

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984

3084 SSA HB 7 (FILE 1) - (FILE 2) 8672

1.	POSITION TITLE Legal Secretary I			RANGE/STEP 10B	ORG. UNIT GGU	FORM 12 PAGE/LINE	COY	APPROV.	15/1
2.	TYPE OF POSITION PFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	DRG PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 8	LEG.	

3.	CONTINUATION LEVEL	ADDITION	
4.	TYPE OF EXPENDITURE		AMOUNT
	1	2	3
	PERSONAL SERVICES		
5.	Salary 1.803 X 6	10,818	
6.	Benefits	1,774	
7.	Supplemental Benefits	663	
8.	Fixed Benefits	1,368	
9.	TOTAL PERSONAL SERVICES	01	14,623
10.	Travel	02	
11.	Contractual	03	4,200
12.	Commodities	04	2,700
13.	Equipment	05	13,500
14.	Other		
15.	TOTAL COST		35,023

JUSTIFICATION

This position is requested to provide the clerical support for the DWLS caseload increase that will result from the drivers license suspension provisions of HB 7. The position will handle office scheduling, communications, filing and prepare the substantial amount of documentation for each case that is needed to show proof of notice and the length and dates of suspensions. Allocation to the Legal Secretary I classification is recommended.

	RECEIPT CODE	FUNDING SOURCE	
16.		Federal Receipts 1002	
17.		G.F. Match 1003	
18.		General Funds 1004	35,023
19.		I-A Receipts 1005	
20.		Program Receipts 1020	
21.		Other	

FOR O&M USE ONLY
4A KEY NUMBER _____

13 REQUEST FOR NEW POSITION

AGENCY DEPARTMENT OF LAW
PROGRAM DUE PROCESS
DRG PROSECUTION
JUDICIAL DISTRICT

Page 1 of 1
Revised Date _____

FY 88

1.	POSITION TITLE Attorney III			RANGE/STEP 22A	DARG. UNIT PX	FORM 12 PAGE/LINE	GOV	APPROV	DISM
2.	TYPE OF POSITION PFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Fairbanks	ELECTION DISTRICT 16A	LEG.	

3.	CONTINUATION LEVEL	ADDITION	
4.	TYPE OF EXPENDITURE	AMOUNT	
	1	2	3
	PERSONAL SERVICES		
5.	Salary 4,464 X 6	26,784	
6.	Benefits	4,393	
7.	Supplemental Benefits	1,642	
8.	Fixed Benefits	1,315	
9.	TOTAL PERSONAL SERVICES	01	34,134
10.	Travel	02	1,500
11.	Contractual	03	2,400
12.	Commodities	04	3,300
13.	Equipment	05	1,500
14.	Other		
15.	TOTAL COST		42,834

JUSTIFICATION

This position is requested to handle the large number of DWLS violations that will result from the drivers license suspension provisions of HB 7. One attorney position will be needed at Fairbanks to handle the resultant caseload increase. Allocation to the Attorney III level is recommended because of the routine nature of the prosecutions to be handled.

	RECEIPT CODE	FUNDING SOURCE	
16.		Federal Receipts 1002	
17.		G.F. Match 1003	
18.		General Funds 1004	42,834
19.		I-A Receipts 1005	
20.		Program Receipts 1020	
21.		Other	

FOR D&H USE ONLY
4A KEY NUMBER: _____

13 REQUEST FOR NEW POSITION

AGENCY DEPARTMENT OF LAW
PROGRAM DUE PROCESS
BRU PROSECUTION
FOURTH JUDICIAL DISTRICT

Page 1 of 1
Revised Date

FY 85

1.	POSITION TITLE Legal Secretary I				RANGE/STEP 10B	DARG. UNIT GGU	FORM 12 PAGE/LINE	COY	APPROV	DISA
2.	TYPE OF POSITION PFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	DRU PRIORITY	LOCATION Fairbanks	ELECTION DISTRICT 16A	LEG		
3.	CONTINUATION LEVEL				ADDITION		JUSTIFICATION			
4.	TYPE OF EXPENDITURE			AMOUNT						
	1			2			3			
	PERSONAL SERVICES									
5.	Salary	2,033 X 6	12,198							
6.	Benefits		2,000							
7.	Supplemental Benefits		747							
8.	Fixed Benefits		1,368							
9.	TOTAL PERSONAL SERVICES		01	16,313						
10.	Travel		02							
11.	Contractual		03	2,100						
12.	Commodities		04	700						
13.	Equipment		05	13,500						
14.	Other									
15.	TOTAL COST			34,613						
RECEIPT CODE										
FUNDING SOURCE										
16.	Federal Receipts			1002						
17.	G.F. Hatch			1003						
18.	General Funds			1004	34,613					
19.	I-A Receipts			1005						
20.	Program Receipts			1020						
21.	Other									
FOR O&H USE ONLY										
4A KEY NUMBER										

This position is requested to provide the clerical support for the DWLS caseload increase that will result from the drivers license suspension provisions of HB 7. The position will handle office scheduling, communications, filing, and prepare the substantial amount of documentation that is needed for each case to show proof of notice and length and dates of suspension. Allocation to the Legal Secretary I classification is recommended.

AGENCY DEPARTMENT OF LAW
PROGRAM DUE PROCESS
DRU PROSECUTION

13 REQUEST FOR
NEW POSITION

FY 8

Jan. 27, 1984

1105 Cushman St., Fairbanks, Alaska 99701
Phone: Off: 907-458-7787

Rep. Joe Hayes
Pouch V
Juneau, AK 99811

Dear Joe,

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

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

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

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

Sectional Analysis

SCS CSSS HB7 (L+C)

Section 1. Page 1

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

Section 2. Pages/-2

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

Section 3. Page 2

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

Section 4. Page 2-3

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



Speaker of the House of Representatives

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

Official Business

ANALYSIS FOR HB 7 COMPROMISE...March 1 Draft

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

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

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

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

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

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

6 point violations cont.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

-5-

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

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

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

ARBA Anchorage Restaurant & Beverage Association

429 D Street, Suite 200 Anchorage, Alaska P.O. Box 4-1260 Anchorage, Alaska 99509 (907) 344-4001 272-8130

February 29, 1984

Honorable Vic Fischer
Senate District: Anchorage
State Capitol
Pouch V
Juneau, Ak. 99811

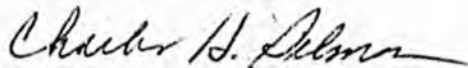
Dear Senator Fischer:

The Board of Directors of the Anchorage Restaurant & Beverage Association, meeting in Executive Session, February 23, 1984, passed the following resolution:

Resolved: That this Board go on record as favoring a Mandatory Liability Insurance Law for motor vehicles in the State of Alaska. Be it further resolved that this Mandatory Insurance be tied, in some way, to the granting of the motor vehicle license, only upon proof that said liability insurance has been obtained.

Accordingly; the Board, collectively, would like to request our Representatives to consider introducing such legislation. If this legislation has already been introduced, then we would ask for your support for such a measure.

Yours very truly,



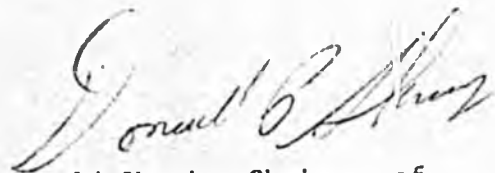
Charles H. Selman
President, ARBA

CHS/ds

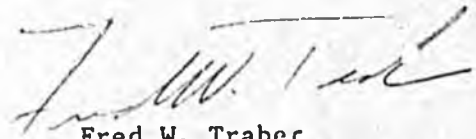
ANCHORAGE RESTAURANT & BEVERAGE ASSOCIATION

BOARD OF DIRECTORS

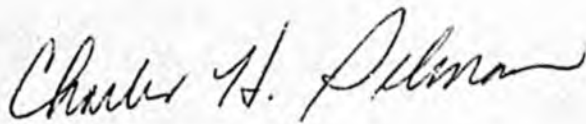
Signed February 23, 1984



Donald Skewis, Chairman of
the Board



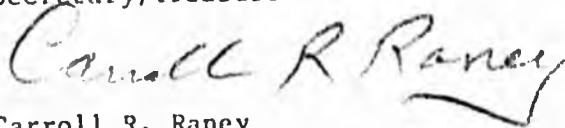
Fred W. Traber
Board Member



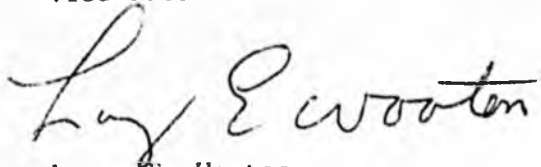
Charles H. Selman
President



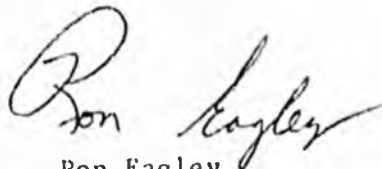
Norman B. Grant
Secretary/Treasurer



Carroll R. Raney
Vice-President



Larry E. Wooten
Board Member



Ron Eagley
Board Member



Kathleen J. Lovette
Board Member

Not Present:

Paula Gallagher
Jack Griffin
Eldon Jenkins

DEPARTMENT OF LAW

CRIMINAL DIVISION

REPLY TO

- OFFICE OF THE CHIEF PROSECUTOR
POUCH KC
JUNEAU, ALASKA 99811
PHONE: (907) 465-3428
- OFFICE OF SPECIAL PROSECUTIONS
AND APPEALS
1031 WEST 4TH AVENUE, SUITE 318
ANCHORAGE, ALASKA 99501-5993
PHONE: (907) 279-7424

April 3, 1984

The Honorable Joseph Hayes
Alaska State House
Pouch V
Juneau, Alaska 99811

Re: Proposed amendments to 3/1/84 draft of HB 7--
Mandatory Car Insurance

Dear Representative Hayes:

At the last meeting with your staff member, Jeff Day, on HB 7, I was requested to look over the latest draft and attempt to arrange the language of the bill to ensure that the \$250 reinstatement fee was only imposed once--at reinstatement--and would not be multiplied by the number of violations of the law resulting in suspension of a driver's license. I was also asked to research the legal question of whether or not an administrative fee must bear a reasonable relationship to the administrative costs of a particular action.

In response to the request, attached are some proposed amendments to Section 5 and Section 12 of the March 1, 1984 draft of HB 7.

As you know, there are several ways under current law for a person to lose a driver's license. A single driving violation can result in multiple license actions, each running concurrently to the others, and thus overlapping. These overlapping license actions create a number of administrative and legal problems which these proposed amendments attempt to resolve.

The proposed amendments to Section 5 would clarify that a single reinstatement fee would be imposed each time a license is reinstated and would not be cumulative, i.e., based on overlapping suspensions or revocations as a result of violations of various laws.

This proposed draft also sets the reinstatement fee at \$100, instead of the \$250 fee originally suggested by your staff. This change is necessary because of the generally-accepted rule of law which requires that administrative fees

bear a reasonable relationship to administrative costs (73 C.J.S. Public Administrative Law and Procedure § 8, Petra Cablevision Corp. v. Suffolk County, 348 N.Y.S.2d 679 [1973]). According to Bill Brown, Chief, Driver Services, Department of Public Safety, a \$100 reinstatement fee would be reasonably related to the cost of administrative services resulting from a license suspension or revocation and its reinstatement, whereas \$250 would probably be an excessive charge.

This proposed amendment also has the effect of applying the \$100 fee uniformly to reinstatements following all types of suspensions and revocations, and not just for failure to carry insurance. We believe that this change is required in terms of clarity, uniformity, and ease of enforcement, particularly when overlapping suspensions and revocations are in effect.

Finally, the proposed amendment places all reinstatement fees in a single section--in current AS 28.15.211--which already contains other provisions for license reinstatement. Since this change obviates the need to maintain a separate section setting out the reinstatement fee for licenses suspended under the Financial Responsibility Laws, Section 12 of the bill can be deleted and the succeeding sections renumbered.

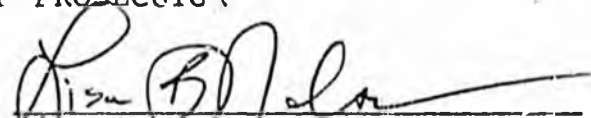
If I may be of further assistance, please feel free to call.

Very truly yours,

NORMAN C. GORSUCH
ATTORNEY GENERAL

DANIEL W. HICKEY
CHIEF PROSECUTOR

By:


Lisa B. Nelson
Assistant Attorney General

LBN/dlm

Enclosure

copy to: Bill Brown, Chief
Drivers Services
Department of Public Safety

PROPOSED CS FOR SECTION 5
AND SECTION 12
3-1-84 DRAFT OF HB 7

* Sec. 5. AS 28.15.211 is amended to read:

Sec. 28.15.211. PERIODS OF LIMITATION, SUSPENSION OR REVOCATION; OPPORTUNITY FOR HEARING AND SURRENDER OF LICENSE. (a) Except for a point system suspension or revocation under AS 28.15.221 -- 28.15.241 and unless provided otherwise by law, and unless the suspension or revocation was for a cause which has been removed, a person whose driver's license or privilege to drive a motor vehicle in this state has been suspended or revoked may not apply for a new license nor may his driving privilege be restored until the expiration of

(1) one month from the date on which the license was suspended or revoked for a first conviction of the particular offense from which the suspension or revocation resulted;

(2) three months from the date on which the license was suspended or revoked for a second conviction within 12 consecutive months of the same offense from which the suspension or revocation resulted;

(3) one year from the date on which the license was suspended or revoked for a third or subsequent conviction within 12 consecutive months of the same offense from which the suspension or revocation resulted; or

(4) [Repealed; § 25 ch 77 SLA 1983.]

(b) A limitation, suspension, or revocation of a driver's license imposed by a court takes effect on the date of final judgment, except that if another limitation, suspension, or revocation of license is in effect on the date of final judgment, the effective date of the last imposed limitation, suspension, or revocation is at the end of the last day of the previous limitation, suspension, or revocation unless the court specifies otherwise.

(c) At the end of a period of suspension or limitation, when that limitation follows a suspension, the person whose license has been suspended or limited may apply to the department and, upon payment of the proper fees, including a reinstatement fee of \$100, be issued a duplicate driver's license if he is otherwise entitled to the license under this title.

(d) At the end of a period of revocation or limitation following a revocation, a person whose driver's license has been revoked may apply to the department for the issuance of a new license, but shall submit to re-examination and pay all required fees, including a reinstatement fee of \$100.

(e) At the end of a period of limitation, suspension or revocation under this chapter, the department may not issue a driver's license or a duplicate driver's license to the licensee until he has complied with AS 28.20 relating to proof of financial responsibility.

(f) Unless otherwise provided by law, periods of limitation shall be made at the discretion of the court.

* Sec. 12. AS 28.20.585 is repealed.

Alaska State Legislature



Speaker of the House of Representatives

Official Business

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

JANUARY 1984

MANDATORY INSURANCE LAW SURVEY

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

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

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

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

ARE ANY STATISTICS AVAILABLE WHICH ILLUSTRATE THE BELIEVED
NUMBER OF UNINSURED MOTORISTS BEFORE YOUR STATE'S LAW TOOK
EFFECT COMPARED TO AFTER IT TOOK EFFECT?

At the time HB 2223 took effect in January 1983, it was estimated that 33% of the 2,183,354 vehicles registered in Arizona did not have insurance.

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

The percentage has been reduced to less than 15% of registrants from the 30% estimated before the law took effect.

-Juan Martin Division Director/ Arizona Motor Vehicle Div.

Prior to January 1, 1974 it was estimated there were approximately 18 to 20% uninsured motorists in the state of Kansas. Recent surveys have indicated that the percentage of uninsured motorists is now about 8%.

-Fletcher Bell Kansas Insurance Commissioner

We feel the law is working and is enforceable since our uninsured rate is approximately 6% compared to 18% prior to 1974 when compulsory no fault insurance was introduced.

-Robert Bugay Director Kansas Division of Vehicles

About 10% of the motorists involved in accidents prior to January 1, 1975 were uninsured which compares to about 5% in 1982.

-William Kyle/ Minnesota Supervisor of Insurance Analysts

We estimate that the mandatory insurance law reduced the percent of uninsured drivers from around 14% to 6%. At times it has been as low as 4½%.

-David Moomaw Administrator Oregon Motor Vehicle Division

Since the current law's passage, the number of insured motor vehicles on our states highways is now estimated to be anywhere from 90-96%.

-John Richards Deputy Chief Insurance Commissioner
South Carolina

The number of persons reporting automobile insurance after an accident is over 90% compared to 70% prior to January 1, 1982 when the compulsory liability law went into effect.

-Tom Bond Texas Insurance Commissioner

A recent report from the West Virginia Dept. of Motor Vehicles indicated that 5% of West Virginia motorists are currently uninsured. This report was based on accident report data. Prior to the advent of compulsory insurance, the estimated uninsured motorist ratio was in excess of 20%

-Richard Shaw West Virginia Insurance Commissioner

IN YOUR OPINION, IS YOUR LAW AND ENFORCEMENT EFFORT
ACCOMPLISHING THE JOB OF DECREASING THE NUMBER OF UNINSURED
MOTORISTS?

It is my opinion that the number of uninsured motorists is significantly lower than it would be if mandatory automobile insurance laws did not exist in Connecticut.

-Peter Gillies Connecticut Insurance Commissioner

The present law and it's enforcement are helping to decrease the number of uninsured motorists.

-Hugh Hardison Commissioner Georgia Dept. of Pub.Safety

It is my opinion that this law has decreased the number of uninsured motorists on Idaho roads and that most victims of accidents are now in a position to be compensated by the person at fault in an accident.

-Trent Woods Director Idaho Department of Insurance

We believe the law has served its purpose.

-Fletcher Bell Kansas Insurance Commissioner

In my best opinion, the law is accomplishing the job.

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

We do not recommend any changes in our statute since it is working quite satisfactorily.

-Alan Mackey Registrar Massachusetts Registry of Motor
Vehicles

Uninsured motorists have apparently declined but no fault isn't necessarily designed to compensate victims.

-William Kyle Minnesota Supervisor of Insurance Analysts

We feel the administrative procedures being used are effective in that we have an approximate 95% compliance with compulsory insurance. Our experience with public reaction has been mixed. Those persons who are affected by the law who are in violation feel that our administrative actions are too strong. The opposite reaction comes from people who find themselves the victim of accidents where they are involved with an uninsured vehicle.

-Marlene Swanson Director Minnesota Driver and Vehicle
Services

We believe that enforcement efforts are decreasing the number of uninsured motorists operating on our state highways. Yes we believe the law is enforceable.

-Robert Griffith Field Force Bureau Chief
Montana Highway Patrol

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

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

None.
-J.T. Langdon Wyoming Insurance Commissioner

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

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

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

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

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

-Peter Gillier Connecticut Insurance Commissioner

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

-Trent Woods Director Idaho Dept. of Insurance

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

-Fletcher Bell Kansas Insurance Commissioner

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

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

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

-Nancy Baerwaldt Michigan Insurance Commissioner

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

-William Kyle Minnesota Supervisor of Insurance Analysts

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

-Thomas Buzby Legislative Liaison
Pennsylvania Insurance Dept.

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

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

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

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

-Trent Woods Director Idaho Dept. of Insurance

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

-Fletcher Bell Kansas Insurance Commissioner

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

-Nancy Baerwaldt Michigan Insurance Commissioner

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

-William Kyle Minnesota Supervisor of Insurance Analysts

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

-Thomas Buzby Legislative Liaison
Pennsylvania Insurance Dept.

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

-John Richards Deputy Chief Insurance Commissioner
South Carolina

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

-Richard Shaw West Virginia Insurance Commissioner

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

-Josephine Driscoll Oregon Insurance Commissioner

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

-David Elliott Delaware Insurance Commissioner

IN YOUR OPINION, IS YOUR LAW AND ENFORCEMENT EFFORT
ACCOMPLISHING THE JOB OF DECREASING THE NUMBER OF UNINSURED
MOTORISTS?

Yes, We feel that our compulsory law and enforcement procedures are accomplishing the job of decreasing the number of uninsured motorists in our state.

-Clifford Snedecker Director- New Jersey Division of Motor Vehicles

We think the impact has been substantial based upon comments from independent insurance agents. The decrease in the number of uninsured motorists is evident.

-Bill Bruce General Counsel Oklahoma Dept. of Public Safety

There is no question that the current compulsory statutes have accomplished the goal of decreasing the number of uninsured motorists on our highways on any given date.

-John Richards Deputy Chief Insurance Commissioner South Carolina

The evidence we have indicates that the compulsory law is having a desired effect toward reducing the number of uninsured drivers. Through the years the percent of drivers involved in accidents reporting liability insurance ranged between 70 and 75%. Shortly after enactment of the compulsory insurance law, this percentage increased to over 92%.

-James Adams Director Texas Dept. of Public Safety

In my opinion, the statutes and the limited enforcement do result in a greater number of motorists with adequate insurance.

-Dennis Nordfelt Superintendent Utah Highway Patrol

I believe that our uninsured population is not greater than most states who have compulsory insurance.

-R.W. Skeen Colorado Motor Vehicle Administrator

I believe mandatory insurance does increase the number of motor vehicle accident victims that receive insurance benefits in compensation for their loss.

-David Elliott Delaware Insurance Commissioner

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

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

None.

-J.T. Langdon Wyoming Insurance Commissioner

We have very few policy holders in the Assigned Risk Pool. There appears to be an excellent marketplace for substandard risks.

-Josephine Driscoll Oregon Insurance Commissioner

DO YOU FAVOR REPEALING THE MANDATORY LAW IN YOUR STATE?

We would not be in favor of repealing the mandatory insurance law. We feel that, however small, the new law is a step in the right direction and we do see the continual upgrading of our goal for voluntary compliance by our citizens.

-Robert Griffith Field Force Bureau Chief
Montana Highway Patrol

The division opposes repealing mandatory auto insurance. We believe that amending our existing statutes is the proper response to high rates, not a return to an entirely voluntary system.

-Clifford Snedecker Director New Jersey Division of Motor Vehicles

No, the reason is the program has been effective and causes irresponsible people to have insurance in the event of an accident thereby giving the victims some type of protection.

-Robert Pruett Director
North Carolina Vehicle Registration Section

We do not favor repealing the mandatory auto insurance law as it now exists. Our law is inexpensive to administer and reasonably effective.

-David Moomaw Administrator Oregon Motor Vehicle Division

I would not be in favor of repealing our law....I firmly believe that most Utahns comply with the statute simply because it is the law and they are required to certify their adherence annually.

-Dennis Nordfelt Superintendent
Utah Highway Patrol

I see no reason to repeal the mandatory auto insurance in this state in that it does seem to have a positive effect and the administrative costs are not believed to be burdensome.

-R.W. Skeen Colorado Motor Vehicle Administrator

DO YOU BELIEVE YOUR STATE'S LAW HAS PLACED AN UNFAIR BURDEN ON INSURANCE COMPANIES TO COMPLY WITH THE LAW...SUCH AS INCREASED PAPERWORK?

Insurance companies have not indicated to the Department of Insurance that an unfair burden has been placed on them to comply with the law.

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

I do not believe that Connecticut's compulsory insurance law has placed an unfair burden on insurance companies in complying with its requirements.

-Roger Gillies Connecticut Insurance Commissioner

It is my opinion that this law has had no adverse affect on the insurance industry in Idaho nor has it been a burden for those companies involved to comply with any aspect of the law.

-Trent Woods Director Idaho Dept. of Insurance

No.

-Fletcher Bell Kansas Insurance Commissicner

-William Kyle Minnesota Supervisor of Insurance Analysts

-J.O. Wigen North Dakota Insurance Commissioner

-J.T. Langdon Wyoming Insurance Commissioner

-Josephine Driscoll Oregon Insurance Commissioner

Not at this time.

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

To the best of my knowledge, our law has not caused increased paperwork for insurance companies or for the state.

-Nancy Baerwaldt Michigan Insurance Commissioner

No, we believe the insurance companies have a moral obligation to do the necessary paperwork or any other work dictated by a mandatory insurance law.

-Thomas Buzby Legislative Liaison
Pennsylvania Insurance Dept.

We do not believe the current law has placed an unfair or unreasonable burden on insurance companies licensed to transact automobile insurance in our state.

-John Richards Deputy Chief Insurance Commissioner
South Carolina

We have no evidence of an unfair paperwork burden being placed on insurers due to compulsory liability insurance.

-Tom Bond Texas Insurance Commissioner

No, the increased paperwork is offset by the increased automobile insurance business generated by the law.

-Richard Shaw West Virginia Insurance Commissioner

DO YOU BELIEVE THE MANDATORY LAW IN YOUR STATE HAS LESSENER THE COMPETITIVENESS OF THE INSURANCE INDUSTRY IN YOUR STATE OR DRIVEN POTENTIAL INSURANCE BUSINESS OUT OF THE STATE?

If anything, the competition has increased in Arizona.....
Our marketplace is extremely competitive in all lines.

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

I do not believe that Connecticut's compulsory insurance law has lowered the competitiveness in the Connecticut insurance industry nor has it driven potential insurance business out of this state.

-Peter Gillies Connecticut Insurance Commissioner

It has been a positive influence on increased competition.

-Trent Woods Director Idaho Dept. of Insurance

No.

-Fletcher Bell Kansas Insurance Commissioner

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

-William Kyle Minnesota Supervisor of Insurance Analysts

-J.O. Wigen North Dakota Insurance Commissioner

-Josephine Driscoll Oregon Insurance Commissioner

No. The level of competition among insurers seems to be keener than in years past.

-Thomas Buzby Legislative Liaison
Pennsylvania Insurance Dept.

We do not believe the mandatory law has lowered the competitiveness of the insurance industry in South Carolina.

-John Richards Chief Deputy Insurance Commissioner
South Carolina

There is neither an indication of a lack of competitiveness nor insurers leaving the state due to the compulsory liability insurance law.

-Tom Bond Texas Insurance Commissioner

No, there has been an increase in the number of automobile insurance filings submitted to the West Virginia Insurance Dept.

-Richard Shaw West Virginia Insurance Commissioner

Delaware enjoys a very competitive auto insurance market. The mandatory law had had no detrimental effects on the availability of insurance.

-David Elliott Delaware Insurance Commissioner

DO YOU BELIEVE THAT REQUIRING COMPANIES TO OFFER UNINSURED AND UNDERINSURED COVERAGE IN LIEU OF A MANDATORY LAW IS THE WAY TO ADDRESS THE PROBLEM OF THE UNINSURED MOTORIST?

We do not view either coverage as definitively addressing the problem of uninsured motorists.

-Fletcher Bell Kansas Insurance Commissioner

Uninsured or underinsured coverage for property damage is found in some states, but has not met with much favor in Minnesota. Premium costs may tend to get prohibitive when property damage coverage for uninsured motorists is mandated.

-William Kyle Minnesota Supervisor of Insurance Analysts

The Texas Legislature evidently felt that Uninsured/Underinsured Motorist Coverage approach was not sufficient.

-Tom Bond Texas Insurance Commissioner

GENERAL COMMENTS

Regardless of the ability to enforce this law, having the law on the books and the potential for strong enforcement is better than not having anything to promote financial responsibility.

-Trent Woods Director Idaho Dept. of Insurance

I believe our system is an excellent one and has served our citizens well.

-Nancy Baerwaldt Michigan Insurance Commissioner

We believe there will be a significant increase in the number of insured drivers because of this legislation. The message is clear..anyone attempting to drive without insurance should know when they get caught..they will pay a heavy price.

-Rep. Michael Stinziano on new Ohio law to take effect
1/1/84

The South Carolina Insurance Commission is on record as supporting the retention of our mandatory compulsory automobile insurance law. It is felt that each driver should be financially responsible for his own actions and that innocent victims of the negligent acts of others should be rightly compensated.

-John Richards Deputy Chief Insurance Commissioner
South Carolina

COMMENTS FROM ALASKA POLICE CHIEFS

ALASKA POLICE CHIEFS were asked to comment on the need for a mandatory insurance law. The following are edited responses.

HB 7 is long overdue. The uninsured motorist creates a totally unnecessary burden for the other users of the roadways. I certainly feel that passage of HB 7 would be in the best interests of the state.

-Brian Porter Anchorage Police Chief

I am in favor of this type of legislation. It is quite common in bush Alaska that people own and operate vehicles without insurance. It is also very common to investigate accidents where people find there is no insurance covering the drivers of the vehicles involved. This leaves many people with no option except civil court to attempt to gain restitution.

-Thomas Varnell Bethel Police Chief

I support the general concept of requiring motor vehicle insurance for all drivers in the State of Alaska. I believe uninsured motorists cost the citizens of Soldotna and the State of Alaska an inflated insurance premium as well as inconvenience and hardship.

-Duane Udland Soldotna Police Chief

I was pleased to read of the house bill which would require proof of insurance to register a vehicle. I firmly believe that this type of procedure coupled with a penalty is one step toward protecting the public from the uninsured motorist. I'm only sorry it didn't pass both houses and become law.

-Art LeTourneau Sicksa Police Chief

I firmly believe that motorists seeking to register their vehicles in the state of Alaska should show proof of liability. It is very discouraging for insured motorists to be a victim of a motor vehicle accident only to find that the other motorist causing the accident does not have insurance nor do they have the means to pay for the damages or costly medical expenses for which they are responsible.

-Joseph Ciraulo Juneau Police Chief

I would be in support of efforts to enact a mandatory liability insurance law. A high percentage of our motor vehicle accidents involve persons without liability insurance.

-Edgar Martin Kodiak Police Chief

I am in favor of this mandatory law. It appears to me that about 40% of our citizens are left holding the bag when their auto is damaged by an uninsured motorist.

-William Bagron Cordova Police Chief

ALASKA POLICE CHIEF COMMENTS cont.

I would venture to say that the estimate of the Division of Insurance that 40% of the motorists are uninsured is conservative at best. I think it may be as high as 50%. It has been my observation and opinion over the past 11 years as Police Chief of Homer that innocent people are getting killed and injured and losing thousands of dollars by automobile accidents with uninsured drivers.

-Michael Daugherty Homer Police Chief

MEMORANDUM

TO: VF

FROM: ST

RE: HB7

DATE: 4/19/84

*If in exempt area &
have an accident or
traffic violation
→ 5 yrs insurance
In other areas*

HB 7

Here are the three areas of concern you had for the House version of

HB7

- (3) the affect of the house version on low-income residents;

Only one state addresses this problem, Hawaii. Their program provides insurance for people on public assistance.

I asked Sheila about the cost-assistance approach. Senator Eliason told her not to look into it.

- (1) the one year license suspension; → *90 day*

Attached is the amendment as written by Dept. of Law, and provided by Jeff Day.

- (2) the reinstatement fee

You wanted to lower the reinstatement fee from \$100 to \$50.

(4) no-fault
~~if~~ - if a mand. insur.

PROPOSED CS FOR SECTION 13,
SEC. 28.22.240, AND SEC. 28.22.260
OF 4/6/84 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 purposes 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 28.22.240 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 on 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 from the licensee, the department shall make findings on the matter under consideration within 15 days and shall notify the person involved of its decision in 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.

Alaska State Legislature



Speaker of the House of Representatives

Official Business

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

April 17, 1984

To: Senator Dick Eliason
Senator Bob Mulcahy
Senator Vic Fischer

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

From: Jeff Day

Re: Proposed amendment on license suspension

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 law passed last session.

Alaska State Legislature



Speaker of the House of Representatives

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

Official Business

April 17, 1984

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

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

From: Jeff Day
Assistant to the Speaker

Re: Low Income Motorists

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

SUMMARY

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

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

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

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

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

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

Paraphrased comments from agencies which were interviewed follow.

The following is a summary of the interviews conducted.

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

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

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

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

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

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

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

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

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

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

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

The rating process in each state will have the greatest effect on the price of insurance and laws relating to rates should be addressed to assure good rates... (i.e. whether investment income is used in calculating rate base.) NICO also did a study of all compulsory law states and determined that there was no correlation between the increase in premium cost and passage of compulsory laws.

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

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

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

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

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

Illinois Insurance Dept.
217 782 7446
Janet Frye

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

Minnesota Insurance Dept.
612-296-6941
William Kyle/ Supervisor of Insurance Analysts

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

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

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

Oregon Insurance Dept.
Bill Haskell
503-378-4271

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

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

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

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

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

Ohio Insurance Institute
Bill Fletcher
614-228-1593

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

Hawaii
Allen Gushiken
808-548-5450

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

Hawaii (continued)

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

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

In 10 years this has amounted to about 8 million dollars which has been assessed to all insurance companies in the state.

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

Virginia
804-786-3667

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

May 10, 1982

Updated October 26, 1982

*This is
somewhat outdated
but should be of
general use
for background*

 COMPULSORY MOTOR VEHICLE LIABILITY INSURANCE

Summary

Compulsory insurance laws require all owners of motor vehicles to buy and maintain insurance as a condition for registering their vehicles. Such insurance has been urged as a solution to the problem of financially improvident motorists. More than 20 percent of Illinois motorists and 50 percent of Chicago motorists may be without insurance.

Twenty-nine states have enacted compulsory motor vehicle insurance laws. Two additional states have compulsory motor vehicle insurance laws that have not yet gone into effect. "No-fault" motor vehicle insurance also has been established in 20 of those states.

Over 30 bills providing for compulsory liability insurance coverage have been introduced in the Illinois General Assembly since 1971, but none have been adopted. Compulsory insurance was also provided for in several "no-fault" insurance proposals.

One of the major problems with compulsory insurance is that of enforcing the law requiring motorists to maintain insurance coverage throughout the registration period. Some states have adopted procedures to confiscate driver's licenses, license plates, and registration certificates of those failing to maintain insurance in addition to other penalties.

Proponents believe that only through compulsory insurance will there be any compensation available for wrongful injuries or property damage in motor vehicle accidents. Opponents argue that compulsory insurance laws would be ineffective or too costly and could increase pressure on government to further regulate or even supplant private insurance.

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Compulsory motor vehicle insurance laws require every application for the registration of a motor vehicle to be accompanied by proof that the vehicle is covered by a liability policy or other form of protection against the legal liability that may arise in connection with its operation. The registration will not be granted without such proof. Notice that the coverage has been cancelled results in a revocation of the registration, and operation of a noncovered automobile leads to driver's license suspension or revocation, and usually to criminal penalties.

According to Illinois Department of Insurance figures, 21 percent of registered private passenger vehicles in Illinois in 1978 were uninsured, and over half of such vehicles in Chicago were uninsured.¹

	<u>Registered*</u>	<u>Insured</u>	<u>Uninsured</u>	<u>Percent uninsured</u>
Chicago	1,269,916	612,800	657,116	52%
Cook County excluding Chicago	1,359,584	915,736	443,848	33
Illinois excluding Cook County	3,276,861	3,147,205	129,656	4
Illinois Total	5,906,361	4,675,741	1,230,620	21%

Illinois Proposals for Compulsory Insurance

Illinois has had a financial responsibility law since 1938. It requires persons who have failed to satisfy a judgment for any liability from a previous accident to furnish "proof of financial responsibility for the future" in amounts of \$15,000 for injury or death to one person; \$30,000 for injury or death to two or more persons; and \$10,000 for property damage.² This has been criticized because it does nothing to protect against harm from the first accident.

Since 1971 the Illinois General Assembly has considered over 30 bills which would require compulsory automobile insurance on a broad or limited basis. None of these measures became law. Main provisions of the proposals are shown in Table 1.

*The Department reduced the actual figures by about 5 percent because of automobile sales, and the figures may be distorted by the switchover to multi-year license plates.

Table 1

Proposed Legislation for Compulsory Automobile Insurance
for Illinois, 1971-1982

Year and bill no.	Required minimum liability coverage*	Penalty**
1972 H.B. 4344	\$10,000/\$100,000/\$5,000	maximum \$1,000 fine or 1 year imprisonment
1973 H.B. 243 and H.B. 817	20,000/ 40,000/ 5,000	not specified
1973 H.B. 950	10,000/ 20,000/ 5,000	petty offense; license and registration may be revoked
1974 H.B. 2414	not specified	not specified
1975 H.B. 3062 ^a / and S.B. 1500	10,000/ 20,000/ 5,000	Class C misdemeanor; license and registration may be revoked
1977 H.B. 545	10,000/ 20,000/ 5,000	Class A misdemeanor; license may be revoked up to 90 days; forfeit vehicle registration
1977 H.B. 634	10,000/ 20,000/ 5,000	Class A misdemeanor; forfeiture of vehicle registration
1977 H.B. 928	20,000/ 50,000/ ---	license may be suspended
1977 H.B. 1234	10,000/ 20,000/ 5,000	Class A misdemeanor
1977 S.B. 409	not specified	not specified
1977 S.B. 840	10,000/ 20,000/ 5,000	not specified
1977 S.B. 1113	10,000/ 20,000/ 5,000	Class C misdemeanor; license and registration may be revoked
1978 H.B. 2614	10,000/ 20,000/ 5,000	Class A misdemeanor
1979 H.B. 206	10,000/ 20,000/ 5,000	Class A misdemeanor
1979 H.B. 2443 and S.B. 117	not specified	not specified
1979 S.B. 51	10,000/ 20,000/ 5,000	not specified
1979 S.B. 127	10,000/ 20,000/ 5,000	Class A misdemeanor

Table 1 (cont'd)

<u>Year and bill no.</u>	<u>Required minimum liability coverage*</u>	<u>Penalty**</u>
1981 H.B. 9 and S.B. 90	\$10,000/\$20,000/\$5,000	Class A misdemeanor
1981 H.B. 11, H.B. 315 and S.B. 222	15,000/ 30,000/10,000	Class A misdemeanor
1981 H.B. 332	requires no-fault benefits and maintains current safety responsibility law	revocation or suspension of driver's license and vehicle registration
1981 S.B. 151	not specified	not specified
1981 S.B. 152	not specified	suspension of driver's license up to 90 days; Class A misdemeanor
1981 S.B. 969	10,000/ 20,000/ 5,000	suspension of driver's license and vehicle registration
1982 H.B. 2324 and H.B. 2573	15,000/ 30,000/10,000	Class A misdemeanor
1982 H.B. 2478	requires no-fault benefits and repeals safety responsibility law	revocation or suspension of driver's license and vehicle registration
1982 S.B. 1280	10,000/ 20,000/ 5,000	suspension or revocation of driver's license and motor vehicle registration; and for first offense, \$75 fine; second offense, \$200 fine

*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.

^a/H.B. 3062 was substituted for H.B.'s 1764, 1835, 1864, and 2719.

Source: Examination of bills by Legislative Council staff.

1984 bill now pending in Illinois Log

Laws in Other States

(32)
Twenty-nine states have compulsory motor vehicle insurance laws. Indiana and New Mexico have also passed compulsory motor vehicle insurance laws. However, Indiana's law does not go into effect until January 1, 1983, and New Mexico's does not go into effect until January 1, 1984. Generally, motor vehicles will not be registered in the state unless the application for registration is accompanied by proof of ability to respond in damages up to limits of, for example, \$20,000, bodily injury or death to one person; \$40,000, bodily injury or death per accident; and \$5,000, coverage for property damage.

No-fault insurance laws have been established in 20 states with compulsory liability insurance laws. No-fault insurance is protection policyholders receive from their own insurance companies to compensate them for economic loss suffered as a result of motor vehicle accidents, regardless of fault. All states that have no-fault insurance laws still have liability insurance provisions because no-fault beneficiaries have the right to sue negligent parties when no-fault benefits are inadequate or serious injury results. Thus, drivers in states with no-fault laws need liability coverage.

Examples of Procedures Followed in Enforcing
Compulsory Insurance Laws

All of the states having compulsory insurance laws provide for penalties against those who fail to maintain the required insurance. The problem of enforcing the requirements of maintaining insurance coverage is one that plagues administrative agencies. Some states have enacted procedures to be followed by insurance companies and administrative agencies in order to insure that motorists maintain insurance coverage through the vehicle registration period. Some examples of these procedures are described below.

States with compulsory motor vehicle insurance laws generally require the insurer to notify the commissioner of motor vehicles that the insured has cancelled or failed to renew the insurance policy. Upon receipt of such notification, the state acts to revoke or suspend the operating license or the registration plates unless the owner or driver licensee provides satisfactory evidence that another insurance policy has been obtained.

Table 2

Compulsory Liability Insurance Coverage Requirements and Penalties, 1982

State	Required minimum coverage*	Penalties**
California	\$15,000/\$30,000/\$ 5,000	up to \$100 fine for each offense
Colorado	15,000/ 30,000/ 5,000	class one traffic offense
Connecticut	20,000/ 40,000/ 5,000	misdeameanor
Delaware	10,000/ 20,000/ 5,000	\$150 to \$1,000 fine
Florida	10,000/ 20,000/ 5,000	license and registration suspended
Georgia	10,000/ 20,000/ 5,000	misdeameanor
Hawaii	25,000/ --- / 10,000	\$100 to \$1,000 fine
Idaho	10,000/ 20,000/ 5,000	misdeameanor
Indiana	25,000/ 50,000/ 10,000	misdeameanor
(Eff. 1/1/83)		
Kansas	25,000/ 50,000/ 10,000	misdeameanor
Kentucky	10,000/ 20,000/ 5,000	\$50 to \$500 fine
Louisiana	5,000/ 10,000/ 1,000	up to \$500 fine
Maryland	20,000/ 40,000/ 10,000	misdeameanor
Massachusetts	10,000/ 20,000/ 1,000	\$100 to \$500 fine or up to 1 year imprisonment
Michigan	20,000/ 40,000/ 10,000	misdeameanor
Minnesota	25,000/ 50,000/ 10,000	misdeameanor
Montana	25,000/ 50,000/ 5,000	misdeameanor
Nevada	15,000/ 30,000/ 10,000	not less than \$100 nor more than \$500 fine
New Jersey	15,000/ 30,000/ 5,000	\$50 to \$200 fine or imprisonment from 30 days to 3 months for 1st offense
New Mexico	15,000/ 30,000/ 5,000	misdeameanor
(Eff. 1/1/84)		
New York***	10,000/ 20,000/ 5,000	\$100 to \$1,000 fine and/or up to 15 days imprisonment
North Carolina	25,000/ 50,000/ 10,000	misdeameanor
North Dakota	25,000/ 50,000/ 10,000	registration revoked
Oklahoma	10,000/ 20,000/ 10,000	up to \$100 fine and license suspended
Oregon	15,000/ 30,000/ 5,000	license suspended
Pennsylvania	15,000/ 30,000/ 5,000	misdeameanor
South Carolina	15,000/ 30,000/ 5,000	misdeameanor
Texas	10,000/ 20,000/ 5,000	misdeameanor
Utah	20,000/ 40,000/ 10,000	misdeameanor
West Virginia	20,000/ 40,000/ 10,000	misdeameanor
Wyoming	10,000/ 20,000/ 5,000	misdeameanor

*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.

***In New York coverages for death of one person is \$50,000 and for death to two or more persons is \$100,000.

Note: States with no-fault insurance are shown in boldface type.

Source: Listed in Appendix A.

In Georgia, for example, the insurance company must notify the public safety department within 5 days after the effective date of cancellation of required coverage. The state suspends the driver's license and the license plates for a period of 60 days and until proper proof of required insurance has been filed.

Kansas law states that no liability policy can be terminated during the policy period either by nonpayment of premiums or at the request of the insured unless the insurer notifies the vehicles division in the revenue department, within 20 days after the termination for nonpayment or within 20 days after receipt by the insurer of insured's cancellation request. When the division receives such notice from the insurer, the division must notify the owner by registered or certified mail that, 30 days after the notice is mailed, the registration will be revoked for a period of 60 days, unless within those 30 days the owner demonstrates proof of financial security. Upon failure to furnish such proof, registration of the vehicle will be revoked and the driver's license suspended.

In Maryland each insurer is required to immediately notify the transportation department of the termination or other lapse of required security. The department is required to make a reasonable effort to notify the insured that the registration of the vehicle has been automatically suspended. Within 48 hours after receiving the suspension notice the driver must surrender evidence of registration. If the driver refuses to return the evidence of registration, the driver's operating license may be suspended.

Massachusetts law requires the insurer to give written notice to the public safety department of the cancellation of the insurance policy. The registrar may revoke the registration unless, at least 2 days before the effective date of cancellation, the registrar receives a new certificate of insurance covering the motor vehicle.

New York also requires the insurer to notify the commissioner of motor vehicles of the termination of an insurance contract. The commissioner is required to revoke the registration of the vehicle upon receipt of evidence that the insurance policy is no longer in effect.

North Carolina law requires notice of cancellation by the insurer to the transportation department, whether the cancellation is by the insurer or by the insured. The owner is required to surrender the certificate of registration and license plates for 60 days unless

financial responsibility is maintained in some other manner acceptable to the department.

The registration and plates may be restored within the 60 day period if financial responsibility is certified to the division. A \$60 restoration fee is charged. During the suspension period the car may not be registered in the name of an immediate family member. Failure to report the termination of an insurance policy results in a \$200 civil penalty.

In South Carolina the insurer must immediately notify the highway department of the termination or lapse of any insurance policy. Upon notification of the termination or lapse of a policy, the certificate of registration is automatically suspended and remains suspended until other security is provided. Within 5 days after cancellation or expiration of the policy, the insured must obtain other insurance or surrender the license plates and registration certificate.

Upon receiving information that the policy has been terminated, the department will suspend the registration and plates and, within 15 days, initiate action to repossess the registration certificate and plates. If the owner refuses to surrender the registration, the department is required to take physical possession of the registration and plates and hold them until proof of insurance coverage is received. A reinstatement fee of \$25 must be paid. Any person failing to return the registration and plates is subject to a fine of \$100 or imprisonment for 30 days. Sale of the vehicle to a family member carries a similar penalty.

Arguments For Compulsory Insurance

Advocates of compulsory insurance point out that where voluntary automobile insurance coverage is high, the addition of a relatively small number, approximately 20 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.

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 indicated that a majority of the nation's adults favored it. The nationwide findings were as follows: 53 percent favored compulsory insurance; 42 percent opposed it; and 5 percent had no opinion.³

A more recent poll conducted by Louis Harris and Associates and the Department of Insurance, the Wharton School, University of Pennsylvania in 1974 indicates that an even larger majority of people favored compulsory insurance laws. The findings were as follows:
91 percent favored compulsory insurance; 7 percent opposed it; and 2 percent were not sure.⁴ For a more complete picture of the results of this poll, see Appendix B.

Arguments Against Compulsory Insurance

One basic objection to compulsory automobile insurance advanced by its opponents is the claim that it involves an undesirable degree of regimentation and a danger of increasing pressure on government to further regulate or even supplant private insurance. 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.

Opponents of compulsory liability insurance claim that the passage of compulsory liability insurance laws increases the costs of insurance for consumers. Statistically, it is very difficult to link compulsory insurance, only one of many factors contributing to the cost of insurance, to increased premium costs.⁵ Comparing the increase of insurance premiums before and after passage of a compulsory insurance law is not a reliable indication of the effects of compulsory insurance on insurance rates, mainly because inflation rates, a principal factor in insurance rates, differ from year to year. Thus, a major increase after the passage of a compulsory insurance law may be linked to a major increase in the inflation rate.

The National Association of Independent Insurers recently conducted a statistical comparison of insurance rate increases. The Association reported on the insurance rate increases in six states that have enacted compulsory insurance laws (California, Louisiana, Maryland, Oklahoma, Oregon, South Carolina) and compared the rate increases in each compulsory state to increases in three similar states without compulsory insurance. For example, the association compared insurance rate increases in California, one of the compulsory states, to increases in Illinois, Ohio, and Texas, three states similar to California in (1) demographic characteristics, (2) the amount of insured vehicles, and (3) geographic characteristics. The study revealed that all six compulsory insurance law states had higher insurance rate increases than the increases in the three comparable states without compulsory insurance for the same time period. Even though the statistical evidence seems overwhelming, the association warns that their approach may be subjected to criticism because of possible "flaws" in the approach that the association used.

Another fundamental argument of opponents 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.

In addition, the required protection against uninsured motorists now provided by insurance carriers has obviated much of the alleged necessity for compulsory liability automobile insurance.⁶

Notes

1. According to Robert Gossrow, casualty actuary, Illinois Department of Insurance, phone conversation of May 5, 1982.

2. Ill. Rev. Stat. 1981, ch. 95 1/2, sec. 7-203 *et seq.*

3. Chicago Sun-Times, September 10, 1966.

4. Louis Harris and Associates and the Department of Insurance, the Wharton School, University of Pennsylvania, Sentry Insurance National Opinion Study: A Profile of Consumer Attitudes Toward Auto and Homeowner's Insurance, p. 46 (Jan. 1974).

5. National Association of Independent Insurers, Compulsory Automobile Liability Insurance (Undated).

6. Illinois law requires that all liability insurance policies must include uninsured motorist coverage. (Ill. Rev. Stat. 1981, ch. 73, sec. 755a.)

Source

Commerce Clearing House, Automobile Insurance Law Reporter (looseleaf to date); Illinois Legislative Council File 9-002, "Compulsory Motor Vehicle Insurance" (1979); Illinois Legislative Council File 9-194, "Compulsory Motor Vehicle Insurance" (1981).

YOU CAN SAVE MONEY ON AUTO INSURANCE

There are ways you can cut your auto insurance costs. Many factors affect the amount of premium you pay. The following list of money-saving ideas may help you reduce your own insurance costs:

- **INCREASE YOUR DEDUCTIBLES** for both collision and comprehensive coverages. These are the coverages that pay for physical damage to your car. Because small claims are costly to settle, insurance companies don't charge you as much premium when you agree to pay for these small losses through a deductible. The higher your deductible, the lower your premium. Chances are good you'll never have to pay that deductible if you're a careful driver. Although the amount you save varies, the premium reduction will probably equal the amount you "risked" through the higher deductible in just a few years of accident-free driving.
- **COMPANY DISCOUNTS** can reduce your premium. Most companies offer lower premiums if you insure two or more cars with them. Some give a discount to students with good grades. And some allow a premium credit if a young driver is away at school more than 100 miles from where the insured car is garaged.
- **REDUCE OR ELIMINATE COLLISION AND COMPREHENSIVE COVERAGES** as your car gets older. These coverages provide physical damage protection for your auto. If your car is an older model (5 years or older), it has depreciated in value to the point where you may be paying more in premiums than the car is worth. You should keep your auto liability coverage, however.
- **DRIVE SAFELY.** One at-fault accident or traffic violation can increase your premium as much as 40%. Your insurance costs will remain low as long as you remain accident and violation free. Check with your insurance agent or company to determine if you are now paying a surcharge because of your driv-

ing record. If so, be especially cautious in the future and your clean driving record will pay off.

- **PARK DEFENSIVELY.** Don't park on the street where your car can be stolen, vandalized or hit by another vehicle. Close the windows tightly and always lock the car.
- **CONSIDER AUTO INSURANCE COSTS WHEN BUYING A NEW CAR.** Premiums are higher for certain luxury and sport models because of their greater accident, damage and auto theft experience. Your insurance agent or company can give you specific information.
- **REDUCE YOUR DAILY DRIVING.** The farther you drive to work each day, the more likely you are to be involved in an accident - and the more you pay for insurance. Check to be sure the number of miles you drive to work is correctly listed with your insurance company. If you move and change your address, always notify your agent or company. You may now live in a lower rated territory.
- **CONSIDER JOINING A CAR POOL OR TAKING A BUS TO WORK.** Cars that aren't driven to work every day generally qualify for lower insurance rates.

If you join a car pool, be sure your auto policy includes medical payments coverage for the protection of your passengers. Also, be sure to share the actual driving rather than charging your passengers with the intent to make a profit, since this charge could be considered a "public livery fee" (such as a taxi fare) and you might not be covered by your personal auto policy.

Now that you have reviewed the list, check those suggestions that you think could save you money. Then, contact your insurance agent or company and review the list with them. Your insurance representative may be able to offer additional suggestions and tailor your auto insurance to your needs.

AUTO INSURANCE RATEMAKING

Factors that Determine Auto Insurance Premiums

Many factors affect auto insurance premiums. In fact, automobile rate manuals for most insurance companies in Ohio include more than 150 different classifications for rating purposes. These classifications help companies categorize your driving exposure to loss and charge an appropriate premium. Thus, your own personal situation has a bearing on the price you pay for auto insurance.

Auto insurance rates are affected by many influences over which companies have no control. They include the frequency and severity of traffic accidents, repair costs, medical and hospital costs, wage levels and the size of court judgments. The pages that follow detail Ohio experience over the past five years for hospital costs, auto repair costs (parts and labor) and the resultant auto insurance premiums.

- Auto insurance pays the wages of people who are disabled — for weeks or months — because of injuries suffered in auto accidents. And the wages of all classes of workers are up.
- Auto insurance pays garages and body shops to repair damaged autos. The hourly repair rates are up. Parts prices are up.
- Auto insurance companies pay hospital and medical expenses of accident victims. Hospital employees are earning better pay, doctors' fees are up, and all this is reflected in increased daily hospital costs.

The combination of *frequency* and *severity* constitutes that portion of your premium which goes to pay losses.

The *frequency* of accidents is simply how many and how often accidents happen out of a specified number of cars on the road. The higher the frequency, the more insurance companies must pay out.

The *severity* of accidents is reflected in the typical amounts paid out for an accident claim.

This amount has risen for several years due to in-

creased costs to repair people as well as automobiles. Inflation continues to affect the cost of nearly everything.

In an effort to keep auto insurance affordable, insurers are working on ways to reduce the number of auto accidents that occur as well as improve the design of vehicles and highways to keep passengers from being injured or killed. (See section on Auto Design.)

In compliance with the State law that auto insurance rates must be adequate, most insurance companies increased auto insurance rates during recent years. However, because of the reduction in accident frequency, the increases in auto insurance rates have been less than consumer price increases for auto repairs, medical and hospital expenses and wages.

An expense flattening provision was adopted by the insurance industry in 1979. Certain expenses such as administrative costs, were divided equally among policyholders. This permitted a reduction in the expense portion of the insurance premiums allocated to higher rated risks such as youthful drivers and policyholders in higher rated metropolitan areas. (For details, refer to next section entitled "Factors Determining What You Pay for Auto Insurance").

Despite recent reductions in the overall rate of inflation, experts predict continuing increases in auto repair costs and medical expenses. These increases will continue to dramatically influence the cost of automobile insurance.

In 1981 the Ohio Legislature passed new taxes which substantially impact insurance companies. Additionally, other changes in Ohio statutes have occurred over the past several years which increase claims payments. These legislative actions also ultimately influence what Ohioans pay for automobile insurance.

The decline in accident frequency has been matched by the increased costs of accident claims. Only the continued reduction in accidents will moderate the impact of rising auto accident costs.

FACTORS DETERMINING WHAT YOU PAY FOR AUTO INSURANCE

There are many variables involved in the determination of auto insurance rates. But, your own personal situation will have a direct bearing on the rate you pay. These variables also explain why different drivers may pay different rates for the same auto insurance policy. These are the most common situations:

AGE OF DRIVER

If there's anything on which all the traffic safety experts agree, it's that young drivers have more accidents...and more serious accidents...and that young males are "worse" than young females. (See section entitled Youthful Drivers).

A teen-age girl in the family can increase the auto insurance bill from 20% to nearly double... and a teen-age boy, even though he only occasionally drives the car, can triple the cost of insurance. If he's the principal operator of his own car, the tab for insurance can rise to four or five times the premium his parents alone would have to pay.

The rates that insurance companies charge for cars operated by youthful drivers are based on years of accumulated statistics which establish the relative differences between young drivers as a group and adult drivers...and between different classes of young drivers.

The surcharge on female youthful drivers lasts only until they marry or, depending on the company, until they reach the age 21 or 25. Married men also get a break, while young single males are charged more until age 29.

And young drivers...single or married, male or female...can be consoled by the fact that as they grow older and become more experienced drivers, the cost of automobile insurance goes down. With some companies it drops year by year, with others at certain specified ages.

Many companies give discounts when the youthful driver maintains a certain level of academic achievement in high school or college...or after he has completed an accredited driver education course.

Following are some details on Youthful Driver rates which are generally followed by the majority of companies:

Where there are more cars in the family than

youthful operators, the youthful operator surcharges will usually be applied to the most expensive car or cars, except that a youthful owner or principal operator will be charged on the car he regularly drives.

1. If there is more than one car and more than one youthful driver in the family, surcharges will be made on as many cars as there are youthful drivers...if the family has that many cars.
2. No charge will be made for a youthful family member who is in military service and drives only when on furlough, but a charge will be made when there is regular or frequent use, such as on weekend passes.
3. A premium credit is given when an unmarried youthful operator is a resident student at a school more than 100 miles from home and does not have the car at school.

TYPE OF CAR

Generally, the model car you drive affects only the cost of those insurance coverages which apply to repairing or replacing that car. The premiums you pay for liability insurance, medical payments, uninsured and underinsured motorist coverages are not affected by the kind of car you drive, unless it is a "high performance vehicle."

The cost of comprehensive and collision coverages is directly related to the cash value of the car. Some insured losses require that the car merely be repaired, others that it be completely replaced. And some vehicles are more expensive to repair or replace than others.

Since it would be entirely too unwieldy and expensive to develop and maintain a value record on each individual automobile, insurance companies group all cars into brackets according to two factors...purchase price new and age.

A consideration in determining the approximate value is the age of the car. Most companies use age brackets for establishing rates. Current year models fall in the first group, those from the preceding model year in the second, and so on for several model years.

However, starting with 1980 model year cars, a

number of companies have modified their rating procedures. Statistics are now available to substantiate a difference in the extent of damage sustained by the various models and types of cars. Certain cars sustain less damage, on the average, and therefore cost less to repair than others in the same price range. Accordingly the premiums have been reduced on some models and increased on others for more equitable premium determination based upon the damageability potential.

Even though you may be willing to pay a little more for insurance in order to drive the car you prefer, you might want to check with your agent or company before you buy your next car.

WHERE YOU LIVE

The area where you live directly affects your auto premium. In general, the bigger your city, or the more densely populated the area in which you live, the higher your auto insurance rates will be.

Where you live can affect both your likelihood of having an accident and the probable cost of paying for that accident. Accident frequency tends to be greater in areas of high traffic density. Accident severity tends to be greater in areas where roads and road conditions (free-ways, for example) encourage high speed driving. When both these factors are considered, those who live in the major metropolitan areas will pay the most for their automobile insurance, all other things being equal.

Wage levels are another factor. In heavily industrialized, densely populated metropolitan areas, wage levels are generally higher...and this shows up in higher hospital costs, higher automobile repair costs and larger settlements for lost wages in bodily injury cases. These add up to higher insurance rates for rating territories having these high-hazard characteristics.

Rating territories are designated geographical areas used by automobile insurance companies to accumulate statistics on premiums received and losses paid. On the basis of these statistics, proper rate levels are determined. What comprises a territory is less a function of area than of population. It may be a single county, or a number of counties grouped together. In a few heavily populated areas, there may be two or even three rating territories within a single county where accident experience has demonstrated a need for different rates in order to pay different levels of insured loss.

This arbitrary division of the state of Ohio into 30

or 40 territories for rate making purposes could produce auto rate inequities in some individual cases. Undoubtedly it does, just as the same kind of arbitrary boundaries of political subdivisions occasionally result in inequities in the tax burden. But any attempt by the insurance companies to base rates on a significantly finer, more detailed geographical breakdown would add so much to their administrative expenses that all of us would end up paying more for automobile insurance.

HOW YOUR CAR IS USED

The little old lady who never took her car out of the garage except to drive three blocks to church every Sunday may not exist except in the imagination of some used car salesman. But she would be charged a lower premium for her automobile insurance than most of us would.

With the amount and the kind of driving she does, she has relatively less chance of being involved in an accident than people who drive many more miles and under more hazardous traffic conditions.

All other things being equal, the more miles you drive the greater the likelihood that you will have an accident. And...again assuming that all other factors are equal...accidents are more likely to happen to people who do most of their driving on congested city streets or high speed highways, as opposed to residential streets and secondary rural roads.

In one way or another, all these factors are taken into consideration in the formulas used to determine the amount you pay for automobile insurance. But not all insurance companies approach the problem in exactly the same manner.

Most companies do not consider the number of miles you drive annually, although there are some that offer lower rates to people who drive fewer than a specified number of miles a year.

The car that is driven to and from work is likely to be driven more miles than the one that is not. And those "to and from work" miles are likely to be on congested streets and highways. So..."to and from work" is almost always a consideration. But some companies charge higher rates on any car that is regularly driven to and from work, while others make this differentiation only if the distance to work one way is more than a stated minimum.

For much the same reasons, all companies charge even higher rates when the auto is used

for business. There are variations in defining "business use," but driving to and from one's principal place of employment is not considered business use.

Because of the type of driving they do and the type of roads on which they normally drive, farm families enjoy lower automobile insurance rates than either city residents or non-farmers who live in rural areas. The farm discount does not apply to a vehicle used by a member of a farm family who is engaged in an occupation other than farming and uses the vehicle to drive back and forth to work.

SAFE DRIVER PLANS

If you have a good driving record, you may qualify for savings on your insurance premium. This is generally called a Safe Driver or Merit Rating Plan. The savings in these plans are based on your past driving record and your record while insured.

You earn more favorable rate treatment by maintaining an accident-free record through careful and defensive driving. Your insurance premium will increase if you have an accident, however.

The whole idea behind such plans is to give the best rates to the best drivers. To keep the premium of the accident-free drivers at the low level they have earned, insurance companies must charge more for those drivers who do have accidents. The insurance company takes in the same total premium from all its policyholders as a group—but accident-free drivers (a majority of most companies' policyholders) pay a lower premium than they would otherwise.

These plans vary so much from company to company (and are not used at all by some companies) that it is difficult to make generalizations. But here's an example of how two typical plans work.

Company A quotes a premium of \$100 and Company B charges \$110 for the same insurance coverages. An important difference is that Company B's premium will remain the same if the policyholder has an accident. Thus, over a five-year period (assuming the rate of inflation and accident frequency permit the premium level to remain constant) the Company B policyholder will pay \$550 for insurance.

On the other hand, Company A's policyholder

would pay only \$500 for the same five-year period—if he doesn't have an accident. Should he be involved in a "chargeable" accident, the premium will be increased to perhaps \$140 for each of the three years after the accident, or a total of \$620 over the five-year period.

Under either rating system, each company would take in the same amount of money from all policyholders as a group. So in terms of company income, the system makes no difference. However, it does make a difference to the policyholder. It's a matter of the policyholder choosing the plan he or she prefers.

It seems that most policyholders think an accident will not happen to them. Accidents always involve "the other guy." Therefore, the preference has been for the lowest possible premium now. This has prompted most insurance companies to adopt some kind of Safe Driver Rating Plan.

EXPENSE FLATTENING

In 1980, a change in auto insurance rating was instituted under the direction of the Ohio Department of Insurance requiring that companies equalize certain expenses among all policyholders.

The change was instituted because some insurance expenses are fixed rather than proportional. For example, the cost to print a policy for a high-risk driver in an urban area is no greater than for an accident-free driver living in a sparsely populated area. Fixed expenses affected by this change include general expenses, miscellaneous taxes, licenses and fees, and for some companies certain selling expenses. These costs will vary by company.

WHAT OHIOANS PAY FOR AUTO INSURANCE

Just as the costs of food, clothing, housing and transportation have risen sharply over the past decade, so has the cost of automobile insurance. While no one likes to pay more than they did ten years ago, it helps to know that Ohio's auto insurance rates compare favorably with those paid in other states.

In a comparison of the percentage of household income spent on auto insurance premiums, Ohio ranks in the "medium" range.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CCSHE 7
Title: MOTOR VEHICLE LIABILITY
INSURANCE
Sponsor: _____
Requestor: HAYES
Date of Request: 4/10/84

FISCAL DETAIL

Agency Affected: ALASKA COURT SYSTEM
Program Category Affected: _____
ADMINISTRATION OF JUSTICE
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		40.9	85.6	89.9	94.4	99.1
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES		.3	.5	.6	.6	.7
500 EQUIPMENT		4.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		45.2	86.1	90.5	95.0	99.8
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

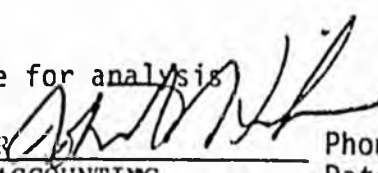
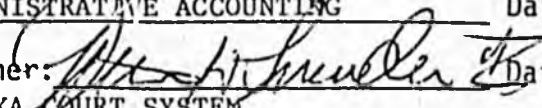
GENERAL FUND		45.2	86.1	90.5	95.0	99.8
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		3	3	3	3	3
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: ROBERT G. FISHER  Phone: 264-0561
Division: ADMINISTRATIVE ACCOUNTING Date: 4/11/84
Approved by Commissioner:  Date: 4/11/84
Agency: ALASKA COURT SYSTEM

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

FISCAL NOTE ANALYSIS

The Conference Committee Substitute for House Bill 7 calls for the suspension of a driving license when a driver is involved in an accident or a serious traffic violation and does not have liability insurance. The Department of Law fiscal note estimated that this would result in an annual addition of 1,300 driving with license suspended cases. The workload will be concentrated in Anchorage and Fairbanks. The Court System may need additional judicial resources to handle this caseload, but this cannot be accurately determined without actual experience. Therefore, no additional judicial resources are incorporated into this fiscal note.

The clerical impact of the additional caseload on the criminal sections in Anchorage and Fairbanks is more clearly defined. Each case will be set up in a case file, calendar notices sent out, judgements and hearing records prepared and distributed, cases tracked and coordinated with the jails, etc. The fiscal impact on the clerical functions in Anchorage and Fairbanks is provided below:

PERSONNEL

	<u>Salary</u>	<u>Benefits</u>	<u>Total Cost</u>
2 Court Clerks (Anch. Range 8B)	\$38,568	\$13,966	\$52,534
1 Court Clerk (Fbks. Range 8B)	21,744	7,538	<u>29,282</u>
Total Personnel Costs			\$81,816

COMMODITIES

Estimated Full Year Cost	\$ 500
Estimated FY 85 Operating Cost (Effective Date 1/1/85)	\$41,158

EQUIPMENT (One-time item)

	<u>4,034</u>
Total FY 85 Cost	\$45,192

HB

7

#2

Sen Elsson

MultiVisions



March 8, 1984

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

Dear Mr. Lessmeier:

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

Question: Do you favor mandatory auto insurance in Alaska?

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

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

Sincerely,

Stan

Stan Scott
Programmer

SS:sg

cc: Ted Berns
George Sullivan
John Smith

4792 Business Park Blvd.
Anchorage, Alaska 99503
907.562-2400



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

ST

March 19, 1984

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

TO: All Alaska State Legislators

FROM: Dick Randolph

SUBJECT: Mandatory Auto Insurance

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

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

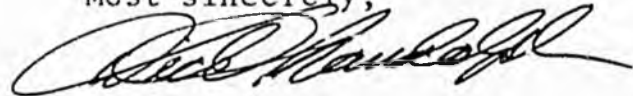
As for the insurance systems involvement, we must answer the question, what is the fairest, most cost effective, and acceptable (from the consumers point of view), way of dealing with this problem. I'm completely convinced that the cheapest, least frustrating way for all concerned is to assure that first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

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

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

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

Most sincerely,

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

Dick Randolph
Agent

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

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GORDON J. TANS***
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GREGORY W. LESSMEIER*

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

March 21, 1984

Senator Vic Fischer
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

RE: Mandatory Automobile Insurance
Our File: 00220-0044

Dear Senator Fischer:

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

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

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

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

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

We do not believe that mandatory automobile insurance will be

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

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

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

By: 
Michael L. Lessmeier

Enclosures
MLL/mh
cc: All Alaska State Legislators



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

1982 Average Private Passenger Automobile Insurance

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

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

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

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

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

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

continued

Average Automobile Premiums
(Ranked highest to lowest)

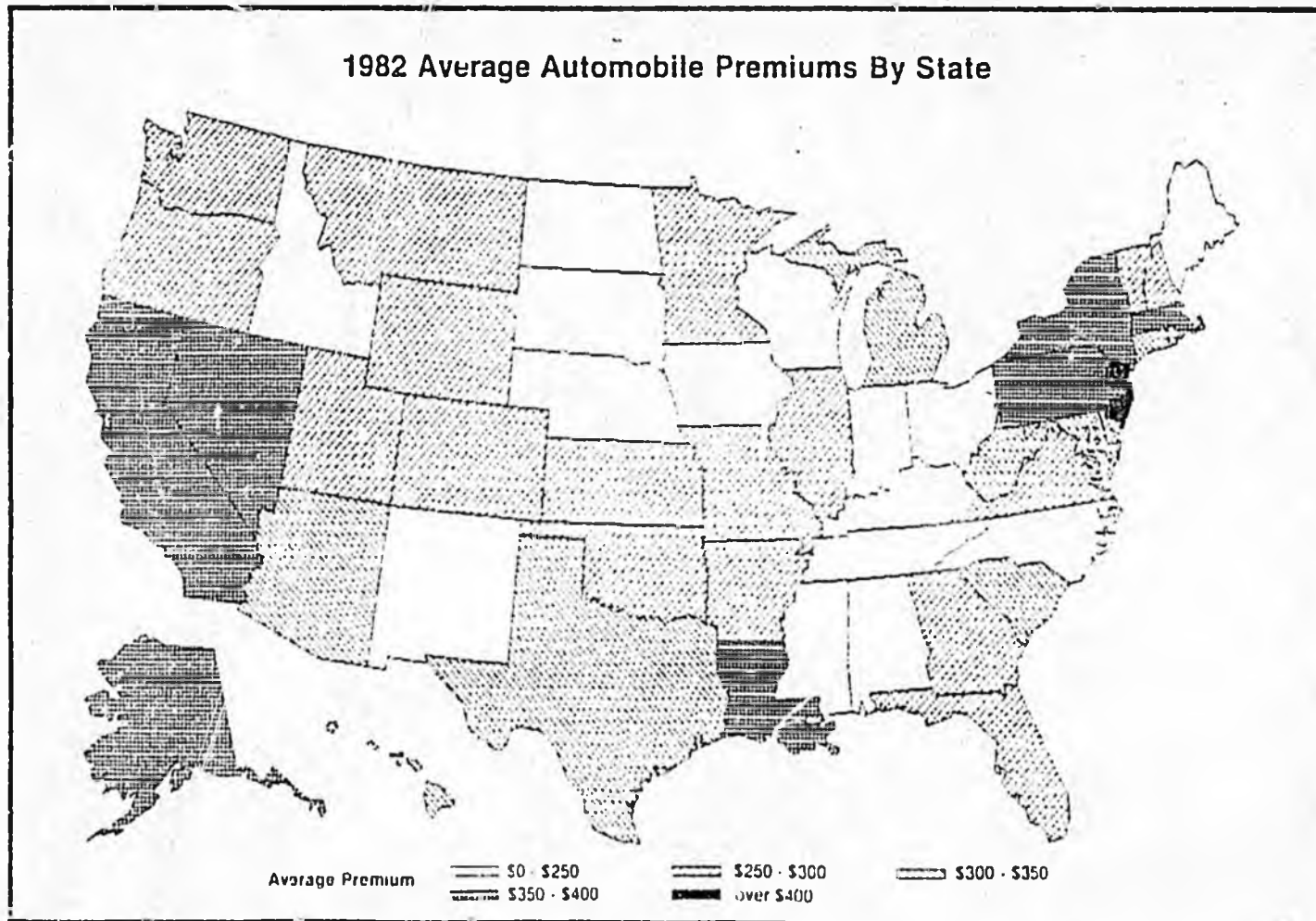
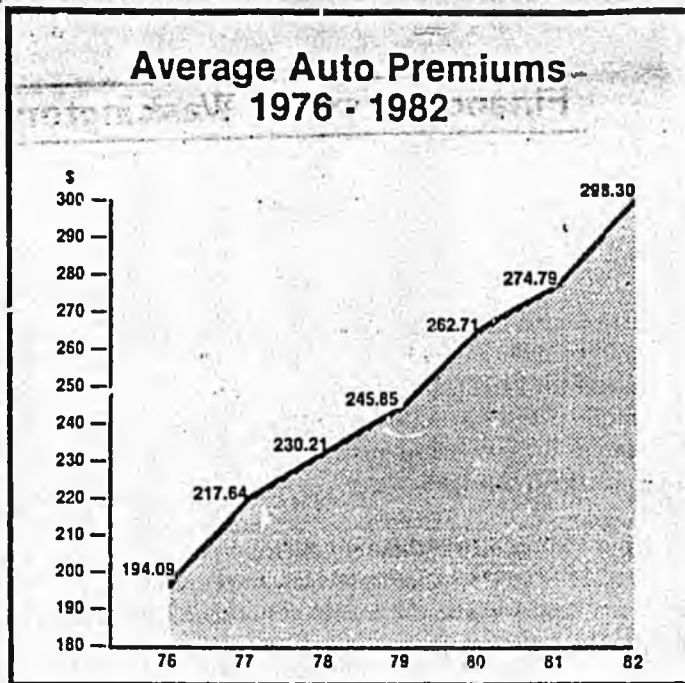
1982		\$ Amount	1981	\$ Amount	1982		\$ Amount	1981	\$ Amount
1	New Jersey	455.80	1	411.90	27	Florida	264.07	37	233.99
2	Massachusetts	387.49	5	338.82	28	Missouri	263.56	21	258.39
3	New York	384.81	3	351.52	29	Vermont	261.98	29	246.72
4	Nevada	384.44	2	380.15	30	Arkansas	257.51	46	218.96
5	Louisiana	368.59	4	348.06					
6	California	358.29	7	335.91	31	New Hampshire	256.93	38	234.12
7	Pennsylvania	357.98	8	318.74	32	Georgia	255.53	28	247.12
8	Alaska	354.09	6	335.93	33	Virginia	253.63	40	228.70
9	West Virginia	344.69	22	258.22	34	Montana	252.21	25	254.14
10	Hawaii	343.99	13	290.57	35	Oklahoma	251.52	35	235.15
11	District of Columbia	328.50	24	255.57	36	Utah	251.00	31	244.85
12	Maryland	318.47	11	295.71	37	Nebraska	247.28	32	243.52
13	Texas	310.40	33	243.29	38	North Dakota	241.22	34	237.03
14	Michigan	307.01	9	300.70	39	Maine	240.91	39	231.99
15	South Carolina	306.19	16	277.20	40	Idaho	231.25	38	232.14
16	Connecticut	305.80	10	296.28	41	New Mexico	229.86	30	246.51
17	Arizona	301.53	17	291.11	42	Wisconsin	229.64	42	226.46
18	Rhode Island	300.99	17	271.21	43	Iowa	229.05	45	224.14
19	Delaware	296.42	14	280.95	44	Indiana	226.51	41	228.61
20	Illinois	291.62	20	262.51	45	Kentucky	226.24	43	225.73
21	Oregon	291.17	18	270.42	46	Ohio	226.19	44	224.25
22	Colorado	287.00	26	253.80	47	Mississippi	211.52	47	211.35
23	Minnesota	285.59	15	278.97	48	North Carolina	210.72	49	193.87
24	Washington	282.71	19	264.41	49	South Dakota	201.14	48	197.24
25	Kansas	265.89	27	252.15	50	Tennessee	194.58	51	183.85
26	Wyoming	264.29	27	257.56	51	Alabama	190.55	50	187.14
						National Average	298.30		274.79

Automobile Premiums *continued*

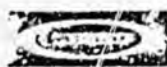
within a relatively small range. Outstanding exceptions are Texas, whose average premium rose sharply enough to bring it from 33rd in cost up to 13th. This apparent large increase, however, is mainly the result of a state compulsory insurance law that went into effect in January, 1982, resulting in a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

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

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



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



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A.M. Best Company, Inc. Oldwick, New Jersey 08858

MultiVisions



March 8, 1984

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

Dear Mr. Lessmeier:

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

Question: Do you favor mandatory auto insurance in Alaska?

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Total	Votes	9,478	

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Sincerely,

Stan

Stan Scott
Programmer

SS:sg

cc: Ted Berns
George Sullivan
John Smith

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

ST/UF
Latest draft from
Dir. of Insurance
3/1/84 (4 p.m.)

3-1-84
DRAFT

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

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

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

*Section 1. DECLARATION OF PURPOSE. The legislature is concerned
over the rising toll of motor vehicle accidents and the suffering
and loss inflicted by them. The legislature determines that it is
a matter of grave concern that motorists be financially responsible
for their negligent acts so that innocent victims of motor vehicle
accidents may be recompensed for the injury and financial loss
inflicted upon them. The legislature finds and declares that the
public interest can best be served by the requirement that both the
owner and the operator of a motor vehicle which is to be operated
on vehicular ways of the state where the potential for motor vehicle
accidents is substantial be required to maintain coverage under a
motor vehicle liability policy issued in conformity with AS 28.22.010
or of a certificate of self-insurance issued under AS 28.20.400.
The legislature also finds and declares that the most economical
and practical time of proof of compliance with this requirement is
when an operator of a motor vehicle has been involved in an accident
or charged with a traffic law violation.

*Sec. 2. AS 28.10.021 is amended by adding a new subsection to
read:

(b) At the time of application for registration or renewal of
registration, the department shall provide the applicant, in writing,
information detailing the state's financial responsibility law,
mandatory automobile insurance requirement, and potential penalties
for failure to comply with the law.

1 *Sec. 3. AS 28.15.061 is amended by adding a new subsection to
2 read:

3 (e) At the time of application for driver's license or
4 instruction permit, or renewal of driver's license or instruction
5 permit, the department shall provide the applicant, in writing,
6 information detailing the state's financial responsibility law,
7 mandatory automobile insurance requirement, and potential penalties
8 for failure to comply with the law.

9 *Sec. 4. AS 21.15.081(a) is amended to read:

10 (a) The department shall examine every applicant for a
11 driver's license. The examination shall include a test of the
12 applicant's (1) eyesight, (2) ability to read and understand
13 official traffic devices, (3) knowledge of safe driving practices,
14 (4) knowledge of the effects of alcohol and drugs on drivers and
15 the dangers of driving under the influence of alcohol or drugs,
16 [AND] (5) knowledge of the laws relating to driving while intoxi-
17 cated, (6) knowledge of the laws relating to financial respon-
18 sibility and mandatory automobile liability insurance, and, (7)
19 the traffic laws and regulations of this state. The examination
20 may include a demonstration of ability to exercise ordinary and
21 reasonable control in driving a motor vehicle of the type and
22 general class of vehicles for which the applicant seeks a license.
23 However, an applicant who has not been previously issued a driver's
24 license by this or another jurisdiction must demonstrate ability,
25 and must present medical information that the department reasonably
26 requires to determine fitness to safely drive a motor vehicle of
27 the type and general class of motor vehicles for which the ap-
28 plicant seeks a license.

29 *Sec. 5. AS 28.15.221(e) is amended to read:

30 (e) At the end of the period of limitation, suspension or
31 revocation under this chapter, the department may not issue a
32 driver's license to the licensee until the licensee [HE] has

2

1 complied with AS 28.20 relating to proof of financial responsi-
2 bility. Additionally, the licensee shall be required to pay a \$250
3 fee prior to reinstatement of the license or granting of limited
4 driving privileges if the license has been suspended pursuant to
5 AS 28.22.060.

6 *Sec. 6. AS 28.20.070(a) is amended to read:

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

20 *Sec. 7. AS 28.20.230(b) is amended to read:

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

1 responsibility" or "proof" mean proof of financial responsibility
2 for the future.

3 *Sec. 8. AS 28.20.360(a) is amended to read:

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

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

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

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

17 *Sec. 9. AS 28.20.440(b)(2) is amended to read:

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

30 *Sec. 10. AS 28.20.440(b)(3) is amended to read:

31 (3) contain coverage in not less than the amounts set
32 out in (2) of this subsection for the protection of the persons

1 insured under the policy who are legally entitled to recover
2 damages from owners or operators of uninsured or underinsured motor
3 vehicles because of bodily injury or death, or damage to or des-
4 truction of property in excess of \$250 arising out of the owner-
5 ship, maintenance or use of the uninsured or underinsured motor
6 vehicle[, EXCEPT THAT THIS COVERAGE MAY BE WAIVED IN WRITING BY THE
7 INSURED ON OR BEFORE THE EFFECTIVE DATE OF THE POLICY].

8 (A) "Underinsured motor vehicle" means a motor
9 vehicle licensed for highway use with respect to the owner-
10 ship, operation, maintenance or use of which motor vehicle
11 there is a bodily injury or property damage insurance policy
12 or a bond applicable at the time of the accident and the
13 amount of insurance or bond:

14 (i) is less than the limit for uninsured and
15 underinsured motorists coverage under the insured's
16 policy; or

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

21 (B) The uninsured and underinsured motorists
22 coverage provided for in this chapter:

23 (i) shall not apply to bodily injury, sickness,
24 disease or death of an insured or damage to or destruction
25 of property of an insured until the limits of liability
26 of all bodily injury and property damage liability bonds
27 and policies that apply have been used up by payments,
28 judgments or settlements;

29 (ii) shall be a single combined coverage; and

30 (iii) may be rejected by the insured in
31 writing. If the insured has rejected such coverage, the
32 coverage shall not be included in any supplemental,

1 renewal or replacement policy unless the insured sub-
2 sequently requests such coverage in writing.

3 (C) If both the owner and operator of the uninsured
4 vehicle are unknown, payment under the uninsured and under-
5 insured motorists coverage shall be made only where direct
6 physical contact between the insured and uninsured or under-
7 insured motor vehicles has occurred. A vehicle that has left
8 the scene of the accident is presumed to be uninsured if the
9 person insured reports the accident to the appropriate
10 authorities within 24 hours.

11 (D) The uninsured and underinsured motorists
12 coverage for damage to or destruction of property is subject
13 to a deductible of \$250 in any one accident, but the insurer
14 may offer a deductible other than \$250. This coverage shall
15 be limited to damage to or destruction of the insured motor
16 vehicle. It shall not include loss of use of such vehicle.

17 *Sec. 11. AS 28.20.440 is amended by adding new subsections to read:

18 (1) The maximum liability of the insurance carrier under the
19 uninsured and underinsured motorists coverage required to be offered
20 pursuant to AS 28.20.440(b)(3) shall be the difference between the
21 coverage limit of liability and the amount paid to the insured by
22 or on behalf of the uninsured and underinsured motorist.

23 (m) Amounts payable under the uninsured motorists and under-
24 insured motorists coverage required to be offered pursuant to
25 AS 28.20.440(b)(3) shall be reduced by:

26 (1) amounts paid or to be paid under any worker's compen-
27 sation law;

28 (2) amounts paid or payable under any valid and col-
29 lectible automobile medical payments insurance or bodily injury or
30 death liability insurance; and

31 (3) amounts paid by or on behalf of the uninsured or
32 underinsured motorist.

6

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

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

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

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

17 (g) The uninsured and underinsured motorists coverage provided
18 for in this chapter does not apply to bodily injury or death or
19 damage to or destruction of property of an insured;

20 (1) while occupying a motor vehicle owned by, but not
21 insured by, the named insured or resident spouse or resident
22 relative; or

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

25 *Sec. 12. AS 28.20.585 is amended to read:

26 REINSTATEMENT FEE. If an operator's license is suspended
27 under the provisions of this chapter, the department shall charge a
28 person who applies for reinstatement of the operator's license a
29 reinstatement fee of \$250 [\$50].

30 *Sec. 13. AS 28 is amended by adding a new chapter to read:

31 CHAPTER 22. MOTOR VEHICLE LIABILITY INSURANCE

32 Sec. 28.22.010. MOTOR VEHICLE LIABILITY POLICY (a) In this

1 chapter "motor vehicle liability policy" means an "owner policy" or
2 an "operator's policy" containing an agreement or endorsement as
3 provided in this section and issued by an insurance carrier au-
4 thorized to transact business in the state to or for the benefit of
5 the person named as insured.

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

7 (1) designate by description or appropriate reference
8 all vehicles that it covers;

9 (2) insure the person named against loss from liability
10 imposed by law for damages arising out of the ownership, main-
11 tenance, or use of the vehicle in the United States or the Dominion
12 of Canada, subject to limits exclusive of interests and costs, with
13 respect to each vehicle, as follows:

14 (A) \$50,000 because of bodily injury to or death of
15 one person in any one accident, and, subject to the same limit
16 for one person, \$100,000 because of bodily injury to or death
17 of two or more persons in any one accident; and

18 (B) \$25,000 because of injury to or destruction of
19 property of others in any one accident;

20 (3) contain coverage in not less than the amounts set
21 out in (2) of this subsection for the protection of the persons
22 insured under the policy who are legally entitled to recover
23 damages from the owner or operator of an uninsured or underinsured
24 motor vehicle because of bodily injury or death, or damage to or
25 destruction of property in excess of \$250 arising out of the owner-
26 ship, maintenance, or use of the uninsured or underinsured motor
27 vehicle.

28 (A) "Underinsured motor vehicle" means a motor
29 vehicle licensed for highway use with respect to the owner-
30 ship, operation, maintenance or use of which motor vehicle
31 there is a bodily injury or property damage insurance policy
32 or a bond applicable at the time of the accident and the

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1 amount of insurance or bond:

2 (i) is less than the limit for uninsured and
3 underinsured motorists coverage under the insured's
4 policy; or

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

9 (B) The uninsured and underinsured motorists
10 coverage provided for in this chapter:

11 (i) shall not apply to bodily injury, sick-
12 ness, disease or death of an insured or damage to or
13 destruction of property of an insured until the limits of
14 liability bonds and policies that apply have been used up
15 by payments or judgments or settlements;

16 (ii) shall be a single combined coverage; and

17 (iii) may be rejected by the insured in
18 writing. If the insured has rejected such coverage, the
19 coverage shall not be included in any supplemental,
20 renewal or replacement policy unless the insured sub-
21 sequently requests such coverage in writing.

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

30 (D) The uninsured and underinsured motorists
31 coverage for damage to or destruction of property is subject
32 to a deductible of \$250 in any one accident, but the insurer

1 may offer a deductible other than \$250. This coverage shall
2 be limited to damage to or destruction of the insured motor
3 vehicle. It shall not include loss of use of such vehicle.

4 (c) The operator's policy of liability insurance shall insure
5 the person named as insured against loss from the liability imposed
6 on the operator by law for damages arising out of the use by the
7 operator of a motor vehicle not owned by the operator, within the
8 same territorial limits and subject to the same limits of liability
9 as are required for an owner's policy of liability insurance.

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

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

21 (f) Every motor vehicle liability policy is subject to the
22 following provisions but these provisions need not be contained in
23 the policy:

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

28 (2) The insurance carrier may settle a claim covered by
29 the policy, and if settlement is made in good faith, the amount of
30 settlement is deductible from the limits of liability specified in
31 (b) of this section.

32 (3) The policy, the written application for the policy,

1 if any, and every rider or endorsement that does not conflict with
2 the provisions of this chapter constitute the entire contract
3 between the parties.

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

12 (h) A policy shall be excluded from the application of this
13 chapter if the automobile or motor vehicle liability coverage is
14 provided only on an excess or umbrella basis.

15 (i) A motor vehicle liability policy may provide for pro-
16 ration of the insurance with other valid and collectible insurance.

17 (j) The requirements for a motor vehicle liability policy may
18 be fulfilled by the policies of one or more insurance carriers who
19 together meet the requirements.

20 (k) A binder issued pending the issuance of a motor vehicle
21 liability policy fulfills the requirements for a policy.

22 (l) The maximum liability of the insurance carrier under the
23 uninsured and underinsured motorists coverage required to be offered
24 pursuant to AS 28.22.010(b)(3) shall be the difference between the
25 coverage limit of liability and the amount paid to the insured by
26 or on behalf of the uninsured and underinsured motorist.

27 (m) Amounts payable under the uninsured motorists and under-
28 insured motorists coverage required to be offered pursuant to
29 AS 28.22.010(b)(3) shall be reduced by:

30 (1) amounts paid or to be paid under any worker's
31 compensation law;

32 (2) amounts paid or payable under any valid and col-

1 lectible automobile medical payments insurance or bodily injury or
2 death liability insurance; and

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

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

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

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

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

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

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

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

29 Sec. 28.22.020. REQUIREMENTS OF POLICY. (a) A policy is not
30 effective under AS 28.22.010 unless it is issued by an insurance
31 company or surety company authorized to do business in this state,
32 except as provided in (b) of this section, and unless it complies

1 with the limit requirements established in AS 28.22.010(b)(2).

2 (b) A policy is not effective under AS 28.22.010 with respect
3 to a vehicle not registered in the state or a vehicle that was
4 registered in another jurisdiction at the effective date of the
5 policy or the most recent renewal of it, unless the insurance or
6 surety company issuing the policy is authorized to do business in
7 the state, or if the company is not authorized to do business in
8 the state, unless it executes a power of attorney authorizing the
9 director of the division of insurance to accept service on its
10 behalf of notice or process in an action upon the policy arising
11 out of the accident.

12 Sec. 28.22.030. MOTOR VEHICLE LIABILITY INSURANCE REQUIRED.

13 (a) The operator or owner of a motor vehicle subject to regis-
14 tration under AS 28.10.011, when driven upon a highway, vehicular
15 way or area, or other public property in this state, shall have
16 motor vehicle liability insurance that complies with AS 28.22.010
17 or a certificate of self-insurance that complies with AS 28.20.400
18 in effect for the motor vehicle.

19 (b) A person involved in an accident in this state resulting
20 in bodily injury to or death of a person or damage to the property
21 of any one person exceeding \$500 must prove that motor vehicle
22 liability insurance or a certificate of self-insurance was in
23 effect for the motor vehicle involved in the accident at the
24 time of the accident.

25 (c) A person charged with a traffic law violation with a
26 demerit point value of 6 or more on the point schedule in
27 regulations adopted by the department under AS 28.15.221 must
28 prove that motor vehicle liability insurance or a certificate
29 of self-insurance under (a) of this section was in effect for
30 the motor vehicle operated at the time the charged violation
31 occurred.

32 (d) If a vehicle is being driven or moved on a highway or