

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2688 SLC HB 7 (FILE 6) - (FILE 7)

2688

ADD NEW SECTION WHERE APPROPRIATE

Sec. 28.15.081 is amended to read:

OK
 Sec. 28.15.081. Examination of applicants. (a) 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 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, (6) knowledge of the laws relating to financial responsibility, and the traffic laws and regulations of this state. The examination may include a demonstration of ability to exercise ordinary and reasonable control in driving 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 the department reasonably requires to determine fitness to safely drive a motor vehicle of the type and general class of motor vehicles for which the applicant seeks a license.

Motor Vehicle Law

ADD NEW SECTION WHERE APPROPRIATE to read

OK
 Prior to the effective date of all other sections of this act, the Department of Public Safety will conduct a public information campaign designed to educate the public about changes in the financial responsibility laws and potential penalties for failure to comply with the law. Motor Vehicle Law

(Note) The above section should have an effective date of 10/1/84

ADD NEW SECTION WHERE APPROPRIATE to read

At the time of application for registration, licensure or renewal of registration or license, the department shall provide the applicant, in writing, information detailing the state's financial responsibility laws and penalties for failure to comply with the law. Motor Vehicle Law

ADD NEW SECTIONS WHERE APPROPRIATE to read

FINANCIAL RESPONSIBILITY VERIFICATION. (a) The Department of Public Safety shall annually select for financial responsibility verification, on a random sample basis, at least 10% of the motor vehicles registered in the state which are required to maintain motor vehicle liability insurance. The department may emphasize verification of the financial responsibility of individuals who have been previously convicted of violating AS 28.22.030 (a) or whose certifications of financial

No 90,000 moving traffic violation

responsibility have previously been found to be incorrect.

(b) When a motor vehicle is selected for financial responsibility verification under (a) of this section, the department shall mail a letter and certification form to the registered owner of the motor vehicle notifying the owner that the owner's vehicle has been selected for financial responsibility verification and requiring that person to respond within 15 days and to certify the existence of a motor vehicle liability insurance policy which covers the vehicle in compliance with this chapter or the existence of some other means of satisfying the financial responsibility requirements of this chapter for the vehicle.

(c) The certification of financial responsibility required under this section shall be on a form prescribed by the department and shall require an applicant to provide such information as may be required by the department.

(d) The Department shall investigate all certifications returned to the department under this section. If the owner certifies the existence of a motor vehicle liability insurance policy covering the vehicle, the department shall forward the certification to the listed insurer to determine whether the certification is correct. An insurer shall notify the department within 15 days if the certification is incorrect. The department may also determine the correctness of certifications of other means of satisfying the financial responsibility requirements of this chapter for the vehicle.

(e) Failure of an owner to return the certification of financial responsibility to the Department within 15 days after mailing by the Department or a determination by the Department that a certification is not accurate constitutes reasonable grounds to believe that a person is operating a motor vehicle in violation of AS 28.22.030 (a) or has falsely certified the existence of means of satisfying the financial responsibility requirements of this chapter.

(f) When the department has reasonable grounds to believe that a person is operating a motor vehicle in violation of AS 28.22.030(a) or has falsely certified the existence of a motor vehicle liability insurance policy or the existence of some other means of satisfying the financial responsibility requirements of this chapter, the Department shall issue a certified letter to the owner demanding satisfactory proof from the person that the person meets the requirements of this chapter for financial responsibility. If a person does not provide such proof within 30 days after the date of mailing of the department's demand therefor, the person must, within 45 days after the date of such mailing, file with the department and thereafter maintain for a period of three years proof of financial responsibility required under AS 28.20. Failure to

provide such proof shall result in a penalty as provided by AS 28.22.030 (d) and (e).

(g) A denial of coverage, signed by an officer or agent of an insurer, returned to the department after inquiry from the department as to the accuracy of a certification of the existence of liability insurance or some other means of adequate financial responsibility as required by this chapter is prima facie evidence of false certification.

(h) No civil liability shall accrue to the insurer or any of its employees for reports made to the department under this section when the reports are made in good faith based on the most recent information available to the insurer.

(i) An insurer or any of its employees who knowingly fails to inform the department that a certification required under this chapter is incorrect or invalid or who knowingly provides false information regarding a certification commits a class B misdemeanor.

(j) The department shall provide the legislature with an annual report no later than February 1 beginning in 1986 detailing the number of verifications initiated and subsequent actions on verifications found to be invalid.

Public Safety required to furnish data to Div of Insurance to publish in book as required to under statute already.



Official Business

Alaska State Legislature

Pouch V
State Capital
Juneau, Alaska 99811

To: Conference Committee Members
From: Senator Frank R. Ferguson *FR*

Date: April 27, 1984

Re: House Bill 7

Attached is the 4-24-84 draft of CCS HB 7. Also, I have attached two changes to the bill which Rep. Hayes and Sen. Eliason find agreeable for inclusion in the conference committee bill.

The changes would be: reduce from one year to 90 days the time period for revocation of a driver's licence for the first offense; sunset the mandatory insurance provisions of the bill, four years after the effective date of the Act.

In addition, included is a letter of intent to provide that the Department of Public Safety shall report back to the legislature on any changes or recommendations on the law within two years from the effective date of the Act.

If you have any questions, please contact my office

TO: Conference Committee Members DATE: 27 April 1984

FROM: Frank R. Ferguson
Alaska State Senator

SUBJ: Proposed Amend-
ment on License
Suspension --
HB 7

Attached is a proposed substitute regarding the section on license suspension which has been drafted by the Department of Law.

Under the current House proposal, licenses would be suspended for one year for not being able to demonstrate proof of insurance. Limited driving privileges could be granted at any time.

The proposed amendment would change that in the following way:

First offense would have license suspension of 90 days.

Second offense would have a minimum of one year if the second offense occurs within ten years of the first offense.

Limited license privileges may be granted at any time if the person first files proof of financial responsibility and has not had the license suspended more than twice for failure to have insurance. Limited privileges would not be available to a person who has had a license suspended three times in ten years for failure to carry insurance.

The length of suspension generally follows the concepts used in the drunk driving laws passed last session.

PROPOSED CS FOR SECTION 13,
SEC. 28.22.240, AND SEC. 28.22.260
OF 4/24/84 DRAFT OF CONFERENCE CS FOR HB 7

Sec. 28.22.240. ADMINISTRATIVE SUSPENSION OF DRIVERS' LICENSES. (a) If a person fails to provide proof that motor vehicle liability insurance or a certificate of self-insurance was in effect at the time of an accident or when the person was charged with a violation of a traffic law described in AS 28.22.210, the department shall suspend the driver's license of that person for the following periods:

(1) not less than 90 days if, within the preceding 10 years, the person has not previously had their license suspended for violation of AS 28.22.200;

(2) not less than one year if, within the preceding 10 years, the person has previously had their license suspended one or more times for violation of AS 28.22.200.

(b) The suspension shall be consecutive to any other suspension required by law or imposed by a court.

(c) The department may grant limited license privileges for work purposed only to a person whose license has been suspended under AS 28.22.240, if

(1) that person has filed proof of financial responsibility for the future as required by AS 28.22.260;

(2) that person has not had their license suspended two or more times under AS 28.22.250 in the preceding 10 years;

(3) the department determines that the person's ability to earn a livelihood would be severely impaired if a limited license privilege is not granted; and

(4) the department determines that a limitation can be placed on the license that will enable the person to earn a livelihood without excessive danger to the public.

(d) The department imposing a limitation under this section shall

(1) require the surrender of the driver's license; and

(2) issue to the licensee a certificate valid for the duration of the limitation.

(e) After the termination of a limitation as shown in the certificate issued under (d) of this section, the license of a person on whom a limitation was imposed is suspended until the person receives a new license in accordance with AS 28.15.211(c).

(f) The department shall notify the licensee that the suspension becomes effective 30 days from the date of the notice and that the licensee has the right, within the 30-day period, to make an oral or written answer controverting any point or issue, or to present evidence and arguments for the consideration of the department.

(g) Upon receipt of an oral or written answer for the licensee, the department shall make findings on the matter under consideration writing by certified or registered mail. If the department's decision is to sustain an action against the licensee's driver's license, the department shall notify the licensee of the opportunity for a hearing under AS 28.05.121--28.05.141. Suspension of a person's license is stayed until final disposition of the hearing under this section.

Sec. 28.22.260. PROOF FOR THE FUTURE. (a) A person whose license is suspended under AS 28.22.240 must file proof of financial responsibility for the future under AS 28.20 before full driving privileges may be restored or limited license privileges are granted under AS 28.22.240(c).

(b) A filing of proof of financial responsibility under AS 28.20 shall be required for a period of three years following expiration of the suspension of license under AS 28.22.240.

To: Conference Committee members

From: Senator Frank R. Ferguson

Date: April 27, 1984

Re: House Bill 7

The following section should be added to sunset the mandatory aspects of this bill if that is desired.

ADD new section 19

Sec. 19. Sections 4, 5, 6, 13 and 16 of this Act are repealed January 1, 1989.

PROPOSED CONFERENCE COMMITTEE LETTER OF INTENT FOR HB 7

The Legislature directs the Department of Public Safety and the Department of Transportation to coordinate efforts toward the goal of implementing a procedure to more precisely determine how many Alaskan motorists drive uninsured.

The Department of Public Safety is also directed to compile statistics regarding the compensation of persons involved in traffic accidents toward the goal of determining what percentage of persons involved in accidents are adequately compensated for personal injury or property damage via insurance or other means available under the financial responsibility law.

Within 15 days of the convening of the first session of 15th Alaska State Legislature, the Departments of Public Safety and Law will report to the Legislature on the number of persons checked for insurance under the law and the disposition of those citations, the effect of the law in reducing the number of uninsured drivers and suggestions for changes in the mandatory law.

THE CASE AGAINST COMPULSORY AUTOMOBILE
LIABILITY INSURANCE

An Insurance Industry White Paper

THE CASE AGAINST COMPULSORY
AUTOMOBILE LIABILITY INSURANCE

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INTRODUCTION

It seems incongruous and illogical for the insurance industry to oppose a law forcing consumers to purchase an insurance product. One would assume that insurers would only be too willing to support legislation which could generate more sales and result in higher premiums for each policy sold.

Why, then, does a united insurance industry refuse to support state compulsory automobile insurance laws? Why do insurers oppose legislation requiring each person who owns and operates a motor vehicle to purchase liability insurance?

In truth, the economic self-interests of the insurance industry are not well-served by compulsory auto liability insurance. Nor are the economic self-interests of motor vehicle owners, taxpayers, or state legislators served by compulsory insurance laws.

Every interest group but one, the plaintiff's bar, faces economic risks with compulsory auto liability insurance. It costs everyone else money.

This joint industry statement explains why most insurers oppose enactment of compulsory insurance laws, and relates how these emotionally-appealing laws fail to meet the well-meaning intentions of legislators and constituents.

Cost-efficient, proven alternatives that overcome the deficiencies of compulsory automobile liability insurance do exist. A discussion of these alternatives--stricter Financial Responsibility Laws, Uninsured Motorist Protection and No-Fault Insurance--is included at the end of this statement.

THE ISSUE

The issue is: Should a person who owns and operates a motor vehicle be required by state law to purchase liability insurance?

Voluntary auto liability insurance is already available to interested drivers. It enables those who purchase it to protect their personal assets

against loss due to their negligent use of a motor vehicle. Auto liability coverage does not pay money to the driver who purchases it. It makes payments on behalf of the purchaser to any one he or she has negligently injured while driving.

The purpose of voluntary auto liability insurance is to provide financial security by protecting the assets of the purchaser. By contrast, compulsory auto liability insurance is intended, but fails to pay the damages sustained by those who might otherwise be involved in accidents with uninsured drivers. Compulsory insurance laws aim toward reducing the numbers of uninsured motorists. They require the purchase of automobile liability insurance coverage and make it a criminal offense to drive a motor vehicle without such coverage.

HISTORICAL BACKGROUND

Compulsory automobile liability insurance is not a new issue. It's been a topic of discussion for over 50 years. In 1927, Massachusetts became the first state to adopt compulsory auto liability insurance, but the approach proved unpopular with both legislators and insurers. It wasn't until 1956 and 1957 that two other states, New York and North Carolina, established compulsory liability insurance systems.

Other states refused to enact compulsory insurance measures primarily because of cost comparisons with Massachusetts, New York and North Carolina. The compulsory states were experiencing significant increases in the number and frequency of insurance claims, primarily resulting from the higher accident rates among the small percentage of formerly uninsured drivers who were abiding by the law and buying insurance. In the ten years following Massachusetts' enactment of compulsory insurance, its claim frequency per thousand insured vehicles had increased 33 percent, while the countrywide frequency declined 21

percent. A university of Michigan study found that the number of claims jumped 23 percent in New York and 35 percent in North Carolina in the first years after their compulsory systems went into effect. These increases were well above the estimated rise in the number of insured drivers. And, the increases were forcing safe and responsible drivers to pay higher insurance premiums.

The financial responsibility law was another principal reason for the failure of the early compulsory movement. During the nearly 30 years that elapsed between the first two state compulsory insurance laws, other states had turned to this more limited form of compulsion. Financial responsibility laws require certain individuals to prove--by posting a bond for a certain amount, by depositing cash or securities in that amount, or by another method stated in the law--that they will be able to pay damages that might be awarded to other accident victims. If they fail to do so, they face the possible suspension or revocation of their driving license for a certain length of time. Insurers nurtured and supported the financial responsibility law concept because they considered it to be a favorable alternative to compulsory liability insurance, and because it focused on those drivers actually involved in accidents, not on all drivers.

No new compulsory liability insurance laws were enacted until the 1970's. Twenty-seven states have turned to compulsory systems in the past decade. These states were not attempting to imitate existing successful compulsory insurance systems. There were none. In fact, Massachusetts, New York, and North Carolina each were facing massive paper blizzards in trying to keep track of uninsured motorists. Yet, they had little, if any, progress toward reducing the number of uninsured drivers.

For example, when New York enacted its mandatory rule in 1957, an estimated six percent of car owners didn't carry insurance. By 1979, the number of uninsured motorists had risen to 12 percent of all drivers in the

state. During the first ten years New York's law was in effect, it cost law-abiding drivers more than \$100 million and authorities were unable to point out any progress in enforcing compliance with the law. Regulatory authorities in Massachusetts and North Carolina were reporting similar horror stories.

The movement toward compulsory insurance in the 1970's instead can be attributed to the growth in popularity of "no-fault" laws. Most of the states implementing a compulsory liability insurance system in the past decade made this system part of an automobile no-fault insurance package. A majority of the automobile insurance industry supported automobile no-fault laws and it was generally accepted that eliminating certain tort rights required the substitution of a guaranteed benefit package. Little thought was given to the residual liability component of that package, but, as we now know it is possible to have guaranteed first party benefits without compulsory liability insurance.

Florida was among the states which made liability insurance compulsory when enacting a no-fault insurance plan in the early 1970's. In 1979 Florida repealed its compulsory automobile liability insurance requirement and now requires only the purchase of PIP (personal injury protection) coverage. Liability insurance is now purely voluntary coverage. Florida state legislators took this action to eliminate a growing number of unnecessary lawsuits and to lessen the financial burden for low-income citizens, who were being forced to purchase both liability insurance and no-fault insurance. Fully supported by the insurance industry, the Florida no-fault law is the only one of its kind in the United States.

Whether or not the compulsory systems were part of a no-fault system, they simply did not work. In 1980 and 1981, fourteen states introduced legislation to repair the enforcement procedures of their compulsory automobile insurance laws.

The 14 states are California, Connecticut, Florida, Kansas, Louisiana, Maryland, Michigan, Montana, New York, Pennsylvania, Texas, Utah, West Virginia and Wyoming. Additional states are considering the same action this year.

REASONS FOR OPPOSITION

Today, the insurance industry is largely opposed to compulsory automobile liability insurance. Its opposition is based on five major adverse effects of compulsory insurance.

Compulsory automobile liability insurance laws:

- Do not protect consumers against uninsured motorists because the laws are not enforceable.
- Are very costly to state government, motor vehicle owners and insurers.
- Force individuals to buy a product for which they have no need.
- Lead to unnecessary harassment of responsible drivers, who comprise a vast majority of the total driver population.
- Are more expensive and have more deficiencies than the cost effective, viable alternatives which are available.

Compulsory automobile liability insurance laws do not protect consumers against uninsured motorists because the laws are not enforceable.

Requiring every motorist to carry auto liability insurance sounds like a good idea. But in practice, it doesn't work. In state after state, compulsory automobile liability insurance systems have failed to meet their goals. Compulsory laws do not guarantee that innocent victims of accidents caused by uninsured motorists will be compensated for their injuries and financial losses; and they do not reduce the number of uninsured motorists on the road.

As a general rule, compulsory automobile liability insurance laws require that evidence of insurance be submitted to public authorities at least once a

year. Some compulsory insurance laws require motorists to produce evidence of insurance to register and license their automobiles. Others require a self-certification procedure under which motorists attest they have purchased and will maintain the required coverage.

Certificates of insurance or copies of policies in the state administrator's office or in the car mean nothing when there is a notice of cancellation for non-payment of premium at home. Irresponsible drivers can register their cars by purchasing insurance on an installment plan and refusing to make premium payments. Or a person can falsify evidence of insurance, register the vehicle out-of-state, or transfer ownership of the vehicle to avoid enforcement efforts.

Compulsory insurance laws require drivers to have insurance; they do not attempt to define hazardous drivers. They do not provide government with the means to remove high hazard drivers from the road. Even if a state somehow were to achieve the impossible, and every resident motor vehicle was insured, responsible motorists would still lack protection against the following types of irresponsible drivers: operators of stolen cars, uninsured out-of-state drivers, hit-and-run drivers, uninsured motorists whose licenses or registrations have been suspended, or newly arrived residents whose cars are still registered in another state.

Enforcing compulsory automobile liability insurance is a costly, largely inefficient exercise in futility in most states. Compulsory insurance laws will not have a long-term impact on the number of uninsured drivers unless a state's law enforcement, motor vehicle and insurance regulatory agencies are well-financed, well-staffed and highly efficient. A compulsory insurance system requires a state to maintain and police millions of pieces of paper a year. It must conduct random file checks and spot checks for both insured and

uninsured drivers. Such operations are wasteful and inefficient. They squander time and money on the overwhelming percentage of motorists who are already insured.

Compulsory states can expect to be inundated with a blizzard of forms the very first month of operation under a compulsory insurance system. Moreover, the paper-tracking problem grows worse each year. When New York initiated its compulsory insurance system in 1956, the Department of Motor Vehicles immediately found itself buried under six million forms sent to it as evidence of insurance. In no time, the Department was further swamped with changes from new registrations, cancellations and terminations of insurance, changes of vehicles, changes in insurance companies, and name changes. At one point, it was estimated that 80 percent of the 25,000 registration revocation notices sent out by the New York Department each month were incorrect or obsolete by the time they had been mailed.

In no compulsory state have there been any significant post-registration law enforcement efforts simply for insurance purposes. States are understandably reluctant to allocate already scarce crime-fighting resources to track down uninsured motorists. Highway patrolmen are not eager to divert their attention from monitoring the toll of highway injuries, deaths and property damage in order to pull uninsured motorists off the road. Regulatory authorities do not have the financial resources to follow-up, identify, and punish the insurance-avoider after receiving notice of termination.

Pennsylvania and New York are just two of the compulsory states facing monumental difficulties trying to enforce their compulsory systems. The Insurance Federation of Pennsylvania estimates that because of loopholes in enforcement, from 800,000 to 2,000,000 motorists are able to obtain their license plates without having insurance or are able to cancel coverage once the

registration is issued. The director of Pennsylvania's Traffic Safety Bureau has admitted that the 40,000 notices coming in from insurance companies each month on cancellation or lapses are just too much for his staff to handle.

New York faces similar enforcement problems, even though it switched to a self-certification system in 1974 to cut the \$7-million-a-year cost of enforcing its compulsory law. According to recent figures, self-certification is still costing New Yorkers about \$4 million a year and is proving to be as ineffective as the original enforcement procedures. A study by the University of Michigan, made seven years after New York passed its compulsory law, found that there were twice as many uninsured drivers on the roads as there were before the law was passed. Today, it is estimated that New York's uninsured motorist population is at least 15 to 20 percent.

The courts are also reluctant to rigidly enforce automobile liability insurance systems. Most drivers charged with driving without insurance can bargain their way out of a conviction. A majority of state laws provide for a fine and/or prison term for convicted uninsured motorists; but few, if any, uninsured motorists are ever jailed for their crime, no matter what human or property damage they have caused.

Some states have sought to avoid additional costs by omitting any provisions for enforcement from their compulsory laws. They simply declare it unlawful to drive without insurance. However, the press and public soon discover how many irresponsible drivers are still without insurance and they demand stricter enforcement. People justly believe that once a law is on the books, it should be enforced.

The unfortunate thing about a compulsory insurance law is that enforcement, no matter how strict, does little to reduce the number of uninsured drivers on the road. The irresponsible driver is not going to carry

insurance no matter how many certificates he's required to furnish. The driver with very few significant assets to protect is not going to carry insurance because he has no real need for it. Toughening enforcement of a compulsory automobile liability system simply increases insurance costs and adds another layer of expensive government bureaucracy.

Compulsory automobile liability insurance laws are very costly to state government, motor vehicle owners, and insurers.

Why are insurers opposed to a law that forces consumers to buy their product? A major reason is cost. Compulsory insurance means higher costs to state government, motor vehicle owners, taxpayers, and the insurance industry and its policyholders.

Coupled with these higher costs is the problem that very few people benefit from compulsory insurance. Compulsory systems do not guarantee that all drivers on the road are insured. They therefore cannot protect the innocent responsible driver from loss of property or injuries suffered in accidents caused by uninsured motorists. To pay higher costs for a system that does not achieve its goals makes little economic sense.

The cost to consumers of compulsory insurance can be demonstrated by comparing insurance rate levels in states with compulsory systems to rate levels in comparable states without compulsory insurance. Six states that have adopted compulsory insurance in the last ten years were selected for the comparison.

The states and the dates they adopted compulsory liability insurance are California, Jan. 1, 1975; Louisiana, July 1, 1978; Maryland, July 1, 1973; Oklahoma, Dec. 11, 1976; Oregon, Jan. 1, 1976; and South Carolina, Oct. 1, 1974.

Each of the six compulsory insurance states was compared with three similar states which had not adopted compulsory insurance during the specified time period. The analagous states were chosen for their similarity to a compulsory state in demographic characteristics, geographic characteristics and the number of insured vehicles. The results of the comparison survey are shown in the Appendix.

In every instance, the increase in the insurance rate level in the compulsory state was higher than the rate level increases in any of the three comparison states. A reason for the significant increases in the compulsory states is the fact that everyone, including the highest risk drivers, are required to purchase insurance. Although the compulsory systems do not achieve their goal of insuring every motorist, the small percentage of bad-risk, previously-uninsured motorists brought into the system does affect insurance rates.

These few high-risk drivers raise insurance rates for both good and bad drivers. The responsible, insured driver, who already comprises a vast majority of the total driver population, finds himself paying more for his insurance because a few high-risk motorists have been forced to purchase insurance.

Compulsory insurance not only raises insurance costs for responsible drivers, but it also increases government costs. The state of New York has spent over \$9 million in one year in order to enforce its compulsory insurance law. Despite the high expenditure, a significant portion of the population of New York is still uninsured. In fact, a New York Department of Motor Vehicles survey estimated that in 1979, close to a half million registered vehicles in the state were uninsured.

States with compulsory insurance systems pay a high price to obtain a very small percentage increase in the number of insured motorists. California's

state government spent over \$2.3 million to increase the percentage of insured drivers by five percent. Maryland taxpayers had to provide \$1.5 million to achieve the same, unimpressive five percent gain to insured motorists. The people of South Carolina paid \$1.3 million to increase the number of insured drivers in their state by eight percent.

If a state is serious about a compulsory insurance law, it should be prepared to pay the costs of administering and enforcing it. North Carolina is one of the few states that has made an effort to allocate enough money to enforce its compulsory law. Two years ago, North Carolina's compulsory program, supervised by the Department of Motor Vehicles, was totaling approximately \$1.3 million a year. In addition, the record-keeping was done by a computer system at a cost close to \$1.6 million a year, and the state employed 50 state policemen to pick up about 19,000 license plates a year at a cost of \$500,000. States larger than North Carolina can expect to face an even heftier tab to enforce and administer a compulsory system.

Insurance companies also suffer higher costs under compulsory insurance. If a compulsory system is to be effective, regulatory authorities must be informed when people terminate their insurance coverage or when an insurer cancels or non-renews. The notice of termination procedure can prove to be extremely burdensome and costly to insurers. Compulsory systems require increased man-hours and more computer time. Claim frequency, average claim cost and claim fraud all tend to increase under compulsory insurance systems. The industry prefers to allow drivers to insure themselves voluntarily. When irresponsible high-risk drivers are legally coerced into covering themselves, they take only minimum coverage; they pay as slowly as possible, and they add greatly to clerical procedures.

In these times of rising inflation and uncertain economic conditions, imposing the higher costs of compulsory insurance on the public only increases

the burden the responsible driver must carry. In return for this burden the responsible, already-insured motorist receives virtually nothing in the way of benefits. He could receive real benefits and genuine protection against uninsured motorists from any of the less-costly, more efficient alternatives to compulsory insurance.

Compulsory automobile liability insurance laws force individuals to buy a product for which they have no need.

Automobile liability insurance is designed to be voluntary in nature. The vast majority of drivers need liability insurance and recognize the wisdom of purchasing it to protect their personal wealth and assets. Most people buy liability insurance for the same reason they purchase auto theft and collision coverage -- to protect themselves against insurable losses.

Certain drivers, however, would rather not purchase liability insurance. The reasons people give for not insuring their automobiles vary. A 1981 study by the All-Industry Research Advisory Council asked households with one or more uninsured vehicles why the vehicles happened not to be insured. Forty percent of the people surveyed mentioned cost considerations as the reason for the vehicles not being insured. Sixteen percent said the car is not currently in use, 14 percent said the car is not operable and five percent replied that they had just bought the car. Other reasons, cited by less than one percent of the households each, included: not interested in insurance; car is not worth it; expect to sell car soon; policy cancelled by company; no need for insurance, and car is too old.

Obviously, there are drivers who cannot realistically afford liability insurance in view of their personal financial situation. As a practical matter, the economically disadvantaged have less real need for liability insurance because they have fewer assets to protect and tend to be

judgment-proof. For these persons, even low hazard drivers, low limits on liability insurance are considered expensive. In addition, such persons understandably are reluctant to pay high premiums relative to their income for a policy designed for the protection of strangers.

Requiring economically disadvantaged persons to purchase auto liability insurance will not compel them to do so. A study of the uninsured motorist problem in California, which has a compulsory liability system, found that those who are violating the law were predominately the economically disadvantaged. Entitled Profile of Uninsured Motorists in California, the report disclosed that zip code zones with high rates of uninsureds had significantly lower median incomes and more poverty level persons than zip code zones with a low rate of uninsured drivers.

The insurance industry strongly supports the competitive marketplace. An important characteristic of the competitive marketplace is the buyer's right to reject a product. Compelling an individual to purchase a product for which he has no real need weakens the competitive marketplace.

Compulsory automobile liability insurance laws lead to unnecessary harassment of responsible drivers, who comprise a vast majority of the total driver population.

Citizens have complained in recent years that government is interfering more and more in their everyday lives. The 1980 election results have commonly been interpreted as a clear message to all elected officials that their constituents want less, rather than more, government. Compulsory auto liability insurance laws violate this mandate. Compulsory insurance cannot be properly implemented and enforced without creating additional layers of government bureaucracy at an immense cost.

Compulsory insurance laws prove to be unworkable and burdensome when state agencies attempt to apply the enforcement and administrative procedures on a practical basis. Regulatory authorities often are not properly equipped or given sufficient funds to process the large volume of necessary forms and inquiries generated by the law. The majority of responsible drivers become unnecessarily harassed due to bureaucratic inefficiencies and foul-ups. This is an inevitable side-effect of the compulsory auto liability insurance system.

A November, 1982 report by the Pennsylvania Department of Transportation found that the state received 185,547 cancellation or termination notices from insurers in 1980. But only 4.8 percent of those responding to inquiries concerning their insurance status by the Bureau of Traffic Safety Operations were found to be uninsured. That means that thousands of responsible, insured motorists were unduly harassed by a state authority in its efforts to enforce the state's compulsory insurance law.

Nowhere is this harassment problem more clearly evident than in West Virginia, where a particularly burdensome compulsory liability insurance law was enacted in late 1981. From October 1, 1981 through January 1982, the Department of Motor Vehicles had mailed out 196,000 notices of driver license cancellations. It is estimated that 95 percent of those notices went to persons who had never let their insurance policies lapse.

West Virginia insurers are required under the new law to notify the Department of Motor Vehicles (DMV) when policies are about to expire. The DMV, in turn, must mail those persons notices of license cancellation. Problems are occurring because DMV cancellation notices and owners' premium payments are crossing in the mail. The insured car owner who has paid his premium often simply disregards the cancellation notice. He fails to realize that he is still required to submit a new certificate of insurance to DMV. Then the DMV doesn't receive the notice, it issues a license pick-up to the state police.

To date, more than 2,500 orders have been issued. The DMV admits that most of the pick-up orders were mistakes and imposed on responsible individuals who had insurance on their cars but simply disregarded the notice.

According to officials in the West Virginia DMV, the law has resulted in a mountain of paperwork and has created unnecessary hassles for many premium-paying citizens. The Department had to ask the legislature to revise the law to correct the administrative debacle. Remedial legislation was enacted in 1982 and the legislature will have to continue making improvements in the compulsory law in 1983. Other states also have had to amend their compulsory laws over the last couple of years, including Colorado, Kansas, Louisiana, Montana, New York and Oklahoma.

One prominent West Virginia legislator, William Carmichael, was quoted as saying, "I don't remember anything this legislature has ever passed that has upset the citizens of this state as much as the compulsory law has." The legislator further observed that "support for compulsory insurance has dropped among my constituents."

Provisions in compulsory insurance laws requiring evidence of insurance also result in public harassment. Many compulsory states require the motor vehicle owner to provide evidence of insurance upon registration of the vehicle. Proof-of-insurance forms, such as certificates of insurance or prescribed identification cards, are a constant nuisance for responsible drivers and easily circumvented by insurance dodgers.

Certificates of insurance are issued by the insurance company for the insured to submit when registering his vehicle. Such certificates inevitably generate even more certificates. Communications between the public, the insurance industry and the regulatory authorities snowball in a futile attempt to identify the uninsured registrant. With each additional transaction, the

likelihood that a form will be issued by mistake or lost intensifies. It's the responsible motorist who often falls prey to these administrative blunders.

Prescribed identification cards, which are provided upon the issuance and renewal of a policy, have also proven to be a problem. Payments or renewal premiums are frequently delayed, so the responsible insured motorist is harassed unnecessarily.

West Virginia isn't the only state in which responsible insured drivers are harassed and frustrated by an unwieldy and burdensome compulsory law. During the first 15 years of New York's compulsory liability law, insurers were required to notify the New York Bureau of Motor Vehicles whenever coverage had been cancelled. Every time a policyholder was late sending in his payment, every time the premium was delayed by the mail, or even when the policyholder decided to change companies, the insurance company was required to notify the DMV. The DMV then sent a notice to the insured threatening to pick up his plates. This naturally angered a lot of responsible insureds, who would fire off irate letters to their insurance companies asking why they had wrongly informed the DMV that they lacked coverage. In 1973, these notice requirements were dropped, but were ill-advisedly reinstated in 1981.

In summary, efforts by state regulatory authorities to achieve total compliance with the compulsory law results in the unnecessary harassment of the majority of drivers who are financially responsible.

Compulsory automobile liability insurance laws are more expensive and have more deficiencies than the cost-effective, viable alternatives which are available.

Among the cost-effective alternatives to compulsory insurance are improvement of Financial Responsibility laws, Uninsured Motorist Protection, and No-Fault Auto Insurance.

IMPROVED FINANCIAL RESPONSIBILITY LAWS

Financial Responsibility laws require certain individuals to prove they will be able to pay damages that might be awarded to other accident victims. Generally, they can show proof with a liability insurance policy providing minimum required benefit limits, by posting a bond for the same amount, or by depositing cash or securities in that amount. If they fail to do so, they face the possible suspension or revocation of their driving license for a certain length of time.

Today, Financial Responsibility laws requiring security for past accidents and proof of financial responsibility for future accidents are in effect in all of the noncompulsory insurance law states. This cost-effective, viable alternative to compulsory insurance is already in place; there's no need to consider or enact new legislation. By making improvements in their state's current Financial Responsibility Law, legislators can develop a workable plan that would protect insured motorists more effectively, cost less, and involve fewer administrative and enforcement hassles than would a compulsory liability insurance system.

Financial Responsibility (FR) Laws have other distinct advantages over compulsory liability insurance laws. A compulsory auto liability law is directed at all motorists regardless of traffic convictions or accident involvement. By comparison, FR laws only apply to a limited group of motorists: those who are serious traffic law offenders, those who cause major automobile accidents, and those who are financially irresponsible due to their inability to reimburse others for damages they have caused. FR laws do not affect motorists indiscriminately. They focus only on drivers who deserve close surveillance because of their past driving irregularities.

Because FR laws do not apply to all drivers, the cost of enforcement is greatly reduced, insurance company operating costs are cut, and the great

majority of responsible motorists are not harassed by state efforts to enforce compulsory insurance. Under FR laws, state pressure is not automatically exerted on motorists who cannot afford to buy insurance and those who have no need for liability coverage.

A compulsory insurance law may, and generally does, affect only drivers registering their motor vehicles. Even then it may apply on a limited basis to only the in-state registrants of certain types of motor vehicles, such as private passenger cars. A Financial Responsibility Law, on the other hand, can apply to any motorist regardless of whether his vehicle is registered in-state or out-of-state, and regardless of the type of vehicle involved, private passenger or commercial.

In comparison to a compulsory insurance law, a well-enforced Financial Responsibility Law is far less costly to administer and just as effective in dealing with irresponsible drivers in the state. However, an FR law cannot be effective if the state agency responsible for administering the law is not receiving the information necessary for proper enforcement. The monetary threshold for those property damage accidents which the driver are required to report to the state should be no higher than \$200 or \$250. Increasing the monetary accident reporting threshold will reduce the number of accident reports processed and allow many irresponsible drivers to escape early detection, surveillance and state penalties.

In addition to preserving the value of accident reporting data, the state should make certain it is receiving data on all traffic violations, police reports, and court judgments required by law. Measures must be adopted to compel law enforcement and court officials to submit any required accident/violation and judgment/conviction data to the appropriate state driver control agency.

Greater attention should be focused on processing the Financial Responsibility filings and traffic record/court record data in a more timely fashion. A state should be certain the equipment and manpower available to its Motor Vehicle Department is being used effectively and efficiently. The enforcement of the Financial Responsibility law should not be second priority to the compilation of traffic and accident statistics or other record-keeping responsibilities.

UNINSURED MOTORIST PROTECTION

Individuals should be concerned about their liability for damages to others, but many motorists either have no assets to protect or are unwilling to purchase liability insurance and therefore go uninsured. To protect the innocent, responsible person against a loss covered by an uninsured motorist, insurance companies provide Uninsured Motorist Coverage (UM). This coverage is designed to pay for bodily injury damages to the policyholder caused by an uninsured motorist. If the policyholder's car is struck by an uninsured vehicle, the insured's loss is covered under the Uninsured Motorist portion of the policy. Reasonable premiums are charged for this coverage.

Every state with a compulsory liability insurance law also requires insurers to offer coverage. The fact that legislators feel compelled to make this protection available to drivers demonstrates that they do not trust the effectiveness of a compulsory liability insurance system. They are acknowledging that a compulsory system does not protect responsible, insured drivers from losses suffered in accidents with uninsured motorists.

Most drivers in compulsory states do indeed buy the UM coverage for added low-cost protection against loss. These responsible drivers therefore carry a double economic burden by paying premiums for UM coverage, and by bearing the cost of enforcing a compulsory insurance law.

By purchasing Uninsured Motorist coverage, a motorist is guaranteeing that all future drivers and passengers in the insured auto will be protected from losses caused by an irresponsible, uninsured motorist or a hit-and-run driver. Compulsory liability insurance cannot make such guarantees.

NO-FAULT INSURANCE

No-Fault insurance is a system which enables auto accident victims to recover benefits regardless of fault. This is not possible through compulsory automobile liability plans which fail to adequately address the problem inherent in the tort system and fail to guarantee recovery of losses. The U.S. Department of Transportation reports that almost 55 percent of those seriously injured in auto accidents get absolutely nothing from automobile liability insurance. No-Fault insurance relieves the financial suffering of those drivers involved in accidents with uninsured motorists.

No-Fault also eliminates lawsuits arising from smaller, relatively trivial claims and provides prompt payment for injuries to those needing the money most. By contrast, the compulsory auto liability system would continue indefinitely one of the common complaints of the present tort system, providing extra-ordinarily large claim awards for relatively minor injuries. Under no-fault, the recovery benefits are spread more evenly, making certain that all claimants receive adequate compensation.

It is little wonder that the no-fault method of compensating victims of uninsured motorists has enjoyed a lot of popular appeal over the past ten years. Virtually every segment of the insurance industry and representatives of major consumer groups support state no-fault plans, praising no-fault's advantages. These advantages include:

A reduction in the volume of lawsuits.

An end to the incentive toward exaggerating injuries.

A quick and efficient method of payment directly to the accident victim.

An end to the need for determining the negligence in any given accident.

A better distribution of the insurance premium dollar.

Coordination of benefits, with provision for prompt rehabilitation.

Stabilization of auto insurance costs.

Although this particular battle may be over for now, the trial lawyers who so often support compulsory liability insurance ought to be aware that the promotion of compulsory liability insurance is also an invitation to consumers and the public to re-open the no-fault insurance issue.

CONCLUSION

In summary, the insurance industry's opposition to compulsory automobile insurance systems is based on sound logic. Compulsory insurance laws are expensive, ineffective, and do not fulfill the well-intentioned goals set by the lawmakers who create them. State legislators concerned with protecting innocent drivers from financial blows suffered in accidents caused by uninsured motorists should consider exploring and implementing alternatives to compulsory systems, such as, stricter Financial Responsibility Laws, Uninsured Motorist Protection and No-Fault Insurance. The alternatives can and do provide more certain compensation to a greater number of responsible drivers, without trying to force everyone to buy a product which they may or may not want.

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.

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H B

7

7

Re: % of vehicles uninsured involved
in accidents

Oregon - 6% uninsured - doesn't matter who is
at fault

Ak - 6% - 7% uninsured and at fault
(19% uninsured involved in an accident)
(40% uninsured statistic is based on
vehicles reg compared to car yrs for
insurance - ~~ie~~ # of mths covered - 12 cars
getting insurance in Dec = 1 car yr +
NOT 12 cars insured)
Bill Brown - Motor Vehicles - 4335

Florida - 23% uninsured based on similar method
as Ak. - apparently no statistics are
available as to # of uninsured involved
in accidents.



04972

STATE OF ARKANSAS
LEGISLATIVE COUNCIL
315 STATE CAPITOL
LITTLE ROCK
72201

COMPULSORY AUTO LIABILITY INSURANCE; ISSUES AND INFORMATION

A REPORT PUBLISHED
BY
THE BUREAU OF LEGISLATIVE RESEARCH

Staff Report 80-42
August 7, 1981

I Basic Types of Liability Laws

Five basic types of liability laws are now in force throughout the United States. The first is the Financial Responsibility law of which there are two types. Minimum requirements of financial responsibility are shown in terms of amount applicable to death or injury of one person, death or injury of more than one person, and property damage. Arkansas Statutes 74-1444 provides for limits of \$10,000 for death or injury of one person, \$20,000 for death or injury of more than one person, and \$5,000 for property damage. The Security-type laws require that, following report of an accident, each driver or owner of the vehicles involved show his ability to pay any damages which may be charged to him in subsequent litigation or negotiation arising out of the accident. Arkansas Statute 75-1418 requires the driver of a vehicle involved in an accident causing damage in excess of two hundred and fifty dollars (\$250.00) to report the accident to the Department of Revenue within thirty (30) days following the accident. Security must be posted at that time. Evidence of security can be provided in any of the following ways:

1. Showing that there was, at the time of the accident, an automobile liability policy in effect in at least the amounts prescribed by statute;
2. Posting a bond for those amounts;
3. Depositing with State authorities money or securities equalling the stipulated amounts;
4. Proving the person is self-insured.

The "Future-Proof Type" law requires a similar showing of financial responsibility be made by persons who have been convicted of certain serious traffic offenses or who have failed to pay a judgment against them for damages arising out of an accident. It should be noted that financial responsibility laws are not compulsory insurance. They provide that following certain occurrences, proof must be given of the ability to respond in damages. One of the ways to show proof is through evidence of an automobile liability insurance policy. Financial responsibility laws are invoked or become effective in any one of three situations.

1. Following an automobile accident involving bodily injury, or involving property damage to the property of any one person exceeding a stipulated amount. (\$250.00 or more in Arkansas)

2. As a result of conviction for certain offenses (reckless driving) or for an excessive number of convictions.
3. Failure to pay final judgment arising from an accident.

For accidents, requirements usually call either for "security for the current accident" or for "security for the current accident plus proof of future financial responsibility".

A detailed summary of the financial responsibility laws of other states is contained in Table I.

A second type of liability law has been enacted in twenty-four (24) states. This is the so-called "No-Fault" type of automobile insurance statute. Under no-fault plans the owner of the vehicle looks to his own insurance company for reimbursement for damages which is sustained in an accident rather than having to go to court and prove that the other party caused the accident. Most plans cover only bodily injury, and not vehicle damage. Most plans specify a minimum amount or "threshold" below which tort suits for general damages are barred. Once the "threshold" amount is reached in terms of the damages suffered, the motorist is permitted to institute a suit to recover general damages. The no-fault insurance is usually compulsory. The no-fault plan in Arkansas is provided by attaching the Personal Injury Protection Endorsement (P.I.P.) to the policy. The Arkansas plan is optional, or "add-on" plan because an accident victim still retains the right to sue a negligent driver regardless of the amounts of benefits collected under the no-fault coverage. A summary of the basic provisions of the various no-fault laws in effect are contained in Table II.

A number of states have experimented with a third type of liability law, the so-called "Unsatisfied Judgment Funds". The state operated funds are commonly financed with fees from motorists who are unable to provide evidence of insurance when they register their vehicles, or from assessments levied on automobile insurance companies. New Jersey, New Mexico and North Dakota have this type of liability law.

A fourth type of liability law, "Uninsured Motorist Law", has been enacted in many states. These laws generally require insurance companies to offer, as a part of their basic policy, coverage against potential damages by motorists who are not insured. A majority of states provide that uninsured motorist coverage is at the option of the insured. Arkansas is one of the "optional" states. Table III contains additional detail.

II COMPULSORY INSURANCE

A fifth type of liability law, "Compulsory Insurance", requires that motorists file proof of financial responsibility prior to annual vehicle registration as a condition of vehicle registration. Twenty-three (23) states have presently enacted statutes requiring liability insurance. Similar legislation was proposed in Arkansas at the Seventy-First General Assembly in 1977. House Bill 17 would have required compulsory liability insurance to the amount of at least ten thousand dollars (\$10,000.00) on account of injury or death to any one person, twenty thousand dollars (\$20,000.00) for more than one person, and five thousand dollars (\$5,000.00) for property damage. The bill proposed that a certification of insurance be issued by the insurance company which was to be submitted to the Commissioner of Revenues at the time of registering a motor vehicle. Table IV contains detailed information on enforcement and certification procedures concerning compulsory liability insurance in the various states.

Comparative rate data in terms of comparing Arkansas with other states is a difficult task. States do not have the same liability limits and every state is unique in loss ratios and exposure. The rates for automobile insurance contained in Table V should therefore be looked at as representative rates in the various states.

TABLE I

State	Compul- sory Liability Insurance	Liability Limits	FINANCIAL RESPONSIBILITY LAWS									Termina- tion Notice to Depart- ment
			ACCIDENTS INVOKING LAWS						EVIDENCE REQUIRED			
			Minimum Property Damage	Requires Security (S), Proof (P) from Driver (D), Owner (O)	Regard- less of fault?	Applicable to accidents in other states?	INSURANCE IN EFFECT?		P - Proof of future responsibility Sec - Security Sat - Satisfaction of judgment Figures - Number of years required			
							Information required in accident report?	Verification required from insurer? (* - Only if policy not in effect)	After Accident	After Conviction	After Judgment	
ALABAMA	No	10/20/5	\$ 50	S - D&O	Yes	Yes	Yes	Verification*	S	P-3	Sat. & P-3	10
ALASKA	No	25/50/10	\$200	S&P - D&O	No	Yes	Yes	Verification*	S&P-3	P-3	Sat. & P-3	10
ARIZONA	No	15/30/10	\$300	S&P - D&O	Yes	Yes	Yes	Verification*	S&P-3	P-3	Sat. & P-3	10
ARKANSAS	No	10/20/5	\$250	S&P - D&O	No	Yes	Yes	Verification	S	P-3	Sat. & P-3	10
CALIFORNIA	Yes*	15/30/5	\$250	P - D&O	Yes	Yes	Yes	Verification	P-3	P-3	Sat. & P-3	10
COLORADO	Yes	15/30/5	\$100	S&P - D&O	No	Yes	Yes	Verification	S&P-3	P-3	Sat. & P-3	10

*Requires every driver and owner of a motor vehicle to maintain proof of financial responsibility. Violation is an infraction and punishable by a fine up to \$100.

TABLE I (CONTINUED)

State	Compulsory Liability Insurance	Liability Limits	FINANCIAL RESPONSIBILITY LAWS									Termination Notice to Department
			ACCIDENTS INVOKING LAWS						EVIDENCE REQUIRED			
			Minimum Property Damage	Requires Security (S), Proof (P) from Driver (D), Owner (O)	Regardless of fault?	Applicable to accidents in other states?	INSURANCE IN EFFECT?		P - Proof of future responsibility Sec - Security Sat - Satisfaction of judgment Figures - Number of years required			
							Information required in accident report?	Verification required from insurer? (* - Only if policy not in effect)	After Accident	After Conviction	After Judgment	
CONNECTICUT	Yes	20/40/5	\$400	S - D&O	No	Yes	Yes	Verification*	S(a)	P-3	Sat.	10
DELAWARE	Yes	10/20/5	\$250	S - D&O	Yes	No	Yes	Verification	S(c)	P-3	Sat. & P-3	No prov.
DISTRICT OF COLUMBIA	No	10/20/5	\$100	S - D&O	Yes	Yes	Yes	Verification	S	P-3	Sat. & P-3	10
FLORIDA	Yes	10/20/5	\$500	S&P - D&O	Yes	Yes	Yes	Verification*	S&P-3	P-3	Sat. & P-3	10
GEORGIA	Yes	10/20/5	\$100	S&P - D&O	Yes	Yes	Yes	Verification	S&P-1(b)	P-1(b)	Sat.	20
HAWAII	Yes	25/unlimited/10	\$100	S - D&O	Yes	No	Yes	Verification	S	P-3	Sat. & P-3	10

* Requires every driver and owner of a motor vehicle to maintain proof of financial responsibility. Violation is an infraction and punishable by a fine up to \$100.

(a) If the provisions of foreign motor vehicle financial responsibility law or motor vehicle compulsory insurance law requires insurance in greater limits, then

the limits of the company's liability and the kinds of coverage afforded by the policy shall be as set forth in such law

(b) Second time proof required it shall be maintained for 3 years.

(c) Security Deposit not required in the case of accident by licensed driver involved

TABLE I (CONTINUED)

State	Compul- sory Liability Insurance	Liability Limits	FINANCIAL RESPONSIBILITY LAWS									Termination Notice to Department
			ACCIDENTS INVOKING LAWS						EVIDENCE REQUIRED			
			Minimum Property Damage	Requires Security (S), Proof (P) from Driver (D), Owner (O)	Regard- less of fault?	Applicable to accidents in other states?	INSURANCE IN EFFECT?		P - Proof of future responsibility Sec - Security Sat - Satisfaction of judgment Figures - Number of years required			
							Information required in accident report?	Verification required from insurer? (^o - Only if policy not in effect)	After Accident	After Conviction	After Judgment	
IDAHO	Yes	10/20/5	\$100	S - D&O(a)	Yes	Yes	Yes	Verification	S(a)	P-3	Sat. & P-3	10
ILLINOIS	No	10/20/5	\$250	S - D&O	No	Yes	Yes	Verification ^o	S(b)	P-3	Sat. & P-3	10
INDIANA	No	15/30/10	\$200	S&P - D&O(d)	Yes	No	Yes	Verification	S&P-2(c)	P-3	Sat. & P-3	10
IOWA	No	10/20/5	\$250	S - D&O	Yes	No	Yes	Verification ^o	S	P-3	Sat. & P-3	10
KANSAS	Yes	15/30/5						Verification ^o				
KENTUCKY	Yes	10/20/5										10
LOUISIANA	No	5/10/1	\$200	S&P - D&O(a)	Yes	Yes	Yes	Verification ^o	S&P-3	P-3	Sat. & P-3	10

^o Requires every driver and owner of a motor vehicle to maintain proof of financial responsibility. Violation is an infraction and punishable by a fine up to \$100.

(a) When license restored after lapse of 1 year without suit, proof must be given for 3 years.
(b) Minimum security \$250.

(c) Requirement of proof discretionary.
(d) Discretionary as to owner.

(e) Registration of owner not suspended where not legally liable.

TABLE I (CONTINUED)

State	Compul- sory Liability Insurance	Liability Limits	FINANCIAL RESPONSIBILITY LAWS									Termin- ation Notice to Depart- ment
			ACCIDENTS INVOKING LAWS						EVIDENCE REQUIRED			
			Minimum Property Damage	Requires Security (S), Proof (P) from Driver (D), Owner (O)	Regard- less of fault?	Applicable to accidents in other states?	INSURANCE IN EFFECT?		P - Proof of future responsibility Sec - Security Sat - Satisfaction of judgment Figures - Number of years required			
							Information required in accident report?	Verification required from insurer? (* - Only if policy not in effect)	After Accident	After Conviction	After Judgment	
MAINE	No	20/40/10	\$200	S&P - D&O	No	Yes	Yes	Verification*	S&P[1]	P-3	Sat. & P-3	10
MARYLAND	Yes	20/40/5									Sat.	
MASSACHU- SETTS	Yes	5/10/5									Sat. (P.O.)	
MICHIGAN	Yes	20/40/10								P-3	Sat. & P-3	10
MINNESOTA	Yes	25/50/10										
MISSISSIPPI	No	10/20/5	\$100	S&P - D&O	Yes	Yes	Yes	Verification*	S&P-3	P-3	Sat. & P-3	5
MISSOURI	No	10/20/2	\$100	S - D&O	No	Yes	Yes	Verification*	S	P-2	Sat. & P-2	10
MONTANA	No	25/50/5[2]								P-3	Sat. & P-3	10

*Requires every driver and owner of a motor vehicle to maintain proof of financial responsibility. Violation is an infraction and punishable by a fine up to \$100.

[1] Proof requirement may be waived 3 years after accident.

[2] Limits for certified policy. Policy with limits of 10/20/5 is sufficient to avoid suspension.

TABLE I (CONTINUED)

State	Compulsory Liability Insurance	Liability Limits	FINANCIAL RESPONSIBILITY LAWS									Termination Notice to Department
			ACCIDENTS INVOKING LAWS					EVIDENCE REQUIRED				
			Minimum Property Damage	Requires Security (S), Proof (P) from Driver (D), Owner (O)	Regardless of fault?	Applicable to accidents in other states?	INSURANCE IN EFFECT?		P - Proof of future responsibility Sec - Security Sat - Satisfaction of judgment Figures - Number of years required			
							Information required in accident report?	Verification required from insurer? (* - Only if policy not in effect)	After Accident	After Conviction	After Judgment	
NEBRASKA	No	16/30/6	\$250	S&P - D	No	Yes	Yes	Verification*	S&P-3	P-3	Sat. & P-3	10
NEVADA	Yes	16/30/6	\$250	S - D&O(a)	Yes	Yes	Yes	Verification*	S(a)	P-3	Sat. & P-3	10
NEW HAMPSHIRE	No	20/40/6	\$300	S&P - D&O	No	Yes	Yes	Verification*	S&P-3	P-3(b)	Sat. & P-3	20
NEW JERSEY	Yes	16/30/6	\$200	S - D&O(c)	Yes	Yes	Yes	Verification*	S(c)	P-3	Sat. & P-3	10
NEW MEXICO	No	15/30/6				Yes				P-3	Sat. & P-3	10
NEW YORK	Yes	10/20/6(d)	\$200	S - D&O	Yes	Yes	Yes	No	S		Sat.	(b)

*Requires every driver and owner of a motor vehicle to maintain proof of financial responsibility. Violation is an infraction and punishable by a fine up to \$100.

(a) When license restored after lapse of 1 year without suit, proof must be given for 3 years.

(b) Requirement of proof is discretionary.
(c) Suspension is discretionary with Commissioner.

(d) Higher for some vehicles for hire.

TABLE I (CONTINUED)

State	Compulsory Liability Insurance	Liability Limits	FINANCIAL RESPONSIBILITY LAWS									Termination Notice to Department
			ACCIDENTS INVOKING LAWS						EVIDENCE REQUIRED			
			Minimum Property Damage	Requires Security (S), Proof (P) from Driver (D), Owner (O)	Regardless of fault?	Applicable to accidents in other states?	INSURANCE IN EFFECT?		P - Proof of future responsibility Sec - Security Sat - Satisfaction of judgment Figures - Number of years required			
							Information required in accident report?	Verification required from insurer? (* - Only if policy not in effect)	After Accident	After Conviction	After Judgment	
NORTH CAROLINA	Yes	15/30/5	\$200	S - D&O	No	Yes	Yes	Verification	S(a)		Sat.	20
NORTH DAKOTA	Yes	10/20/5	\$200	S(b) - D	No(b)	Yes	Yes	Verification	S(b)	P-3	Sat. & P-3	10
OHIO	No	12.5/25/7.5	\$150	S - D&O	Yes	Yes	Yes	Verification	S(c)	P-3	Sat. & P-3	10
OKLAHOMA	Yes	5/10/5	\$100	S&P - D&O	Yes	No	Yes	Verification*	S&P-3(d)	P-3	Sat. & P-3(d)	10
OREGON	No	15/30/5	\$200	P - D&O(a)	Yes	Yes	Yes	Verification*	P-5	P-5	Sat. & P-5	10

*Requires every driver and owner of a motor vehicle to maintain proof of financial responsibility. Violation is an infraction and punishable by a fine up to \$100.

(a) Suspension only for failure to deposit security of more than \$100. Appeal to court automatically stays suspension and court may exempt motorist not at fault.

(b) Adjudication of responsibility required as prerequisite to security. Prior to adjudication driver must supply security or proof.

(c) Minimum \$500 security for bodily injury.
(d) In hardship cases court may modify extent of compliance with provisions of act.
(e) Employer liable, where operator was employee.

TABLE I (CONTINUED)

State	Compulsory Liability Insurance	Liability Limits	FINANCIAL RESPONSIBILITY LAWS									Termination Notice to Department	
			ACCIDENTS INVOKING LAWS						EVIDENCE REQUIRED				
			Minimum Property Damage	Requires Security (S), Proof (P) from Driver (D), Owner (O)	Regardless of fault?	Applicable to accidents in other states?	INSURANCE IN EFFECT?		P - Proof of future responsibility Sec - Security Set - Satisfaction of judgment *figures - Number of years required				
							Information required in accident report?	Verification required from insurer? (* - Only if policy not in effect)	After Accident	After Conviction	After Judgment		
PENN-SYLVANIA	Yes	15/30/5	\$200	S - D&O	Yes	Yes	Yes	Verification*	S	P-3	Set. & P-3	10	
PUERTO RICO	No												
RHODE ISLAND	No(a)	25/50/10	\$200(b)	S - D&O	Yes	Yes	Yes	Verification*	S	P-1	Set. & P-1	10	
SOUTH CAROLINA	Yes	15/30/5									P-5	Set. & P-5	
SOUTH DAKOTA	No	15/30/5									P-3	Set. & P-3	10
TENNESSEE	No	10/20/5	\$200	S&P - D&O	Yes	Yes	Yes	Verification*	S(c) & P-3	P-3	Set. & P-3	10	
TEXAS	No	10/20/5	\$250	S&P - D&O	No	Yes	Yes	Verification*	S(d) & P-5	P-5	Set. & P-5	5	

*Requires every driver and owner of a motor vehicle to maintain proof of financial responsibility. Violation is an infraction and punishable by a fine up to \$100.

(a) Minors owning motor vehicles must furnish proof before registration.

(b) Minimum reportable damage is \$150.
(c) Minimum \$500 security.

(d) Minimum \$250 security.

TABLE I (CONTINUED)

State	Compul- sory Liability Insurance	Liability Limits	FINANCIAL RESPONSIBILITY LAWS									Termina- tion Notice to Depart- ment
			ACCIDENTS INVOKING LAWS						EVIDENCE REQUIRED			
			Minimum Property Damage	Requires Security (S), Proof (P) from Driver (D), Owner (O)	Regard- less of fault?	Applicable to accidents in other states?	INSURANCE IN EFFECT?		P - Proof of future responsibility Sec - Security Sat - Satisfaction of judgment Figures - Number of years required			
							Information required in accident report?	Verification required from insurer? (* - Only if policy not in effect)	After Accident	After Conviction	After Judgment	
UTAH	Yes	15/30/5(a)	\$200	S - O(b)	No	Yes	Yes	No	S	P-3	Sat. & P-3	10
VERMONT	No	10/20/5	\$100	S&P - D	No	Yes	Yes	Verification*	S&P-3	P-3	Sat. & P-3	10
VIRGINIA	No	25/50/5	\$250	P - O	Yes	No	Yes	Verification*	P-3	P-3	Sat. & P-3	20
VIRGIN ISLANDS	Yes	10/20/10 (c)										
WASHINGTON	No	15/30/5	\$200	S&P - D&O	Yes	Yes	Yes	Verification*	S&P-3	P-3	Sat. & P-3	10
WEST VIRGINIA	No	10/20/5	\$100	S - O&O	No	No	Yes	Verification*	S	P-3	Sat. & P-3	10
WISCONSIN	No	15/30/5	\$200	S - D&O	No	Yes	Yes	Verification* (d)	S	P-3	Sat. & P-3	10

*Requires every driver and owner of a motor vehicle to maintain proof of financial responsibility. Violation is an infraction and punishable by a fine up to \$100.

(a) For proof of financial responsibility, it may be a single limit of \$25,000.

(b) Owner subject to law if employer or driver, in that event registration is suspended.

(c) Higher for some vehicles.
(d) As respects permission, insurer may correct report only by filing affidavit within 30 days after receipt.

TABLE I (CONTINUED)

State	Compulsory Liability Insurance	Liability Limits	FINANCIAL RESPONSIBILITY LAWS									Termination Notice to Department
			ACCIDENTS INVOKING LAWS					EVIDENCE REQUIRED				
			Minimum Property Damage	Requires Security (S), Proof (P) from Driver (D), Owner (O)	Regardless of fault?	Applicable to accidents in other states?	INSURANCE IN EFFECT?		P - Proof of future responsibility Sec - Security Sat - Satisfaction of judgment Figures - Number of years required			
							Information required in accident report?	Verification required from insurer? (* - Only if policy not in effect)	After Accident	After Conviction	After Judgment	
WYOMING	No	10/20/8	\$250	S - D&O	Yes	Yes	Yes	Verification	S	S	Sat.	10

*Requires every driver and owner of a motor vehicle to maintain proof of financial responsibility. Violation is an infraction and punishable by a fine up to \$100.

Source: American Insurance Association, New York

State No-Fault Laws

	Effective Date	Purchase of First Party Benefits	Minimum Tort Liability Threshold ^a	Maximum First Party (No-Fault) Benefits			Property Damage	
				Medical	Income Loss	Replacement Services		Survivors/Funeral Benefits
ARKANSAS (Ark. Stat. Ann. §66-4014)	July 1, 1974	Optional	None	\$2,000 if incurred within two years.	70% of lost income up to \$140/wk., beginning 8 days after accident, for up to 52 wks.	Up to \$70/wk. beginning 8 days after accident, for up to 52 wks.	\$5,000	Under tort system.
COLORADO (Coln. Rev. Stat. §10-4-701)	April 1, 1974	Mandatory	\$500	\$25,000 if incurred within 3 years (additional \$25,000 for rehabilitation)	Up to \$125/wk. for up to 52 wks.	Up to \$15/day for up to 52 wks.	\$1,000	Under tort system.
CONNECTICUT (Conn. Gen Stat. Rev. §38-319)	January 1, 1973	Mandatory	\$400	Limited only by total benefit limit.	85% of actual loss for income loss and replacement services up to \$200/wk.	85% of actual loss for income loss & replacement services up to \$200/wk. Funeral benefit: \$2,000.		Under tort system.
				\$5,000 overall maximum on first-party benefits				
DELAWARE (Del. Code Ann. Tit. 21, §2110)	January 1, 1972	Mandatory	None, but amt. of no-fault benefits received can't be used as evidence in suits for general damages.	Limited only by total benefit limit, but must be incurred within two years.	100% of loss; no weekly maximum.	Limited only by total benefits limit.	Funeral benefit: \$2,000.	Under tort system.
				\$10,000 per person, \$20,000 per accident overall maximum on first party benefits.				
FLORIDA (Fla. Stat. §627.730)	January 1, 1972 for original law. Present law effective October 1, 1976	Mandatory	No dollar threshold ¹	Limited only by total benefits limit.	85% of loss; no weekly maximum.	Limited only by total benefits limit.	Funeral benefit: \$1,000.	Under tort system.
				\$5,000 overall maximum on first-party benefits				
GEORGIA (Ga. Code Ann. §56-3041b)	March 1, 1975	Mandatory	\$500	\$2,500	85% of lost income up to \$200/wk.	\$20/day	Maximum wage loss and replacement services amounts. Funeral benefit: \$1,000.	Under tort system.
				\$5,000 overall maximum on first party benefits				
HAWAII (Hawaii Rev. Stat. §294-1)	September 1, 1974	Mandatory	Floating threshold set annually by Insurance Commissioner.	Limited only by total benefits limit. ²	Up to \$800/month for income loss and replacement services. ²		Up to \$100/month for income loss and replacement services. Funeral benefit: \$1,500.	Under tort system.
				\$15,000 overall maximum on first party benefits				

Source: National Conference of State Legislatures.

	Effective Date	Purchase of First Party Benefits	Minimum Tort Liability Threshold ^a	Maximum		Replacement Services	Benefits	
				Medical	Income Loss			
KANSAS (Kan. Stat. Ann. 540-3101)	January 1, 1974	Mandatory	\$500	\$2,000 (additional \$2,000 for rehabilitation).	85% of lost income up to \$650/month for 1 yr.	\$12/day for one year.	Up to \$650/month for lost income and \$12/day for replacement services, less disability payments received, for up to 1 year. Funeral benefit: \$1,000.	Under tort system.
KENTUCKY (Ky. Rev. Stat. Ann. 5304.39-010)	July 1, 1975	3	\$1,000	Limited only by total benefits limit.	85% of lost income (more if tax advantage is less than 15%) up to \$200/wk.	Up to \$200/wk.	Up to \$200/wk. each for survivors' economic loss and survivors' replacement services loss. Funeral benefit: \$1,000.	Under tort system.
\$10,000 overall maximum on first party benefits								
MARYLAND (Md. Code Ann. art. 40A, 553B)	January 1, 1973	Mandatory	None	Limited only by total benefits limit, but must be incurred within 3 years.	100% of loss; no weekly maximum.	Limited only by total benefits limit; only for services usually performed by non-income-earners.	Funeral benefit: limited only by total benefits limit.	Under tort system.
\$2,500 overall maximum on first party benefits for expenses incurred within three years of accident.								
MASSACHUSETTS (Mass. Ann. Laws ch. 90, 553A, 34M & ch. 231, 56D)	January 1, 1971	Mandatory	\$500	Limited only by total benefits limit, if incurred within 2 yrs.	Up to 75% of actual loss.	Limited only by total benefits limit; payments made to non-family members.	Funeral benefit: limited only by total benefits limit.	Under tort system after Jan. 1, 1977; prior to then, no tort liability for vehicle damage.
\$2,000 overall maximum on first party benefits								
MICHIGAN (Mich. Comp. Laws Ann. 5500.3101)	October 1, 1973	Mandatory	No dollar threshold. ⁴	Unlimited.	85% of lost income up to \$205/30 day period for up to 3 years; maximum amount adjusted annually for cost of living.	\$20/day for 3 years.	Up to \$1,000/30 day period for lost income and \$20/day for replacement services, for up to 1 year. Funeral benefit: \$1,000.	No tort liability for vehicle damage.
MINNESOTA (Minn. Stat. 565B.41)	January 1, 1975	Mandatory	\$2,000	\$20,000	85% of lost income up to \$200/week.	\$15/day, beginning 8 days after accident.	Up to \$200/wk. each for income loss and replacement services. Funeral benefit: \$1,250.	Under tort system.
\$10,000 maximum for first party benefits other than medical								

	Effective Date	Type of First Party Benefits	Minimum Tort Liability Threshold*	Maximum First Party (No-Fault) Benefits			Survivors/Funeral Benefits	Property Damage
				Medical	Income Loss	Replacement Services		
DELAWARE (Rev. Rev. Stat. 569B.010)	February 1, 1974	Mandatory	\$750	Limited only by total benefits limit.	85% of lost income up to \$175/week.	Up to \$10/day for up to 104/weeks.	At least \$5,000, but not more than 1 year's maximum disability benefits. Funeral benefits: \$1,000.	Under tort system.
\$10,000 overall maximum on first party benefits								
NEW JERSEY (N.J. Stat. Ann. 539:6A-1)	January 1, 1973	Mandatory	\$200	Unlimited.	100% of lost income up to \$100/wk. for 1 year.	Up to \$12/day up to a maximum of \$4380/person.	100% of lost income up to \$100/wk. and \$12/day for replacement services. Up to difference between aggregate amount payable and amount received by victim. Funeral benefit: \$1,000.	Under tort system.
NEW YORK (N.Y. Ins. Law 5670)	February 1, 1974	Mandatory	\$500	Limited only by total benefits limit.	80% of lost income up to \$1000/month for 3 yrs.	\$25/day for 1 yr.	NONE.	Under tort system.
\$50,000 overall maximum on first party benefits								
NORTH DAKOTA (N.D. Cent. Code Ann. 526-41-01)	January 1, 1976	Mandatory	\$1,000	Limited only by total benefits limit.	85% of lost income up to \$150/week.	\$15/day.	85% of lost income up to \$150/wk. and \$15/day for replacement services. Funeral benefit: \$1,000.	Under tort system.
\$15,000 overall maximum on first party benefits								
OREGON (Ore. Rev. Stat. 5743.000)	January 1, 1972 (Jan. 1, 1974 for current first party benefits.)	Mandatory	None	\$5,000, if incurred within 1 yr.	70% of lost income up to \$750/month for up to 52 weeks, only if victim is disabled at least 14 days.	Up to \$10/day for up to 52 weeks, only if victim is disabled at least 14 days.	Funeral benefit: \$1,000.	Under tort system.
PENNSYLVANIA (Pa. Stat. Ann. tit. 40, 51009.101)	July 19, 1975	Mandatory	\$750	Unlimited.	Up to \$15,000. ^b	Up to \$25/day for 1 year.	Income loss and replacement services benefits up to \$5,000. Funeral benefit: \$1,500	Under tort system.

	Effective Date	Benefits	Thresholds	Medical	Income Loss	Services	Benefits	Damage
SOUTH CAROLINA (S.C. Code Ann. 546-750.101)	October 1, 1974	Mandatory	None	Limited only by total benefits limit if incurred within 3 yrs	100% of lost income. No weekly limit.	Limited only by total benefits limit.	Funeral benefit: limited only by total benefits limit.	Under tort system.
\$1,000 overall maximum on first party benefits								
SOUTH DAKOTA (S.D. Comp Laws Ann. 65N-23-6)	January 1, 1972	Optional	None	\$2,000 if incurred within 2 yrs.	\$60/wk. for up to 52 weeks, only if victim is disabled at least 14 days.	\$30/wk. for up to 52 weeks, only if victim is disabled at least 14 days. Benefits to non-wage-earning named insureds only.	\$10,000 death benefit if death occurs within 90 days of accident.	Under tort system.
TEXAS (Tex. Ins. Code Ann. art. 5.06-3)	August 26, 1973	Optional	None	Limited only by total benefits limit if incurred within 3 yrs.	100% of lost income; no weekly limit.	Limited only by total benefits limit. Payable only to non-wage-earners.	Limited only by total benefits limit.	Under tort system.
\$2,500 overall maximum on first party benefits								
UTAH (Utah Code Ann. 631-41-1)	January 1, 1974	Mandatory	\$500	\$2,000	85% of lost income up to \$150/wk. for up to 52 weeks. 3-day waiting period which does not apply if disability lasts longer than 14 days.	\$12/day for up to 365 days. 3-day waiting period which does not apply if disability lasts longer than 14 days.	\$2,000 death benefit. Funeral benefit: \$1,000.	Under tort system.
VIRGINIA (Va. Code Ann. §30.1-310.1)	July 1, 1972	Optional	None	\$2,000 if incurred within 1 yr.	100% of lost income up to \$100/week for up to 52 weeks.	None.	Funeral benefit: included in medical benefit.	Under tort system.
FEDERAL STANDARDS (S. 1301, 95th Session of Congress)		Mandatory	6	\$100,000 (or \$250,000 if disability lasts over 2 years)	7		\$1000 (both funeral & death benefit)	Under tort system.

*Refers to minimum amount of medical expenses necessary before victim can sue for general damages ("pain and suffering"); lawsuits allowed in all states for injuries resulting in death and permanent disability; some states allow lawsuits for one or more of the following: serious and permanent disfigurement; certain temporary disabilities; loss of body members; loss of certain bodily functions; certain fractures; or economic losses (other than medical) which exceed stated thresholds.

1. Florida-Victim cannot sue for general damages unless injury results in one of the following: death, loss of body member; permanent loss of bodily function; permanent injury other than scarring or disfigurement; significant permanent scarring or disfigurement; serious non-permanent injury that has a material bearing on the victim's ability to resume his normal activity and life-style during all or substantially all of the 90 day period after the injury, if the effects of the injury are medically or scientifically demonstrable at the end of that period. Before 1976, Florida had a \$1000 tort threshold.
2. Hawaii-Income loss not payable to public assistance recipients receiving free insurance.
3. Kentucky-Accident victim is not bound by tort restriction if 1) he has rejected the tort restriction in writing or 2) he is injured by a driver who has rejected the tort limitation in writing. Rejection bars recovery of first-party benefits.
4. Michigan-Victim can't sue for general damages unless injuries result in death, serious impairment of bodily function or serious permanent disfigurement.
5. Pennsylvania-Maximum monthly income loss benefit is \$1000 times the relationship of the average Penn. per capita income to the average U.S. per capita income; or 100% of income loss if income is disclosed prior to accident.
6. Federal Standards-tort restrictions are the same as Michigan (24 above). In addition to losses which exceed maximum first-party benefits.
7. Federal Standards-Monthly income benefit based on \$1000 and replacement services based on \$20/day; both figures are multiplied by the relationship of the average state per capita income to the average U.S. per capita income; or 100% of income loss if income is disclosed prior to accident; whichever is less. Maximum income benefit limited to 12 times monthly benefit; replacement services limited to 365 times daily benefit.

TABLE III

UNINSURED MOTORIST COVERAGE						
State	Limits	Property Damage Exclusion	May Insured reject coverage?	Uninsured Motorist Fee	Applicable where Insurer Insolvent?	Other Provisions
ALABAMA	10/20		Yes	None	No prov.	
ALASKA	25/50		Yes	None	No prov.	
ARIZONA	15/30		No	None	Yes	Optional coverage up to 3 times F.R. limits must be offered.
ARKANSAS	10/20		Yes	None	Yes	
CALIFORNIA	15/30		Yes (a)	None	Yes	Failure to file evidence of financial responsibility under Financial Responsibility Law creates rebuttable presumption that vehicle was uninsured. Also covers where insurer denies liability or coverage.
COLORADO	15/30		Yes	None	No prov.	

(a) If rejected, insurers need not offer coverage on renewal unless requested.

(a) To reject, a specified waiver form must be signed by the insured.

TABLE III (CONTINUED)

State	UNINSURED MOTORIST COVERAGE					Other Provisions
	Limits	Property Damage Exclusion	May Insured reject coverage?	Uninsured Motorist Fee	Applicable where Insurer insolvent?	
CONNECTICUT	20/40[a]		No	None	Yes	Arbitration optional with Insured.
DELAWARE	10/20/5[b]	\$250	Yes	None	Yes	
DISTRICT OF COLUMBIA						
FLORIDA	15/30[a]		Yes	None	Yes	"Uninsured motor vehicle" includes vehicle insured in lower limits.
GEORGIA	10/20/5[c]	\$250	Yes	None	Yes	Covers underinsured vehicles or where Insurer denies coverage. Arbitration provision prohibited. Property damage coverage only for vehicle and contents. Uninsured motorist claims not barred by Insured's application for discharge in bankruptcy, appointment of a trustee in bankruptcy or a discharge in bankruptcy.
HAWAII	10/20		Yes	None	No prov.	

[a] If rejected, Insurer need not offer coverage on renewal unless requested.
 [c] Insured may obtain coverage up to 100/300.

[b] Insured may require limits equal to his bodily injury limits, up to \$300,000.
 [c] Limits may be 25/50/10.

TABLE III (CONTINUED)

State	UNINSURED MOTORIST COVERAGE					Other Provisions
	Limits	Property Damage Exclusion	May Insured reject coverage?	Uninsured Motorist Fee	Applicable where Insurer Insolvent?	
IDAHO	10/20		Yes	None	Yes	
ILLINOIS	10/20		No	None	Yes	
INDIANA	15/30		Yes	None	Yes	
IOWA	10/20		Yes	None	Yes	
KANSAS	15/30		Yes	None	Yes	
KENTUCKY	10/20(a)		Yes	None	Yes	Also covers where vehicle underinsured or where insurer denies coverage.
LOUISIANA	(b)		Yes	None	Yes	Arbitration optional with insured. "Uninsured motor vehicle" includes vehicles insured in lower limits.

(i) rejected, insurer need not offer coverage on renewal unless requested.

(a) KRS §304.20-110 provides that uninsured motorist coverage be provided in limits for bodily injury or death as set forth in KRS §187.330, currently 10/20.

The Kentucky no-fault law repeals §177.330 but requires liability coverage in amounts of 10/20/5. See §304.29-110.

(b) In amounts equal to bodily injury limits, but insured may select lower limits.

TABLE III (CONTINUED)

State	UNINSURED MOTORIST COVERAGE					
	Limits	Property Damage Exclusion	May Insured reject coverage?	Uninsured Motorist Fee	Applicable where Insurer Insolvent?	Other Provisions
MAINE	20/40/10		Yes	None	Yes	"Uninsured motor vehicles" includes vehicles insured in lower limits.
MARYLAND	20/40		No		Yes	Arbitration provision prohibited.
MASSACHUSETTS	5/10(a)		No	None	Yes	Also covers injuries caused by underinsured vehicles.
MICHIGAN				\$45(b)		
MINNESOTA	25/50		No *	None	No prov.	
MISSISSIPPI	10/20		Yes†	None	Yes	"Uninsured motor vehicle" includes vehicle insured in lower limits. Requires contact in hit and run cases. Arbitration provision prohibited.
MISSOURI	10/20		No	None	Yes	
MONTANA	25/50		Yes†	None	No prov.	

† If rejected, insurer need not offer coverage on renewal unless requested.

(a) Insured may request higher limits up to policy's B.I. limits.

(b) Applies only to motorcycles.

TABLE III (CONTINUED)

State	UNINSURED MOTORIST COVERAGE					
	Limits	Property Damage Exclusion	May Insured reject coverage?	Uninsured Motorist Fee	Applicable where Insurer Insolvent?	Other Provisions
NEBRASKA	15/30		Yes	None	Yes	
NEVADA	15/30[a]		Yes	None	Yes	Requires contact in hit and run cases. Also covers where Insurer denies coverage.
NEW HAMPSHIRE	20/40[a]		No	None	Yes	
NEW JERSEY	15/30/5	\$100	No	None	No prov.	
NEW MEXICO	15/30/5	\$250	Yes	None	No prov.	
NEW YORK	10/20		No	None	No prov.	Also covers where Insurers denies liability or coverage.

[a] If selected, insurer need not offer coverage on renewal unless requested.
 [e] Insured may require limits equal to his liability coverage.

[b] Notice to Commissioner of Motor Vehicle within 30 days of termination of policy.

TABLE III (CONTINUED)

State	UNINSURED MOTORIST COVERAGE					Other Provisions
	Limits	Property Damage Exclusion	May Insured reject coverage?	Uninsured Motorist Fee	Applicable where insurer insolvent?	
NORTH CAROLINA	15/30/5[a]	\$100	Yes	None	Yes	Also covers underinsured vehicles, or where insurer denies coverage. Insurer may defend uninsured motorist.
NORTH DAKOTA	10/20		No	None	Yes	
OHIO	12.5/25		Yes ¹	None	Yes	Also covers where insurer denies coverage.
OKLAHOMA	5/10[b]		Yes	None	Yes	If agreement by arbitration is not reached within 3 months from demand for arbitration insured may sue tortfeasor. "Stacking" of liability policies held required by Oklahoma Supreme Ct.
OREGON	10/20[b]		No	None	Yes	Coverage not required in policy covering trucks of combined weight and load capacity of more than 6000 lbs. operated by employees covered by workmen's compensation. Also covers where insurer denies coverage.

¹If rejected, insurer need not offer coverage on renewal unless requested.
^a Person who carries liability limits of at least 15/30 is entitled to 15/30 coverage.

^b Optional higher limits up to B.I. limits must be offered.

TABLE III (CONTINUED)

State	UNINSURED MOTORIST COVERAGE					Other Provisions
	Limits	Property Damage Exclusion	May Insured reject coverage?	Uninsured Motorist Fee	Applicable where Insurer Insolvent?	
PENN-SYLVANIA	10/20		No	None	Yes	
FUERTO RICO						
RHODE ISLAND	10/20		Yes	None	Yes	
SOUTH CAROLINA	15/30/5	\$200	No	None	Yes	Also covers where Insurer denies coverage. Arbitration provision prohibited. Insurer may defend uninsured motorist. Requires contact in hit and run cases.
SOUTH DAKOTA	15/30[a]		No	None	Yes	Also covers where vehicle insured in lower limits.
TENNESSEE	10/20[a]		Yes ¹	None	Yes	Also covers where vehicle insured in lower limits. Provides for optional property damage coverage for damage in excess of \$200. Requires contact in hit and run cases. Arbitration provision prohibited.
TEXAS	10/20		Yes ¹	None	Yes	

¹ If selected, Insurer need not offer coverage on renewal unless requested.

[a] Insured may require limit equal to his liability limits.

TABLE III (CONTINUED)

State	UNINSURED MOTORIST COVERAGE					
	Limits	Property Damage Exclusion	May Insured reject coverage?	Uninsured Motorist Fee	Applicable where Insurer Insolvent?	Other Provisions
UTAH	15/30		Yes	None	No prov.	
VERMONT	10/20		No	None	Yes	
VIRGINIA	25/50/5[a]	\$200	No	\$150	No prov.	Arbitration provision prohibited. Insurer may defend uninsured motorist. Also covers where insurer denies coverage. No coverage provided in policies primarily providing excess coverage.
VIRGIN ISLANDS						
WASHINGTON	15/30		Yes	None	Yes	
WEST VIRGINIA	10/20/5	\$300	No	None	Yes	Also covers where insurer denies coverage. Arbitration provision prohibited. Requires contact in hit and run cases.
WISCONSIN	15/30		No	None	Yes	Also covers vehicles insured in lower limits.

[a] rejected, insurer need not offer coverage on renewal unless requested.

[a] Insured may require limits equal to own liability limits. Insurer must offer higher limits in premium notice.

TABLE III (CONTINUED)

State	UNINSURED MOTORIST COVERAGE					Other Provisions
	Limits	Property Damage Exclusion	May Insured reject coverage?	Uninsured Motorist Fee	Applicable where insurer insolvent?	
WYOMING	10/20		Yes†	None	Yes	

† If rejected, insurer need not offer coverage on renewal unless requested.

Source: American Insurance Association, New York.

TABLE IV
 COMPULSORY LIABILITY INSURANCE

State	Liability Limits	Year Effective	Certification Required?	Verification Program	Termination Notification Requirements	Penalties
CALIFORNIA	15/30/5	1975	No	None at present	Termination Notice must be given to Commissioner	Fine up to \$100
COLORADO	15/30/5	1974	None at present	None at present	Cancellation for cause after first 60 days - must be on a form which satisfies state requirements	Suspension of license after at-fault accident
CONNECTICUT	20/40/5	1973	Yes - self-certification at time of registration	Yes - negative verification procedure	None	1) Class C Misdemeanor - fine to \$500 or jail sentence up to 3 months 2) Fine not more than \$1,000
DELAWARE	10/20/5	1972	Yes - ID card or policy must be produced when vehicle is being inspected at safety lane	None at present	Termination Notice must be given to Commissioner	Misdemeanor, Fine not less than \$300 nor more than \$1,000. May be imprisoned for not more than six months
FLORIDA	10/20/5	1972	Yes - must show proof of insurance at time of vehicle inspection - ID cards are provided	None at present	Notice of termination of new business (first 6 months of policy period) are to be given to Bureau of Finan. Resp.	Misdemeanor and subject to revocation of license and/or vehicle registration. Fine up to \$1,000 and/or up to one yr. imprisonment
GEORGIA	10/20/5	1975	Yes - self-certification at time of registration. In addition, evidence of insurance must be carried in all "affect" motor vehicles	Specific verification for Acc. and Serious Violations will be requested (20 day notice)	Insurer must notify Dept. of Public Safety within 5 days after effective date of cancellation	Culprty of a misdemeanor

TABLE IV
COMPULSORY LIABILITY INSURANCE

State	Liability Limits	Year Effective	Certification Required?	Verification Program	Termination Notification Requirements	Penalties
HAWAII	25/Un-limited/ 10	1974	Proof of insurance required when car is registered. Self-certification is permitted. (Proof of insurance cards are provided)	None at present	Termination notice must be given County Dir. and Police Chief of appropriate county of registration prior to date of termination	Subject to following: Fine not to exceed \$1,000 30 days imprisonment, loss of license or registration or combination of penalties
IDAHO	10/20/5	1975	Must display certificate of insurance to County Assessor at time of registration	None at present	Insurers must notify Dept. of Law Enforcement within seven days of the cancellation date. Insurers must secure approval of Dir. of Law Enforcement before cancelling during first 90 days after certification	Guilty of a misdemeanor to either operate a motor vehicle without the required security or to falsify a certificate of liability insurance
KANSAS	15/30/5	1974	Yes - self-certification at time of registration (ID cards are provided)	Yes - negative verification procedure (20 day notice)	Notice of Termination (except for non-pay) must be sent to Dir. of Motor Vehicles who may then revoke registration	Guilty of Class C Misdemeanor. Max. penalty \$500 fine and one month jail sentence
KENTUCKY	10/20/5	1975	Yes - self-certification at time of registration	None at present	None	Shall be fined not less than \$50 nor more than \$500
MARYLAND	20/40/5	1973	Yes - certification of registration will not be issued until owner produces satisfactory evidence that specified security is in effect. Self-certification is in effect	Random verification positive procedure	Insurers are to immediately notify the Administrator of lapse in coverage, no certificate of registration can be suspended	Guilty of a misdemeanor - fine not more than \$500. License & Vehicle suspension up to \$40 penalty assessed by Motor Vehicle Administration

TABLE IV
COMPULSORY LIABILITY INSURANCE

State	Liability Limits	Year Effective	Certification Required?	Verification Program	Termination Notification Requirements	Punition
HAWAII	25/Un-limited/ 10	1974	Proof of insurance required when car is registered. Self-certification is permitted. (Proof of insurance cards are provided)	None at present	Termination notice must be given County Dir. and Police Chief of appropriate county of registration prior to date of termination	Subject to following: Fine not to exceed \$1,000 30 days imprisonment, loss of license or registration or combination of penalties
IDAHO	10/20/5	1975	Must display certificate of insurance to County Assessor at time of registration	None at present	Insurers must notify Dept. of Law Enforcement within seven days of the cancellation date. Insurers must secure approval of Dir. of Law Enforcement before canceling during first 90 days after certification	Guilty of a misdemeanor to either operate a motor vehicle without the required security or to falsify a certificate of liability insurance
KANSAS	15/30/5	1974	Yes - self-certification at time of registration (ID cards are provided)	Yes - negative verification procedure (20 day notice)	Notice of Termination (except for non-pay) must be sent to Dir. of Motor Vehicles who may then revoke registration	Guilty of Class C Misdemeanor. Max. penalty \$500 fine and one month jail sentence
KENTUCKY	10/20/5	1975	Yes - self-certification at time of registration	None at present	None	Shall be fined not less than \$50 nor more than \$500
MARYLAND	20/40/5	1973	Yes - certification of registration will not be issued until owner produces satisfactory evidence that specified security is in effect. Self-certification is in effect	Random verification positive procedure	Insurers are to immediately notify the Administrator of lapse in coverage, so certificate of registration can be suspended	Guilty of a misdemeanor - fine not more than \$500. License & Vehicle suspension up to \$40 penalty assessed by Motor Vehicle Administration

TABLE IV
COMPULSORY LIABILITY INSURANCE

State	Liability Limits	Year Effective	Certification Requirements	Verification Program	Termination Notification Requirements	Penalties
MASSACHUSETTS	5/30/5	1927	Yes - must have certificate of insurance when registering motor vehicle	None at present	When policy is cancelled, copy is sent to Motor Vehicle Registrar who then revokes registration or asks for recertification	No penalties provided except for forging certificate (Up to \$1,000 fine and/or up to one year in jail.)
MICHIGAN	20/40/10	1973	Yes - must have proof of insurance at time of registration. Utilization of ID card permitted when registering in person. Self-certification permitted when registering by mail	None at present	None	Fine not less than \$100 nor more than \$500 and/or imprisonment for not more than one year
MINNESOTA	25/50/10	1975	Yes - self-certification at time of registration	Random verification	Insurer must notify Comm. of Public Safety of policy cancellation within 30 days of coverage expiration. (Termination after 60 days for non-pay. of premium is not construed as cancellation.)	GUILTY of a misdemeanor and will be subject to lic. and/or veh. registration revocation for a period of not less than 6 months
NEVADA	15/30/5	1974	Yes - self-certification at time of registration	None at present	None	None
NEW JERSEY	15/30/5	1973	Yes - must self certify at time of registration. Also must show proof of insurance at time of vehicle inspection - ID cards provided	None at present	Notice of termination must be given to Motor Vehicle Department if policy is cancelled within 6 months of original effective date	Fine not less than \$50 nor more than \$200 and/or imprisonment for a term of not less than 30 days nor more than 3 months. Must also forfeit right to operate a motor vehicle for 6 mos. Subsequent conviction results in 3 mos. imprisonment and forfeiture of right to operate a motor vehicle for 2 years

TABLE IV
 COMPULSORY LIABILITY INSURANCE

State	Liability Limits	Year Effective	Certification Required?	Verification Program	Termination Notification Requirements	Penalties
NEW YORK	10/20/5	1957	Yes - must have proof of financial responsibility when registering motor vehicle - ID cards are provided. Self-certification is permitted	Yes - random verification; negative procedure (30 day notice) Specific verification; positive procedure (20 day notice)	None	Fine not less than \$100 nor more than \$1,000 and/or be imprisoned for not more than one year. Revocation of license and/or registration for one year. Also possible impounding of vehicle. Also civil penalty of up to \$300 assessed and collected by Motor Vehicle Department
NORTH CAROLINA	15/30/5	1958	Yes - self-certification at time of registration. However, Commissioner may require owner to produce record of financial responsibility	Yes - negative verification procedure (20 day notice)	Notice of termination must be given to Department of Motor Vehicles "forthwith"	60 days registration suspension and possible imposition of misdemeanor penalties
NORTH DAKOTA	10/20/5	1976	Yes - self-certification at time of registration	Yes - random verification	None	Revocation of registration
OKLAHOMA	5/10/5	1976	Yes - self-certification at time of registration	Yes - negative verification procedure (30 day notice)	Cancellation notices must be sent to Department of Public Safety	\$100 fine
PENNSYLVANIA	15/30/5	1975	Yes - self-certification at time of registration ID cards are provided	Yes - negative verification procedure	Notice of termination must be given to Penn. Dept. of Transportation within first 6 mos. of a new business policy	Gilty of a misdemeanor which will result in a fine of not less than \$100 or more than \$500 or may be imprisoned for not more than 6 mos. or both

TABLE IV
 COMPULSORY LIABILITY INSURANCE

State	Liability Limit	Year Effective	Certification Required?	Verification Program	Termination Notification Requirements	Penalties
SOUTH CAROLINA	15/30/5	1974	Yes - self-certification at time of registration	Random verification	Notification of the lapse or termination of insurance must be given to the Chief Highway Commissioner within 10 days following effective date of cancellation	Guilty of a misdemeanor, conviction of which will result in a fine of not more than \$100 or imprisonment for not more than 30 days, also 30 days license suspension. Making false statement as to insurance is a misdemeanor and will result in a fine not less than \$50 nor more than \$100 or imprisonment for not less than 10 days nor more than 30 days. Also, conviction will result in revocation of lic. and denial of registration for 6 months
UTAH	15/30/5	1974	Yes - self-certification at time of registration. Shall be required to exhibit evidence of security being in effect as a condition to obtain license plate for safety inspection. Evidence may be in form of ID card	Random verification	None	Guilty of a misdemeanor and loss of license and/or registration (Attorney General has ruled that false affirmation of insurance at time of registration will be treated as a felony.)

SOURCE: Insurance Department, State of Arkansas,
 American Insurance Association, New York.
 Various State Statutes.

TABLE V

PRIVATE PASSENGER AUTOMOBILE PREMIUM COMPARISONS*

COMPANY	COVERAGE	STATE								
		¹ ARK 10/20/10	² COL 15/30/10	³ MO 10/20/10	⁴ CONN 20/40/10	⁵ FLA 10/20/10	⁶ OKL 10/20/10	⁷ KANSAS 15/30/10	⁸ GEORGIA 10/20/10	⁹ S.C. 15/30/10
ISO	Liability	143	117	166	232	NA	135	105	128	153
	Comp.	36	45	48	38		36	54	30	29
	Coll.	121	119	171	152		102	90	116	95
	Total	300	281	385	422		273	249	274	277
ALL STATE	Liability	130	111	171	215	120	104	93	104	113
	Comp.	27	30	37	43	16	32	54	29	28
	Coll.	74	61	99	132	47	71	68	80	69
	Total	231	202	307	390	183	207	215	213	205
STATE FARM GROUP	Liability	99	93	127	NA	96	87	75	93	118
	Comp.	18	30	32		18	32	51	20	20
	Coll.	58	73	107		54	68	72	90	60
	Total	175	196	266		168	187	198	203	198

SOURCE: Insurance Services Office

- | | | |
|--------------------------|----------------------|-----------------------|
| 1. Little Rock Territory | 5. Orlando Territory | 9. Columbia Territory |
| 2. Denver Territory | 6. Tulsa Territory | |
| 3. Kansas City Territory | 7. Wichita Territory | |
| 4. Hartford Territory | 8. Atlanta Territory | |

*Comparison of pleasure use, no youthful operator, annual premium, physical damage, \$50 deductible, comprehensive and \$100 deductible collision.

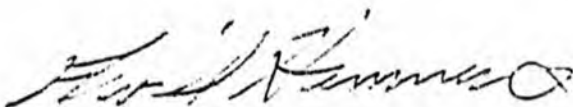
RESEARCH MEMORANDUM FILE 9-002

April 25, 1979

COMPULSORY MOTOR VEHICLE INSURANCE

Summary

Twenty-five states have adopted compulsory motor vehicle liability insurance laws. Massachusetts was the first state to adopt such a law in 1925. Most of the other state laws have been adopted since 1970. Several bills providing for compulsory insurance have been introduced in the Illinois General Assembly since 1970, but none have been adopted.



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clc

Compulsory liability insurance laws require all owners of motor vehicles to prove and maintain liability insurance as a condition for registering their vehicles. Such insurance has long been urged as a solution to the problem of the financially irresponsible motorist. The insurance industry estimates that approximately 83 percent of all motorists in the United States are insured, but that large numbers of drivers continue to operate vehicles without liability insurance.

The first state to adopt compulsory motor vehicle insurance was Massachusetts in 1925. Currently, 25 states have compulsory liability insurance laws. In all but three states--Massachusetts, New York, and North Carolina--these laws were adopted after 1970.

The following table shows the 25 states which have compulsory liability insurance laws, the minimum liability insurance coverage required, and the penalties for driving an automobile without the required insurance.

Arguments For Compulsory Insurance

Those favoring compulsory insurance point out that where voluntary automobile insurance coverage is high, the addition of a relatively small number, estimated variously from 5 to 15 percent, to the ranks of the insureds should not raise the rates of the drivers who are already insured.

The protection provided all drivers under compulsory insurance would outweigh the financial outlay which would be required of those motorists who have no insurance.

Administrative problems which might result because of compulsory insurance should not be a justification for not having such insurance. Administrative problems can be worked out once the program is started.

Compulsory insurance need not have a detrimental effect on insurance companies. If the minimum rates are set at levels that will assure reasonable operating profits, the existing system for marketing and servicing insurance can remain unchanged.

Compulsion is an element that is inherent in any plan to combat the financially irresponsible motorist. Compulsory insurance provides a direct answer while other approaches are covert methods of forcing motorists to have insurance. If it is wise to establish financial responsibility after an accident, why not before?

Only through compulsory insurance will there be any substantial elimination of the possibility of lack of compensation for wrongful injuries in automobile accidents.

Table 1

Compulsory Liability Insurance Coverage Requirements and Penalties

<u>State</u>	<u>Required Minimum Coverage*</u>	<u>Penalties**</u>
California	\$15,000/30,000/ 5,000	fine not exceeding \$100 for each offense
Colorado	15,000/30,000/ 5,000	misdemeanor
Connecticut	20,000/40,000/ 5,000	misdemeanor
Delaware	10,000/20,000/ 5,000	\$150-\$1,000 fine
Florida	15,000/30,000/ 5,000	license suspended
Georgia	10,000/20,000/ 5,000	misdemeanor
Hawaii	25,000/ -- /10,000	\$100-\$1,000 fine
Idaho	10,000/20,000/ 5,000	misdemeanor
Kansas	15,000/30,000/ 5,000	misdemeanor
Kentucky	10,000/20,000/ 5,000	\$50-\$500 fine
Louisiana	5,000/10,000/ 1,000	misdemeanor, suspen- sion of license
Maryland	20,000/40,000/ 5,000	fine up to \$100
Massachusetts	5,000/10,000/ 1,000	\$100-\$500 fine or im- prisonment for up to 1 year
Michigan	20,000/40,000/10,000	misdemeanor
Minnesota	25,000/50,000/10,000	misdemeanor
Nevada	15,000/30,000/ 5,000	unlawful operation of motor vehicle
New Jersey	15,000/30,000/ 5,000	\$50-\$200 fine or im- prisonment from 30 days to 3 months
New York	10,000/20,000/ 5,000	misdemeanor
North Carolina	15,000/30,000/ 5,000	misdemeanor
North Dakota	10,000/20,000/ 5,000	registration revoked
Oklahoma	5,000/10,000/ 5,000	fine up to \$100 and suspension of license
Oregon	15,000/30,000/ 5,000	license suspended
Pennsylvania	15,000/30,000/ 5,000	misdemeanor
South Carolina	15,000/30,000/ 5,000	misdemeanor
Utah	10,000/20,000/ 5,000	misdemeanor

*The first figure is the minimum coverage for bodily injury or death to one person, the second figure is the minimum coverage for bodily injury or death to two or more persons in the same accident, and the third figure is the minimum coverage for property damage.

**The penalty is for driving without the required liability insurance.

Compulsory automobile insurance of general application is merely an extension of earlier laws requiring a showing of financial responsibility for such classes as young motorists, the owners and operators of buses, taxicabs, car rental services, and the like.

A Gallup Poll taken on the question of compulsory automobile insurance in 1965 (There has been no subsequent poll.) indicated that a majority of the nation's adults favored such legislation. The nationwide findings were as follows: 53 percent favored compulsory legislation; 42 percent opposed such laws; and 5 percent had no opinion (Chicago Sun-Times, Sept. 10, 1966).

Arguments Against Compulsory Insurance

One basic general objection to compulsory automobile insurance advanced by its opponents is the claim that it involves an undesirable degree of regimentation and a danger of the socialization of the insurance business. In connection with the issue of socialization, those who resist compulsory insurance proposals maintain that political pressure to keep premium rates low will combine with a rising curve of losses and jury verdicts attributable to the compulsory laws to drive the private carriers out of the automobile liability field, and to install state insurance funds in their place.

Another fundamental argument of those who oppose compulsory laws is that, even among those who are unwilling or unable to buy insurance, the careless driver is decidedly in the minority, and that compulsory laws would force the many who are careful to buy insurance because of the few who are careless.

Another argument against compulsory laws is that motorists who are coerced into purchasing insurance will, out of resentment or perhaps a false sense of security induced by the compulsory law, restrict their buying of coverages to the minimums specified in the law, and will not bother to provide themselves with such "extras" as medical coverage and high personal injury and property damage limits.

Another frequently invoked contention against compulsory laws is that the required protection against uninsured motorists now provided by insurance carriers has obviated much of the alleged necessity for compulsory liability automobile insurance.

Recent Illinois Legislation

There have been a number of bills introduced in the Illinois General Assembly since 1971 to adopt compulsory motor vehicle insurance. None of these bills have been adopted.

1972. HB 4344 would have provided for no-fault motor vehicle insurance and motorists would have had to show proof of liability insurance coverage when registering their motor vehicle. The minimum liability insurance required would have been \$10,000 for injury or death of one person in any accident and \$100,000 for two or more persons in any one accident. Minimum property damage would have been \$5,000. Driving a motor vehicle without the required insurance would have been a misdemeanor. The bill was tabled in House committee.

1973. Two similar bills were introduced in 1973 to require compulsory motor vehicle insurance. HB's 243 and 817 would have required every motorist in the state to show proof of liability insurance when registering their motor vehicle. The minimum liability insurance required would have been \$20,000 for injury or death to one person in an accident and \$40,000 for two or more persons in an accident. Minimum property damage would have been \$5,000. No penalties were provided for motorists driving without the required insurance. Both bills died in the House committee.

1974. Two bills, HB's 950 and 2414 were introduced to provide compulsory motor vehicle insurance. HB 950 would have required at least \$25,000 minimum coverage for any one accident for injury, death and property damage. Driving without the required insurance would have been a petty offense and the driver's license would have been revoked. HB 2414 would have required proof of liability insurance as a requirement for motor vehicle registration. No minimum liability coverage requirements or penalties were specified. Both bills died in House committee.

1975. Two similar bills, SB 1500 and HB 3062 were introduced to require proof of minimum liability insurance when registering motor vehicles. The minimum coverage in both was \$10,000/20,000/5,000. Neither bill specified any penalties for driving without the required minimum insurance. SB 1500 passed the Senate but died in House committee in 1976. HB 3062 passed the House but died in Senate committee in 1976.

1977. Seven bills, SB's 409, 840, 1113, and HB's 545, 634, 928, and 1234, were introduced to provide for compulsory motor vehicle insurance.

SB's 409 and 804 were similar and required proof of liability insurance and uninsured motorist coverage as a condition of motor vehicle registration. The bills did not specify minimum coverage requirements nor penalties for driving without the required insurance. Both bills died in Senate committee.

HB 545 would have required proof of liability insurance and uninsured motorist coverage as a condition for motor vehicle registration. The bill did not specify minimum liability coverage

limits. However, the bill did provide penalties for driving without the required insurance. Driving without the required insurance would have been a Class A misdemeanor and the driver would have been subject to suspension of his driver's license for up to 90 days. The bill died in House Committee.

HB 928 would have required proof of liability insurance and uninsured motorist coverage as a condition of motor vehicle registration. The bill provided minimum liability insurance coverage of \$20,000/50,000. Property damage limits were not specified. The penalties for driving without the required insurance would have been the same as those provided in HB 545 summarized above. The bill died in House committee.

HB 1234 would have required proof of liability insurance and uninsured motorist coverage as a condition of motor vehicle registration. The liability insurance limits would have been \$10,000/2,000/5,000. The penalty for driving without the required insurance would have been a Class A misdemeanor. The bill passed the House but was tabled in Senate committee.

SB 1113 would have required proof of liability insurance as a condition of motor vehicle registration. The minimum liability limits would have been \$10,000/20,000/5,000. The bill also would have required other coverage such as for medical and hospital, income continuation, survivors' benefits, and funeral expenses. The penalty for driving without the required insurance would have been a Class C misdemeanor and the driver would have been subject to having his license and registration revoked. The bill died in Senate committee.

HB 634 would have required proof of liability insurance and uninsured motorist coverage as a condition of motor vehicle registration. The minimum liability limits would have been \$10,000/20,000/5,000. The penalties provided were the same as those provided by HB 545 summarized above. This bill died on third reading in the House.

1978. HB 2614 would have required proof of liability insurance and uninsured motorist coverage as a condition of motor vehicle registration. The liability insurance limits would have been \$10,000/20,000/5,000. Operation of a motor vehicle without the required insurance would have been a Class A misdemeanor. The bill died in House committee.

1979. Three bills have been introduced to require minimum liability insurance as a condition of motor vehicle registration.

SB 51 would require filing of proof of insurance coverage as a prerequisite for motor vehicle registration. No minimum liability insurance coverage limits or penalties are specific in the bill. The bill is in Senate committee.

HB 206 would have required filing proof of insurance coverage as a prerequisite to motor vehicle registration. Minimum liability insurance coverage would be \$10,000/20,000/5,000. Driving a motor vehicle without the required insurance would be a Class A misdemeanor. The bill passed the House and is in the Senate.

HB 406 would provide for compulsory no fault motor vehicle insurance which would include minimum liability insurance limits of \$10,000/20,000/5,000. The penalty for operation of a motor vehicle without the required insurance is revocation or suspension of the driver's license and registration.

Sources

Commerce Clearing House, "Automobile Insurance Law Reporter"; Illinois Legislative Council File 6-923, "Compulsory Motor Vehicle Insurance Laws," 1968.

November 27, 1978

CURRENT STATUS OF NO-FAULT AUTOMOBILE INSURANCE
LEGISLATION IN OTHER STATES

Summary

As of November 1978, 24 States have no-fault automobile insurance statutes that allow first party benefits to be paid without fault. Sixteen States have a complete, mandatory insurance program, and eight States use first party insurance coverage either on an optional or mandatory basis, but do not bar tort actions for recovery of damages for personal injuries. Summaries of the 24 State laws follow.

* * *

As of November 1978, 24 States have some sort of no-fault automobile insurance program. Sixteen States have a mandatory scheme of insurance, and eight States share one or more features of no-fault insurance on an optional or mandatory basis. No-fault automobile insurance is protection the policyholder receives from his own insurance company compensating him for the medical expenses, loss of income, and similar economic losses he suffers as a result of a motor vehicle accident, whether or not he was in any way to blame for the mishap. In return for this first party coverage, the policy holder loses his right to bring a tort action to the extent he has received compensation under the no-fault insurance program.

The salient features of a no-fault program are: (1) mandatory first party insurance coverage, (2) the elimination of fault concepts for granting this first party coverage, and (3) a limitation upon the right of the injured party to bring a tort action to recover damages for personal injuries. Many State programs have what are called "thresholds," that is, maximum dollar amounts under which no suit may be brought, and over which a tort suit may be instituted. The "threshold" may also prohibit the bringing of certain kinds of suits, such as those seeking to recover money damages for pain and

This memorandum has been prepared as part of the research services rendered to members of the General Assembly by the staff of the Illinois Legislative Council.