsection relating to issuance of unique vehicle plates to vehicles exempt from liability insurance requirements of AS 28.10.011(b).

Section 13 amends AS 28.10.201(b) by adding a number of motor vehicles exempt from registration, that may have a certificate of title issued, i.e., special mobile equipment vehicles moved by human or animal power, vehicles driven only on private property or driven or moved on certain highways, and mobile homes; only upon application by the owner.

Section 14 adds a new subsection to AS 28.15.011 to require evidence of motor vehicle liability policy, self-insurance, or deposit of cash, securities or bonds, before a drivers license may be issued, renewed or reissued.

Section 15 adds a new subsection to AS 28.15.011 requiring suspension of a drivers license if insurance coverage is terminated and if no response is made to a 30-day written notice.

Section 16 amends the driver examination subsection to provide for testing applicants on knowledge of mandatory insurance provisions, and effects of alcohol or drugs on drivers.

Sections 17, 18, 19, and 20 increase insurance coverage minimums to \$50,000/\$100,000/\$25,000.

Section 21 provides for an amendment to AS 28.20.440(b) (3) for insurance coverage for underinsured motor vehicles and for damage to or destruction of property arising from underinsured vehicles.

Section 22 adds new subsections to AS 28.20.440 relating to insurance termination and policy abuses; and suspension of licenses and registration unless there is evidence of motor vehicle liability insurance or a certificate of self-insurance or cash, securities or bonds; and for the insurance company to provide cards indicating the existence of an insurance policy for the insured.

Section 23 increases financial responsibility deposit minimums to \$100,000 in cash or securities, in AS 28.20.490.

Section 24 adds a new chapter, AS 28.22, providing criteria for the mandatory motor vehicle liability insurance for the state, covering generally the following:

- (1) defines "motor vehicle liability policy";
- (2) provides minimum \$50,000/\$100,000/\$25,000 insurance for primary and underinsured and uninsured coverages;
- (3) provides coverage for vehicles not owned by the policy holder;
- (4) provides for standard insurance provisions that will be effective but need not be contained in the policy;
- (5) allows for excess insurance coverage;
- (6) additional standard insurance provisions that will be contained in a policy -- including a ten day notice of termination by the carrier to the state and requirement for a card indicating existence of a policy.
- (7) relates to insurance carrier's requirements in doing business in the state before insurance policies are effective;
- (8) relates to provisions for sanctions, for persons driving without a motor vehicle liability policy or proof of self-insurance, i.e., the issuance of a citation, fines of not less than \$250 for a class B misdemeanor, suspension of licenses and registration for periods of time and forfeiture of a motor vehicle, depending on previous record of offenses.
- (9) sets out the procedure for forfeiture of motor vehicles, giving notice to all interested parties, allowing for a hearing, requiring court findings; and surrender of documents and sale of vehicle;
- (10) provides procedure for terminating an insurance policy and for reinstating policies regarding unused motor vehicles; and

Senator Richard I. Eliason

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June 22, 1983

(11) requires a department annual report to the legislature on the effect, problems and administration of the mandatory insurance program.

Section 25 provides for a January 1, 1985 deadline for insurance carriers to develop a motor vehicle liability policy for state drivers that complies with this Act (Secs. 3, 4, and 5).

Section 26 provides for an effective date of July 1, 1984 for this Act with the exception of the provisions in Secs. 3, 4, 5, and 14.

RCF:ljb

25/017

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF PUBLIC SAFETY OFFICE OF THE COMMISSIONER

POUCH N
JUNEAU, ALASKA 99811
PHONE:

April 13, 1983

465-4322

The Honorable Richard I. Eliason
Chairman, Senate Labor and Commerce Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Eliason:

This is in reply to your request for a departmental position paper on SB-223 entitled "An Act Relating to Motor Vehicles, and Providing for an Effective Date".

The Department of Public Safety basically opposes SB-223 and SSHB-7, which relate to compulsory motor vehicle liability insurance. In Alaska the requirement to procure and maintain vehicle liability insurance has never been required or compulsory in order to register a vehicle.

The costs of insurance are continually rising, doubling in the past few years, and proves a financial burden on some Alaskans. However, citizen complaints and publicity concerning the non-insured motorist have been strongly expressed, demanding some action.

The 1977 Legislature formed a committee to study this particular problem. The findings were published in a report entitled "The Bodily Injury Reparations Advisory Committee (BIRAC)", dated March 1979. The Department supports many of the conclusions expressed in this document but strongly opposes compulsory liability vehicle insurance as a means to achieve these goals.

The basic theory behind compulsory insurance is to require every motorist to be covered at all times. In reality, it does not work. Insurance dodgers circumvent the intent, and the chances of catching and penalizing them is minimal.

The law, if effected, is extremely expensive and cumbersome to administer; it is burdensome and inconvenient to the public; it is difficult, if not impossible, to enforce; and it does not produce the results intended. It will increase the number of state employees and up the cost of the state operating budget.

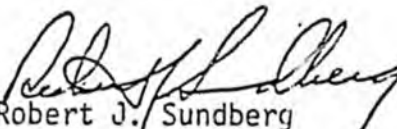
Senator Eliason
April 13, 1983
Page Two

This Bill does not repeal the Financial Responsibility Law (AS 28.20) as have other bills introduced in the past. This is in line with departmental philosophy that any insurance bill enacted must be supplemented by a strong financial responsibility law.

In all states, still demanding compulsory vehicle liability insurance, none have achieved their primary goal of 100% insured. Most have all but given up on compliance as they find the costs become prohibitive while the added percentage of insured increased only slightly.

We believe that a strong financial responsibility law, coupled with a mandatory offer by every automobile insurer writing in this state of uninsured motorist coverage and underinsured motorist coverage, bodily injury and property damage in an amount equal at least to that voluntarily purchased for bodily injury liability and property damage liability, is the best approach.

Sincerely,


Robert J. Sundberg
Commissioner



Alaska Court System
State of Alaska

KARLA L. FORSYTHE
General Counsel

OFFICE OF ADMINISTRATIVE DIRECTOR

303 K Street
Anchorage, AK 99501

April 13, 1983

Senator Richard Eliason
Chairman, Senate Labor and Commerce Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Eliason:

I am writing to bring to your attention some of the ways in which Senate Bill 223, which is presently before the committee, would impact the court system. The bill is entitled "An Act relating to motor vehicles," and requires that a vehicle owner obtain liability insurance before registering and operating a motor vehicle in Alaska.

Proposed AS 28.22.500 provides that it is a class B misdemeanor for a person to drive or permit to be driven a vehicle for which a liability policy is not in effect. The enforcement scheme set forth in proposed subsections (b) and (c) raises problems, because it inappropriately combines existing procedures for issuance of citations with procedures for submitting proof of compliance with traffic laws and with procedures for bail forfeiture. Specifically, subsection (b) cross-references AS 28.05-.151. That statute authorizes the supreme court to adopt by order a bail forfeiture schedule for those traffic offenses amenable to non-judicial disposition. The rationale behind a bail forfeiture system is that certain minor offenses are adequately punished with a mail-in fine upon a plea of guilty, a procedure which frees the court calendar for judicial disposition of serious offenses. Only minor offenses appear on the traffic bail schedule.

The sentencing provisions set forth in subsections (c) and (d) make it clear that driving without insurance is a major offense. Moreover, since license suspension is required, defendants will be entitled to a jury trial. Use of bail forfeiture procedures does not meet the legislative intent nor the legal requirements for processing a serious offense such as driving without insurance.

The legislation also provides that when proof of insurance is submitted to the court, the charge shall be dismissed. There are several types of offenses under current law for which a charge will be dismissed upon showing proof of compliance. Two examples are driving without a license (AS 28.15.131; copy attached) and equipment violations (13 AAC 04.008; copy attached). Proof of compliance (either by showing a driver's license, or by showing that the defective equipment has been repaired) shall be given either to the law enforcement agency, or in the case of a driver's license, to the court. Requiring the court alone to accept proof of compliance adds to the court system a task which duplicates procedures of other agencies in many areas of the state, and adds to the court's clerical burden.

The following language would eliminate the problems created by the existing proposal while still meeting the legislative intent:

(b) If a peace officer has probable cause to believe a motor vehicle was used in the commission of an offense under (a) of this section, a citation will be issued. The charge will be dismissed if evidence is presented within five days showing insurance policy coverage as required by AS 28.22.010 was in effect at the time the citation was issued.

This language is more workable, because it eliminates the reference to the bail forfeiture procedure, and because it allows sufficient flexibility for proof of compliance to be submitted either to a court or to the appropriate agency, as convenience warrants in different locations throughout the state.

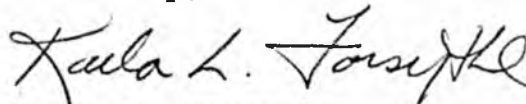
The Department of Law in its fiscal note has estimated that several hundred new prosecutions will be commenced as a result of this legislation. It is difficult to quantify the impact on the court, particularly since the Department of Law believes there will be no fiscal impact on its operations. However, any new hearings will add to the already considerable workload of the district court, particularly in Anchorage, and may require additional judicial and clerical resources, depending on the volume of cases filed.

Finally, proposed Section 28.22.530 requires that if the court orders forfeiture of a vehicle, the court shall within five days provide notice of the forfeiture to all persons with ownership or security interests. Requiring the court to give notice is inconsistent with the court's traditional role as impartial adjudicator, and is a requirement more appropriately placed with the moving party. Should this function remain with the court, additional clerical resources will be required in proportion to the number of forfeitures ordered.

I hope this information is helpful to the committee. The court system will be glad to answer any questions about these

comments, to testify before the committee at the time this legislation is scheduled for hearing, or to provide any additional information.

Sincerely,



Karla L. Forsythe
General Counsel

KLF:smh

cc: Representative Joe Hayes
Senator Joe Josephson
Arthur H. Snowden, II
Chief Justice Edmond W. Burke

operation on a highway or vehicular way or area, and is in a safe condition and in good working order. (Eff. 6/28/79, Reg. 70)

Authority: AS 28.05.011

Editor's Note: This section is based on 13 AAC 04.305 and 310.

13 AAC 04.004. SALE OR USE OF EQUIPMENT. (a) No person may sell or offer for sale or use a vehicle, equipment or device which does not meet the requirements of this chapter or other law. The provisions of this section do not apply to equipment that complies with requirements in effect before the effective date of this section and in use when this chapter takes effect, or to replacement parts of that equipment.

(b) Any equipment described in this chapter or any package containing the equipment must, if practicable, bear the manufacturer's trade mark or brand name, unless the equipment complies with identification requirements of the United States Department of Transportation or other federal agencies.

(c) No person engaged in the business of selling bicycles at retail may sell a bicycle unless the bicycle has an identifying number permanently stamped or cast on its frame. (Eff. 6/28/79, Reg. 70)

Authority: AS 28.05.011

13 AAC 04.005. DISCONNECTION OR ALTERATION OF EQUIPMENT. No person may disconnect or alter, except as is necessary in the repair or replacement of parts, the equipment required by this chapter, unless the equipment is by nature designed and intended for disconnection or alteration. (Eff. 6/28/79, Reg. 70)

Authority: AS 28.05.011

13 AAC 04.006. WHEN INSPECTION REQUIRED; ROADSIDE INSPECTION. (a) A police officer or other person authorized by the department, having reasonable cause to believe that a vehicle is unsafe, not equipped as required in this chapter or in AS 28, or that its equipment is not in proper adjustment or repair, may require the driver of the vehicle to stop and submit the vehicle to an inspection and tests as may be appropriate.

(b) A driver of a vehicle shall stop and submit the vehicle to a roadside inspection when a member of the Alaska State Troopers, uniformed police officer, or a person otherwise authorized by the department is conducting tests and inspections of vehicles and when a sign is displayed requiring a stop, or when a uniformed officer is present and signals the driver to stop. The signs requiring a stop for inspection may specify the particular class or type of vehicle required to stop and, when so designated, a driver of another class or type of vehicle need not stop.

(c) The owner or driver of a vehicle may not refuse to submit a vehicle to an inspection or test authorized or required under this chapter. (Eff. 6/28/79, Reg. 70)

Authority: AS 28.05.011

Editor's Note: This section is based on 13 AAC 06.030 and 040.

13 AAC 04.007. UNSAFE OR DEFECTIVELY EQUIPPED VEHICLE. (a) A police officer may issue a citation to the driver or owner of a vehicle which is not in safe mechanical condition or properly equipped as required in this chapter or in AS 28. A citation issued under this section must specify the section of this chapter or AS 28 which has been violated, the repair or adjustment to be made, and require the driver or owner to appear in court after a period of at least five days, holidays and weekends excluded, from the date of the violation.

(b) The citation issued under (a) of this section requires the driver or owner of the vehicle specified in the citation to repair the vehicle so that it is in safe condition and its equipment is in proper repair and adjustment. The citation also requires the owner or driver to secure a certificate of inspection and approval before any further driving or movement on a highway or vehicular way or area, except as provided in (c) of this section.

(c) No person may drive or move a vehicle after being directed under this section to have it repaired or adjusted, except as may be necessary to return the vehicle to the residence or place of business of the owner or driver of the vehicle or to a garage, until the vehicle and its equipment

Sec. 28.15.121. Restricted driver's license. (a) The department, upon issuing a driver's license, may for good cause impose restrictions suitable to the licensee's driving ability with respect to special mechanical control devices required on a motor vehicle which the licensee drives. The department may impose other restrictions applicable to the licensee that it determines to be appropriate to assure the safe operation of a motor vehicle by the licensee.

(b) The department may issue a special restricted license or may set out restrictions on the usual license form.

(c) The department may, upon receiving satisfactory evidence of a violation of the restrictions on a license restricted or issued under this section, suspend the restricted license for a period not to exceed 30 days.

(d) No person may drive a motor vehicle in violation of the restrictions imposed on a restricted license. (§ 19 ch 178 SLA 1978)

Sec. 28.15.131. License to be carried and exhibited on demand. Every licensee shall have his driver's license in his immediate possession at all times when driving a motor vehicle, and shall present for inspection his license upon the demand of a peace officer or other authorized representative of the department who identifies himself as such. However, a person charged with violating this section may not be convicted if he produces in court or in the office of the arresting or citing officer, a driver's license previously issued to him which was valid at the time of his arrest or citation. (§ 19 ch 178 SLA 1978)

A licensing statute cannot be used as a means for obtaining information or evidence not related to the licensing requirement. *Schraff v. State*, Sup. Ct. Op. No. 1223 (File No. 2263), 544 P.2d 834 (1975), decided under former AS 28.15.090.

Sec. 28.15.141. Duplicate driver's license. If a valid driver's license issued under this chapter is lost or destroyed, the person to whom the license was issued may, upon payment of the required fee, obtain a duplicate license. A person who recovers an original license for which a duplicate has been issued shall immediately surrender the duplicate to the department. (§ 19 ch 178 SLA 1978)

Sec. 28.15.151. Records to be kept by the department. (a) The department may maintain a file of

(1) every driver's license application, license or permit and duplicate driver's license issued by it;

(2) every license which has been suspended, revoked, canceled, limited, restricted, or denied, and the reasons for those actions; and

(3) all accident reports required to be forwarded to the department under this title.

(b) The department may also maintain a file of all accident reports, abstracts of court records of convictions of vehicle, driver and traffic offenses, and other information which the department considers necessary to carry out the purposes of this chapter.

(c) The department shall, upon request, subject to the applicable provisions of AS 12.62 and (f) of this section and without charging a fee,

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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

June 21, 1983

SUBJECT: Mandatory motor vehicle insurance
(SCS CSSSHB 7 (L&C))

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

FROM: Richard C. Folta 
Legislative Counsel

Here is the sectional analysis you requested for SCS
CSSSHB 7 (L&C).

Section 1 sets out the findings by the legislature on why
mandatory motor vehicle insurance is necessary in the state.

Section 2 adds "mobile homes" to the list of eleven other
vehicles exempt from motor vehicle registration under
AS 28.10.011.

Section 3 adds a new subsection requiring evidence of a
motor vehicle liability policy or a certificate of self-
insurance or deposit of cash, securities or bonds, before a
motor vehicle may be registered or a registration renewed in
the state. A second new subsection allows submittal of an
affidavit exempting an owner for vehicles out-of-state or in
certain communities served by the Alaska ferries.

Section 4 adds a new subsection requiring applicants for
vehicle registration to comply with Sec. 3, AS 28.10.011(b).

Section 5 adds a new subsection requiring applications for
renewal of vehicle registration to comply with Sec. 3 above,
AS 28.10.011(b).

Section 6 adds a new paragraph allowing special permits for
driving or moving unused motor vehicles.

Section 7 adds a number of motor vehicles exempt from registration, that may have a certificate of title issued, i.e., special mobile equipment vehicles moved by human or animal power, vehicles driven only on private property or driven or moved on certain highways, and mobile homes.

Section 8 adds a new subsection to require evidence of motor vehicle liability policy, self-insurance, or deposit of cash, securities or bonds, before a drivers license may be issued, renewed or reissued.

Section 9 adds a new subsection requiring suspension of a drivers license if insurance coverage is terminated and if no response is made to a 30-day written notice.

Section 10 amends the driver examination subsection to provide for testing applicants on knowledge of mandatory insurance provisions, and effects of alcohol or drugs.

Sections 11, 12, 13 and 14 increase insurance coverage minimums to \$50,000/\$100,000/\$25,000.

Section 15 provides for insurance coverage for underinsured motor vehicles and for damage to or destruction of property arising from underinsured vehicles.

Section 16 adds a new subsection providing for insurance termination and policy abuses; and suspension of licenses and registration unless there is evidence of motor vehicle liability insurance or a certificate of self-insurance; and for the insurance company to provide cards indicating the existence of an insurance policy for the insured.

Section 17 increases financial responsibility deposit minimums to \$100,000 in cash or securities.

Section 18 adds a new chapter providing criteria for the mandatory motor vehicle liability insurance for the state, covering generally the following:

- (1) defines "motor vehicle liability policy";
- (2) provides minimum \$50,000/\$100,000/\$25,000 insurance for primary and underinsured and uninsured coverages;

June 21, 1983

(3) provides coverage for vehicles not owned by the policy holder;

(4) provides for standard insurance provisions that will be effective but need not be contained in the policy;

(5) allows for excess insurance coverage;

(6) additional standard insurance provisions that will be contained in a policy -- including a ten day notice of termination by the carrier to the state and requirement for a card indicating existence of a policy.

(7) relates to insurance carrier's requirements in doing business in the state before insurance policies are effective;

(8) relates to provisions for sanctions, for persons driving without a motor vehicle liability policy or proof of self-insurance, i.e., the issuance of a citation, fines of not less the \$250 for a class B misdemeanor, suspension of licenses and registration for periods of time and forfeiture of a motor vehicle, depending on previous record of offenses.

(9) sets out the procedure for forfeiture of motor vehicles, giving notice to all interested parties, allowing for a hearing, requiring court findings; and surrender of documents and sale of vehicle;

(10) provides procedure for terminating an insurance policy and for reinstating policies regarding unused motor vehicles; and

(11) requires a department annual report to the legislature on the effect, problems and administration of the mandatory insurance program.

Section 19 amends subsections to provide minimum insurance for primary coverage at \$50,000/\$100,000/\$25,000 level.

Section 20 adds a new subsection to require insurance to cover uninsured or underinsured motorists at a \$50,000/\$100,000/\$25,000 level.

Section 21 provides for a January 1, 1985 effective date (Sec. 8 only) to allow the division of motor vehicles adequate time to prepare for administering the mandatory insurance program in the state.

Section 22 provides for a January 1, 1985 deadline for insurance carriers to develop a motor vehicle liability policy for state drivers that complies with this Act (Secs. 19 and 20 only).

Section 23 provides for an effective date of July 1, 1984 for this Act with the exception of the provisions in Secs. 8, 19 and 20.

RCF:ljb
25/008

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GENERAL DOLL/ 10 (F. NOTE)
 PRIME SPONSOR: HAYES.

OTHER DOLLAR 50
 CO-SPONSORS: BARNES, PHILLIPS, FURNACE, LINDAUE, ABOOD, UEHLING, LISKA, COMDERY, SZYMANSKI, FRITZ, FESTINGER, BUSSELL, WATO.
 CURRENT STATUS: 5/14/84 TRANSM TO GOVERNOR

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/31/83	01	0695	FIRST READING -- COMMITTEE REPORTS
04/20/83	02	0957	CMTE REFERRALS CHANGED
04/25/83	03	1010	L&C -- CS04, NR02
04/25/83	04	1010	L&C F/NOTE HSE SUPPL #45
05/10/83	05	1251	JUD -- CS04, NR01
05/10/83	06	1251	JUD F/NOTE HSE SUPPL #58
05/20/83	07	1441	FIN -- CS07, NR02, OTHER01 TAKEN UP IMMEDIATELY
05/20/83	08	1441	FIN F/NOTE EQUALS ZERO
05/20/83	09	1446	SECOND READING
05/20/83	10	1447	FIN CS ADOPTED BY UNAN CONSENT
05/20/83	11	1447	ADVANCED TO 3RD READING BY UNAN CONSENT
05/20/83	12	1447	THIRD READING
05/20/83	13	1447	PASSED BY DIV 35-02-03
05/20/83	14	1448	EFFECTIVE DATE VOTE SAME AS PASSAGE
05/20/83	15	1448	NOTICE OF RECONSIDERATION GIVEN
05/21/83	16	1480	RECONSIDERATION NOT TAKEN UP
06/26/83	27	2035	FAILED TO CONC IN (S) AMS BY DIV 09-23-00
06/26/83	28	2039	CC -- HAYES BUSSELL WENDTE
03/16/84	32	2947	LIMITED POWERS FCC GRANTED

04/18/84	33	3390	CONF COMM DISBANDED BY UNAN CONSENT
04/27/84	34	3490	CC -- BARNES FURNACE KOPOMEN
04/27/84	35	3490	GRANTED LIMITED POWERS FCC
05/01/84	39	3553	CC REPORT ADOPTED BY DIV 32-01-07
05/01/84	40	3554	EFD CLAUSES VOTE SAME UNAN CONSENT
05/01/84	41	3554	LETTER OF INTENT ADOPTED BY DIV 33-01-03
05/14/84	45	3844	TRANSMITTED TO GOVERNOR

05/23/83	17	1077	FIRST READING -- COMMITTEE REPORTS
06/23/83	18	1472	L&C -- CS02, NR01
06/23/83	19	1472	MOVED FROM FIN TO RLS BY UNAN CONSENT
06/25/83	20	1504	RLS -- NR01, OTHER01 TAKEN UP IMMEDIATELY
06/25/83	21	1506	SECOND READING
06/25/83	22	1506	L&C CS ADOPTED BY UNAN CONSENT
06/25/83	23	1507	ADVANCED TO 3RD READING BY UNAN CONSENT
06/25/83	24	1507	THIRD READING
06/25/83	25	1507	PASSED BY DIV 10-00-02
06/25/83	26	1507	EFFECTIVE DATE VOTE SAME AS PASSAGE
06/26/83	29	1548	FAILED TO RECEDE FRM AMS BY DIV 00-20-00
06/26/83	30	1548	CC -- ELIASON MULCAHY FISCHER, V.
03/16/84	31	2376	LIMITED POWERS FCC GRANTED
04/27/84	36	2864	CONF COMM DISBANDED BY UNAN CONSENT
04/27/84	37	2864	CC -- FERGUSON JOSEPHSON HALFORD
04/27/84	38	2864	GRANTED LIMITED POWERS FCC
05/04/84	42	2923	CC REPORT ADOPTED BY DIV 13-00-01
05/04/84	43	2923	LEGISLATIVE LETTER OF INTENT ADOPTED
05/04/84	44	2923	EFF DATE VOTE SEC 21, 22, 23, SAME UNAN

Alaska State Legislature



Speaker of the House of Representatives

Official Business

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

April 18, 1984

Sen. Jalmar Kerttula
President of the Senate

Rep. Joe L. Hayes
Speaker of the House

The Conference Committee with limited powers of free conference which has had


CSSSHB 7(Fin) (relating to motor vehicles)

and

SCS CSSSHB 7 (L&C) (relating to motor vehicles)

under consideration is unable to reach agreement on amendments and requests that the committee be discharged and a new conference committee appointed.


Sen. Eliason, Chairman
Senate


Rep. Joe Hayes, Chairman
House

Alaska State Legislature



Speaker of the House of Representatives

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

Official Business

March 14, 1984

Honorable Jalmar Kerttula
President
Alaska State Senate
Juneau, Alaska

Honorable Joe Hayes
Speaker
House of Representatives
Juneau, Alaska

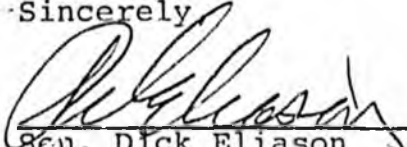
Dear Mr. President and Mr. Speaker:

The Conference Committee on House Bill 7 (motor vehicles) requests powers of limited free conference to address the following issues:

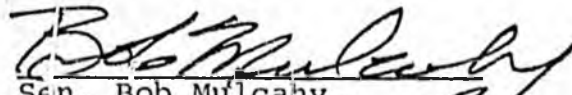
1. Clarification of the intent and purposes section regarding who should be required to carry insurance and when and how the purpose of the law should be accomplished.
2. A requirement to provide motorists information about the mandatory insurance law at the time of registration and licensure.
3. Establishment of a license reinstatement fee following suspension of a license.
4. Expand and define the coverage intended to be offered as uninsured and underinsured insurance.
5. Define the coverage of a liability insurance policy to be offered under the mandatory insurance law.
6. Establish the point at which adequate liability insurance must be demonstrated.

7. Allow for an exemption from the insurance requirement for operation of vehicles in remote, isolated areas unless the motorist has a history of traffic violations.
8. Define the method of demonstrating proof of insurance following an accident or traffic violation.
9. Provide for administrative revocation of driver's license and review process to be followed prior to suspension.
10. Addition of separability clause.
11. Amend insurance code to reflect a mandatory offer of the uninsured and underinsured coverage required as defined in mandatory insurance law.
12. Requirement of public education campaign prior to effective date of the mandatory law.
13. Change in effective dates.

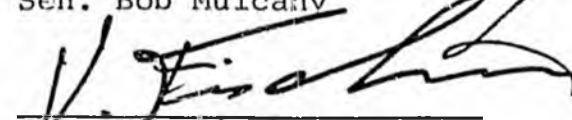
Sincerely


Sen. Dick Eliason

Rep. Joe Hayes


Sen. Bob Mulcahy

Rep. Charlie Bussell


Sen. Vic Fischer

Rep. Ron Wendte

Alaska State Legislature

June

MESSAGE TO THE SENATE

Date June 26, 1983

MR. PRESIDENT:

The House had failed to concur in the Senate amendment to CS SSHB 7(Fin) (Relating to motor vehicles; effective date) namely, SCS CSSSHB 7(L&C) (same title) and respectfully asks the Senate to recede from its amendment.

In the event that the Senate does not recede the Speaker has appointed the following members to a CONFERENCE COMMITTEE to meet with a like committee from the Senate;

Representative Hayes Chairman

Representative Buswell

Representative Wendt

(9-23)

Copies to

Senator Eliason ✓
Senator Reuther

Senate Appointed

Sen. Eliason

Sen. Mulcahy

Sen. V. Fischer

Leason

Chief Clerk of the House

Alaska State Legislature



Speaker of the House of Representatives

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

Official Business

April 17, 1984

To: Rep. Joe Hayes
Rep. Charlie Bussell
Rep. Ron Wendte

Sen. Dick Eliason
Sen. Bob Mulcahy
Sen. Vic Fischer

From: Jeff Day
Assistant to the Speaker

Re: Low Income Motorists

On April 11 I was instructed to investigate whether other states have implemented programs or provisions which specifically relate to making the cost of auto insurance affordable to the low income motorist. Since that time I have contacted a number of state insurance departments and insurance and consumer organizations. The results and contacts are listed below.

SUMMARY

10 state insurance departments were contacted as well as several industry research organizations and an insurance consumer organization. Only 1 state reported that a specific program had been instituted aimed at the low income driver. This was Hawaii, and it was further stated that the program is not working as intended and is opposed by the insurance industry.

A common reaction was that it was difficult to assess the impact of mandatory auto insurance on low income drivers or whether the cost was prohibitive. Some responded that it was a problem. Others said the competitive market affords a wide variety of coverages and prices. Some responded that the cost of insurance comes with the cost of operating a motor vehicle.

Hawaii's program gives free insurance to persons on public assistance. (See Hawaii section for details) The effect is to have the regular paying consumer bear the cost of providing insurance to low income drivers. So while low income drivers get insurance, the cost under this program, will rise for the average consumer who already buys insurance.

There was one reaction which said that it would seem more appropriate to increase welfare payments in general rather than create a specific program to address insurance for low income residents. Several said that factors in determining rates play the largest factor in the cost of insurance and we should examine our laws related to rate making for possible changes. North Carolina, for example, has eliminated age, gender and marital status as rate factors. Instead that state uses a merit rating system which bases premium cost on driving records. This has tended to lower rates for young males..at least those with good driving records.

One reaction that was voiced several times is that the marketplace generally allows a wide variety of coverages and there are a number of actions a person might take to lower insurance costs. These include increasing deductibles and not buying collision or comprehensive coverage if it's an older car. The number and types of cars insured plays a role. For example, if a family has fewer cars, the cost of insurance will be less. I have attached some information from the Ohio Insurance Institute which expands on this subject.

In conclusion, I have not discovered a workable solution to address the low income driver. I believe the industry reaction will be in opposition to a subsidy. First, there is not a consensus on whether a large segment of the population will truly be financially affected by a requirement to buy insurance. Additionally, there are some philosophical questions to be considered as to whether persons who operate cars should be expected to pay for insurance as part of the cost of operation or whether they should seek other alternatives as transit or car pooling if they do not desire to pay the cost of insurance. In general, the cost of insurance may be prohibitive for some individuals...however, determining who they are may be difficult. The question of providing a subsidy for auto insurance raises a number of philosophical questions both on a legislative and industry level. It may be more appropriate in the near future to explore options to make changes in rating mechanisms to ensure the lowest possible rates are consistently available.

Paraphrased comments from agencies which were interviewed follow.

The following is a summary of the interviews conducted.

All Industry Research Advisory Council
Oak Brook, Illinois
312-920-1177
Don Seagraves

Most states have addressed the high risk driver as opposed to the low income motorist. He knows of no specific plan addressing low income drivers. Most protests come from the middle income driver and legislative efforts have been directed at solving problems in this area. The general position of the industry and rating bureaus is that the cost of the product should be reasonably related to the experience of the group insured. (i.e. high risk drivers should pay higher premiums.)

When you depart from that concept you lose general competition by telling companies what to charge. The companies resent that. Any subsidy causes a distortion in that competitive market.

Rather than provide a specific program for payment of auto insurance, he suggested that it be treated as welfare. If the person requires more money to have the necessities, then welfare payments should be increased...not creation of a specific insurance subsidy.

The number of people for whom auto insurance is truly unaffordable is very small.

Competition keeps the marketplace healthy and produces a wide variance in rates. There are many factors people can do to lessen the cost of insurance such as the number and type of vehicles insured. * * * * *

National Association of Independent Insurers
Illinois 312-297-7800
Terry Tyrpin

Not aware of any program which specifically addresses low income drivers. Competition is the most normal procedure for providing rate flexibility and it provides the best rating environment. Every state has different laws and nuances which affect rate setting. There are many programs for high risk but he was not aware of programs for low income drivers. There is no model legislation he is aware of designed specifically to make car insurance more affordable for low income motorists.

National Insurance Consumer Organization
344 Commerce Street
Alexandria, VA 22314 703-549-8050
Bob Hunter, Director

The problem of low income drivers presents a Catch 22. On one hand, the cost of insurance may present a hardship. On the other hand, the low income driver needs some means of financial protection in case of an accident, especially if the person has no assets. Some states mandate un/underinsured coverage. Hawaii gives low income persons free insurance.

He noted the uninsured motorist provision in Virginia which allows uninsured motorists to pay \$200 at the time of registration if they don't have insurance. He also noted that \$200 is more than the cost of insurance in most cases so this does not really address the problem.

The rating process in each state will have the greatest effect on the price of insurance and laws relating to rates should be addressed to assure good rates...(i.e. whether investment income is used in calculating rate base.)

NICO also did a study of all compulsory law states and determined that there was no correlation between the increase in premium cost and passage of compulsory laws.

Arizona Dept. of Insurance
Deloris Williamson
602-255-5422

There is no specific low income program in Arizona. The market is competitive in all lines...particularly auto. Since enactment of the law, there have been no problems related to low income drivers.

Prior to enactment a survey was done to see if a state subsidized low income drivers...none was found. There was some initial concern of the effect of the law on low income drivers, and the Governor received a few inquiries on the subject. However, there have been no problems with the effect of the law.

Idaho Dept. of Insurance
Trent Woods Commissioner
208-334-2250

He conducted a survey of premium costs and found coverage available at about \$40 for a six month period. There is no indigent rating system and he doesn't understand why anyone would ever have such a plan. Idaho is open competition and availability of low cost insurance is not a problem.

Illinois Insurance Dept.
217 782 7446
Janet Frye

Never heard of any program designed for low income drivers....public or private. Open competition states tend to have affordable rates. Not aware if the cost of auto insurance presents a hardship in Illinois. It may be expensive for those who have poor driving records. If they are unable to afford insurance, why do they afford a car in the first place? If the industry subsidized low income motorists, there would likely be a reverse effect on the consumer who pays full premium as that person might have increased premiums to make up for the low income subsidy.

Minnesota Insurance Dept.
612-296-6944
William Kyle/ Supervisor of Insurance Analysts

No program in Minnesota designed as a subsidy is in place. Not aware of any state with such a program. There may be a problem for the low income or youthful driver. But there is little documentation in Minnesota to show that mandatory insurance has created any problems for low income drivers.

North Carolina Insurance Dept.
Richard Price
919-733-7343

No specific subsidy program in place. However, there are other rating factors in North Carolina which affect the price of insurance for some groups. North Carolina does not allow factors as age, gender or marital status in determining rates. Instead a merit rating system is used where everyone is charged a flat rate which is then increased depending on the number of accidents and violations a person may have. This tends to lower rates for persons under 25, particularly males. The mandatory law has created no problems for low income drivers and may have the effect of lowering the rates by expanding the base of the number of people insured. North Carolina takes a strict stance on rate making. A mandatory law would be good for the people of Alaska.

Oregon Insurance Dept.
Bill Haskell
503-378-4271

No such law or plan for low income drivers in place. Insurance is a problem for youthful drivers with poor driving records. He sees no solution outside of subsidization.

Texas Insurance Dept.
Don O'Brien, Director of Auto Insurance
512-475-3486

Insurance cost may be a problem for low income drivers. He has heard Hawaii may address that problem in some way. Texas recently changed minimum limits for financial responsibility and also made changes to the assigned risk pool which accounts for some rate increase.

West Virginia Insurance Dept.
Cheryl Davis/Wanda Smith Consumer Services
304-348-3386

No program designed to make it more affordable for low income drivers. WV is a prior approval state. No idea whether the cost presents a problem for low income drivers. The cost of insurance will cause a hardship on some people, but if you can afford to own a car, you should be able to afford insurance. Many low income drivers often have poor driving records and need insurance the most. There was chaos when the mandatory law first went into effect, but it is working well now and is achieving desired results.

Ohio Insurance Institute
Bill Fletcher
614-228-1593

Noted that Hawaii may have a subsidy program. Ohio is an open competition state which creates a wide variety of coverages and rates. He noted that Nationwide just dropped it's premiums by 10%. The cost of insurance for low income drivers is not a severe problem. People are starting to shop around. Ohio makes a strong effort to educate the public to shop around and not take the first policy offered.

Hawaii
Allen Gushiken
808-548-5450

Hawaii is a mandatory no fault state. Since the mandatory law was enacted in 1974, there has also been a program to pay for the insurance of persons of public assistance. Hawaii has a joint underwriting plan. All companies who do business in Hawaii must be part of the plan. 8 of the largest carriers are the service agents for the plan. When a person is determined to be qualified for public assistance, it includes auto insurance.

Hawaii (continued)

The person is given a certificate to take to one of the 8 service agents who agree to cover the person at minimum limits. No premiums are payed by anyone for the indigent person.

If the premiums taken in by the 8 service carriers from insuring non-indigents are not sufficient to cover claims filed by indigents, all other insurance companies are assessed on a pro rata basis to make up the difference. When the plan was enacted it was expected that the premiums taken in from covering other people would more than make up for the cost of claims filed by indigents who were given free insurance. This has not been the case. In 10 years this has amounted to about 8 million dollars which has been assessed to all insurance companies in the state.

The net effect of assessing other companies for claims by indigents is an increase for normal customer policies since the cost of the product is related to the cost of delivering service on claims. The intent of the plan was to be self supporting when it was enacted. It has never worked that way. The insurance industry does not like the underwriting plan. There have been attempts to eliminate it but none have succeeded yet.

Virginia
804-786-3667

Has a concept called the uninsured motorist fund which allows an uninsured person to pay \$200 at time of registration as opposed to having auto insurance. See notes under National Insurance Consumer Organization for more details.

Alaska State Legislature

Eliason

*20%
expenses*



Speaker of the House of Representatives

Official Business

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(907) 465-3720

April 9, 1984

To: Senator Dick Eliason
Senator Bob Mulcahy
Senator Vic Fischer

Rep. Charlie Bussell
Rep. Ron Wendte
Rep. Joe Hayes

From: Jeff Day

Re: Costs of HB 7

The committee has requested a fiscal comparison of the House approach versus the Senate approach.

The House version establishes an enforcement procedure to see that motorists comply with the insurance Law. The Senate proposal affects only insurers; in that it requires them to offer uninsured or underinsured coverage to customers. In that the Senate version only affects insurance writers, there is no fiscal impact to the state.

FOR FY 85: effective date of House version is 1/35.

<u>Dept.</u>	<u>House Version</u>		<u>Senate Version</u>	
	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	
Com. and Econ. Dvp. Div. of Insurance	0	0	0	0
Law	\$177.2	284.2	301.2	0
Public Safety Motor Vehicles	\$322.6	514.2	591.8	0

Further information has been requested from the Department of Health and Social Services relating to the attached memo which suggests a mandatory law may have a positive fiscal impact on their programs.

The cost of the original House Bill as adopted last year was predicted to be 990.1.

Court System has been asked to submit fiscal note

As to the cost to the consumer, I have attached a synopsis of comments excepted from the nationwide survey this office conducted of mandatory insurance law states during the past interim. The original letters are available upon request to anyone who would wish to review them.

Finally, comments were made by an insurance industry representative at today's hearing that a study by Best's Insurance Management Report showed that mandatory laws increased premiums. What was not mentioned is that the following mandatory states fell in rank during the same time as the ranking relates to premium cost.

	Ranking 1982	Ranking 1981
MONTANA	34	25
UTAH	36	31
NORTH DAKOTA	38	34
IDAHO	40	38
NEW MEXICO	41	30
INDIANA	44	41
KENTUCKY	45	43

Additionally, there are non mandatory states which saw dramatic premium increases such as Arkansas which jumped from 46th to 30th place.

If you have questions or would like further clarification on any of these subjects or others related to the topic please give me a call.

" Outstanding exceptions are Texas, whose average premium rose sharply enough to bring it from 33rd in cost up to 13th. This apparent large increase is mainly the result of a state compulsory insurance law that went into effect in January, 1982 " - from same source as above list (Best Insurance Mgt Reports)

Alaska State Legislature



Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
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Official Business

JANUARY 1984

MANDATORY INSURANCE LAW SURVEY

In October 1983, letters were sent to insurance commissioners of all states and to Motor Vehicle Departments requesting an update on their insurance laws and an analysis of how they were working.

The attached is a general summary of comments from states with mandatory laws. This report is not a complete listing of all comments as many responses are very lengthy. This report is designed to be representative of the comments received. Copies of complete letters are available from the Speaker's Office.

At the time of the writing of this report, responses had not been received from all states, but a majority had responded.

The format of this report will be to list the question at the top of the page. Comments from various officials will follow and be noted as to source.

DO YOU BELIEVE THE MANDATORY ASPECT OF YOUR LAW IS A DIRECT INFLUENCE ON INCREASING PREMIUM COSTS FOR INSURANCE POLICIES?

The Department of Insurance has not yet seen any company rate increases directly related to the loss experience or underwriting expenses associated with the previously uninsured motorist.

-Deloris Williamson Chief Dep.Dir. Ariz. Dept. of Ins.

I don't believe that this mandatory liability has had any influence on increasing premium rates for the average driver.

-Trent Woods Director Idaho Dept. of Insurance

The State of Kansas is experiencing increased premium costs. It should be pointed out, however, that we feel the increase is comprised of the increased cost of bodily injury and property damage due to the inflation rate.

-Fletcher Bell Kansas Insurance Commissioner

The cost of auto insurance in Michigan is not prohibitive. I do not believe the mandatory aspect of the law has caused costs to rise.

-Nancy Baerwaldt Michigan Insurance Commissioner

It's difficult to determine if the rising cost of auto insurance is attributable only to inflation or if the extra first party no fault benefits also contribute.

-William Kyle Minnesota Supervisor of Insurance Analysts

No, generally the cost of the product remains the same.

-Thomas Buzby Legislative Liaison
Pennsylvania Insurance Dept.

We estimate the cost or "subsidy" incurred by each owner of an insured motor vehicle is approximately the cost of one tankfull of gasoline per year. We do not think this is an exorbitant subsidy. Unfortunately, other factors besides the law have driven up the cost of automobile insurance.

-John Richards Deputy Chief Insurance Commissioner
South Carolina

No, there has been no indication that compulsory insurance has had any effect on premium costs.

-Richard Shaw West Virginia Insurance Commissioner

We have no reason to believe this law has had an influence on increasing premium costs.

-Josephine Driscoll Oregon Insurance Commissioner

I do not believe mandatory insurance has had an appreciable effect on auto insurance rates.

-David Elliott Delaware Insurance Commissioner

WHAT EFFECT HAS A MANDATORY LAW HAD ON THE NUMBER OF MOTORISTS WHICH ARE PLACED IN THE ASSIGNED RISK POOL AND ON THE RATES CHARGED THOSE IN THE POOL?

The number of motorists placed in the assigned risk pool has not substantially increased and cannot be attributable to the impact of the previously uninsured motorist.

-Deloris Williamson Chief Dep. Dir. Ariz. Dept. of Ins.

We did experience increases in the number of applications... in 1973 when mandatory insurance and no fault was enacted... Since 1980, the number of applications in the assigned risk plan has leveled off and we are now experiencing a significant decrease in the number of such applications. The recent substantial decrease in the number of applications for insurance through the assigned risk plan could be explained by the recent entry into the voluntary market of three insurers willing to underwrite sub standard risks.

-Peter Gillies Connecticut Insurance Commissioner

We have no information that the assigned risks pool premium have been affected by this law.

-Trent Woods Director Idaho Dept. of Insurance

Immediately after the effective date of the law on January 1, 1974, a population increase was experienced in the assigned risk pool. The increase in the assigned risk pool cannot be correlated with the enactment of mandatory liability insurance. In fact, recent data has indicated as much as a 41% decrease in the pool's population.

-Fletcher Bell Kansas Insurance Commissioner

The rates have changed very little since the no fault law went into effect. I think the number of risks are down as reported prior to 1975.

-William Coleman Director Property and Casualty Division
Kentucky Insurance Dept.

While the mandatory aspect of the law undoubtedly causes our residual market to be more populated than non-mandatory states, that population generally constitutes less than 3% of the total auto insurance market in the state.

-Nancy Baerwa'it Michigan Insurance Commissioner

Doesn't appear to have had an adverse affect. The pool is down considerably since no fault went into effect.

-William Kyle Minnesota Supervisor of Insurance Analysts

At first, the number of risks increased dramatically but over the last several years, the number of risks in the pool has decreased from 400,000 to about 125,000 which is about 2.2% of the 5.6 million registered vehicles.

-Thomas Buzby Legislative Liaison
Pennsylvania Insurance Dept.

WHAT EFFECT HAS A MANDATORY LAW HAD ON THE NUMBER OF MOTORISTS WHICH ARE PLACED IN THE ASSIGNED RISK POOL AND ON THE RATES CHARGED THOSE IN THE POOL?

There has been a decline in the assigned risk insurance volume.
-Richard Shaw West Virginia Insurance Commissioner

None.
-J.T. Langdon Wyoming Insurance Commissioner

We have very few policy holders in the Assigned Risk Pool. There appears to be an excellent marketplace for substandard risks.
-Josephine Driscoll Oregon Insurance Commissioner

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.

-2-

— probably should have been covered by
Worker's Comp.

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. *Limits set by State already in place*
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. *Accidents are investigated*

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.

* * * * *

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 6, 1984

SUBJECT: Sectional Analysis
CCS HB 7

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

FROM: Richard C. Folta 
Legislative Counsel

Section 1. Amends AS 21.89.020(a) requiring automobile liability policy coverage limits to be at least the amounts prescribed in AS 28.20.440(b)(2).

Section 2. Amends AS 21.89.020 by adding three new subsections. The first requires an insurance company to offer for uninsured and underinsured bodily injury coverage at limits equal to those voluntarily purchased for bodily injury liability. The second subsection requires a basic limit offer of uninsured and underinsured property damage. The third subsection allows the insured to waive in writing the coverage under the first two subsections, or to make a written request for additional or more extensive coverage. The insurers notice requirements to an insured are conditioned.

Section 3. AS 28.20.440(b) is amended adding "underinsured" and "damage to or destruction of property in excess of \$250.00" coverage requirements that shall comply with AS 28.20.440(b)(2) and AS 28.20.445.

Section 4. AS 28.20 is amended by adding a new section on coverage requirements for uninsured and underinsured motorists. Subsection (a) describes the maximum liability of an insurance carrier. Three situations when payments may be reduced are listed in subsection (b). Priority of payments under multiple policies or coverages are described in subsection (c). Two situations where the coverage would not apply are given in (d) and three cases in (e) where coverage

Senator Eliason
page 2
April 6, 1984

may not apply. Subsection (f) provides for a procedure when the owner and operator of vehicle involved in an accident with an insured are unknown. A deductible of \$250.00 in any one accident including the destruction or damage to an insured vehicle is provided under (g). Subsection (h) describes "underinsured motor vehicle."

Section 5. Provides for a September 1, 1984 effective date.

RCF:csh
C2/141



OFFICIAL BUSINESS

ALASKA STATE LEGISLATURE - SENATE

COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

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

MEMORANDUM

TO: Conference Committee Members

FROM: Senator Dick Eliason *Dick Eliason*

DATE: April 6, 1984

RE: Senate Committee Substitute for HB 7.

The attached proposal is an updated version of the Senate Committee Substitute for HB 7, 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 the 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 three or four years the problem has not been alleviated, another approach could then be considered.

Sectional Analysis

SCS CSSS HB 7 (L+C)

Section 1. Page 1

This section of the financial responsibility law is amended to add uninsured motorist property damage, underinsured motorist bodily injury and underinsured motorist property damage to the presently offered uninsured motorist bodily injury coverage. The section goes on to define the coverage. The property damage feature is subject to a \$250 deductible. The section describes the priority of coverage when faced with other coverages which provide a benefit in the same circumstances. The offer would be a single combined coverage which is subject to written rejection by the insured.

Section 2. Pages/-2

These new subsections relate to the uninsured/underinsured motorist coverage. In (l), the maximum liability is clarified. In (m), reductions of coverage are noted. In (n), the stacking of limits is prevented. In (o), exclusions of coverage are listed.

Section 3. Page 2

This provision in the insurance code ties the mandatory offer of uninsured/underinsured motorist coverage to the description of limits in the financial responsibility law and the mandatory insurance law.

Section 4. Pages 2-3

This section in the insurance code ties the mandatory offer of uninsured/underinsured motorist coverage to the description of that coverage in the financial responsibility law and the mandatory insurance law. The conditions set forth in the financial responsibility law and the mandatory automobile liability insurance law are the same in this section. This placement is necessary since all of the functional powers or authority of the director of insurance are in Title 21. The offer for the bodily injury feature must be equal to the amount voluntarily purchased for bodily injury liability. The limit for the property damage feature is the same as the minimum limit required under the financial responsibility law for property damage liability. The uninsured/underinsured coverage can be waived in whole or in part.

Alaska State Legislature



Speaker of the House of Representatives

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Official Business -

ANALYSIS FOR HB 7 COMPROMISE...March 1 Draft

The proposed a compromise on the mandatory auto insurance bill is basically modeled after legislation which passed in California last year. This compromise has been prepared with the assistance of the Division of Insurance, Departments of Law and Public Safety and State Farm.

The general concept would enact a law making it illegal to drive without liability insurance. Currently, it is legal to drive without insurance. Once you are caught as a result of an accident, however, you must obtain proof of insurance for three years. The compromise makes it illegal up front.

The major difference with the compromise is: In the House bill we require proof of insurance to be shown as a prerequisite for registration. In the compromise, that would not be required. The point of proof would come following an accident (which results in at least \$500 damage) for both the person at fault and not at fault. BUT, in addition, any person cited for a traffic violation carrying a 6 point demerit on the point system would have to show that insurance was in effect at the time of the violation within 15 days.

The burden of proof is on the person cited and requires the person to provide proof from the insurance company that the policy was in effect at the time of the accident. This information would be required to be verified by the Department of Public safety. The bill makes it a class A misdemeanor if the person cited knowingly provides false information during the verification process. It's estimated that between 20-30,000 citations for violations carrying a 6 point penalty are issued annually, and all these would be checked for insurance in addition to all persons involved in accidents whether at fault or not under the compromise.

The following traffic violations are all at least 6 points or greater and require a court appearance and would require proof of insurance to be shown.

Driving while license is cancelled, suspended, revoked
or in violation of license limitation

6 point violations cont.

Driving while intoxicated
Reckless Driving
speed contest racing
fleeing or attempting to elude a
police officer
leaving scene of an accident
negligent driving
failure to yield right of way
failure to stop for school bus while
bus is loading or unloading
failure to obey traffic control device
in a school zone, playground,
crosswalk or park
speeding 20 miles or more over limit

It's also my understanding that some, but not most, 6 point result in accidents so this is aimed at getting to the driver with the greatest potential for an accident..before the accident occurs. It's estimated there will be about 40,000 vehicles involved in accidents in the next year and between 20-30,000 6 point traffic violations..all of which would be checked for insurance under this bill. In an accident, all motorists would be checked regardless of fault. Currently, only the at fault person is checked.

All procedures for requiring proof at the time of licensing have been eliminated. All procedures which called for insurance companies to notify DMV upon cancellation of a policy have been eliminated as have the requirements that DMV follow up on such cancellation notices.

There is a further provision that providing false information to verify existence of insurance is a Class A misdemeanor. That's up to \$5000 fine and 1 year in jail.

The compromise calls for administrative revocation of the license rather than being charged with a class B misdemeanor. However, the revocation will be a mandatory one year. The removal of commission of a crime eliminates the proposed fine of \$250. However, the compromise requires payment of this fee as a license reinstatement fee as a prerequisite to reinstatement of driving priveleges following revocation of a license for driving uninsured. Thus the compromise would generally retain the punishment provisions originally intended.

Limited license priveleges could be granted but the reinstatement fee would have to be paid and there is a provision requiring the person to provide proof of financial responsibility for 3 years under our normal financial responsibility law prior to the granting of any limited priveleges.

The forfeiture provisions have been removed from the bill. There was a concern about administrative burdens this would place on the courts and Dept. of Law. Forfeiture was envisioned to be used in extreme cases. The legislature could consider this at a later date once the law has been enacted, and it may then be determined how severe a threat the repeat offender is.

The compromise retains the concept of raising the limits from 25/50/10 to 50/100/25.

The compromise also adds further language to the uninsured and undersinsured coverage provisions which basically allow a deductible of \$250. It allows companies to offer a smaller deductible and for the insured to opt for a higher deductible. It also requires direct physical contact between the insured and un/underinsured vehicles to activate the property damage coverage. Hit and run drivers are presumed to be uninsured motorists if the victim reports the incident within 24 hours. This is to prevent people from running into a tree and trying to claim they were hit by an uninsured person.

We have worked with State Farm to include several pages of language which define when the uninsured/underinsured coverage is triggered and in what priority other insurance policies would pay. Generally speaking, these appear to be fair compromises and we have incorporated most of them after some discussion and refining. The goal has been consumer protection as we reviewed the provisions. The bill requires insurers to offer the insured coverage for un/underinsured drivers in the amount the insured voluntarily purchases. The insured may waive this coverage or choose to increase the offer.

There is an exemption for isolated rural communities so that vehicles operated in these areas don't have to have insurance unless they have a history of traffic violations or accidents. A separability clause has been added to the bill in case there could be a legal problem with this exemption although it is felt by many that the constitutional test for such an exemption has been met.

The compromise repeals two current sections in the financial responsibility law allowing deposit of securities or cash as proof of financial responsibility. In the opinion of the Division of insurance, this option is probably not needed any longer since it is less expensive to buy a policy rather than putting up securities worth \$100,000 as would be required if other provisions of this bill pass. This would leave the means of proving financial responsibility as either having a liability policy or a certificate of self insurance as allowed by statute. These two methods should cover all motorists adequately.

The compromise retains the provision which required knowledge of financial responsibility laws as part of the drivers test for a license.

There are two substantial changes in the definition of a motor vehicle liability policy which is required.

Under the House bill we lifted word for word the definition of a policy which was required of those people who had been involved in an accident with no insurance. Such a policy required at that time is different than normal policies which the average person routinely buys. Policies required under the FR law are basically exclusionless with insurer defenses inoperable. The compromise proposes a change in defining who is covered under an insurance policy and removes the provision that liability becomes absolute without defense following an accident...only for persons who purchase insurance voluntarily and do not fall under the financial responsibility law. The absolute liability provision and stricter provisions would remain in policies required under the FR law which would take effect for a person who is convicted of not having insurance. After extensive discussion on this point, this appears to be a fair stance to take. The compromise does not change the type of coverage that is offered currently to people buying insurance.

The compromise deletes the provision requiring companies to issue a card with all policies and that the card remain in the vehicle. This is okay in that the proof of insurance that is now required following a citation is an written verification from the insurance company. The necessity for such a card is eliminated.

The compromise eliminates a section for unused motor vehicles because it is no longer necessary if proof is not required at the time of registration.

The compromise eliminates an annual report on the effectiveness of the law and the ability to enforce it. The report concept was designed to provide legislators with some accounting of how well the system is working but, admittedly, it would be difficult to compile a meaningful report about the effect on premiums, administration and uninsured population. However, it has been suggested that a report could be initiated by a letter of intent to keep track of the statistics compiled as a result of the law.

The compromise incorporates two steps to involve the public about the law. Three months prior to the effective date of the law, the Department must conduct a public education campaign about the new law and failure to comply. Additionally, the bill mandates that, at the time of registration and licensing, the department give the applicant written information about the mandatory insurance law of the state.

It's hoped this will make people aware and encourage them to seek insurance rather than take the chance of being stopped and losing their license for a year.

It should also be noted that if a person drives on a revoked or suspended license...current law already mandates a 10 year jail visit which hopefully will act as an incentive to keep people from driving on suspended licenses.

The effective date of the compromise is 1/1/85.

Alaska State Legislature



Speaker of the House of Representatives

Phone:
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Juneau, Alaska 99811
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Official Business

April 6, 1984

To: Senator Dick Eliason
Senator Bob Mulcahy
Senator Vic Fischer

Rep. Charlie Bussell
Rep. Ron Wendte

From: Joe L. Hayes *[Signature]*

Re: Conference Committee draft of HB 7

Attached is the revised draft from Legislative Affairs on HB 7. While the layout is slightly different than the earlier draft, the substance is the same. Also attached is a section analysis.

The only substantive changes from the March 1 draft are:

- * Reduction of the administrative fee from \$250 to \$100.
- * Reduction from 10 to 5 the number of years a person must be free of accidents or traffic violations if that person otherwise qualifies for the exemption. This was requested by the Dept. of Public Safety since records are not kept for 10 years.
- * Clarification that a person's license will not be suspended until final court action is completed. Requested by Dept. of Law.
- * Clarification that insurers can offer un/underinsured coverage for property damage at the minimum level required by law. This does not prohibit the insured from purchasing a higher limit.

The committee is scheduled to meet at 1 p.m. Monday in the Speaker's Chambers.

SECTION ANALYSIS COMPROMISE FOR HB 7 4/6 Draft

The substance of this draft is similar to the March 1 draft but the bill has been laid out differently to meet the style of Legislative Affairs drafting.

SECTION 1 PURPOSE

Legislature declares concern over rising toll of motor vehicle accidents and determines it is in the public's best interest that motorists be financially responsible for negligent acts so that innocent victims be recompensed for injury or financial loss. Declares that this can best be served by requiring motorists to be insured when operating a vehicle "where the potential for motor vehicle accidents is substantial". Further declares that the most practical and economical time of proof of compliance is following a moving violation or accident.

SECTION 2

Amends insurance code to conform by requiring insurers in the state to write policies at the newly established minimums of 50/100/25.

SECTION 3

Requires insurers to offer customers un/underinsured coverage for both bodily injury and property damage in at least the amount voluntarily purchased for personal injury liability insurance. Requires an offer for property damage not less than the minimum of \$25,000. This coverage may be waived by the insured.

SECTION 4

Requires the Department of Public Safety to provide an applicant for registration of a motor vehicle with information regarding the state's mandatory insurance law at the time of registration.

SECTION 5

Requires the Department of Public Safety to provide an applicant for motor vehicle licensure with information regarding the state's mandatory insurance law at the time of license application.

SECTION 6

Adds knowledge of the states mandatory insurance law to examination provisions for obtaining a drivers license.

SECTION 7

requires person who has had license suspended to pay \$100 reinstatement fee prior to the granting of limited driving privileges or restoration of driving privilege in addition to financial responsibility requirements.

SECTIONS 8 and 9

Raises minimum liability policy limits a person must be insured for under the financial responsibility law from 25/50/10 to 50,000 for bodily injury to any one person in an accident, \$100,000 maximum for bodily injury of all involved in an accident and \$25,000 for property damage.

SECTION 10

Increases from 25/20/10 to 50/100/25 the threshold at which a judgement against a person falling under the financial responsibility law is satisfied.

SECTION 11

same as section 8 to make statute conform regarding limits. Describes limits for un/underinsured coverage to be offered as part of an insurance policy.

SECTION 12

Defines un/underinsured motorist coverage.

(a) Limits insurers responsibility under the un/underinsured provisions to the difference between what might be paid on behalf of the the uninsured person and the maximum limits of the insured's policy.

(b) Establishes priority for payment of un/underinsured claims and lists items that would be deducted from liability for payment of such coverage.

(c) Prohibits the stacking of several policies in the event that the insured is covered by more than one uninsured coverage which might apply. The liability is limited to the highest amount of one policy. Establishes priority of policies which would apply.

(d) Clarifies that UM/UIM coverage does not apply in situations where the alleged un/underinsured vehicle is owned by a name insured or resident relative but not insured. This is designed to prevent a person from owning several vehicles but only insuring one.

Specifies a single combined coverage. Allows insured to waive coverage in writing. Limits coverage for property damage to only the damage to the vehicle involved. Hit and run motorists are presumed to be uninsured if the accident is reported within 24 hours. Allows deductible of \$250 but allows insurer to offer a deductible other than \$250.

SECTION 13

28.22.010-28.22.050 Defines specific provisions of motor vehicle liability policy that must be in effect to comply with the mandatory law.

Generally follows current requirements under the financial responsibility law. A major difference from the FR law is the removal of an absolute liability clause which is retained in the FR law. The removal is intended to allow companies to issue policies just as they are now. There is also a modification from the FR law in describing who the policy must cover.

Raises current liability minimums from 25/50/10 to 50/100/25.

28.22.100-28.22.130 Defines un/underinsured coverage for the purposed of this chapter identical to the provisions in Section 12.

28.22.200 requires operator or owner of a motor vehicle to have adequate insurance when operating vehicle on roadway. Provides an exemption of the requirement to have insurance if the vehicle is operated in isolated areas not connected to the highway system and with minimal traffic. Exemption does not apply if the owner/operator has a history of traffic violations or accidents within 5 years.

28.22.210 Requires persons involved in an accident resulting in at least \$500 damage or involved in a 6 demerit traffic violation to show proof of insurance.

28.22.220 Requires person cited for an accident to present proof of insurance to the department within 15 days. Requires the Department to establish a method to check all documents filed as proof.

28.22.230 Requires person cited for traffic violation to present proof of insurance at the time of the initial court appearance or within 15 days of the charged violation. Requires court to notify the department if such proof is not presented.

28.22.240 Provides for administrative suspension of license for one year if person fails to prove insurance was in effect at time of violation or accident. Establishes notification procedure and allows the person who stands to lose license a chance for a hearing to plead that person's case. Suspension will not take place until final court action is taken.

28.22.250 Establishes a Class A misdemeanor for knowingly filing false information with the department.

28.22.260 Requires person to file SR 22 under the financial responsibility law (proof of insurance for 3 years) as a prerequisite to reinstatement of license or granting of limited license privileges.

28.22.500 Allows policy to contain provisions which do not violate the provisions of this chapter.

28.22.510 separability clause

28.22.600 definition of general motor vehicle liability policy for purposes of mandatory insurance requirements.

SECTION 14
Definition of underinsured motor vehicle

SECTION 15

Repeals provisions in law allowing deposit of cash or securities as a means of proving financial responsibility for the future. Repeals the reinstatement fee which only pertained to driving in violation of financial responsibility law. This has been encompassed in section 7 of this bill.

SECTION 16

Requires Department to begin to conduct public education campaign about the mandatory law three months prior to its effect.

SECTIONS 17-18

effective dates
Law takes effect 1/1/85.

3/1/84 DRAFT ALTERNATE FOR HB7
SECTION BY SECTION ANALYSIS.

This draft alternative bill utilizes the House passed version as a starting point. The major distinction between this alternate and the House passed bill is that the alternate uses a point of proof which is at the time of an accident or charge of a serious traffic law violation. This approach is intended to reduce the fiscal impact yet give a reasonable quantity of proofs to assure that the effect of the legislation is maximized. In drafting this alternate, the Division of Insurance has attempted to reflect a variety of interests. This proposal does minimize the administrative cost, though that is still expected to be large, and substantially reduces the cost impact to the insurers providing automobile coverage, thus keeping the increased cost to the insurance purchaser to a minimum. We still believe that the Senate passed version is the best approach to the situation since it allows the responsible person to protect himself, not just the other party in an accident.

This proposal is actually several bills in one. The first is a mandatory automobile law which is dealt with in sections 1, 2, 3, 4, 5, 13, and 17. The second is to make some editorial or clean up changes in the motor vehicle code. This is dealt with in sections 4, 12, and 16. The third is to increase the financial responsibility law limits from the current 25m/50m/10m to 50m/100m/25m. This is done in sections 6, 7, 8, 9, and 13(see sec.28.22.010). The fourth is to require a mandatory offer of uninsured and underinsured motorist coverage for bodily injury and property damage. This is done in sections 10, 11, 13, 14, and 15.

Section 1. Page 1, lines 8-24.

Purpose section. This section is very similar to the purpose section of the financial responsibility law.

Section 2. Page 1, lines 25-31.

This section provides for information about this proposal to be furnished to persons registering an automobile in this state.

Section 3. Page 2, lines 1-8.

This section provides for information about this proposal to be furnished to persons licensing to drive a motor vehicle in this state.

Section 4. Page 2, lines 9-28.

This section modifies the law dealing with the drivers license test to require knowledge of the financial responsibility law and the mandatory automobile insurance requirements.

Section 5. Page 2, lines 29-32 & page 3, lines 1-5.

This section provides for a \$250 license reinstatement fee following a suspension for failure to prove that insurance was in force.

Section 6. Page 3, lines 6-19.

This is the first of several sections revised to reflect higher financial responsibility law limits.

Section 7. Page 3, lines 20-32 & page 4, lines 1-2.

Section reflects higher financial responsibility law limits.

Section 8. Page 4, lines 3-16.

Same comment as section 7.

Section 9. Page 4, lines 17-29.

Same comment as section 7.

Section 10. Page 4, lines 30-32, all of page 5, & page 6, lines 1-16.

This section of the financial responsibility law is amended to add uninsured motorist property damage, underinsured motorist bodily injury and underinsured motorist property damage to the presently offered uninsured motorist bodily injury coverage. The section goes on to define the coverage. The property damage feature is subject to a \$250 deductible. The section describes the priority of coverage when faced with other coverages which provide a benefit in the same circumstances. The offer would be a single combined coverage which is subject to written rejection by the insured.

Section 11. Page 6, lines 17-32 & page 7, lines 1-24.

These new subsections relate to the uninsured/underinsured motorist coverage. In (l), the maximum liability is clarified. In (m), reductions of coverage are noted. In (n), the stacking of limits is prevented. In (o), exclusions of coverage are listed.

Section 12. Page 7, lines 25-29.

The reinstatement fee in the financial responsibility law is increased from \$50 to \$250.

Section 13. Page 7, lines 30-32, all of pages 8-15, & page 16, lines 1-28.

This section sets up the mandatory automobile insurance mechanism along with method of proof, requirements of policy, and, penalties.

Sec 28.22.010. Page 7, lines 30-32, all of pages 8-11, & page 12, lines 1-28.

This section is very similar to AS 28.20.440 in the financial responsibility law. Subsections (b)(1), (b)(3), (c), (f)(1)-(3), (g), and (i)-(o) are identical to provisions in AS 28.20.440. Subsections (a), (b)(2), and, (d) are similar. Several subsections from AS 28.20.440 are not duplicated in this section. These are 440(e), 440(f)(1), and 440(h). A policy issued as proof of financial responsibility under AS 28.20.440

must cover all persons operating the insured automobile with the express or implied consent of the insured. The policy is basically exclusionless with the insurer having absolute liability. This feature is not incorporated in this section of law which describes the automobile liability policy purchased voluntarily to comply with the mandatory provision in this bill. This feature is one where considerable, however unquantifiable, expense is to be found. In drafting this section we have attempted to track the financial responsibility law as closely as possible while avoiding those elements that would increase insurance costs for those person who already have demonstrated responsibility by voluntarily purchasing coverage without a mandatory requirement in the law. Subsections (1)-(o) are the same as provisions being added to the financial responsibility law and discussed in section 11.

Sec 28.22.020. Page 12, lines 29-32 & page 13, lines 1-11.
This section requires that policies can not be written for limits less than those in the previous section. It also requires that the policy be written by an admitted insurance company or by one that has filed a power of attorney to permit service of process by the director of insurance.

Sec 28.22.030. Page 13, lines 12-32 & page 14, lines 1-12.
This section mandates automobile liability insurance in Alaska. It provides that a person involved in a reportable accident and a person charged with a 6 point violation must prove that insurance was in effect at the time of the accident or the violation. Persons in communities not connected with a highway with an average daily traffic volume greater than 499 unless previously involved in an accident or previously charged with a violation.

Sec 28.22.040. Page 14, lines 13-32 & page 15, lines 1-2.
This section sets up the method of proof following a reportable accident.

Sec 28.22.050. Page 15, lines 3-23.
This section sets up the method of proof following a serious violation.

Sec 28.22.060. Page 15, lines 24-32 & page 16, lines 1-15.
This section provides for an administrative suspension of the drivers license when a person required to prove insurance fails to do so. It call for a one year suspension for each failure and provides a hearing mechanism for persons impacted by the section.

Sec 28.22.070. Page 16, lines 16-22.
This section provides for a filing of proof for the future applicable to persons who have failed to prove insurance when so required.

Sec 28.22.080. Page 16, lines 23-28.
Separability section.

Section 14. Page 16, lines 29-32 & page 17, lines 1-7.

As amended by replacement language.

This provision in the insurance code ties the mandatory offer of uninsured/underinsured motorist coverage to the description of limits in the financial responsibility law and the mandatory insurance law.

Section 15. Page 17, lines 8-21.

As amended by replacement language.

This section in the insurance code ties the mandatory offer of uninsured/underinsured motorist coverage to the description of that coverage in the financial responsibility law and the mandatory insurance law. The conditions set forth in the financial responsibility law and the mandatory automobile liability insurance law are the same in this section. This placement is necessary since all of the functional powers or authority of the director of insurance are in Title 21. The offer for the bodily injury feature must be equal to the amount voluntarily purchased for bodily injury liability. The limit for the property damage feature is the same as the minimum limit required under the financial responsibility law for property damage liability. The uninsured/underinsured coverage can be waived in whole or in part.

Section 16. Page 17, line 22.

The repeal section repeals two sections in the financial responsibility law that deal with cash or securities as a means of proving financial responsibility for the future. This is inconsistent with a mandatory automobile insurance requirement.

Section 17. Page 17, lines 23-26.

This section requires the Department of Public Safety to conduct an information campaign to get the word out about the new law.

Section 18. Page 17, line 27.

The bulk of the act takes effect on January 1, 1985 to give plenty of lead time to implement the act.

Section 19. Page 17, line 28.

The public information campaign starts three months before the re: of the act is effective.

Replacement language for 3/1/84 draft.

Section 14. AS 21.89.020(a) is amended to read:

(a) An automobile liability policy that [WHICH] insures a owner or operator of a motor vehicle against loss resulting from [HIS] liability for bodily injury or death, or for property injury or destruction, or both, which is sold in the state [AFTER JANUARY 1, 1969, BY AN INSURANCE CARRIER AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE], shall contain limits in at least the amount prescribed for a motor vehicle liability policy in AS 28.20.440(b)(2) and AS 28.22.010(b)(2) [AS 28.20.440(b)(3), AND MEET THE REQUIREMENTS OF AS 28.20.440(b)(3) UNLESS WAIVED AS PROVIDED IN THAT PARAGRAPH.]

Section 15. AS 21.89.020 is amended by adding new subsections to read:

(c) An insurance company offering or writing automobile liability insurance for bodily injury or death in this state shall offer coverage prescribed in AS 28.20.440(b)(3) and AS 28.20.440(1)-(o), or AS 28.22.010(b)(3) and AS 28.22.010(1)-(o), with limits equal to at least the limit purchased voluntarily to cover the insured person's liability for bodily injury or death, for the protection of the persons insured under the policy who are legally entitled to recover damages for bodily injury or death from owners or operators of uninsured or underinsured motor vehicles. In no event may the limit written be less than that set forth in AS 28.20.440(b)(2) or AS 28.22.010(b)(2).

(d) An insurance company offering or writing automobile liability insurance for injury to or destruction of property in this state shall offer coverage described in AS 28.20.440(b)(3) and AS 28.20.440(1)-(o), or, AS 28.22.010(b)(3) and AS 28.22.010(1)-(o), with limits not less than those prescribed in AS 28.20.440(b)(2) or AS 28.22.010(b)(2) to cover the insured person's liability for injury to or destruction of property, for the protection of the persons insured under the policy who are legally entitled to recover damages for injury to or destruction of the covered motor vehicle from owners or operators of uninsured or underinsured motor vehicles.

(e) The coverage required under (c) and (d) of this section to meet the requirements of AS 28.20.440(b)(3) or AS 28.22.010(b)(3) may be waived in writing by the insured in whole or in part. After selection of the limits by the insured or the exercise of the option to waive the coverage in whole or in part, the insurer shall not be required to notify any policy holder in any renewal, supplemental or replacement policy, as to the availability of the coverage or optional limits, and the waived coverage shall not be included in any renewal, supplemental or replacement policy. The insured may, at any time, make a written request for additional coverage or coverage more extensive than that provided on a prior policy.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 463 3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 3, 1984

SUBJECT: Constitutionality of the rural exemption in
CCS HB 7, Section 28.22.200, page 15

TO: Senator Richard Eliason
Chairman, House Labor and Commerce Committee

FROM: Richard C. Folta
Legislative Counsel 

You have asked if the rural exemption in the latest proposal for CCS HB 7 is constitutional.

It is my opinion that the exemption does not violate the equal protection provisions of the Alaska Constitution if there is adequate factual data supporting the average daily traffic figure of 499 as a reasonable break point for mandatory insurance exemptions in the rural areas of the state. At this time I have not been able to obtain any information on how the 499 number was selected, in order to evaluate the exemption under the test established by the Supreme Court.

The Alaska Supreme Court equal protection test is stated in State v. Erickson, 574 P.2d 112 (1978):

. . . must look to the purpose of the statute, viewing the legislation as a whole, and the circumstance 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 objective 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 invaded.

The purpose of the statute is set out in section 1. The portion that is most pertinent is:

The legislature finds and declares that the public interest can best be served by the requirement that the owner of a motor vehicle which is to be operated on vehicular ways of the state where the potential for motor vehicle accidents is substantial be required to furnish evidence of the existence of a motor vehicle liability policy

A statutory regulation requiring a bond, liability policy, or other security is not unreasonable, and is constitutional and valid. (60 C.J.S. & 110, page 669).

At this time we are unable to evaluate if the means chosen in the exemption provision "substantially further goals of the enactment."

RCF:ojb
J5/050

For discussion only
- not reviewed

received 12/6
Kuen
today
12-6-83

1 IN THE SENATE

BY ELIASON

2 SENATE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

9 * Section 1. DECLARATION OF PURPOSE. (a) The legislature is concerned
10 over the rising toll of motor vehicle accidents and the suffering and loss
11 inflicted by them. The legislature determines that it is a matter of grave
12 concern that motorists be financially responsible for their negligent acts
13 so that innocent victims of motor vehicle accidents may be recompensed for
14 the injury and financial loss inflicted upon them. The legislature finds
15 and declares that the public interest can best be served by the requirement
16 that the owner of a motor vehicle that is to be operated on vehicular ways
17 of the state where the potential for motor vehicle accidents is substantial
18 be required to furnish evidence of the existence of a motor vehicle liability
19 policy issued in conformity with AS 28.22.010 or of a certificate of
20 self-insurance issued under AS 28.20.400 when the vehicle registration is
21 made or renewed as a prerequisite to the exercise of the privilege of
22 registering and operating a motor vehicle in the state.

23 (b) The legislature further finds and declares that the public interest
24 can be best served by providing for the improvement of motor vehicle
25 warranty.

26 * Sec. 2. AS 45.45 is amended by adding a new section to read:

27 ARTICLE 6. MOTOR VEHICLE WARRANTIES.

28 Sec. 45.45.300. MOTOR VEHICLE WARRANTIES. (a) If a new motor
29 vehicle does not conform to an express warranty that is applicable to

1 it and the owner of the vehicle reports the nonconformity in writing
 2 to the manufacturer or distributor of the vehicle, the agent of the
 3 manufacturer or distributor, or the manufacturer's or distributor's
 4 dealer during the term of the warranty or within one-year after the
 5 date of delivery of the motor vehicle to the owner, whichever date is
 6 earlier, the manufacturer, distributor, agent, or dealer shall make
 7 the necessary repairs to conform the vehicle under the express warran-
 8 ty.

9 (b) If a manufacturer, distributor, agent, or dealer is unable
 10 to conform the motor vehicle under an applicable express warranty
 11 under (a) of this section after a reasonable number of attempts and
 12 the nonconformity is a defect or condition that substantially impairs
 13 the use and market value of the motor vehicle to the owner, the manu-
 14 facturer or distributor shall accept the return of the defective motor
 15 vehicle and shall, at its option, replace the motor vehicle with a
 16 new, comparable motor vehicle, or refund the full purchase price to
 17 the owner, including all collateral charges less a reasonable allow-
 18 ance for the consumer's use of the motor vehicle. A refund under this
 19 subsection shall be made to the owner and to a lienholder as their
 20 respective interests appear.

21 (c) It is an affirmative defense to a claim ^{made} under (b) of this
 22 section for a new motor vehicle or a refund that the nonconformity
 23 complained of

24 (1) does not substantially impair the use and market value
 25 of the motor vehicle; or

26 (2) is the result of abuse, unreasonable neglect, or unau-
 27 thorized modification or alteration of the motor vehicle by the owner
 28 or any other party who is not an official representative of the manu-
 29 facturer, distributor, agent, or dealer.

1
2
3 (d) A presumption that a reasonable number of attempts have been
4 undertaken to conform a motor vehicle under an applicable express
5 warranty is established if (1) the same nonconformity has been subject
6 to repair four or more times by the manufacturer or distributor, its
7 agent, or its dealer during the term of the warranty or the one-year
8 period after delivery of the motor vehicle to the owner, whichever
9 period terminates first, but the nonconformity continues to exist; or
10 (2) the vehicle is out of service for repair for a total of 30 or more
11 business days during the warranty term or the one-year period referred
12 to in (1) of this subsection, whichever period terminates first. The
13 warranty term or the one-year period referred to in (1) of this sub-
14 section is extended by any period during which repair services are not
15 available to the owner for reasons that are not the responsibility of
16 the owner. Any period of time that repairs are not performed for
17 reasons that are beyond the control of the manufacturer or the manu-
18 facturer's agent is excluded from the 30-day time period referred to
19 in (2) of this subsection.

20 (e) A failure to replace or refund the purchase price of a motor
21 vehicle when there is a requirement to do so under this section is an
22 unfair trade practice under AS 45.50.471.

23 (f) A motor vehicle returned under (b) of this section may not
24 be resold unless full disclosure of the reasons for the return is made
25 to the prospective buyer before the resale is concluded.

26 (g) The provisions of this section do not limit other rights and
27 remedies that may be available to the owner of a motor vehicle under
28 other provisions of law.

29 (h) A manufacturer or distributor of motor vehicles sold in the
state under manufacturer's or distributor's express warranty shall

1 maintain a repair facility that is able to perform the service and
2 make the repairs required by the warranty and by this section. A
3 manufacturer or distributor may comply with the requirements of this
4 subsection by entering into a warranty service contract with an inde-
5 pendent service and repair facility that provides for the manufacturer
6 or distributor to reimburse the facility for all service and repairs
7 that are covered by the written independent service contract. In lieu
8 of establishing a repair facility or entering into a warranty service
9 contract with an independent service and repair facility as required
10 by this subsection, a manufacturer or distributor may pay the actual
11 costs of shipping a motor vehicle to and from the nearest authorized
12 facility for warranty service and repairs.

13 (i) If a manufacturer or distributor has established an informal
14 dispute settlement procedure in the state that substantially complies
15 with the provisions of 16 C.F.R. Part 703, as that Part may be amend-
16 ed, the provisions of (b) of this section concerning refund or re-
17 placement do not apply to an owner who has not first resorted to the
18 informal dispute settlement procedure.

19 (j) No claim under this section may be filed by an owner more
20 than 12 months after expiration of the express warranty.

21 (k) In this section

22 (1) "distributor" means an agent of a manufacturer or a
23 corporation engaged in the wholesale distribution of motor vehicles to
24 retail motor vehicle dealers;

25 (2) "motor vehicle" or "vehicle" means a motor vehicle as
26 defined in AS 28.35.260 that is purchased for personal, family, or
27 household purposes and required to be registered under AS 28.10 or
28 with a governmental agency of another jurisdiction performing a simi-
29 lar function;

1 (3) "owner" means a purchaser, other than for resale, of a
 2 new motor vehicle, a person to whom the motor vehicle is transferred
 3 during the term of an express warranty applicable to the vehicle, or
 4 any other person entitled to enforce an express warranty on the vehi-
 5 cle under the terms of the warranty;

6 (4) "reasonable allowance" means an amount attributable to
 7 a consumer's use of a motor vehicle, but does not include any period
 8 after the consumer's first report to the manufacturer, or any of its
 9 authorized agents or dealers, of a ⁰⁰⁰reconformity with an express war-
 10 ranty applicable to the motor vehicle during which the motor vehicle
 11 is out of service due to the nonconformity;

12 (5) "substantially impairs use and value" refers to a
 13 defect or condition in a vehicle that

*How does
 this differ
 from AS 28.22.010
 (b)*

- (A) prevents it from being operated;
- (B) makes it unsafe to operate; or
- (C) decreases the economic life of the vehicle.

* Sec. 3. AS 28.20.440(b) is amended to read:

(b) The owner's policy of liability insurance shall

(1) designate by description or appropriate reference all
 vehicles which it covers;

(2) insure the person named and every other person using
 the vehicle with the express or implied permission of the named in-
 sured, against loss from the liability imposed by law for damages
 arising out of the ownership, maintenance or use of the vehicle within
 the United States of America or the Dominion of Canada, subject to
 limits exclusive of interests and costs, with respect to each vehicle,
 as follows: \$25,000 because of bodily injury to or death of one
 person in any one accident, and, subject to the same limit for one
 person, \$50,000 because of bodily injury to or death of two or more

*Same as
 sec 17
 pg 11*

*limits should
 be higher
 50/100/25
 see pg 19/pg 10*

1 persons in any one accident, and \$10,000 because of injury to or
2 destruction of property of others in any one accident;

3 (3) contain coverage in the amounts set out in (2) of this
4 subsection for the protection of the persons insured under the policy
5 who are legally entitled to recover damages from owners or operators
6 of uninsured or underinsured motor vehicles because of bodily injury
7 or death, or damage to or destruction of property arising out of the
8 ownership, maintenance or use of the uninsured or underinsured motor
9 vehicle, except that this coverage or part of it may be waived in
10 writing by the insured on or before the effective date of the policy.

11 * Sec. 4. AS 21.89.020(a) is amended to read:

12 (a) An automobile liability policy that [WHICH] insures an owner
13 or operator of a motor vehicle against loss resulting from [HIS]
14 liability for bodily injury or death, or for property injury or de-
15 struction, or both, which is sold in this state [AFTER JANUARY 1,
16 1969, BY AN INSURANCE CARRIER AUTHORIZED TO TRANSACT BUSINESS IN THIS
17 STATE], shall contain limits in at least the amount prescribed for a
18 motor vehicle liability policy in AS 28.20.440(b)(2) [, AND MEET THE
19 REQUIREMENTS OF AS 28.20.440(b)(3) UNLESS WAIVED AS PROVIDED IN THAT
20 PARAGRAPH].

21 * Sec. 5. AS 21.89.020 is amended by adding a new subsection to read:

22 (c) In addition to the coverages and limits required in (a) of
23 this section, an insurance company offering automobile liability
24 insurance in this state shall offer coverage, with limits equal to at
25 least the limit purchased voluntarily to cover the insured persons
26 liability, for the protection of the persons insured under the policy
27 who are legally entitled to recover damages from owners or operators
28 of uninsured or underinsured motor vehicles. The coverage shall be
29 offered in four parts, one or more of which may be waived under AS 28.20.4

AS 28.10.011(2)(3)

1 The parts are:

- 2 (1) uninsured motorists, bodily injury;
- 3 (2) uninsured motorists, property damage;
- 4 (3) underinsured motorists, bodily injury; and
- 5 (4) underinsured motorists, property damage.

6 * Sec. 6. AS 28.10.011 is amended by adding new subsections to read:

7 (b) An owner of a motor vehicle may not register a motor vehicle
 8 in the state and may not renew the registration of a motor vehicle in
 9 the state without providing evidence satisfactory to the department
 10 of the existence of (1) a motor vehicle liability policy that complies
 11 with AS 28.22.010; or (2) a certificate of self-insurance that com-
 12 plies with AS 28.20.400; or (3) cash, securities or a bond deposited
 13 or filed with the department on the terms and conditions that will
 14 provide the same benefits available under a required motor vehicle
 15 liability policy.

16 (c) An owner of a motor vehicle is exempt from (b) of this
 17 section if that person submits to the department an affidavit in the
 18 form prescribed by the department declaring, under penalty of perjury,
 19 that either (1) the motor vehicle will be continuously garaged and
 20 operated outside the state and explaining the reasons why the motor
 21 vehicle will be continuously garaged and operated outside the state;
 22 or (2) the motor vehicles will not be operated on the state highways
 23 or vehicular ways of the municipalities of Anchorage, Fairbanks,
 24 Juneau, Ketchikan, Sitka, Kenai, Soldotna, Valdez, Petersburg,
 25 Wrangell, Cordova, Kodiak, Bethel, Nome, Kotzebue, Haines, Skagway
 26 Seward, Palmer, Glenallen, Tok or Delta Junction. A person who vio-
 27 lates a provision of an affidavit submitted under this subsection is
 28 subject to penalties under AS 28.10.491(9)(B). A person required to
 29 maintain and show proof of financial responsibility required by

*- Check C-FA for maps to DOT
- List roads between major points*

wonder what penalties are -

restricted under AS 28.10.011(b), if vehicle

USPS

[Handwritten signature]

1 AS 28.20, may not claim an exemption under this subsection.

2 (d) A person who registers a motor vehicle in compliance with
3 (c) of this section by signing an affidavit in lieu of providing the
4 department with proof of financial responsibility shall be issued
5 unique vehicle plates under AS 28.10.181(1). When the person provides
6 proof of financial responsibility for the motor vehicle under (b) of
7 this section, and returns the unique vehicle plates, the person shall
8 be issued vehicle plates under AS 28.10.161 or AS 28.10.181.

9 * Sec. 7. AS 28.10.021 is amended by adding a new subsection to read:

10 (b) A certificate of registration may not be issued under this
11 section unless the owner complies with AS 28.10.011(b) or (c).

12 * Sec. 8. AS 28.10.111 is amended by adding a new subsection to read:

13 (c) The department may not renew the registration of a motor
14 vehicle under this section unless the owner complies with AS 28.10.-
15 011(b) or (c).

16 * Sec. 9. AS 28.10.131 is amended by adding a new subsection to read:

17 (c) A person registering a vehicle under AS 28.10.011(2) may be
18 issued a temporary permit by the department to operate or transport
19 the motor vehicle in areas other than those to which the vehicle is to
20 be moved or driven only for the purpose of maintenance, repair, re-
21 building or dismantling. A person applying for this permit shall
22 provide adequate evidence to the department that the vehicle will be
23 operated only for the purposes for which the permit may be granted. A
24 permit granted under this subsection is effective for no more than 30
25 days.

will be approved out side of state

PERMIT

26 * Sec. 10. AS 28.10.151 is amended by adding a new paragraph to read:

27 (4) a vehicle subject to AS 28.22.520 that is to be moved
28 or driven only for the purpose of maintenance, repair, rebuilding or
29 dismantling; this permit shall be effective for 30 days.

* Sec. 11. AS 28.10.181 is amended by adding a new subsection to read:

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

cross-referenced

* Sec. 12. AS 28.10.201(b) is amended to read:

(b) The owner of a vehicle described in AS 28.10.011 as being exempt from registration and the owner of a snowmobile or off-highway vehicle may not apply for, nor may the department issue, a certificate of title for such a vehicle. However, the department may issue a certificate of title to the owner of a vehicle exempt from registration ⁽¹¹⁾ 0.011 ⁽¹¹⁾, ⁽¹¹⁾ or ⁽¹¹⁾ only upon application by that

* 28.10.201(a) is amended to read:

The department shall examine every applicant for a driver's license. The examination shall include a test of the applicant's (1) eyesight, (2) ability to read and understand official traffic control devices, (3) knowledge of safe driving practices, (4) knowledge of the effects of alcohol and drugs on drivers and the dangers of driving under the influence of alcohol or drugs, and (5) knowledge of the laws relating to driving while intoxicated and the traffic laws and regulations of this state. The examination may include a demonstration of ability to exercise ordinary and reasonable control in the driving of a motor vehicle of the type and general class of vehicles for which the applicant seeks a license. However, an applicant who has not been previously issued a driver's license by this or another jurisdiction must demonstrate ability, and must present medical information that

Should this be used under 28.10.201?

1 the department reasonably requires to determine fitness to safely
2 drive a motor vehicle of the type and general class of vehicles for
3 which the applicant seeks a license.

4 * Sec. 14. AS 28.20.070(a) is amended to read:

5 (a) No policy or bond is effective under AS 28.20.060 unless it
6 is issued by an insurance company or surety company authorized to do
7 business in this state, except as provided in (b) of this section, and
8 if the accident resulted in bodily injury or death, unless the policy
9 or bond is subject to a limit, exclusive of interest and costs, of not
10 less than \$50,000 [\$25,000] because of bodily injury to or death of
11 one person in any one accident and, subject to the same limit for one
12 person, to a limit of not less than \$100,000 [\$50,000] because of
13 bodily injury to or death of two or more persons in any one accident,
14 and if the accident has resulted in injury to, or destruction of,
15 property to a limit of not less than \$25,000 [\$10,000] because of
16 injury to or destruction of property of others in any one accident.

17 * Sec. 15. AS 28.20.230(b) is amended to read:

18 (b) The term "proof of financial responsibility for the future"
19 as used in this chapter means proof of ability to respond in damages
20 for liability, on account of an accident occurring after the effective
21 date of proof, which arises out of the ownership, maintenance or use
22 of a vehicle subject to registration under the laws of this state, in
23 the amount of \$50,000 [\$25,000] because of bodily injury to or death
24 of one person in any one accident, and, subject to the same limit for
25 one person, in the amount of \$100,000 [\$50,000] because of bodily
26 injury to or death of two or more persons in any one accident, and in
27 the amount of \$25,000 [\$10,000] because of injury to or destruction of
28 property of others in any one accident. As used in this chapter the
29 terms "proof of financial responsibility" or "proof" mean proof of

1 financial responsibility for the future.

2 * Sec. 16. AS 28.20.360(a) is amended to read:

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

5 (1) \$50,000 [\$25,000] is credited upon a judgment given in
6 excess of that amount because of bodily injury to or death of one
7 person as the result of any one accident; or

8 (2) subject to the limit of \$50,000 [\$25,000] because of
9 bodily injury to or death of one person, the sum of \$100,000 [\$50,000]
10 is credited upon a judgment given in excess of that amount because of
11 bodily injury to or death of two or more persons as the result of any
12 one accident; or

13 (3) \$25,000 [\$10,000] is credited upon a judgment given in
14 excess of that amount because of injury to or destruction of property
15 of others as a result of any one accident.

16 * Sec. 17. AS 28.20.440(b) is amended to read:

17 (b) The owner's policy of liability insurance shall

18 (1) designate by description or appropriate reference all
19 vehicles which it covers;

20 (2) insure the person named and every other person using
21 the vehicle with the express or implied permission of the named insur-
22 ed, against loss from the liability imposed by law for damages arising
23 out of the ownership, maintenance or use of the vehicle within the
24 United States of America or the Dominion of Canada, subject to limits
25 exclusive of interests and costs, with respect to each vehicle, as
26 follows: \$50,000 [\$25,000] because of bodily injury to or death of
27 one person in any one accident, and, subject to the same limit for one
28 person, \$100,000 [\$50,000] because of bodily injury to or death of two
29 or more persons in any one accident, and \$25,000 [\$10,000] because of

1 injury to or destruction of property of others in any one accident;

2 (3) contain coverage in the amounts set out in (2) of this
3 subsection for the protection of the persons insured under the policy
4 who are legally entitled to recover damages from owners or operators
5 of uninsured or underinsured motor vehicles because of bodily injury
6 or death, or damage to or destruction of property arising out of the
7 ownership, maintenance or use of the uninsured or underinsured motor
8 vehicle, except that this coverage or part of it may be waived in
9 writing by the insured on or before the effective date of the policy.

10 * Sec. 18. AS 28.20.440 is amended by adding new subsections to read:

11 (1) The insurance carrier shall provide notice to the department
12 of the termination of coverage commenced during the preceding 180 days
13 under (a) of this section within 10 days of actual knowledge of the
14 termination or the receipt of written notice of intent to terminate.
15 The department may notify the insurance carrier of a person with
16 previous policy abuses and require notice of termination of coverage
17 for the person. If the person whose coverage terminates fails to
18 provide the department with evidence satisfactory to it of the exist-
19 tence of (1) a motor vehicle liability policy issued in conformity
20 with AS 28.20.440; or (2) a certificate of self-insurance issued in
21 conformity with AS 28.400; or (3) cash, securities or a bond deposited
22 or filed with the department on the terms and conditions that will
23 provide the same benefits available under a required motor vehicle
24 liability policy, the department shall suspend the driver's license
25 and all registration certificates and registration plates issued to
26 the person until the person has provided the department with such
27 evidence.

28 (m) An insurance carrier authorized to transact business in the
29 state that issues a motor vehicle liability policy to the owner of a

*Paper work - how expensive?
Better to sign off judicial??*

1 motor vehicle under this section shall provide the owner with a card
2 indicating the existence of the policy. The operator of the motor
3 vehicle shall at all times carry in the vehicle the card indicating
4 the existence of the policy.

5 * Sec. 19. AS 28.20.490 is amended to read:

6 Sec. 28.20.490. MONEY OR SECURITIES AS PROOF. Proof of finan-
7 cial responsibility may be evidenced by the deposit of \$100,000
8 [\$25,000] in cash, or securities which are legal investments for
9 saving banks or trust funds having a market value of \$100,000
10 [\$25,000]. The department shall not accept a deposit unless accom-
11 panied by evidence that there are no unsatisfied judgments of any
12 character against the depositor in the recording district where the
13 depositor resides.

14 * Sec. 20. AS 28 is amended by adding a new chapter to read:

15 CHAPTER 22. MOTOR VEHICLE LIABILITY INSURANCE.

16 Sec. 28.22.010. MOTOR VEHICLE LIABILITY POLICY. (a) In AS 28.-
17 10.011, AS 28.15.011, and this chapter "motor vehicle liability
18 policy" means an "owner policy" or an "operator's policy" containing
19 an agreement or endorsement as provided in this section and issued by
20 an insurance carrier authorized to transact business in the state to
21 or for the benefit of the person named as insured.

22 (b) The owner's policy of liability insurance shall

23 (1) designate by description or appropriate reference all
24 vehicles that it covers;

25 (2) insure the person named and every other person using
26 the vehicle with the express or implied permission of the named insur-
27 ed, against loss from the liability imposed by law for damages arising
28 out of the ownership, maintenance, or use of the vehicle in th United
29 States or the Dominion of Canada, subject to limits exclusive of