

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6428 SENATE LABOR & COMMERCE

832

Position Title Motor Vehicle Representative II		No. of Positions	Range/Step 98	Barg. Unit GG0
Time Status PT	Staff Months 6	Location Anchorage		Election District 7-15
Type of Expenditure		Amount		
1	2	3		
Salary*	10,710	////////////////////		
Benefits*	5,581	////////////////////		
Premium Pay (Included in Above)		////////////////////		
Other		////////////////////		
Total Personal Services		//////////////////// 16,291		
Travel				
Contractual		1,250		
Commodities		200		
Equipment				
Other				
Total Cost		17,741		
Funding Source for Total Cost				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004	17,741		
Program Receipts/GF	1005			
I-A Receipts	1007			
CIP Receipts	1061			
Other				
* Personal Services Salary and Benefits Costs are from PACS Scenario #2.				

Justification

Process registration applications received under the mail-out renewal program. Inspect applications returned for completeness. Return applications that are incomplete with instructions on how to correct. Perform data entry for properly completed applications and send renewal registration and tabs to applicant.

Figures are for six months, because of effective date of January 1, 1990, for the sections of the bill dealing with certifying at the time of registration.

REQUEST FOR
NEW POSITION

AGENCY Department of Public Safety
 BRU Motor Vehicles
 COMPONENT Field Services

Page 4 of 5
 Revised Date

FY 90

Position Title <u>Dococument Processing Clerk II</u>			No. of Positions 3	Range/Step 8B	Barg. Unit GGU
Time Status <u>PFT</u>	Staff Months 4		Location <u>Juneau</u>		Election District 4
Type of Expenditure			Justification		
		Amount	<p>These positions will process notifications from the court reflecting whether or not a person who received a 6 or more point violation submitted the proper proof of insurance. If proper proof was not shown, process file for suspension after searching Certifications of Insurance submitted directly to DMV by the defendants.</p> <p>Will also process proof of insurance filed by drivers involved in accidents. If proper proof was not submitted, process file for suspension of the driver.</p> <p>Prior to suspension, must research person's record to determine length of suspension, and calculate beginning and ending dates of the suspension.</p> <p>For accidents and six or more point violations, verify coverage submitted with insurance company on random basis.</p> <p>Maintain records on individuals who are required to file proof of financial responsibility for the future following a suspension. Generate non-comply letter when insurance cancellation is received.</p> <p>Handle correspondence generated under new self-insurance section of the law.</p> <p>Figures are for four months (March through June).</p>		
1	2	3			
Salary*	20,136	////////////////////			
Benefits*	10,815	////////////////////			
Premium Pay (Included in Above)	////////////////////	////////////////////			
Other	////////////////////	////////////////////			
Total Personal Services	////////////////////	30,951			
Travel					
Contractual		3,900			
Commodities		200			
Equipment					
Other					
Total Cost		35,051			
Funding Source for Total Cost					
Federal Receipts	1002				
G.F. Match	1003				
General Fund	1004	35,051			
Program Receipts/GF	1005				
I-A Receipts	1007				
CIP Receipts	1061				
Other					
* Personal Services Salary and Benefits Costs are from PACS Scenario #2.					

REQUEST FOR
NEW POSITION

AGENCY Department of Public Safety
 BRU Motor Vehicles
 COMPONENT Field Services

Page 5 of 5
 Revised Date

FY 89

**STATE OF ALASKA 1989 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST:

Lill Version: SB 44
Publish Date: 1/9/89

Revision Date:
Title: An act relating to vehicle liability insurance and registration
Sponsor: Duncan
Requestor: Eliason

Agency Affected: Alaska Court System
BRU: Trial Courts
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)						
OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
Personal Services	52.0	52.0	52.0	52.0	52.0	52.0
Travel	.	.	.	.	.	.
Contractual	.	.	.	.	.	.
Supplies	.	.	.	.	.	.
Equipment	.	.	.	.	.	.
Land & Structures	.	.	.	.	.	.
Grants & Claims	.	.	.	.	.	.
TOTAL OPERATING	52.0	52.0	52.0	52.0	52.0	52.0

CAPITAL
----------------	---	---	---	---	---	---

REVENUE
----------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)						
General Funds	52.0	52.0	52.0	52.0	52.0	52.0
Federal Funds	.	.	.	.	.	.
Other	.	.	.	.	.	.
TOTAL	52.0	52.0	52.0	52.0	52.0	52.0

POSITIONS:						
Full-time	.	.	.	.	.	.
Part-time	.	.	.	.	.	.
Temporary	.	.	.	.	.	.

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: *Jan Strandberg* General Counsel Phone: 264-8228
 Division: Alaska Court System Date: 01/30/89
 Approved by: *Arthur H. Snowden, II* Administrative Director Date: 01/30/89
 Agency: Alaska Court System

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management & Budget
 Impacted Agency(ies)
 Senate Secretary

Alaska Court System

SB 44

Fiscal Analysis

Personal Services:

	Salary	Benefits	Total
2 - Court Clerk I, Range 8B Anchorage, PFT, 12 months	\$40,488	\$19,484	\$59,972
1 - Court Clerk I, Range 8B Fairbanks, PFT, 12 months	22,836	10,308	33,144 -----
Total Personal Services and On-Going Cost			93,116
Less funding received with the passage of CCSHB 7, 1984 legislative session (on-going funding) **			(41,158) -----
Net On-Going Cost			\$51,958 -----

** Court was funded for 3 positions the first half-year of operating this program in fiscal 1985. The net on-going cost of this legislation is the cost of supplementing current funding to full-time status.

ALASKA COURT SYSTEM
SB 44 - ANALYSIS

This bill provides for the administrative 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 has previously estimated that this would result in an annual addition of 1,300 driving with license suspended cases. The workload is concentrated in Anchorage and Fairbanks.

The clerical impact of the additional caseload is on the criminal sections in Anchorage and Fairbanks. Each new case is set up in a case file, calendar notices are sent out, judgments and hearing records are prepared and distributed, and cases are tracked and coordinated with the jails and the Department of Motor Vehicles. Two court clerks in Anchorage and one court clerk in Fairbanks are needed to perform these functions.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
 Title: An Act relating to motor vehicle liability insurance and vehicle registration. BRU: Insurance
 Sponsor: Donley, Boucher, Gruenberg, et al Components: _____
 Requestor: (S) Labor & Commerce Cmte.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Bob Sims
 Division: Insurance

Phone: 465-2517
 Date: 1-19-89

Approved by Commissioner: Larry Mercutioff
 Agency: Commerce and Economic Development

Date: 1-19-89

Distribution (by preparer):

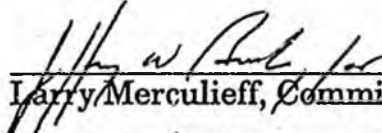
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CSHB 44 (L&C) am: An act relating to motor vehicle liability insurance and vehicle registration

This bill reinstates mandatory liability vehicle insurance which expired January 1, 1989. The bill also says the liability policy must provide liability coverage for motor vehicles rented in the U.S. or Canada by the person insured on the policy. The policy must provide physical damage coverage for rented vehicles if the policyholder has physical damage coverage. If not, the insurer must offer physical damage coverage for rented vehicles.

A person must certify at point of registration that he has a motor vehicle liability policy in effect on that vehicle unless exempted. Except for sections 7, 8, and 10, this bill would take effect immediately upon passing.

The department supports this bill.


Larry Mercurieff, Commissioner

Date: 2/2/89

0295V/020189B

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act relating to motor vehicle liability insurance..."
Sponsor: House Labor & Commerce
Requestor: Senate Labor & Commerce

Agency Affected: Department of Law
BRU: Prosecution
Components: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Please see the attached analysis.

Richard I. Pegues

Prepared by: Richard I. Pegues, Director
Division: Administrative Services

Phone: 465-3672
Date: February 3, 1989

Approved by Commissioner: Grace Berg Schaible, Atty. Gen.
Agency: Department of Law

Date: February 3, 1989

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSHB 44 (L&C) am

This bill amends AS 28 by adding a new chapter that will require mandatory minimum motor vehicle liability insurance coverage within the state. Except for Section 7, which requires that the owner of a vehicle subject to the bill's mandatory insurance requirements must certify the existence of the required insurance at the time of registration, most of bill's other provisions reestablish the motor vehicle liability insurance requirements that were in effect prior to January 1, 1989. The Department of Law does have a concern with the new provision contained in Section 7, requiring certification of insurance at the time registration or reregistration under proposed AS 28.10.021(2). This is because existing AS 28.10.491(a)(9) classifies making a false statement in a registration application a felony. The department believes that this penalty should be classed as a misdemeanor or violation, at the most, or the legislature could consider dropping the insurance certification provision, altogether.

In 1986, the Division of Motor Vehicles suspended the licenses of 3,487 drivers because they did not have the minimum mandatory liability insurance coverage required by former AS 28.22. Unfortunately, there is no accurate means to predict the number of vehicle owners who might falsely certify that had the required insurance when they register a vehicle, if the certification provisions of Section 7 are adopted. If this number is great (more than a hundred or so - statewide), the department would have to seek and receive substantial additional resources before any large number of felony offenses could be prosecuted. The department's current reduced resources, and the likelihood of further reductions, would make it impossible for the department to do otherwise.

SENATE COMMITTEE REPORT

FURTHER

FINANCE

1/16/89

DATE TURNED INTO OFFICE 4/8/89

Mr. President:

L&C Committee considered CSHB 44 (L&C) am

motor vehicle liability insurance and vehicle registration; efd

and recommended

- replace with CS) same title
- or adopt SCS CS HB 44 (L+C)) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

Fiscal Note Info

do not pass

no recommendation

individual recommendations

further referral to _____

<u>CSHB 44 (L+C) am</u>			<u>SCS CSHB 44 (L+C)</u>		
Public Safety	119.2	1/31/89	Public Safety	17.7	4/7/89
(existing)	71.2	2/2/89	(existing)	71.2	2/2/89
Court	52.0	1/30/89	Court	52.0	4/6/89
(existing)	41.1	1/30/89	(existing)	41.1	4/6/89
Commerce	zero	1/29/89	Commerce	zero	1/29/89
Law	zero	2/3/89	Law	zero	4/7/89
			Corrections	23.0	4/7/89

- FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published
 Commerce fiscal note is the same as published on 1/11/89

MEMBERS SIGNING DO PASS

[Signature]
[Signature]

OTHER RECOMMENDATIONS

Do Not Pass
[Signature]

[Signature]
 Chairman signature and recommendation

Committee Backup attached

STATE OF ALASKA

DEPARTMENT OF PUBLIC SAFETY

OFFICE OF THE COMMISSIONER

RECEIVED JAN 21 1987

STEVE COWPER, GOVERNOR

P.O. BOX N
JUNEAU, ALASKA 99811-1200
PHONE: 465-4322

January 16, 1987

The Honorable Jan Faiks
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

The following information is provided as required by the letter of intent which accompanied Chapter 70, SLA 1984 (CCSHB 7).

During the first two years of administering the mandatory insurance law, motor vehicle traffic accidents involving 58,657 drivers were processed. Suspension notices were sent to 9,043 of those drivers, because they failed to provide proof within the required time frame that motor vehicle liability insurance was in effect at the time of the accident to cover the vehicle involved. Suspensions were voided for 3,313 of those drivers, who provided the proof of insurance upon receipt of the suspension notice. The remainder of the suspensions stayed in effect, which is 9.8 percent of the drivers involved in accidents.

Of the 9,043 drivers who were sent suspension notices under the mandatory insurance law, 3,770 were also suspended under the financial responsibility law. Suspensions were voided for 1,552 of those because they complied with the law upon receipt of the notice. Generally, compliance was met by providing proof they were insured at the time of the accident. Compliance was also met by the person obtaining a release from, or entering into a settlement agreement with the other party.

Under the financial responsibility law, the driver can be suspended only if he was uninsured and at fault. Under the mandatory insurance law, fault is not a factor. A suspension under the mandatory insurance law is for 90 days unless the person has previously been suspended under that law, in which instance the suspension is for one year. Suspension under the financial responsibility law is for three years, or until the person complies with the law by paying off damages, obtaining a release from the other party, or depositing security with the State in the amount of damages incurred in the accident.

In addition to suspensions generated by accidents, the department issued 6,635 suspensions as a result of a person being charged with a six or more point violation and failing to provide proof of insurance to the court. The department received 20,819 documents from the court for this type of violation. Of the 6,635 persons suspended, 739 were voided because the defendant provided proof of insurance upon receiving the suspension notice. Thus, 5,896 of the suspensions went into effect, which is 28.3 percent of the drivers involved.

The department forwarded 12,771 certifications of insurance to the insurance company named on the form for verification of coverage. The insurance company returned 566 due to no coverage, or incorrect data. Suspension notices were generated to those 566 drivers (these are included in the previous figures provided regarding accidents and violations). Some of the 566 were able to prove, through verification of the insurance company, that coverage was in existence at the time of the incident, and that the data, such as policy number, was incorrect on the original certification of insurance form.

In summary, as a result of accidents and violations which were processed under the mandatory insurance law during the past two years, 15,678 suspensions were generated, and 11,626 stayed in effect.

In an attempt to determine the percentage of uninsured drivers in the state, the accident statistics should be used. It is a much truer example of the average citizen. The violation figure definitely does not represent the "average" citizen. The majority of the violators are driving while intoxicated or driving while license suspended. In several instances, the reason for the "driving while license suspended" charge is because the driver has failed to obtain insurance which is required by law before reinstatement following any suspension, revocation or limitation.

The mandatory insurance law did have an impact on reducing the number of uninsured drivers. Prior to implementation of the law, figures compiled from accident reports reflected an uninsured rate of approximately 20 percent. As indicated above, the rate of uninsured drivers involved in accidents during the past two years is approximately 10 percent. The department was unable to find a procedure, other than using the data received administering the mandatory insurance law, to more precisely determine the percentage of uninsured drivers.

The mandatory insurance law has increased the workload in nearly every facet of the criminal justice community. From the police agency that makes more "driving while license suspended" arrests because more drivers are suspended; to the prosecutors who must handle more DWLS cases; to the courts which handle more DWLS cases, and must require defendants who are cited for a six or more point violation to file proof of insurance; to the Department of Public Safety, which must match proof of insurance forms with accidents and major violations, verify insurance coverage, suspend the uninsured, collect fees and issue new licenses after suspension, prepare certified copies for arresting agencies and prosecutors, etc.

During the first full fiscal year the mandatory insurance law was in effect, the financial cost to the Department of Law, the Courts, and the Department of Public Safety was approximately \$750,000. This does not include the cost of the police officer who was processing the suspended driver rather than doing preventive patrol or working some other type of case, nor the cost to the Department of Corrections to house the additional prisoners arrested for and/or convicted of driving while suspended. It is difficult to say whether or not the mandatory insurance program is cost effective.

The department was unable to compile complete statistics regarding the percentage of persons involved in traffic accidents who are compensated for their loss. The Division of Insurance receives information from the insurance industry concerning amounts paid to policy holders; however, they have no breakdown by type of accident. Thus, motor vehicle accident data is included with construction accidents, homeowner's accidents, etc. The department does maintain statistics concerning the financial responsibility law. The last complete year for which statistics are available reflect that 71 percent of the drivers suspended under that law complied with the law by providing proof they were insured at the time of the accident; by obtaining a release from the person who received the monetary loss; or by depositing security with the State in the amount of the monetary loss. The 29 percent of the drivers who were suspended under the financial responsibility law who never notified the department that they had complied with the law represents 2.9 percent of the total number of drivers involved in motor vehicle traffic accidents. This does not necessarily mean 2.9 percent of the people who were in motor vehicle accidents, and not at fault, were not compensated, as some may have had uninsured motorist coverage.

The public has expressed extreme dissatisfaction with the law for two specific scenerios, and the department feels corrective measures should be taken. One is when an employee is driving during the course and scope of employment, and is involved in an accident. Some claim to have asked the employer if the vehicle was insured, and were told yes. After the accident, the employee finds out the employer was uninsured. The department, in administering the law as written, suspends the employee, and no action is taken against the employer. A suggested change would be to add a subsection (h) to AS 28.22.240 to reflect: "If the driver at the time of the accident was driving in the course and scope of employment a vehicle owned, operated or leased by the driver's employer, the suspension provisions of this chapter apply to the employer, and do not apply to the driver".

The second scenerio is when an individual purchases insurance, generally through a car dealer, and honestly feels they carry the necessary coverage to comply with the law; however, when in an accident they learn the coverage is only for damage to their vehicle to protect the lienholder. The department feels a change needs to be made to not allow the sale of this type policy, unless the insurance agent includes motor vehicle liability coverage which complies with Chapter 22 of Title 28. The department is suspending the driver's license of a considerable number of drivers who fall in this category.

Another section of law the public has expressed considerable dissatisfaction with is AS 28.22.240(c)(1). This section reflects a limited license can be issued "for work purposes only." Several requests are turned down monthly when the purpose for the limited license is to drive to school (high school and/or college), or for medical reasons. I am not recommending a change, but did want to bring this concern of the public to your attention.

The mandatory insurance law has a repealer date of January 1, 1989. However, as part of the department's FY87 and FY88 budget cuts, administration of the program will be discontinued as of July 1, 1987. Therefore, the above recommended changes would be a waste of effort at this time. Instead you may want to amend the repealer section to be effective July 1, 1987, to prevent any possible liability problems.

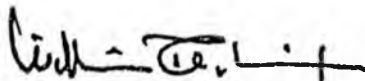
The Honorable Jan Faiks

-5-

January 16, 1987

I look forward to working with you this session. If I can be of any assistance, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "William R. Nix", with a stylized flourish at the end.

William R. Nix
Acting Commissioner

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF PUBLIC SAFETY

P.O. BOX 20
JUNEAU, ALASKA 99802-0020

DIVISION OF MOTOR VEHICLES

PHONE: (907)465-4335

February 2, 1989

The Honorable Dick Eliason
Chairman, Senate Labor & Commerce Committee
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811

Re: CSHB 44(L&C)am
Mandatory Motor Vehicle Insurance

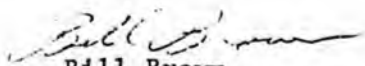
Dear Senator Eliason:

The Department of Public Safety's fiscal note dated January 31, 1989, for CSHB 44(L&C)am indicates that there are two positions currently involved in administration of the mandatory insurance law. You have asked about the cost of these two positions, which is as follows: Document Processing Clerk III, range 10D, \$36,012; and Clerk IV, range 9E, \$35,173, for a total of \$71,185. This includes both salary and benefits.

You also wanted to know if these were the only positions that were associated in any way with administering the mandatory insurance law. The answer is no; they are the only ones who are devoted full time to the task. Some other DMV employees are also involved in administering the mandatory insurance law, to a more limited extent. An example would be the administrative review hearing officers. The majority of their time is devoted to administrative hearings regarding the revocation of motorists' licenses for DWI offenses and review of point system license actions. However, when a person requests a hearing as a result of receiving a suspension notice under the mandatory insurance law, these hearing officers will conduct the hearing. In calendar year 1988, there were 119 requests for administrative hearings under the mandatory insurance law.

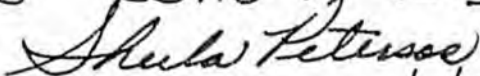
Please let me know if I can provide any further assistance.

Sincerely,


Bill Brown
Chief of Driver Services

This cover letter is appropriate for
BB:bc

cc: Representative Dave Donley

SCS CSHB 44 (L+C)

Sen. L+C 4/8/89

FISCAL NOTE

REQUEST:

Revision Date: 4-7-89
Title: An Act relating to motor vehicle liability insurance
Sponsor: Rep. Donley
Requestor: Senate Labor & Commerce

Agency Affected: Public Safety
BRU: Motor Vehicles

Component: Field Services

EXPENDITURES/REVENUES: (Thousands of Dollars) (Inflation not included)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	-0-	16.3	32.6	32.6	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	1.2	2.5	2.5	-0-	-0-
SUPPLIES	-0-	.2	.4	.4	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	17.7	35.5	35.5	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	21.6	43.2	43.2	43.2	43.2
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	17.7	35.5	35.5	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	17.7	35.5	35.5	-0-	-0-

POSITIONS:

FULL-TIME	-0-	1	1	1	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: (Attach a separate page if necessary)

PROGRAM SUMMARY: HB 44 reinstates mandatory motor vehicle liability insurance requirements, which were repealed effective January 1, 1989. HB 44 requires that a person certify, at the time of application for registration of a motor vehicle, that he or she has motor vehicle liability insurance. This is a new requirement, not present under the prior law. One Motor Vehicle Representative II position (range 9B) will be needed to screen and process registration applications submitted by mail. This position is

Prepared by: Bill Brown

Division: Motor Vehicles

Phone: 465-4335

Date: 4-7-89

Approved by Commissioner: Arthur English

Agency: Department of Public Safety

Date: 4-7-89

requested for the renewal by mail program in Anchorage for the first two and one half fiscal years. It is anticipated that after the program is in effect for a couple of years there will be less rejected applications, and the position will no longer be required. As a result of experience gained in the Emission Inspection Program, we know that the renewal by mail form will not always be adequately completed in regard to certifying insurance is in existence. Thus, some forms will need to be returned to the applicant. Of the 431,049 registrations in 1987, 99,614 were renewals by mail. It is estimated 10% of the renewals by mail will be incomplete in regard to certification of insurance.

The estimates of increased revenues are based on the change in fees contained in section 17 of the bill. In 1987, 43,163 vehicles were registered under AS 28.10.421(c). With section 17 being effective January 1, 1990, an estimated 21,581 would be registered in FY90.

EXPENDITURES:

Personal Services		
1 Motor Veh. Rep. II, Anc, 9B		16.3
Contractual		
Postage 4,980 x .25		1.2
Commodities		
Envelopes/office supplies		<u>.2</u>
		17.7

Expenditures for FY90 based on one-half fiscal year because of bill reflecting certifying insurance at time of registration to be effective January 1, 1990.

Position Title Motor Vehicle Representative II		No. of Positions 1	Range/Step 9B	Barg. Unit GGU
Time Status PFT	Staff Months 6	Location Anchorage		Election District 7-15
Justification				
Type of Expenditure			Amount	
1	2	3		
Salary*	10,710	////////////////////		
Benefits*	5,581	////////////////////		
Premium Pay (Included in Above)	////////////////////	////////////////////		
Other	////////////////////	////////////////////		
Total Personal Services	////////////////////	16,291		
Travel				
Contractual		1,250		
Commodities		200		
Equipment				
Other				
Total Cost		17,741		
Funding Source for Total Cost				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004	17,741		
Program Receipts/GF	1005			
I-A Receipts	1007			
CIP Receipts	1061			
Other				
* Personal Services Salary and Benefits Costs are from PACS Scenario #2.				
<p>Process registration applications received under the mail-out renewal program. Inspect applications returned for completeness. Return applications that are incomplete with instructions on how to correct. Perform data entry for properly completed applications and send renewal registration and tabs to applicant.</p> <p>Figures are for six months, because of effective date of January 1, 1990, for the sections of the bill dealing with certifying at time of registration.</p>				

REQUEST FOR
NEW POSITION

AGENCY Department of Public Safety
BRU Motor Vehicles
COMPONENT Field Services

Page 3 of 3
Revised Date

FY 90

FISCAL NOTE

REQUEST:

Revision Date <u>4/6/89</u>	Agency Affected: <u>Alaska Court System</u>
Title: <u>An Act relating to vehicle liability insurance and registration</u>	BRU: <u>Trial Courts</u>
Sponsor: <u>Donley, Boucher, Gruenberg</u>	Components: _____
Requestor: <u>Senate Labor & Commerce</u>	

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
Personal Services	52.0	52.0	52.0	52.0	52.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
TOTAL OPERATING	52.0	52.0	52.0	52.0	52.0	0.0

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

General Funds	52.0	52.0	52.0	52.0	52.0	0.0
Federal Funds						
Other						
TOTAL	52.0	52.0	52.0	52.0	52.0	0.0

POSITIONS:

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Jan Strandberg, General Counsel
 Division: Alaska Court System
 Approved by: Arthur H. Snowden, II, Administrative Director
 Agency: Alaska Court System

Phone: 284-8228
 Date: 04/08/89
 Date: 04/08/89

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management & Budget
 Impacted Agency(ies)

Alaska Court System

SCS CS HB 44

Fiscal Analysis

Personal Services:

	Salary	Benefits	Total
2 - Court Clerk I, Range 8B Anchorage, PFT, 12 months	\$40,488	\$19,484	\$59,972
1 - Court Clerk I, Range 8B Fairbanks, PFT, 12 months	22,836	10,308	33,144 -----
Total Personal Services and On-Going Cost			93,116

Less funding received with the passage of CCSHB 7, 1984
legislative session (on-going funding) ** (41,158)

Net On-Going Cost (***) \$51,958

** Court was funded for 3 positions the first half-year of operating this program in fiscal 1985. The net on-going cost of this legislation is the cost of supplementing current funding to full-time status.

*** FY 94 Cost: Personal services cost \$93,116 times 50% = \$46,558 minus existing funding of \$41,158 = \$5,400 net cost.

Alaska Court System

SCB CS HB 44

Fiscal Analysis

This bill provides for the administrative 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 has previously estimated that this bill would result in an annual addition of 1,300 driving with license suspended cases. The workload is concentrated in Anchorage and Fairbanks.

The clerical impact of the additional caseload is on the criminal sections in Anchorage and Fairbanks. Each new case is set up in a case file, calendar notices are sent out, judgment and hearing records are prepared and distributed, and cases are tracked and coordinated with the jails and the Department of Motor Vehicles. Two court clerks in Anchorage and one court clerk in Fairbanks are needed to perform these functions.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
 Title: An Act relating to motor vehicle liability insurance and vehicle registration. BRU: Insurance
 Sponsor: Donley, Boucher, Gruenberg, et al Components: _____
 Requestor: (S) Labor & Commerce Cmte.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Bob Sims Phone: 465-2517
 Division: Insurance Date: 1-09-89

Approved by Commissioner: Larry Mercu Date: 1-09-89
 Agency: Commerce and Economic Development

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Changes in the L+C CS have no fiscal effect. This fiscal note is appropriate

page 1 of 1

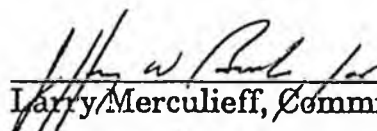
Shula Peterson
 Sen. L+C 4/8/89

CSHB 44 (L&C) am: An act relating to motor vehicle liability insurance and vehicle registration

This bill reinstates mandatory liability vehicle insurance which expired January 1, 1989. The bill also says the liability policy must provide liability coverage for motor vehicles rented in the U.S. or Canada by the person insured on the policy. The policy must provide physical damage coverage for rented vehicles if the policyholder has physical damage coverage. If not, the insurer must offer physical damage coverage for rented vehicles.

A person must certify at point of registration that he has a motor vehicle liability policy in effect on that vehicle unless exempted. Except for sections 7, 8, and 10, this bill would take effect immediately upon passing.

The department supports this bill.


Larry Mercurieff, Commissioner

Date: 2/2/89

0295V/020189B

FISCAL NOTE

REQUEST:

Revision Date: April 7, 1989
 Title: "An Act relating to motor vehicle liability insurance..."
 Sponsor: Senate Labor & Commerce
 Requestor: Senate Labor & Commerce

Agency Affected: Department of Law
 BRU: Prosecution
 Components: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

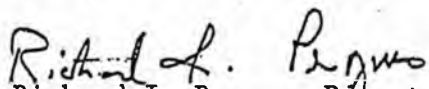
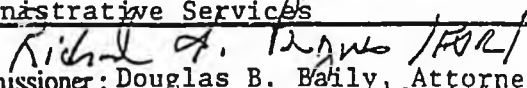
GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Please see the attached analysis.


 Prepared by: Richard I. Pegues, Director Phone: 465-3672
 Division: Administrative Services Date: April 7, 1989

 Approved by Commissioner: Douglas B. Bailly, Attorney General Date: April 7, 1989
 Agency: Department of Law

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SCSCS HB 44(L&C)

The Senate committee substitute for HB 44 amends AS 28 by adding a new chapter that will require mandatory minimum motor vehicle liability insurance coverage within the state. Except for Section 11, which requires that the owner of a vehicle subject to the bill's mandatory insurance requirements must certify the existence of the required insurance at the time of registration, most of the bill's other provisions reestablish the motor vehicle liability insurance requirements that were in effect prior to January 1, 1989. Under AS 28.10.491(a)(9), making a false statement certifying the existence of motor vehicle liability insurance in a registration application is a class A misdemeanor.

In 1986, the Division of Motor Vehicles suspended the licenses of 3,487 drivers because they did not have the minimum mandatory liability insurance coverage required by former AS 28.22. Unfortunately, there is no accurate means to predict the number of vehicle owners who might falsely certify that they had the required insurance when they register a vehicle, if the certification provisions of Section 11 are adopted. If this number is great (more than a hundred or so - statewide), the department would have to seek and receive additional resources before any large number of offenses could be prosecuted. The department's current reduced resources, and the likelihood of further reductions, would make it impossible for the department to do otherwise.

FISCAL NOTE

REQUEST:

Revision Date: 1/31/89
Title: "An Act relating to motor vehicle liability insurance."
Sponsor: Rep. Donley
Requestor: _____

Agency Affected: Corrections
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0	23.0	23.0	23.0	23.0	23.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	23.0	23.0	23.0	23.0	23.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	23.0	23.0	23.0	23.0	23.0
FEDERAL FUNDS						
OTHER						
TOTAL	0	23.0	23.0	23.0	23.0	23.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) In 1988 the Dept. of Public Safety reported 2,020 individuals had their licenses suspended as a result of driving with no insurance. We estimate a similar figure for 1990. Of that 2,020, we estimate 5% would be charged with DWLS. That 5% translates into approximately 100 people, serving approximately 7 days in jail at \$32.96 per day = \$23,072.00.

Susan E. Knighton

Prepared by: Susan E. Knighton, Director Phone: 465-3376
Division: Administrative Services Date: 4-7-89

Approved by: *Susan Humphrey-Barnett* Date: 4-7-89
Agency: Corrections

Distribution (by preparer):

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

This fiscal note was prepared for
SCS CSHB 44 (L+C)

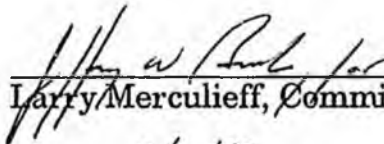
Shula Peterson
Sen L+C 4/8/89

CSHB 44 (L&C) am: An act relating to motor vehicle liability insurance
and vehicle registration

This bill reinstates mandatory liability vehicle insurance which expired January 1, 1989. The bill also says the liability policy must provide liability coverage for motor vehicles rented in the U.S. or Canada by the person insured on the policy. The policy must provide physical damage coverage for rented vehicles if the policyholder has physical damage coverage. If not, the insurer must offer physical damage coverage for rented vehicles.

A person must certify at point of registration that he has a motor vehicle liability policy in effect on that vehicle unless exempted. Except for sections 7, 8, and 10, this bill would take effect immediately upon passing.

The department supports this bill.


Larry Mercurieff, Commissioner

Date: 2/2/89

0295V/020189B

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 455 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 27, 1989

SUBJECT: Motor vehicle liability insurance
CSHB 44(L&C) am

TO: Senator Dick Eliason

FROM: Michael F. Ford *M.F.*
Legislative Counsel

The following is a sectional analysis of CSHB 44(L&C) am, establishing mandatory motor vehicle liability insurance.

Section 1 -

sec. 28.22.011 - Establishes that mandatory liability insurance is required for certain drivers, and establishes an exception from the insurance requirements for certain rural areas.

sec. 28.22.021 - Provides that certain persons involved in an accident or who violate a traffic law are required to show proof of liability insurance.

sec. 28.22.031 - Establishes the method of proof following an accident that a person is required to follow, if required under sec. 28.22.021(1) to show proof of insurance.

sec. 28.22.041 - Establishes the method of proof following a citation for a moving traffic violation, if proof of insurance is required under sec. 28.22.021(2).

sec. 28.22.051 - Requires the department to suspend the driver's license of a person who fails to provide proof of insurance as required under sec. 28.22.021 - 28.22.041, and establishes periods of suspension.

sec. 28.22.061 - Provides that a person who provides false information concerning required insurance coverage, is guilty of a class A misdemeanor.

sec. 28.22.071 - Establishes a requirement that certain persons file proof of financial responsibility for the future before having their driving privileges restored.

sec. 28.22.101 - Establishes minimum general liability insurance policy coverage and limits for owners and operators of motor vehicles.

sec. 28.22.111 - Establishes implied policy provisions that are not required to be set out in the policy.

sec. 28.22.121 - Provides that a liability insurance policy may grant coverage in excess of coverage required for the insurance.

sec. 28.22.131 - Allows a liability insurance policy to be prorated with other valid insurance.

sec. 28.22.141 - Imposes additional requirements before an insurance policy is considered to meet the mandatory insurance requirements imposed under AS 28.22.

sec. 28.22.201 - Establishes general policy provisions for uninsured and underinsured coverage.

sec. 28.22.211 - Establishes the maximum liability of the insurer for required uninsured and underinsured coverage.

sec. 28.22.221 - Provides for policy coverage when an insured is entitled to coverage under more than one policy and establishes priority for payment.

sec. 28.22.231 - Establishes exceptions to uninsured and underinsured coverage.

sec. 28.22.301 - Provides that an insurance policy may contain limitations or conditions that do not violate state law.

sec. 28.22.311 - Definition.

sec. 28.22.321 - Short title of the chapter.

Section 2 - Requires that an insurance policy that provides coverage only against property damage, contain a notice that the coverage does not satisfy the mandatory insurance requirements of state law.

Senator Dick Eliason

Page 3

January 27, 1989

Section 3 - Requires that automobile insurance must contain coverage limits as required in AS 28.20.440 and AS 28.22.-101.

Section 4 - Technical amendment concerning bodily injury or death coverage.

Section 5 - Technical amendment concerning property damage coverage.

Section 6 - Imposes additional requirements concerning arbitration or mediation, rental care insurance and short term coverage, for automobile liability insurance policies.

Section 7 - Establishes procedures for motor vehicle registration. Requires the vehicle owner to certify the existence of valid liability insurance.

Section 8 - Allows the department to refuse to register a vehicle if the applicant fails to certify the existence of motor vehicle insurance that complies with state law.

Section 9 - Gives the department the authority to suspend or revoke the registration of a vehicle if the owner fails to obtain insurance required by law.

Section 10 - Increases the annual motor vehicle registration fees.

Section 11 - Requires separate accounting for certain fees collected by the department.

Section 12 - Requires the department to provide financial responsibility and insurance information to an applicant for a driver's license.

Section 13 - Establishes requirements for obtaining a driver's license.

Section 14 - Definition.

Section 15 - Establishes requirements for qualifying as a self-insurer.

Section 16 - Definitions.

Section 17 - Applicability section.

Senator Dick Eliason
Page 4
January 27, 1989

Section 18 - Repealer.

Section 19 - Effective date.

Section 20 - Effective date.

MFF:kb
WKK1/086

Sew Eliason

MEMORANDUM

State of Alaska

TO: Linda Wild
Special Assistant to Commissioner
DCED

DATE: April 6, 1989

FILE NO.:

THRU: Paul Roller, Director *PR*
Division of Insurance

TELEPHONE NO.: (907) 465-2517

SUBJECT: Mandatory Auto
Insurance

FROM: Bob Sims *BS*
Insurance Market Analyst II
Division of Insurance
Department of Commerce and
Economic Development

This bill reinstates mandatory automobile insurance immediately upon passage. It also calls for the sunseting of mandatory insurance on January 1, 1994.

We have a concern about one section of the bill. On January 1, 1994 AS 21.89.020(f)(2) is repealed and reenacted to read:

"An automobile liability insurance policy must provide liability coverage for motor vehicles rented in the United States or Canada by a person insured under this policy; coverage required under this paragraph is primary if multiple coverage exists."

This proposed section of the bill concerns motor vehicle liability insurance for rented vehicles. It would require that in the event a person had multiple insurance coverage, ie coverage on his vehicle, insurance provided under AS 21.89.020(f)((2) would apply before coverage from the rental car company's insurance policy would apply. It makes the renters' coverage primary. This proposal is tailored after a similar provision in Florida where the system is different. Florida has a no fault law.

Historically, auto liability insurance has been based upon the concept "insurance follows the auto." Insurance premium and loss data are collected based upon the type of vehicle and garage location. Personal insurance is distinguished from commercial insurance and business insurance. Personal rates are based upon an individual's personal use of owned vehicles in the local area.

Auto rates for car rental companies are based upon rental of that vehicle in the location from which it is rented. Most vehicles are rented for business or vacation use.

If personal auto "insurance" was covering business and non-local usage, the statistical base for premiums would be undermined. In all likelihood, those Alaskans who do not travel and rent autos would be subsidizing those of us who do.

MEMORANDUM

Paul Roller
4/6/89

Furthermore, most Alaskans on vacation will rent a vehicle outside. Those premiums and losses should not be included in the Alaskan data base.

Finally, because this proposal runs counter to the reasonable expectations of vacationers coming to Alaska, it might well adversely impact the state's image for tourists if they have surprises when they rent vehicles in Alaska.

REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE

DISTRICT ELEVEN • SPENARD

NORTHWOOD • SPENARD • THOMPSON • TURNAGAIN • UPPER MIDTOWN • WINDEMERE

P.O. BOX V, JUNEAU 99811

(907) 465-3892



CHAIRMAN
LABOR AND COMMERCE
COMMITTEE

MEMBER
STATE AFFAIRS COMMITTEE
HEALTH, EDUCATIONAL
AND SOCIAL SERVICES COMMITTEE

October 6, 1988

Senator Dick Eliason
P.O. Box V
Juneau, Alaska 99811

Dear ^{Dick} Senator ~~Eliason~~:

It is unfortunate that the debate on Mandatory Auto Insurance wasn't allowed on the Senate floor last year.

If it had been, there would be no need to seek press coverage to highlight the issue this year.

Sincerely,

A handwritten signature in cursive that reads "Dave".

Representative Dave Donley

dd/gb

REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE
DISTRICT ELEVEN • SPENARD
NORTHWOOD • SPENARD • THOMPSON • TURNAGAIN • UPPER MIDTOWN • WINDEMERE

P.O. BOX V, JUNEAU 99811
(907) 465-3892



September 19, 1988

Sen. Dick Eliason
P.O. Box V
Juneau,, AK 99811

Dear Dick:

CHAIRMAN
LABOR AND COMMERCE
COMMITTEE

MEMBER
STATE AFFAIRS COMMITTEE
HEALTH, EDUCATIONAL
AND SOCIAL SERVICES COMMITTEE

I am writing to ask for your support for swift passage of an act reinstating Alaska's mandatory automobile insurance program.

As you probably know, Alaska's mandatory automobile insurance law "sunset" on January 1, 1989 as a result of the Senate's failure to adopt HB 44 in the waning hours of the last Legislative session.

HB 44, which passed the House unanimously, continued the insurance program and made several changes to existing statute to make it easier for Alaskans to obtain insurance and to substantially reduce the paperwork burden required to enforce the law.

Recent polls have shown that over eighty percent of Alaskans strongly support a mandatory automobile insurance program. Responding to an earlier inquiry by me, over half the members of the Legislature, both House and Senate, have committed to support re-introduction and passage of HB 44.

As a result, I am planning to pre-file a bill for next session that combines the reinstatement of the present law with the final Senate Finance Committee version of HB 44. If we pass the bill quickly, the time between the lapsed law and the new law will be minimal.

Toward that end, I am writing now to ask for your commitment to support swift passage of a new Alaska Mandatory Automobile Insurance Law. Please respond by October 30, as I plan to publish your answer prior to the November 8 General Election.

If you have an questions or need additional information, please call me or Ginger Baim at my Anchorage office, 561-7629, or write to: Representative Dave Donley, 3111 C Street, Suite 450, Anchorage, Alaska 99503.

Sincerely,

A handwritten signature in cursive script that reads "Dave".

Representative Dave Donley

dd/gb

ALASKA STATE LEGISLATURE . SENATE

SENATOR RICHARD I. ELIASON

RULES COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, VICE-CHAIRMAN
LEGISLATIVE COUNCIL
RESOURCES COMMITTEE
FISHERIES SUBCOMMITTEE, CHAIRMAN



P.O. BOX 143
SITKA, ALASKA 99835
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 485-4916

September 22, 1988

Representative Dave Donley
Anchorage Legislative Information Office
3111 "C" Street, Suite 450
Anchorage, Alaska 99503

Dear Dave:

Thank you for your letter of September 19 requesting my support of legislation you plan to pre-file for the next session providing for mandatory automobile insurance, and requesting my response by October 30 in order that you may publish it prior to the general election.

Mandatory automobile insurance is one of the many issues legislators will be addressing during the 16th Session of the Alaska State Legislature. I personally feel that debate on this topic would be more appropriately conducted in the legislative halls during the upcoming legislative session, when positive action can be taken, rather than attempting to settle the issue in the press prior to the general election.

Sincerely,

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

Senator Dick Eliason

REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE

DISTRICT ELEVEN • SPENARD

NORTHWOOD • SPENARD • THOMPSON • TURNAGAIN • UPPER MIDTOWN • WINDEMERE

P.O. BOX V, JUNEAU 99811

(907) 465-3892



CHAIRMAN
LABOR AND COMMERCE
COMMITTEE

MEMBER
STATE AFFAIRS COMMITTEE
HEALTH, EDUCATIONAL
AND SOCIAL SERVICES COMMITTEE

December 13, 1988

MEMORANDUM

TO: All Legislators and the Press

FROM: Representative Dave Donley *DB*

RE: Protecting yourselves and your families from uninsured drivers

In the past weeks I've received several phone calls from insurance agents concerned with the sunset of the mandatory auto insurance which will take place on January 1, 1989. As you know legislation to continue this program died in the Senate Rules committee last year.

The agents are telling me that their auto insurance renewals are way down from this time last year. Many people are telling them that due to the sunset of the law they will no longer carry auto insurance.

Prior to the law up to 40% of Alaskan drivers were uninsured. Currently only about 10% are uninsured but if what the agents are telling me is correct, we can expect that number to rise substantially.

I strongly recommend you review your auto insurance coverage and increase your uninsured and underinsured motorist coverage. Typically this coverage is only \$50,000 or less per victim which is wholly insufficient to compensate you or your family if you or they are involved in a serious accident. Depending on your insurance company you may be able to increase your uninsured coverage by increasing your basic policy limits.

Unfortunately in the process of increasing my own insurance protection I was informed that some insurance underwriters are so worried about the increased danger from uninsured drivers due to the law's sunset that they are refusing to offer increased uninsured coverage or only offer limited increases. Fortunately, if they do allow you to increase your coverage the cost should be low.

If you do not own an automobile you should seek to obtain some form of life, disability and/or accident insurance for

ANCHORAGE OFFICE

3111 "C" STREET, SUITE 450 • ANCHORAGE, ALASKA 99503 • (907) 561-7629

yourself and your family's protection. Those members of the public who do not own automobiles and cannot afford disability/accident insurance are going to be the most seriously endangered by the sunset of mandatory auto insurance.

I hope we can work together to reinstate mandatory auto insurance as early as possible during this upcoming legislative session to reduce the danger to our citizens the lapse of this law has created.

REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE

DISTRICT ELEVEN • SPENARD

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P.O. BOX V, JUNEAU 99811

(907) 465-3892



CHAIRMAN
LABOR AND COMMERCE
COMMITTEE

MEMBER
STATE AFFAIRS COMMITTEE
HEALTH, EDUCATIONAL
AND SOCIAL SERVICES COMMITTEE

June 21, 1988

M E M O R A N D U M

TO: ALL MEMBERS OF THE ALASKA STATE LEGISLATURE

FROM: REPRESENTATIVE DAVE DONLEY *JD*

RE: MANDATORY AUTOMOBILE INSURANCE PROGRAM

After January 1, 1989 it will no longer be mandatory for Alaskan motorists to have automobile insurance. House Bill 44 which addressed the "sunset" clause in this law did not pass the last legislative session. As a consequence, many more Alaskans will be driving around without insurance.

In recent months, I have received numerous letters and phone calls from many individuals who are concerned with this dilemma. In response to their concern, I am planning to pre-file a bill for next session that addresses this problem. The measure will combine the reinstatement of the present law that will be "sunsetting" and the Senate Finance Committee substitute of House Bill 44.

I would like to ask your support of this new bill. If we can get enough support for this measure we could get this bill through both Houses quickly. This would allow the period between the lapsed law and new law to be minimal.

Could you please respond by letter or by telephone at 561-7629 and let me know if you would support such legislation. I hope to make the list of supporters available for public information.



SENATOR FRED F. ZHAROFF
ALASKA STATE LEGISLATURE

P.O. BOX 405, KODIAK, ALASKA 99015 (907) 480-6269

DURING SESSION:

P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILLIAMNA • PIRIBILOF ISLANDS • SHUMAGIN ISLANDS

JANUARY 30, 1989

MEMORANDUM

TO: SENATOR DICK ELIASON

A handwritten signature in cursive script, appearing to read "F. Zharoff".

FROM: SENATOR FRED F. ZHAROFF

RE: INSURANCE

I have attached a copy of some background information regarding mandatory automobile insurance. I hope you will have an opportunity to peruse this information and see how it relates to the legislation we are currently looking at, HB 44 and SB 44.

Thank you for your time and attention.

Insurance **BACKGROUND**

Background information on insurance topics for the news media
Published by the Public Relations Department of the State Farm Insurance Companies
One State Farm Plaza, Bloomington, Illinois 61710...Phone (309) 766-2625

Should Auto Liability Insurance Be Required By Law?

It's become part of the folklore of our motorized society: A responsible citizen is driving down the street when an aging clunker roars past a stop sign and slams into Mr. Citizen's car, sending it to the junkyard and its owner to the hospital. The driver of the clunker has no assets, little income, and—of course—no liability insurance.

Stories about uninsured drivers usually bring expressions of outrage from listeners, along with comments like: "There oughta be a law!" In most states there are laws that make it a crime to drive without liability insurance. This type of law has been on the books more than 60 years in Massachusetts and more than 20 years in New York and North Carolina. Whether these laws are in the best interest of the public, however, is a subject of great controversy.

No one doubts that uninsured drivers are a widespread problem in the United States. The actual number of these drivers is not known, however, and estimates vary considerably. Many observers would agree that somewhere around 20 percent of the automobiles on the road are not covered by liability insurance, with the percentage differing sharply from one state to another. There are indications that the number has been growing recently, perhaps because inflation is putting a squeeze on the pocketbooks of more car owners, who gamble on not having an accident rather than paying the price of insurance.

Historical Background

Uninsured motorists weren't a serious problem during the first decades of the automobile. The new motor cars were playthings of the affluent, who had the assets to pay for any harm caused by their negligence. By 1920, car ownership had spread to many low-income families with little property that could be seized to pay for damages they caused in accidents. Liability insurance seemed to offer the only solution to this problem.

As early as 1919, proposals were made in Massachusetts for a law requiring all drivers to carry liability insurance. By 1925, compulsory insurance bills were introduced in half of the nation's state legislatures. Massachusetts enacted a compulsory bodily injury liability insurance law that took effect in 1927.

Most states, however, took a different approach to the problem. A proposal for a financial responsibility law had been included in the Uniform Vehicle Code adopted in 1924 by the National Conference on Street and Highway Safety. Instead of requiring all drivers to carry liability insurance, this proposal would require motorists who were in an accident to show that they had the financial means to compensate the future victims. In practice, most drivers could demonstrate the required financial means only by carrying a liability insurance policy. In 1928 the American Automobile Association issued a model financial responsibility bill, which was endorsed by many insurance companies and other groups. Instead of taking the compulsory insurance route, the other states enacted financial responsibility laws.

Three decades passed before another state followed Massachusetts' lead. In 1956 a compulsory insurance system was established in New York and in 1957 North Carolina became the third state with a compulsory system.

Today some 39 states have compulsory liability insurance laws. Many of these laws were passed in the 1970s as part of some type of no-fault package; many legal authorities believed no-fault laws would have a stronger constitutional footing if they compelled motorists to buy auto insurance.

How Are Compulsory Insurance Laws Designed to Operate?

Compulsory insurance laws provide that driving a car without the required amount of liability insurance is a criminal offense—a misdemeanor, like battery or driving while intoxicated. In theory, conviction of violating the law can result in a fine or even a jail sentence in many states, although in reality jail sentences are extremely rare.

Some compulsory insurance laws require motorists to show evidence of insurance to public authorities at least once a year before their vehicles can be registered and license tags issued. Usually the proof of insurance is in the form of an identification card or sticker from the insurance company. Most compulsory states use a self-certification procedure in which motorists are required to sign affidavits attesting that they have, and will maintain, liability insurance coverage. The state may verify a random sample of these affidavits with the insurance companies that issued the policies.

But either system causes problems. Even though a motorist has liability insurance when he gets his license plates, he can still drop the coverage later. In an attempt to prevent this, some compulsory laws require insurance companies to send a notice to state regulatory authorities when a policy is cancelled or not renewed. The state then sends a notice to the motorist asking for an explanation of the cancellation. If the motorist doesn't respond within the required time, the state sends a notice suspending his license after a certain date. Failure of the motorist to respond by the effective date causes his license tags to be subject to seizure by any police officer. In theory, a state police officer will be sent to pick up the tags. In practice, because of manpower shortages, tags are seized in most states only when the motorist commits other traffic offenses that bring him to the attention of the police.

Compulsory insurance laws usually provide harsher penalties for uninsured motorists found to be at fault in an accident and for motorists who drive after their licenses are suspended.

Should Auto Liability Insurance Be Required By Law?

Arguments For Compulsory Insurance Laws

Advocates of compulsory liability laws base their case on the concepts of fairness and justice. Their attitude is rooted in traditional tort liability legal doctrine, which holds a person financially responsible for any harm that his negligence may cause to others. Since liability insurance offers the only practical way for most drivers to pay compensation, advocates of compulsory insurance believe the state should force motorists to buy liability coverage by making it a criminal offense to drive without it.

Proponents of compulsory insurance argue that it is unfair to expect people to pay for uninsured motorist coverage to protect themselves from irresponsible drivers who are at fault in accidents. They also point out that a portion of the collision coverage on automobiles goes to pay for vehicle damage caused by uninsured drivers. On a national average, each insured driver may be paying somewhere around \$20 a year to protect himself from uninsured motorists. If these uninsured motorists are compelled to buy liability coverage, proponents say, responsible drivers won't have to pay that extra money.

Arguments Against Compulsory Insurance Laws

Those who oppose compulsory liability insurance laws tend to base their opposition on pragmatic grounds, although they may also use ethical or philosophical arguments.

Opponents' main arguments are that compulsory insurance laws: (1) can't be enforced well enough to remove uninsured drivers from the roads, (2) are costly to administer, and (3) increase insurance premiums for responsible drivers. Many opponents of compulsory insurance also argue that the state has no right to force low-income motorists, who have no assets to protect, to buy liability insurance merely for the benefit of more affluent drivers.

Compulsory Laws Don't Work

The core of the case against compulsory insurance laws is the argument that they simply don't work that they don't compel motorists to buy insurance. These laws are hard to enforce because of the nature of liability insurance itself. Liability coverage is designed to protect the policyholder from losing his assets and income if he causes an accident that harms someone. Drivers with no property, no savings, and little income have nothing to lose in a lawsuit. They have no economic incentive to buy liability insurance.

"They perceive the liability insurance policy as taking care of other people," Dr. John W. Hall, chairman of the insurance department at Georgia State University, reported to the South Carolina Joint Legislative Automobile Liability Insurance Study Committee in 1979. "The compulsory liability insurance system forces these people to pay high premiums relative to their own income for benefits for others when they cannot themselves afford adequate benefits to cover their own losses."

Critics of compulsory laws maintain that the compulsory insurance states, faced with determined resistance by drivers who neither need nor want liability insurance, have failed in their efforts to enforce the laws. As proof, they point to the experiences of the three states that have had compulsory laws the longest and have made the strongest efforts to enforce them.

Massachusetts, the first state to enact a compulsory insurance law, watched its auto insurance rates climb until they became the highest in the nation. In 1968, Gov. John Volpe told the Massachusetts legislature that "the people of the commonwealth have lost confidence in our compulsory automobile insurance system." After over half a century of compulsory insurance, the number of uninsured vehicles in Massachusetts still presents a serious problem.

New York adopted a compulsory liability insurance law in 1956. In 1963, a study by the University of Michigan found that there were twice as many uninsured drivers in New York as there were before the compulsory law was passed. A 1978 study found that 6.5 percent of a sample of 9,345 cars were uninsured.

The *New York Daily News* studied the state's compulsory insurance system in 1963 and reported: "The compulsory insurance law . . . (has) failed miserably to achieve its aims. Insurance companies despite it, the Motor Vehicles Department is suffering with it, the district attorneys won't prosecute on it and police departments don't enforce it. . . as far as *News* reporters could determine, no uninsured driver has ever been sent to jail, no matter what human or property damage he has caused. . ."

Even in North Carolina, the state regarded by many observers to have done the most effective job of enforcing compulsory liability insurance, many vehicles are still uninsured after many years of well financed and highly sophisticated enforcement efforts.

The most damning proof that compulsory liability laws don't work, opponents maintain, is the fact that all the compulsory states require insurers to offer uninsured motorist coverage and that most drivers buy it. Drivers in compulsory states are carrying a double burden: paying the premiums for uninsured motorist coverage and also bearing the cost of trying to enforce the compulsory insurance law.

Drivers who don't want to buy liability insurance find it easy to evade compulsory insurance laws.

Probably the most common technique of evading compulsory laws is called insurance dodging. The motorist goes to an insurance agent and applies for liability coverage in order to get an insurance identification card. The motorist uses the card to get his license tag, but then either cancels the coverage or fails to pay the balance of the premium. Although in some states the insurance company must send a notice to the proper state agency that the driver's coverage has lapsed, much time goes by before the overworked state bureaucracy gets around to taking any action. Even then the police, who must give priority to more serious crimes, don't have enough manpower to send officers out to confiscate the license tags.

Even if they are prosecuted and convicted of violating the compulsory law, insurance dodgers have little to fear. Judges, who deal with an endless stream of more serious offenders, are very lenient with someone who does nothing worse than refuse to buy insurance. In short, insurance dodgers face little risk.

Compulsory Laws Are Costly

The second major argument made by opponents of compulsory laws is that they are too costly to administer. Proper enforcement of these laws would require a large state bureaucracy, an extensive data processing system, and enough state police officers to go out and confiscate the license tags of uninsured drivers. No state has been willing or able to spend the vast amount of money that would be required for this kind of enforcement program.

Of all the states with compulsory laws, North Carolina has carried out the most extensive and effective enforcement program. The program is supervised by the Department of Motor Vehicles at a cost of about \$1.3 million a year. All of the record-keeping and forms preparation is done by a sophisticated computer system provided by the state Department of Transportation at an annual cost of about \$1.6 million. The Department of Public Safety employs 50 state police officers to confiscate about 19,000 sets of license plates a year at an annual cost of more than half a million dollars.

After New York passed its compulsory law, the cost of enforcement rose to more than \$7 million a year. In an effort to cut these high costs, New York went to a self-certification program in 1974. This simplified procedure shaved about \$3 million off the cost.

South Carolina, with a much smaller population than New York, reported that it spent \$1.3 million in the fiscal year ending April 30, 1979, to enforce its compulsory law.

The magazine *National Underwriter* reported in 1979 that enforcement of Pennsylvania's compulsory insurance law was "bogged down in a bureaucratic morass" in the Department of Transportation because of "poverty and lack of staff to administer the program." A department official said 40,000 notices of cancellation or lapses poured into the department every month and declared: "We'll never be current." Today, however, Pennsylvania requires cancellation notices only during the first six months of the policy and the department is quite current.

The California Department of Motor Vehicles, after studying California's compulsory insurance law in 1976, reported that "if all social costs associated with this program are considered, this program is almost certainly a social liability from the cost-benefit standpoint." The department found that "less than one-half of one percent of the drivers in California are financially responsible as a consequence of this program."

Higher Rates For Responsible Drivers

Opponents of compulsory insurance laws argue that these laws cause insurance premiums to go up for responsible drivers.

Part of this increase comes from the higher operating costs of insurance companies, which must issue identification cards or stickers to all their policyholders and may have to notify the state every time a customer fails to renew, or cancels, a policy or doesn't pay the balance of his premium.

But most of the increase, opponents maintain, results from the higher accident rates among many of the formerly uninsured drivers who are forced to buy insurance.

"Insurers that provide insurance to the overwhelming majority of safe and responsible drivers," said Dr. Hall, "are forced to include high-risk drivers among their insureds. As these high-risk drivers incur losses, the rating structure will be affected and the overall rates must rise."

Massachusetts adopted compulsory insurance in 1927. By 1938, its claim frequency per thousand insured vehicles had increased 33 percent—while the countrywide frequency declined 21 percent.

Massachusetts Gov. Volpe attributed much of his state's high insurance cost to its compulsory law in 1968 when he reported: "The personal injury claims frequency in the commonwealth is 1.8 times that of the next highest state (which also happens to be a compulsory state), and twice the national average." This claims frequency may be directly related to our high insurance costs and also supports the conclusion that under our compulsory system, Massachusetts motorists have become more claims conscious than those in other states."

Alternatives to Compulsory Insurance

Those who oppose compulsory liability insurance laws offer two alternatives: (1) strong financial responsibility laws and (2) insurance coverages that motorists can buy to protect themselves from losses caused by uninsured drivers.

Financial responsibility laws have been in use since the 1920s. These laws do not require insurance before cars can be licensed and they do not make it a criminal offense to drive without insurance. When motorists are involved in an accident (generally one resulting in bodily injury or in more than a specified amount of property damage), financial responsibility laws require them to show proof that they will be able to pay damages that might be awarded to other accident victims. Generally, they can do this with a liability insurance policy providing minimum required benefit limits, by posting a bond for the same amount, or by depositing cash or securities in that amount. Failure to do one of these leads to suspension of licenses of at-fault drivers for a certain length of time.

Opponents of compulsory insurance see several advantages in financial responsibility laws. They are aimed only at drivers who cause accidents, not at every driver in the state. As a result, the cost of enforcement is greatly reduced, insurance company operating costs are cut, and the great majority of responsible motorists are not subjected to the state's efforts to enforce compulsory insurance. The pressure is removed from those who can't afford to buy insurance and those who have no need for liability coverage.

Opponents maintain that a well-administered financial responsibility law is just as effective as a compulsory law—at a fraction of the cost. Virginia, generally regarded as having one of the most effective financial responsibility systems, is estimated to have about the same percentage of its cars insured as neighboring North Carolina, with the nation's best-enforced compulsory law.

Since neither compulsory laws nor financial responsibility laws can remove all uninsured drivers from the road, those who oppose compulsory laws recommend that motorists buy their own insurance coverage to protect themselves from irresponsible drivers.

Should Auto Liability Insurance Be Required By Law?

Uninsured motorist coverage has long been available in every state. Often it can be purchased with limits as high as the liability limits carried by the driver. When the driver is in an accident with an uninsured motorist, his own insurance company will pay him damages that the uninsured driver is legally obligated to pay.

Underinsured motorist coverage is now available in most states. This new coverage comes into play if the policyholder is injured by an at-fault driver who is insured, but has limits of liability coverage that are inadequate.

Uninsured motorist coverage in many states does not provide protection for damage to property. In those states, of course, motorists can still protect their vehicles by buying collision coverage.

In states with no-fault laws, personal injury protection coverage is provided to all insured drivers. This coverage reimburses policyholders for their own medical expenses and lost wages without regard to fault. In states without no-fault laws, medical payments coverage is available. A loss-of-income coverage is also available from auto insurers.

Opponents of compulsory laws argue that it's better to let affluent drivers provide their own insurance protection rather than try to force drivers without assets to buy liability coverage they don't need and can't afford. This approach, they believe, is less costly than the financial burden of trying to enforce a compulsory law, plus paying the higher premiums that result from compulsory laws.

Conclusion

It seems clear that no state has been able to solve the problem of uninsured drivers with a compulsory insurance law. Even the best-enforced compulsory laws have been no more successful at removing uninsured drivers than good financial responsibility laws. In a free society, it is impossible to force large numbers of people to buy something they don't need and can't afford. No state government is willing or able to take the steps that would be necessary to fully enforce a compulsory liability insurance law.

Since compulsory laws are no more effective than financial responsibility laws, there seems to be no point in spending vast amounts of money and harassing millions of motorists in futile attempts to enforce them.

For responsible motorists, the more practical route is to look after their own protection, rather than relying on unenforceable laws. Protection is readily available at moderate cost in the form of uninsured and underinsured motorist coverage, medical payments coverage, and loss-of-income coverage. In no-fault states, personal injury protection coverage offers even greater protection.

REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE
DISTRICT ELEVEN • SPENARD
SEAT A

HEATHER MEADOWS • NORTHWOOD • SPENARD • THOMPSON • FURNAGA • UPPER MDTOWN • WINDEMERE

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(907) 561-7629



January 11, 1989

CHAIRMAN
LABOR AND COMMERCE COMMITTEE

MEMORANDUM

To: Members, House Finance Committee

From: Representative Dave Donley

Re: HB 44 (1989) - Alaska's Mandatory Automobile Insurance Program

MEMBER
STATE AFFAIRS COMMITTEE
HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE
HOUSING AND BANKING SUBCOMMITTEE
FINANCE BUDGET SUBCOMMITTEE
DEPT. OF COMMERCE AND
ECONOMIC DEVELOPMENT

HB 44 reinstates Alaska's Mandatory Automobile Insurance Program, which sunsetted on January 1, 1989. In addition to reinstating the program, HB 44 contains the same changes to current law that were included in the Senate Finance Committee Substitute for HB 44 (1988 version):

1. Proof of insurance "up front" - Requires persons to certify by a check-off on the annual vehicle registration form that they have insurance or will purchase insurance when required by law. (Section 7 - AS 28.10.021(a)(2)).
2. Amends arbitration policy - Requires that arbitration clauses allow the arbitrator to award all or part of costs to either side as opposed to current policies that require arbitration costs to be shared equally by both parties, regardless of the outcome of the arbitration decision. (Section 6 - AS 21.89.020(f)).
3. Generates revenue to pay for administration - Raises the registration fee for commercial vehicles that do not carry passengers by one dollar, thereby generating about \$50,000 a year which the Department estimates is enough to fund the position required to handle any problems with mail-in registrations caused by the new insurance check-off requirement. (Section 10 - AS 28.10.421(c)).
4. Program receipts - Requires the Department to separately account for program receipts so that they may be appropriated by the Legislature from the General Fund. (Section 11 - AS 28.10.421(g)).
5. Clarifies financial responsibility law - Corrects a loophole in the existing financial responsibility law identified by recent court cases. Clarifies that insurance must cover all vehicles owned and/or operated by a person required to satisfy the financial responsibility restrictions. (Section 16 - AS 28.20.630(2)).
6. Consumer notification - Requires insurance policies to state in bold face type if a policy does not satisfy requirements of Alaska's Mandatory Automobile Insurance Law. (Section 2 - AS 21.36.045(a)).

7. Protects employees - Places responsibility for obtaining and maintaining automobile insurance on an employer/vehicle owner as opposed to an employee/driver. (Section 1 - AS 28.22.011(c)).
8. Repeals redundant language - Repeals language defining "proof of financial responsibility for the future". This definition is now contained in AS 28.20.630(2). (Section 18 - AS 28.20.230(b)).
9. Self-Insurers - Expands the conditions under which an individual or small company can become a self-insurer and still meet the minimum liability requirements under the law. (Section 15 - AS 28.20.400(a)).
10. Rental cars - Requires insurers to extend policy coverage to their customers for rental cars in the United States and Canada. (This language is new to the 1989 version of HB 44). (Section 1 - AS 28.22.101(g)).
11. Minimum policy times - Requires insurers to offer a minimum seven day policy for customers who want to purchase short-term coverage. (This language is new to the 1989 version of HB 44 - Current limit is 30 days). (Section 6 - AS 21.89.020(g)).
12. Short Title - Creates a short title of "Alaska Mandatory Automobile Insurance Law". (Section 1 - AS 28.22.321).
13. Effective dates - Section 2 (Notice when policy fails to provide required coverage) and Section 6 (Changes in arbitration clause and establishing a 7 day minimum policy) are effective for policies renewed or entered into on or after January 1, 1990. (Section 17) The rest of the act is effective immediately. (Section 19).

REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE

DISTRICT ELEVEN • SPENARD

NORTHWOOD • SPENARD • THOMPSON • TURNAGAIN • UPPER MIDTOWN • WINDEMERE

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CHAIRMAN
LABOR AND COMMERCE
COMMITTEE

MEMBER
STATE AFFAIRS COMMITTEE
HEALTH, EDUCATIONAL
AND SOCIAL SERVICES COMMITTEE

CONTINUING ALASKA'S MANDATORY AUTOMOBILE INSURANCE PROGRAM

WHY ITS A GOOD IDEA

1. The law is very successful - The number of uninsured drivers on Alaska's roads was estimated at 20 to 40 percent before the law - Now its less than 10 percent.
2. The law is cost effective - Enforcement costs paid for by a small increase in vehicle registration fees several years ago. To maintain existing program, no other state appropriation is necessary. The law has paid for itself in savings to public assistance and medical costs for victims of uninsured drivers.
3. The law is very popular - Recent polls show that over 80 percent of Alaskans support mandatory auto insurance and most want the law even stronger!
4. The law protects Alaskans - Only with mandatory auto insurance are non-drivers (passengers, children, pedestrians etc.) protected when they are injured in automobile accidents.
5. The law is fair - Responsible Alaskans insure their vehicles and responsible Alaskans shouldn't have to pay for the actions of the irresponsible few.

ANCHORAGE OFFICE

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HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

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STRENGTHENING ALASKA'S MANDATORY AUTO INSURANCE LAW

WHY ITS AN EVEN BETTER IDEA!

The new law repeals the "sunset" clause on Alaska's Mandatory Automobile insurance program and makes several additional changes to existing law including:

1. Requires an insurance policy to state whether the policy offered satisfies the requirements of state law.
2. Holds the employer, not the employee, responsible for obtaining required insurance when the employee is driving the employers vehicle as a condition of employment.
3. Amends the arbitration clause in insurance policies to allow the arbitrator to award arbitration costs more fairly (to either party or to allocate the costs among parties to arbitration).
4. Provides notice to consumers about Alaska's Mandatory Auto Insurance Program "up front" by requiring a check off on the vehicle registration forms indicating that the owner has insurance or will obtain insurance as required by law.
5. Amends the self insurer provisions under current law to allow individuals and not just companies to obtain a certificate of self insurance if they meet the financial responsibility requirements.
6. Amends the proof of financial responsibility law to close a loophole in the definition identified by court decisions.
7. Raises the cost of registering commercial vehicles that do not carry passengers by one dollar, thus generating enough revenues to pay for additional staff to handle mail-in registrations.

In short, Alaska's new Mandatory Automobile Insurance Law will continue a good program, amend the law to make it work better for Alaskans, and generate enough money to pay for itself.

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 5, 1989

The Honorable Dave Donley
Alaska State Representative
P.O. Box V
Juneau, AK 99811

Dear Dave,

The Mandatory Insurance Law that sunsets January 1, 1989 was effective in reducing the number of uninsured vehicles on Alaska's roads. The law was also a cost effective way to administer the compulsory insurance law. I would support re-enactment of legislation similar to the current Mandatory Insurance Law with an immediate effective date.

When re-enacting the current Mandatory Insurance Law, I would like to recommend that the section of the law requiring the Department of Public Safety to suspend the licenses of individuals with a violation of six or more points, who do not show proof of insurance, be deleted. Due to a reduction in personnel, the Division of Motor Vehicles (DMV) discontinued administering this section of the law on July 1, 1987. This had a tremendous impact on the reduction of paperwork; however, it did not appear to have a detrimental effect on the number of uninsured drivers. In fact, the number of uninsured drivers in accidents continued to decline from 9.7 percent in 1987 to 8.3 percent in 1988. By deleting this section of the existing law, the DMV would essentially be requiring proof of insurance after an accident.

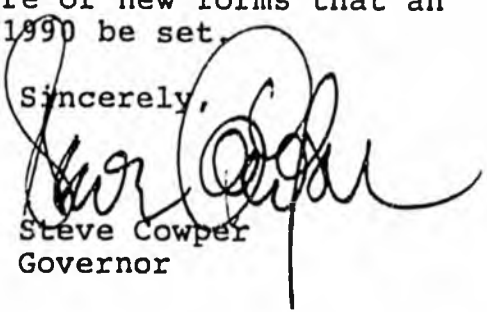
My recommendation that the section of the law concerning a six or more point violation be deleted is due to the fact that experience has reflected that the majority of individuals suspended under this provision of the Mandatory Insurance Law were also having their license suspended or revoked under a different section of law (i.e., Driving While Intoxicated, Driving While Suspended, Point Accumulation, etc.). Additionally, it is important to note that following any driver license suspension or revocation, an individual is required to file proof of future insurance (SR-22) before they can be relicensed. This proof of insurance is required for the three years after an individual is eligible to be re-licensed.

January 5, 1989

I would support compulsory insurance at the time of registration as outlined in the final version of House Bill 44 last year.

However, if certification of insurance at the time of registration is enacted, the Department of Public Safety would need some lead time to order new forms and prepare for the new law. I would suggest that for any sections requiring a change in procedure or new forms that an effective date of January 1, 1990 be set.

Sincerely,



Steve Cowper
Governor

STATE OF ALASKA

DEPARTMENT OF LAW

CRIMINAL DIVISION

STEVE COWPER, GOVERNOR

REPLY TO:

CRIMINAL DIVISION CENTRAL OFFICE
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OFFICE OF SPECIAL PROSECUTIONS
AND APPEALS
1031 WEST 4TH AVENUE, SUITE 318
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PHONE: (907) 279-7424

February 12, 1989

The Honorable Jim Duncan
Alaska State Senator
P.O. Box V
Juneau, Alaska 99811

Dear Senator Duncan:

The Department of Law believes that a minor amendment should be made to SB 44 to avoid imposing felony penalties on persons who falsely certify that they have insurance on an application for automobile registration. I have previously discussed this issue with the sponsor of a similar bill in the House, and the Legislative Affairs Agency bill drafter has prepared the attached amendment that corrects the problem.

An amendment is necessary for the following reasons: (1) In Section 7 of the bill, AS 28.10.021 requires the owner of an automobile to certify the existence of a motor vehicle liability policy "before the issuance of a certificate of registration by the department." (2) In Section 8 of the bill, "the department may refuse to register a vehicle if...the applicant fails to certify to the department [the information required by Section 7]." (3) The only penalty provision that applies to false statements in an application for registration is contained in existing AS 28.10.491, which states: (a) "Upon conviction, a person is guilty of a felony who ... (9) makes a false statement or otherwise conceals or withholds a material fact in an application for registration or certificate of title."

If your intent was to provide for misdemeanor, rather than felony, penalties for false statements of this nature, I would recommend that AS 28.10.491 be amended to read:

"(9) makes a false statement or otherwise conceals or withholds a material fact in an application for registration or certificate of title, or falsely affirms with respect to a matter required to be sworn to, affirmed, or furnished under this chapter or regulations adopted under this chapter, except that a person falsely making a certification required by AS 28.10.021(a)(2) is guilty of a misdemeanor under AS 11.56.210."

The attached amendment prepared by the Legislative Affairs Agency takes a different approach to that set out above, and creates a new criminal offense in Title 28. For the sake of consistency with penalties provided for false statements made on documents similar to applications for registration, we would prefer to see penalties provided under the existing criminal statutes set out in Title 11. The amendment suggested above does so by making reference to AS 11.56.210, the A misdemeanor crime of unsworn falsification.

Although our proposed amendment provides misdemeanor penalties since this is what we understand was intended, it is our opinion that a violation is the appropriate penalty for a person who falsely certifies that he or she has insurance. Although it is appropriate to penalize a person who makes a false certification, neither the Department of Law nor the rest of the criminal justice system have the resources to pursue such cases as misdemeanors. By reducing the penalty from a misdemeanor to a violation, the need for a jury trial and court-appointed counsel for persons making false statements is eliminated, and the likelihood that such cases will be prosecuted is increased.

I would be happy to discuss this matter in more detail with you, or your staff, at any time.

Very truly yours,

DOUGLAS B. BAILY
ATTORNEY GENERAL

By: 
Laurie H. Otto
Assistant Attorney General

Attachment

cc: The Honorable Drue Pearce
The Honorable Jan Faiks
✓ The Honorable Dick Eliason
The Honorable Dave Donley
Bob Evans
Mike Ford
Linda Wild
Bill Brown
John Salemi
Brant McGee

STATE OF ALASKA

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DIVISION OF INSURANCE

BULLETIN 89-4

TO: All Insurers and Licensed Alaska
Agents and Brokers

SUBJECT: Mandatory Motor Vehicle Liability Insurance

In 1985, the Alaska Legislature adopted a mandatory motor vehicle liability insurance law. That legislation contained a sunset provision which repealed the mandatory features of the law on January 1, 1989.

With the enactment of Chapter 108, SLA 1989, SCS CSHB 44 (FIN) am S, this law has been reinstated. It is effective June 14, 1989. An owner or operator of a motor vehicle must have liability insurance when the motor vehicle is driven or moved on a highway, vehicular way, or a public parking place. Penalties are provided for noncompliance with the law. Insurers and producers are urged to review the new law to assure an understanding of its content. This bulletin is not intended to present a comprehensive explanation of the new law.

The new law differs from the previous mandatory motor vehicle liability insurance law. Some of the changes are as follows:

- o an emergency service volunteer who operates, during the course of and within the scope of responding to an emergency, a motor vehicle not owned by the volunteer is not considered an operator;
- o suspension of a motor vehicle license is not mandatory for failure to comply if a person: (1) is involved in an accident that results in damage only to the person's own property in an amount less than \$1,000.00; (2) no later than 15 days after the accident the person provides proof of insurance that complies with AS 28.20.400; and (3) the person establishes a preponderance of evidence showing failure to have automobile liability insurance in effect as required by this chapter was due to circumstances beyond the control of the person; and

- o an insured must certify that liability insurance is in place at the time of annual registration of the vehicle insured. "Certify" means to indicate by check-off on the vehicle registration form prescribed by the Department of Public Safety, Division of Motor Vehicles, the existence of a policy of insurance if the policy is required at the time, and the intention to continue the policy or obtain a policy as required.

In addition to the mandatory motor vehicle liability insurance law, this legislation adds a number of new features effective on January 1, 1990. The following are required:

- o that an insurance policy that provides coverage only against property damage to a motor vehicle and not liability coverage under AS 28.22.011(d) contain the following statement in bold type face "This policy provides insurance only against damage to this vehicle. This policy does not insure against bodily injury, death, or property damage liability and does not satisfy the mandatory motor vehicle liability requirement under AS 28.22.011.";
- o that an automobile liability insurance policy must provide that all expenses and fees, not including counsel fees or adjuster fees, incurred because of arbitration or mediation shall be paid by whom as determined by the arbitrator;
- o that an automobile liability insurance policy must provide liability coverage in the amount set out in AS 28.22.101(d) for motor vehicles rented in the United States or Canada by a person under the policy;
- o that an automobile liability insurance policy must provide physical damage coverage for motor vehicles rented in the United States or Canada, if the policy provides for physical damage coverage. If the insured declines physical damage coverage, the insurer shall offer physical damage coverage for rented vehicles; and
- o that an insurance company offering automobile liability insurance shall offer a short-term policy valid for not more than seven days. The coverage for the short-term policy must be comparable to coverage available for longer terms.

Done this 5th day of July, 1989.



Paul Roller, Director

ALASKA STATE SENATE



SENATOR DICK ELIASON
SITKA
CHAIRMAN

SENATOR PAT RODEY
ANCHORAGE
VICE-CHAIRMAN

LABOR AND COMMERCE COMMITTEE

MEMBERS
SENATOR JAN FAIKS
ANCHORAGE

SENATOR JACK COGHILL
NENANA

SENATOR JALMAR KERTTULA
PALMER

M E M O R A N D U M

TO: Senate Labor and Commerce Committee Members
FROM: Senator Dick Eliason, Chair
Senate Labor and Commerce Committee
DATE: April 5, 1989
RE: SCS CSHB 44(L&C)

Attached you will find SCS CSHB 44(L&C) and a sectional analysis of this legislation. The changes in this committee substitute are as follows:

Page 2, line 8 -- Provides a protection for emergency service volunteers so that their licenses will not be jeopardized in the scope of their employment.

page 21, line 7 -- Provides that a person who with "criminal negligence" falsely certifies the existence of liability insurance is guilty of a class A misdemeanor.

page 25, line 13 -- Repealers that take effect January 1, 1994.

AS 28.22 - Alaska Mandatory Auto Insurance Act

AS 21.36.045 - Requires that an insurance policy that provides coverage only against property damage, contain a notice that the coverage does not satisfy the mandatory insurance requirements of state law.

AS 28.10.051(b) - Gives the department the authority to suspend or revoke the registration of a vehicle if the owner fails to obtain insurance required by law.

page 25, line 14 -- Report required from the Department of Public Safety on the effects of mandatory automobile insurance.

Page 26, line 2 -- States sections 4, 6, 8, 10, 12, 13, 15, 19, 21, 23, 25, and 31 will take effect January 1, 1984. These sections are existing law. This change along with the repealer sunsets mandatory liability insurance January 1, 1994.

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITAL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 3, 1989

SUBJECT: Motor vehicle liability insurance
Senate CS for CSHB 44(L&C)

TO: Senator Dick Eliason

FROM: Michael F. Ford *M.F.*
Legislative Counsel

The following is a sectional analysis of SCS CSHB 44(L&C), establishing mandatory motor vehicle liability insurance.

Section 1 -

sec. 28.22.011 - Establishes that mandatory liability insurance is required for certain drivers, and establishes an exception from the insurance requirements for certain rural areas. Requires the Department of Public Safety to publish a list of areas that are excepted from the insurance requirements. Adds a definition of "operator".

sec. 28.22.021 - Provides that certain persons involved in an accident or who violate a traffic law are required to show proof of liability insurance.

sec. 28.22.031 - Establishes the method of proof following an accident that a person is required to follow, if required under sec. 28.22.021(1) to show proof of insurance.

sec. 28.22.041 - Establishes the method of proof following a citation for a moving traffic violation, if proof of insurance is required under sec. 28.22.021(2).

sec. 28.22.051 - Requires the department to suspend the driver's license of a person who fails to provide proof of insurance as required under sec. 28.22.021 - 28.22.041, and establishes periods of suspension.

Senator Dick Eliason

Page 2

April 3, 1989

sec. 28.22.061 - Provides that a person who provides false information concerning required insurance coverage, is guilty of a class A misdemeanor.

sec. 28.22.071 - Establishes a requirement that certain persons file proof of financial responsibility for the future before having their driving privileges restored.

sec. 28.22.101 - Establishes minimum general liability insurance policy coverage and limits for owners and operators of motor vehicles.

sec. 28.22.111 - Establishes implied policy provisions that are not required to be set out in the policy.

sec. 28.22.121 - Provides that a liability insurance policy may grant coverage in excess of coverage required for the insurance.

sec. 28.22.131 - Allows a liability insurance policy to be prorated with other valid insurance.

sec. 28.22.141 - Imposes additional requirements before an insurance policy is considered to meet the mandatory insurance requirements imposed under AS 28.22.

sec. 28.22.201 - Establishes general policy provisions for uninsured and underinsured coverage.

sec. 28.22.211 - Establishes the maximum liability of the insurer for required uninsured and underinsured coverage.

sec. 28.22.221 - Provides for policy coverage when an insured is entitled to coverage under more than one policy and establishes priority for payment.

sec. 28.22.231 - Establishes exceptions to uninsured and underinsured coverage.

sec. 28.22.301 - Provides that an insurance policy may contain limitations or conditions that do not violate state law.

sec. 28.22.311 - Definition.

sec. 28.22.321 - Short title of the chapter.

Section 2 - Requires that an insurance policy that provides coverage only against property damage, contain a notice that the coverage does not satisfy the mandatory insurance requirements of state law.

Section 3 - Requires that automobile insurance must contain coverage limits as required in AS 28.20.440 and AS 28.22.-101.

Section 4 - This section is existing law, and takes effect upon repeal of AS 28.22.

Section 5 - Technical amendment concerning bodily injury or death coverage.

Section 6 - This section is existing law, and takes effect upon repeal of AS 28.22.

Section 7 - Technical amendment concerning property damage coverage.

Section 8 - This section is existing law, and takes effect upon repeal of AS 28.22.

Section 9 - Imposes additional requirements concerning arbitration or mediation, rental care insurance and short term coverage, for automobile liability insurance policies.

Section 10 - Removes the mandatory insurance references, to AS 28.22. This section takes effect upon repeal of AS 28.-22.

Section 11 - Establishes procedures for motor vehicle registration. Requires the vehicle owner to certify the existence of valid liability insurance.

Section 12 - This section is existing law, and takes effect upon repeal of AS 28.22.

Section 13 - This section is existing law, and takes effect upon repeal of AS 28.22.

Section 14 - Allows the department to refuse to register a vehicle if the applicant fails to certify the existence of motor vehicle insurance that complies with state law.

Section 15 - This section is existing law, and takes effect upon repeal of AS 28.22.

Section 16 - Gives the department the authority to suspend or revoke the registration of a vehicle if the owner fails to obtain insurance required by law.

Section 17 - Increases the annual motor vehicle registration fees.

Section 18 - Requires separate accounting for certain fees collected by the department.

Section 19 - Technical amendment that takes effect upon repeal of AS 28.22.

Section 20 - Provides that a person who with "criminal engligence" falsely certifies the existence of liability insurance is guilty of a class A misdemeanor.

Section 21 - This section is existing law, and takes effect upon repeal of AS 28.22.

Section 22 - Requires the department to provide financial responsibility and insurance information to an applicant for a driver's license.

Section 23 - Technical amendment that takes effect upon repeal of AS 28.22.

Section 24 - Establishes requirements for obtaining a driver's license.

Section 25 - This section is existing law, and takes effect upon repeal of AS 28.22.

Section 26 - Definition.

Section 27 - Establishes requirements for qualifying as a self-insurer.

Section 28 - Definiticns.

Section 29 - Applicability section.

Section 30 - Repealer.

Representative Dave Donley
Page 5
April 3, 1989

Section 31 - Repealers, that take effect upon repeal of AS 28.22.

Section 32 - Report required from the Department of Public Safety on the effects of mandatory automobile insurance.

Section 33 - Delayed effective date.

Section 34 - Effective date.

Section 35 - Delayed effective date.

MFF:kb
WKK3/056

MEMORANDUM

State of Alaska

TO: Paul Roller
Director
Division of Insurance

DATE: March 00, 1989

FILE NO.:

THRU: Don Koch
Chief of Market Surveillance

TELEPHONE NO.: (907) 465-2517

SUBJECT: Mandatory Automobile
Amendments to HB 44

FROM: Bob Sims
Insurance Market Analyst
Division of Insurance
Department of Commerce and
and Economic Development

The Division of Insurance has been asked for a position on three proposed amendments to the captioned bill.

Amendment #1.

This proposed amendment would establish the penalty for falsely certifying the existence of a motor vehicle liability insurance on a registration form as a class A misdemeanor. Without this amendment, false certification would be punished a felony, under AS 28.10.491.

This proposal does not impact Title 21. However, the Division of Insurance has no objection to this proposal.

Amendment #2.

This proposed amendment allows an emergency service volunteer who operates, during the course and within the scope of responding to an emergency, a motor vehicle not owned by the volunteer which has no liability insurance, to drive that vehicle without fear of losing his license in case of an accident because that vehicle has no insurance.

This proposal does not impact Title 21. However, the Division of Insurance has no objection to this proposal.

Amendment #3.

This proposed amendment concerns motor vehicle liability insurance for rented vehicles. It would require that in the event a person has multiple insurance coverage, ie coverage on his own vehicle, insurance provided under AS 21.89.020 (f) (2) would apply before coverage from the rental car company's insurance policy would apply. This proposal is tailored after a similar provision in Florida where the system is different. Florida has a no fault law.

This amendment does impact Title 21. The Division of Insurance is not in favor of this amendment.

Historically, auto liability insurance has been based upon the concept "insurance follows the auto." Insurance premium and loss data are collected based upon the type of vehicle and garage location. Personal insurance is distinguished from commercial and business insurance. Personal rates are based upon an individual's personal use of owned vehicles in the local area.

Auto rates for car rental companies are based upon rental of that vehicle in the location from which it is rented. Most vehicles are rented for business or vacation use.

MEMORANDUM

Paul Roller

3/17/89

(SP)

If personal auto "insurance" was covering business and non-local usage, the static base for premiums would be undermined. In all likelihood, those Alaskans who do not travel and rent autos would be subsidizing those of us who do.

Furthermore, most Alaskans on vacation will rent vehicles outside. Those premiums and losses should not be included in the Alaskan data base.

Finally, because this proposal runs counter to the reasonable expectations of vacationers coming to Alaska, it might well adversely impact the state's image for tourists if they have surprises when they rent vehicles in Alaska.

Bob & Don -

I have no problem with
this position. Senator Eliason should
be advised before hand

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 24, 1988

SUBJECT: Motor vehicle liability insurance
CSHB 44(Fin) am

TO: Representative Dave Donley

FROM: Michael F. Ford *M.F.*
Legislative Counsel

You have asked several questions regarding CSHB 44(Fin) am. For clarity, each question is set out in this memo and a response follows:

1. What does "certify" mean as used in AS 28.10.021(a)(2), enacted in sec. 2 of the bill?

While "certify" is not defined, I believe this requires an owner who registers a vehicle to sign a statement or otherwise satisfy the department that the owner has an insurance policy and intends to continue to maintain the policy as required by law.

2. In AS 28.10.021(a)(2), enacted in sec. 2 of the bill, should the word "and" on page 2, line 1, be changed to "or" in order to allow a vehicle not being driven on a "highway, vehicular way, or area" to be exempt from the insurance requirement?

No. By using the term "and" it is only a vehicle that is required to be registered and is being driven on a highway, vehicular way, or area that is required to maintain liability insurance (until it is sold).

3. Does the language in section 1 regarding payment of expenses and fees as a part of an arbitration award allow an assessment of expenses and fees against both parties or a single party as determined by the arbitrator.

Representative Dave Donley

Page 2

March 24, 1988

If the language in this section is intended to allow an arbitrator to assess expenses and fees as determined by the arbitrator, then it would be clearer to delete the phrase "a part of the arbitration award" and substitute "as awarded by the arbitrator as mediator." This would remove the implication that only the party receiving an award can receive expenses and fees.

If you have further questions, please contact me.

MFF:bb

b4/047

REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE

DISTRICT ELEVEN • SPENARD

NORTHWOOD • SPENARD • THOMPSON • TURNAGAIN • UPPER MIDTOWN • WINDEMERE

P.O. BOX V. JUNEAU 99811

(907) 465-3892



CHAIRMAN
LABOR AND COMMERCE
COMMITTEE

MEMBER
STATE AFFAIRS COMMITTEE
HEALTH, EDUCATIONAL
AND SOCIAL SERVICES COMMITTEE

March 21, 1988

M E M O R A N D U M

To: Mike Ford, Attorney
Legislative Legal Services B

From: Representative Dave Donley

Re: Information on HB 44 - Mandatory Automobile Insurance

During a hearing on HB 44 before the Senate State Affairs Committee several questions arose that Committee members would like answered by a more neutral source than me, the measures prime sponsor.

I'd appreciate if you would respond to the following, in writing, at your earliest convenience:

1. HB 44 requires a person to "certify to the Department" the existence of an insurance policy. What, in your opinion, would constitute "certification"? I assume, and the Department concurs, that the the certification requirement can be met by simply signing a form stating that you do have insurance and will maintain insurance as required by law. In order to clarify this question, I request that you draft an amendment to HB 44 to specifically define "certification" in this manner.
2. HB 44 requires that a person has to "certify that the liability policy will remain in effect for the term the vehicle is registered and being driven on a highway, vehicular way or area, or until the vehicle is sold". Senator Abood expressed concern with this wording and suggested that the "and" should be changed to "or" in order to clarify a situation where a vehicle is registered, but is not being driven in a public area. I believe that the current wording is correct, but it would help if you would offer the same opinion in writing in order to allay the Senator's concerns.
3. HB 44 contains an arbitration clause that requires that the cost of arbitration, excluding attorney fees, shall be part of the arbitration award. My intention in writing this section is that the arbitrator can decide to award all of costs of arbitration to the "loosing" side or can equally distribute the costs of arbitration to both parties, regardless of which side prevails, if

they so choose. A representative from the insurance industry expressed concern that the current wording of the section would require the insurer to pay the full costs of arbitration in every case, regardless of the outcome. I believe his interpretation of this section is wrong and I need a legal opinion from you to put his fears to rest.

I have an indication from Senator Abood that HB 44 will be scheduled before the Senate State Affairs Committee as soon as these questions can be answered to his and his committee members satisfaction. Therefore, your earliest response will be much appreciated.

Please call me or Ginger Baim at 4954 if you have any questions or need additional information.

A M E N D M E N T

Offered in the SENATE

TO: CSHB 44(Finance) am

Page 1, lines 14 - 15:

Delete "a part of the arbitration award"

Insert "determined by the arbitrator"

A M E N D M E N T

Offered in the SENATE

TO: CSHB 44 (Finance) am

Page 2, line 3, after "sold;":

Insert "in this paragraph, "certify" means to sign a form prescribed by the department stating the existence of a policy of insurance, if a policy is required at that time, and the intention to continue the policy or obtain a policy as required by this subsection;"

January 27, 1989

The Honorable Richard Shultz
Representative
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Shultz:

RE: A Named Operator Auto Policy

At a hearing on mandatory automobile insurance on January 11, you had a question concerning named operator policies. The Division of Insurance has done some research into this matter.

Montana, Wyoming and North Dakota were contacted per your suggestion. In addition, other states contacted were Washington, Oregon, California and Idaho.

The only state in which named operator policies were offered was Oregon. The companies offering those policies were Seneca Insurance Company, Viking Insurance Company, Bonneville Insurance Company, Dairyland Insurance Company and Colonial Insurance Company. The person contacted at the Oregon Division of Insurance, Donna Tyner, said she had no idea how many policies each company had written.

The only one of these companies licensed to do business in the State of Alaska is Colonial Insurance Company. They were contacted, and the division was told that they did not offer this type of policy in Alaska. When asked why, the response was that there was no call for it.

In addressing the question asked by Senator Eliason as to where Alaska ranked nationally for average cost of automobile policy per person, Alaska was ranked seventh in 1987, the latest year we have statistics

The Honorable Richard Shultz

-2-

January 27, 1989

for, and is one of only three states where the average cost of a policy dropped from last year. Alaska premiums have dropped 1.1% since 1985. Enclosed is a copy of the Best's Insurance Management Report of January 2, 1989 detailing the average of an auto policy per state per year since 1983.

If you have any questions, please contact Bob Sims at 465-2517.

Very truly yours,


Paul Roller
Director

PR/BS/mm0659t
012789a

Enclosure

cc: The Honorable Dick Ellason
Senator
Alaska State Legislature
P.O. Box Y
Juneau, AK 99811

MANDATORY INSURANCE - 1/1/85 THRU 1/1/89

PROPOSED MANDATORY INSURANCE - HB 44

MINIMUM LIMITS

- a) \$50,000 bodily injury to one person in one accident
- b) \$100,000 bodily injury to two or persons in one accident
- c) \$25,000 destruction of property of others in one accident

PROOF REQUIRED

- a) When involved in an accident that resulted in bodily injury to a person or damage to property exceeding \$500
- b) When charged with a traffic law violation with a demerit point value of six or more points

PENALTY FOR NOT BEING INSURED

- a) License suspension for not less than 90 days if, within the preceding 10 years, the person has not previously had a driver's license suspended for not having insurance coverage
- b) License suspension for not less than one year if, within the preceding 10 years, the person has previously had a driver's license suspended for one or more times for failure for not having insurance coverage

PENALTY FOR FALSIFYING REGISTRATION FORM (pertaining to insurance)

Not Applicable

FUTURE PROOF OF INSURANCE

- a) Filing proof of financial responsibility for three years

EXEMPTED AREAS

Exempted if the roadway upon which the vehicle is being operated is not connected to

- a) the land-connected state highway system, OR
- b) a highway with an average daily volume greater than 499

MINIMUM LIMITS

Same

PROOF REQUIRED

- a) When involved in an accident that resulted in bodily injury to a person or damage to property exceeding \$500

PENALTY FOR NOT BEING INSURED

Same

PENALTY FOR FALSIFYING REGISTRATION FORM (pertaining to insurance)

- a) Imprisonment up to one year and fine up to \$5000

FUTURE PROOF OF INSURANCE

Same

EXEMPTED AREAS

Same

MAJOR CHANGES TO HB 44 IN SENATE L&C

1. The L&C Committee Substitute deleted the requirement to show proof of liability insurance when charged with a traffic law violation with a demerit point value of six or more points.

This requirement was in the original mandatory liability insurance law which became effective January 1, 1985. The Department of Public Safety has NOT been enforcing this law since July 1, 1987, due to budget reductions.

2. The CS also required the Department of Public Safety to prepare a report on the effects of mandatory automobile insurance and to submit this report to the legislature in 1992.

A provision to sunset mandatory liability insurance January 1, 1994 was also included. This clause will allow the Legislature to thoroughly review the actual effects of this law with the added benefit of the updated information provided by the Department of Public Safety.

3. (See attached memo for the actual changes)

HB 44

The Finance Committee considered CS FOR HOUSE BILL NO. 44 (L&C) am (An Act relating to motor vehicle liability insurance and vehicle registration; and providing for an effective date) and recommended it be replaced with

SENATE CS FOR CS FOR HOUSE BILL NO. 44 (Finance)

Senator Binkley, Co-Chair, and Senators Frank, Zharoff and Fischer signed "no recommendation." Senators Pearce, Duncan and Uehling signed "do pass." The committee further attached a Letter of Intent.

Letter of Intent
for
SCS CSHB 44 (Finance)

It is the intent of the Legislature that the Division of Insurance review and correct any rating inequities that exist in the charges made on a policy of automobile insurance for a youthful member of a household when that youthful driver is not furnished an automobile for his or her regular use and the youthful driver:

1. is a fulltime student at a school more than 100 miles from the household residence location, or
2. is on active duty in the military service of the United States and is stationed more than 100 miles from the household residence location.

Fiscal notes for the Senate Committee Substitute from Department of Public Safety, Alaska Court System and Department of Correction and zero fiscal notes from Department of Law and Department of Commerce and Economic Development published today.

CS FOR HOUSE BILL NO. 44 (L&C) am was referred to the Rules Committee.

HB 138

The Finance Committee considered CS FOR HOUSE BILL NO. 138 (Finance) am (An Act establishing a state employee incentive award system) and a majority of the committee recommended it be replaced with

HB 138 cont'd

SENATE CS FOR CS FOR HOUSE BILL NO. 138 (Finance)

and do pass with a Letter of Intent. The report was signed by Senator Binkley, Co-Chair, and concurred in by Senators Frank, Pearce and Duncan. Senators Zharoff, Fischer and Uehling signed "no recommendation."

Letter of Intent
for

SENATE CS FOR CS FOR HOUSE BILL NO. 138 (Finance)

It is the intent of the legislature that no awards be paid by an agency until the amount of the savings realized by the employee's idea or suggestion has been removed from the agency's budget and the legislature has appropriated the award amount from the savings realized.

Zero fiscal note published today from Senate Finance Committee.

CS FOR HOUSE BILL NO. 138 (Finance) am was referred to the Rules Committee.

INTRODUCTION AND REFERENCE OF SENATE RESOLUTIONS

SJR 49

SENATE JOINT RESOLUTION NO. 49 by Senator Sturgulewski,

Proposing amendments to the Constitution of the State of Alaska relating to the use and expenditure of state money.

was read the first time and referred to the State Affairs Committee, the Judiciary Committee and the Finance Committee.

INTRODUCTION AND REFERENCE OF SENATE BILLS

SB 317

SENATE BILL NO. 317 by the Rules Committee by request of the Governor, entitled:

"An Act relating to forest resources and practices and to the management of forest lands; and providing for an effective date."

Original sponsors: Donley, Boucher,
Gruenberg, et al.

Changes Highlighted

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 44 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to motor vehicle liability insurance
7 and vehicle registration; and providing for an effective
8 date."

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

10 * Section 1. AS 28 is amended by adding a new chapter to read:

11 CHAPTER 22. MANDATORY MOTOR VEHICLE INSURANCE.

12 ARTICLE 1. INSURANCE REQUIRED.

13 Sec. 28.22.011. MOTOR VEHICLE LIABILITY INSURANCE REQUIRED:
14 EXEMPTIONS. (a) The operator or owner of a motor vehicle subject to
15 registration under AS 28.10.011 when driven on a highway, vehicular
16 way or area, or on other public property in the state, shall be insured
17 under a motor vehicle liability policy that complies with this
18 chapter or a certificate of self-insurance that complies with AS 28.-
19 20.400 unless

20 (1) the motor vehicle is being driven or moved on a high-
21 way, vehicular way, or a public parking place in the state that is not
22 connected by a land highway or vehicular way to

23 (A) the land-connected state highway system, or

24 (B) a highway or vehicular way with an average daily
25 traffic volume greater than 499; and

26 (2) the operator has not been cited within the preceding
27 five years for a traffic law violation with a demerit point value of
28 six or more on the point schedule determined under regulations adopted
29 by the department under AS 28.15.221.

Sticky notes on
bill explain
changes

1 (b) The department shall annually publish a list of areas that
2 meet the requirements of (a)(1) of this section. This list shall be
3 available for public inspection at each office of the department.

4 (c) In this section, "operator" does not include

5 (1) an employee who operates, during the course and within
6 the scope of employment, a motor vehicle that is owned or leased by
7 the operator's employer; or

8 (2) an emergency service volunteer who operates, during the
9 course and within the scope of responding to an emergency, a motor
10 vehicle not owned by the volunteer.

11 Sec. 28.22.021. REQUIREMENT OF PROOF OF MOTOR VEHICLE LIABILITY
12 INSURANCE. The owner or operator of a motor vehicle required to have
13 motor vehicle liability insurance that complies with this chapter or a
14 certificate of self-insurance that complies with AS 28.20.400, shall
15 show proof of this insurance when that person is

16 (1) involved in an accident that results in bodily injury
17 to or death of a person, or damage to the property of a person exceed-
18 ing \$500; or

19 (2) charged with a traffic law violation with a demerit
20 point of six or more on the point schedule determined under regula-
21 tions adopted by the department under AS 28.15.221.

22 Sec. 28.22.031. METHOD OF PROOF FOLLOWING AN ACCIDENT. (a) A
23 person involved in an accident who is required under AS 28.22.021 to
24 prove that a motor vehicle liability policy or a certificate of self-
25 insurance was in effect shall, within 15 days after the accident,

26 (1) present a copy of the insurance policy, certificate,
27 bond, or insurance binder that was in effect at the time of the acci-
28 dent to the department for inspection;

29 (2) provide the department with written certification from

If an emergency service volunteer drives a vehicle which is not covered by insurance, in the course of providing emergency services, the volunteer is

relieved of the insurance requirement.

Rep Swackhammer brought this concern to the attention of the committee

1 an insurance company, insurance agent, insurance broker or surplus
2 lines broker confirming that a valid motor vehicle liability policy
3 issued in conformity with this chapter was in effect at the time of
4 the accident; or

5 (3) advise the department in writing that a certificate of
6 self-insurance was in effect at the time of the accident.

7 (b) The department shall develop and implement a program to
8 check the veracity of the documents filed for proof under this sec-
9 tion.

10 Sec. 28.22.041. METHOD OF PROOF FOLLOWING A CHARGE OF A MOVING
11 TRAFFIC VIOLATION. (a) A person charged with a traffic law violation
12 who is required to prove that a motor vehicle liability insurance
13 policy or a certificate of self-insurance was in effect under AS 28.-
14 22.021 shall, at the time of that person's initial appearance in court
15 or within 15 days of the date of the charge of a traffic law viola-
16 tion, whichever is later,

17 (1) present a copy of the insurance policy, certificate,
18 bond, or insurance binder that was in effect at the time of the vio-
19 lation to the court for inspection;

20 (2) provide the court with written certification from an
21 insurance company, insurance agent, insurance broker, or surplus lines
22 broker confirming that motor vehicle liability insurance issued in
23 conformity with this chapter was in effect at the time of the viola-
24 tion; or

25 (3) advise the court in writing that a certificate of
26 self-insurance was in effect at the time the violation was charged.

27 (b) The court shall immediately report to the department a
28 failure to present proof of insurance as provided in this section.

29 Sec. 28.22.051. ADMINISTRATIVE SUSPENSION OF DRIVERS' LICENSES.

1 (a) If a person fails to provide proof required under AS 28.22.021 -
2 28.22.041, the department shall suspend the driver's license of that
3 person for the following periods:

4 (1) not less than 90 days if, within the preceding 10
5 years, the person has not had a driver's license suspended for vio-
6 lation of AS 28.22.011 or former AS 28.22.200;

7 (2) not less than one year if, within the preceding 10
8 years, the person has had a driver's license suspended one or more
9 times for violation of AS 28.22.011 or former AS 28.22.200.

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

12 (c) The department may grant limited license privileges for work
13 purposes only to a person whose license has been suspended under this
14 section if

15 (1) the person has filed proof of financial responsibility
16 for the future as required by AS 28.22.071;

17 (2) the person's license has not been suspended two or more
18 times under this section or former AS 28.22.240 in the preceding 10
19 years;

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

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

26 (d) When imposing a limitation under this section the department
27 shall

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

29 (2) issue to the licensee a certificate valid for the

1 duration of the limitation.

2 (e) After the termination of a limitation as shown on the cer-
3 tificate issued under (d) of this section, the license of a person on
4 whom a limitation was imposed is suspended until the person receives a
5 new license under AS 28.15.211(c).

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

11 (g) Upon receipt of an oral or written answer from the licensee
12 the department shall make findings on the matter under consideration
13 within 15 days and shall notify the person involved of its decision in
14 writing by certified or registered mail. If the department's decision
15 is to sustain an action against the licensee's driver's license, the
16 department shall notify the licensee of the opportunity for a hearing
17 under AS 28.05.121 - 28.05.141. Suspension of a person's license is
18 stayed until final disposition of the hearing under this section.

19 Sec. 28.22.061. FALSIFICATION OF INFORMATION. A person who,
20 with criminal negligence as defined in AS 17.81.900, provides false
21 information required under AS 28.22.021 - 28.22.051 is guilty of a
22 class A misdemeanor.

23 Sec. 28.22.071. PROOF FOR THE FUTURE. (a) A person whose li-
24 cense is suspended under AS 28.22.051 shall file proof of financial
25 responsibility for the future under AS 28.22 before full driving
26 privileges may be restored or limited license privileges are granted
27 under AS 28.22.051(c).

28 (b) A filing of proof of financial responsibility under AS 28.20
29 shall be required for a period of three years following expiration of

1 the suspension of license under AS 28.22.051.

2 ARTICLE 2. GENERAL POLICY PROVISIONS.

3 Sec. 28.22.101. GENERAL COVERAGE REQUIREMENTS; POLICY LIMITS.

4 (a) An owner's motor vehicle liability policy must designate by
5 description or appropriate reference the motor vehicles that it covers
6 and insure the person named against loss from the liability imposed by
7 law for damages that arise from the ownership, maintenance, or use of
8 a designated motor vehicle.

9 (b) An operator's motor vehicle liability policy must insure the
10 person named as insured against loss from the liability imposed by law
11 for damages that arise from the use by the operator of a motor vehicle
12 not owned by the operator.

13 (c) A personal motor vehicle liability policy must insure the
14 person named as insured against loss from liability imposed by law for
15 damages that arise from the ownership, maintenance, or use by the
16 named person of a motor vehicle whether owned or not owned by the
17 person.

18 (d) A motor vehicle liability policy must provide coverage in
19 the United States or Canada, subject to limits exclusive of interest
20 and costs, with respect to each vehicle, as follows:

21 (1) \$50,000 because of bodily injury to or death of one
22 person in one accident, and, subject to the same limit for one person,
23 \$100,000 because of bodily injury to or death of two or more persons
24 in one accident; and

25 (2) \$25,000 because of injury to or destruction of property
26 of others in one accident.

27 (e) A motor vehicle liability policy must provide coverage under
28 AS 28.22.201 - 28.22.231 in the amounts set out in (d) of this section
29 for the protection of the persons insured under the policy who are

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legally entitled to recover damages from the owner or operator of an uninsured or underinsured motor vehicle because of bodily injury or death, or damage to or destruction of property arising out of the ownership, maintenance, or use of the uninsured or underinsured motor vehicle.

(f) A motor vehicle liability policy must state the name and address of the named insured and meet the requirements of AS 21.42.160 - 21.42.170. In the absence of specific contract language or endorsement, the motor vehicle liability policy issued for a person in this state is presumed to meet the minimum requirements of (d) of this section.

Sec. 28.22.111. POLICY PROVISIONS THAT ARE IMPLIED. A motor vehicle liability policy is subject to the following provisions which do not need to be set out in the policy:

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

(2) the insurance carrier may settle a claim covered by the policy, and if settlement is made in good faith, the amount of settlement is deductible from the limits of liability specified in AS 28.22.101;

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

Sec. 28.22.121. EXCESS OR ADDITIONAL COVERAGE. (a) A policy that grants the coverage required for a motor vehicle liability policy may also grant lawful coverage in excess of or in addition to the coverage specified for a policy and the excess or additional coverage

1 is not subject to the provisions of this chapter. With respect to a
2 policy that grants excess or additional coverage, the term "motor
3 vehicle liability policy" applies only to that part of the coverage
4 that is required by this chapter.

5 (b) A policy is excluded from the application of this chapter if
6 the automobile or motor vehicle liability coverage is provided only on
7 an excess or umbrella basis.

8 Sec. 28.22.131. PRORATION. A motor vehicle liability policy may
9 provide for proration of the insurance with other valid and collect-
10 ible insurance.

11 Sec. 28.22.141. OTHER REQUIREMENTS OF POLICY. (a) A policy is
12 not effective under AS 28.22.101 unless it is issued by an insurance
13 company or surety company authorized to do business in this state,
14 except as provided in (b) of this section.

15 (b) A policy is not effective under AS 28.22.101 with respect to
16 a vehicle not registered in the state or a vehicle that was registered
17 in another jurisdiction on the effective date of the policy or the
18 most recent renewal of it, unless the insurance or surety company
19 issuing the policy is authorized to do business in the state, or if
20 the company is not authorized to do business in the state, unless it
21 executes a power of attorney authorizing the director of the division
22 of insurance to accept service of process on its behalf in an action
23 upon the policy arising out of the accident.

24 (c) The requirements for a motor vehicle liability policy may be
25 fulfilled by the policies of one or more insurance carriers that to-
26 gether meet the requirements.

27 (d) A binder issued pending the issuance of a motor vehicle
28 liability policy fulfills the requirements for a policy.

29 ARTICLE 3. UNINSURED AND UNDERINSURED MOTORISTS COVERAGE.