

**ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990**  
**6431 SENATE LABOR & COMMERCE**

**8672**

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fault insurance. The California Trial Lawyers Association, adamantly opposed to no-fault (which makes lawsuits and lawyers' contingency fees unnecessary in most cases), is backing this initiative.

- The Association of California Insurance Companies' initiative would mandate no-fault auto insurance, prohibit insurance rate regulation and reduce the average premium for certain coverages by 20 percent for two years. More than 400 insurers are based in California, a state which accounts for 15 percent of the nation's insurance business. Not about to let California fall to tight regulation, the insurance lobby is prepared to spend millions of dollars (they have a starting budget of \$8.5 million) to fight the other initiatives in California.

- Another initiative by the insurance

companies, the Lawyers Fair Fee Initiative, would limit lawyers' contingency fees.

- California Assemblyman Richard Polanco has his own initiative, which attempts a compromise by cutting some aspects of auto insurance coverage (such as "uninsured motorist" and bodily injury liability) by up to 50 percent, and limiting auto accident claims for non-economic losses (pain and suffering) and lawyers' contingency fees to 25 percent of economic losses (auto repair, lost salary), except in cases of serious injury or death.

"I made every attempt to get this legislation through the Legislature," says Polanco. "But the two most powerful interest groups—trial lawyers and insurers—have been able to maintain the status quo. So I decided to take it directly to the consumers, who are

no longer requesting, but demanding, rate relief."

**W**hile everyone believes there is an auto insurance problem, few agree on its causes and solutions. Insurers blame lawyers, lawyers blame insurers, consumers blame both.

Insurers point to the increasing costs of the things insurance pays for as the reason for escalating rates. Costs for medical care rose 150 percent between 1977 and 1986. And auto repair costs—labor and parts—continue to rise. For example, from 1977 to 1987, the cost of a front door for a 1977 Chevrolet Caprice from the manufacturer increased by 151 percent—from \$267 to \$671. The Alliance of American Insurers discovered that while a new Plymouth Voyager cost \$12,766, replacing all its parts would cost \$33,392.

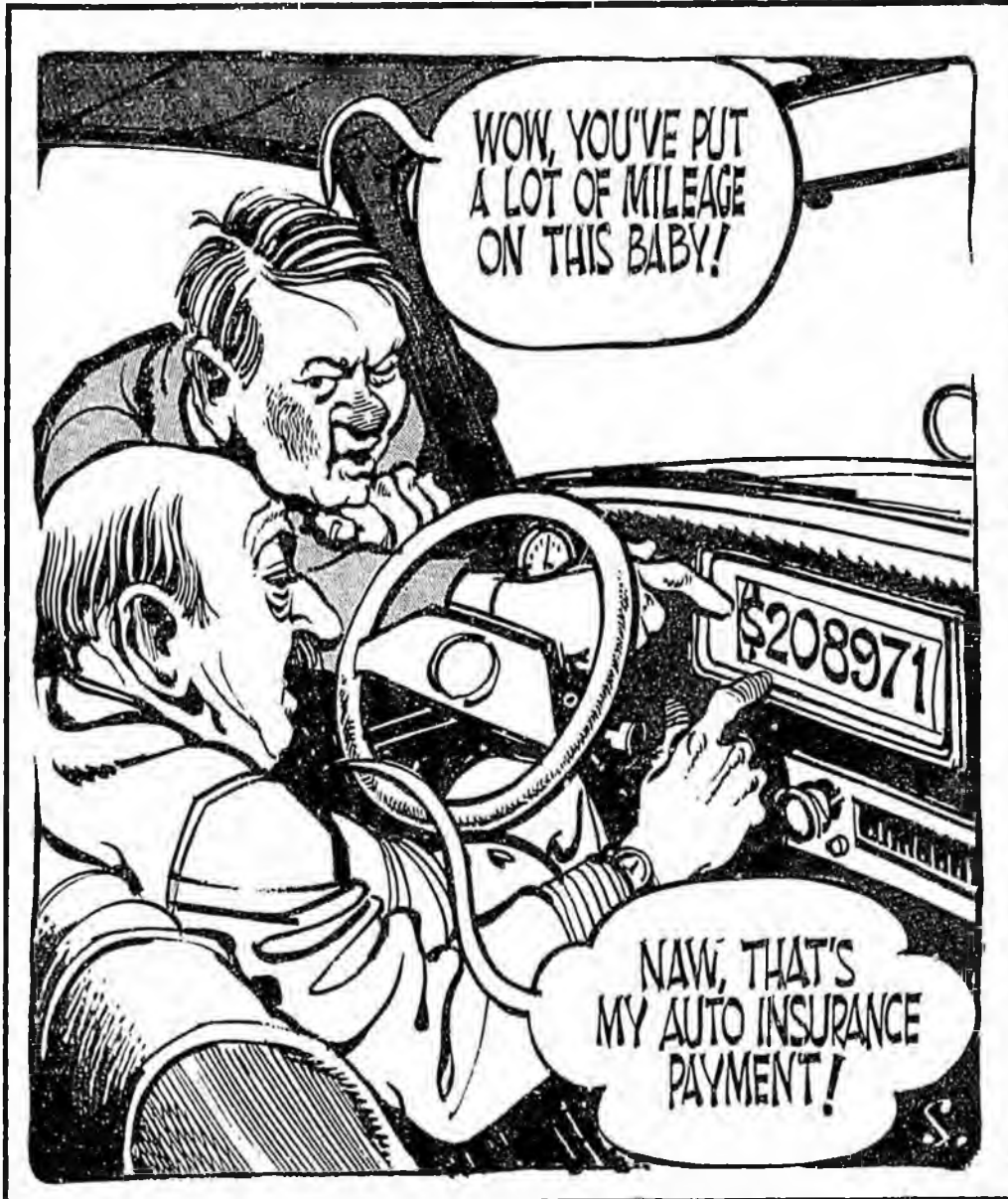
Insurers also charge lawyers with aggravating the costs by encouraging the soaring volume of lawsuits. According to Mechlin D. Moore, president of the Insurance Information Institute, the number of auto-related lawsuits in California increased by 13.2 percent each year between 1982 and 1986. "As litigation increases, claim costs go up because of the expenses involved in paying the plaintiff's lawyer, the defense counsel and court fees," said Moore.

The number of lawsuits filed in Los Angeles County last year was almost three times the number of suits filed in Northern California counties. And in Philadelphia, where premiums are extremely high, 362 lawsuits claiming bodily injury are filed for every 10,000 drivers, compared to only 83 per 10,000 drivers in Pittsburgh. In many states, auto accidents account for half the liability suits.

"As these costs rise," says Dean Wolcott, president of the personal financial security division, Aetna Life & Casualty, "so do insurance rates."

William Glennon of the California Trial Lawyers Association, on the other hand, blames high premiums on "a total lack of competition in the insurance industry." Lawyers want to get rid of the protection insurance companies have from the anti-trust laws. They also blame insurance companies for inefficient management.

Attorneys vigorously resist legislation calling for no-fault insurance



By David Seavey, USA TODAY

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& Casualty Co. dropped 40 percent of its agents at the end of 1987. Now half the drivers in New Jersey are insured by a quasi-public pool developed for high-risk drivers that is so deficit-ridden (almost \$2 billion) that all drivers faced two per-car surcharges totaling \$139 this year to rescue the fund.

Should states require that charges be equalized statewide? In 1986, the average policy in Los Angeles County was


\$1,000 but in Eureka it was only about \$300. John-Michael Battaglia saw his rates jump from \$1,000 to \$2,000 annually when he moved from Los Altos to North Hollywood. "I have a non-smoking, accident-free car insurance policy with a leading insurer (Farmer's Insurance), but as a result of merely moving from one location to another, I have just discovered that the premium for the exact same coverage will more than double."

Insurance costs more in large metropolitan areas because claims are more numerous there. A report by the California Department of Insurance revealed that if the current system of territorial rating were abolished, two-thirds of the state's insured motorists would pay an average 22 percent rate increase, while one-third would receive a decrease of about 36 percent. Even so, Massachusetts, Michigan and New Jersey currently restrict price differentials between big cities and rural areas.

In another attempt to cut down on skyrocketing auto insurance costs, Pennsylvania is looking at a bill that would reduce mandatory coverage requirements. The bill's author, Senator Edwin G. Holl, says the legislation could reduce auto insurance rates in some areas by as much as 42 percent. The bill would reduce the amount of coverage required for bodily injury liability from \$15,000 to \$10,000 per person and from \$30,000 to \$20,000 per accident. Holl's bill passed the Senate and is now in a House committee.

Colorado considered a similar measure this year that would have reduced mandatory coverage from \$130,000 to \$25,000 for one's own injuries and from \$50,000 to \$30,000 for claims by others. "I looked at my own insurance rates and realized there was a problem," said Representative Jim Dyer, sponsor of the bill. "Colorado has the highest level of mandated benefits. We figured smaller mandated benefits could cut premiums by \$75 to \$100." The bill was defeated by one vote. Dyer said that while insurance companies supported the bill, strong opposition came from the critical care hospitals, fearful of being stuck with unpaid bills.

With so many consumers affected by high insurance rates, this issue promises to remain on political agendas for quite a while. In a poll conducted last spring, 77 percent of California voters believe their auto insurance rates are "much too high" and another 17 percent consider their rates "somewhat high."

"In terms of the public's awareness, interest and anger," said poll director Mervin Field, "[the auto insurance issue] shapes up to be another Proposition 13. You can ask voters about a lot of issues and they're sort of vague, but when you talk about auto insurance, you better stand back." 

## If you can't beat 'em, join 'em

Representative Andrew Carn got so frustrated with the automobile insurance problem in Philadelphia that he decided to form his own insurance company and offer affordable rates.

Carn was spurred in his effort when his own automobile premium jumped to \$15,694, but he says his own situation is "just one example of what is happening to thousands of people in the state."

Philadelphia rivals Los Angeles in having some of the highest premiums in the nation. According to Bob Hunter of the National Insurance Consumer Organization, premiums over \$3,000 are not uncommon, with the result that many residents drive illegally without insurance.

Stifled in his attempt to get legislation passed by the "need for greed" of the insurance companies and the "insurance industry's grip on the Legislature," Carn, along with representatives Mark Cohen, David Richardson and Ralph Acosta have filed incorporation papers with the insurance commissioner seeking a license to provide auto insurance coverage at "fair and affordable rates."

The company has the support of the Pennsylvania Insurance Department. "The Department supports the concept of a mutual insurance company to help address the problem of available and affordable automobile insurance for all Pennsylvanians, particularly Philadelphians," said Insurance Commissioner Constance Foster.

"Crying the blues about what the insurance companies are doing to us does not and will not change their

attitudes and actions. They feel comfortable in thinking that we have no place else to go but to them," said Carn.

The Futura Mutual Insurance Company will operate as a non-profit corporation aimed at Philadelphians. For \$842 annually, people will be able to buy the auto insurance required by the state, and the policyholder's future premiums will be directly related to his accident and claim experiences.

The company also intends to combat fraud by developing "a new relationship between the insured and the insurance provider. The insured will feel and believe that their company not only cares but emanates from among them and is therefore part of them." Futura plans militantly to defend every suit and never compromise a claim. "Too often, insurance companies simply pay repairs or medical bills that clearly ought to be investigated."

"Regardless of what the insurance industry says, they are making more profit now than they ever did," said Carn. "They want us to believe that the reason our insurance rates are so high is because of fraud, auto thefts, uninsured motorists, ambulance chasing lawyers and crooked doctors." Carn believes the effect of these factors has been blown out of proportion by the insurance industry.

"Although the existing insurers are saying that they are losing money, Futura will show that there is profit to be made selling auto policies in Philadelphia and other urban areas."

—Julie Lays

## What's Ahead in State-Federal Relations?

When the 101st Congress convenes in January 1989, there will be a new administration for the first time in eight years and some transition in congressional leadership. But several of the issues of great importance to state legislatures and state governments in the next decade can be seen now: the future pattern of the state-federal relationship and federal pressure on state revenue sources.

The role of state government in relation to both federal and local governments has changed profoundly in the eight years of the Reagan administration. State governments have assumed an expanded and more responsible role in our federal system. There have been significant shifts toward state governments in domestic policymaking, program authority and financial responsibility. As columnist David Broder recently asserted, "Rarely does anyone mention Reagan's substantial success in achieving his long-cherished goal: shifting the initiative for most domestic programs out of Washington and back to the states." The states, led by modern representative legislatures, truly have become laboratories of democracy.

Recent developments in the federal system have significant implications for state legislatures. The first development is positive—the substantial shift to the states of policy and administrative responsibilities. But two other developments have more negative implications: Recent Supreme Court interpretations of the Tenth Amendment (*Garcia vs. San Antonio Transit Authority* and *South Carolina vs. Baker*) have significantly eroded the protections the states previously had thought to be in the Constitution. And the federal government has shown a disturbing tendency to mandate state action without providing adequate funding, or to pre-empt state laws with a federal standard.

The Court has reasoned that "the states must find their protection from congressional regulation through the national political process." As *The Wall Street Journal* argued after the *South Carolina* decision, "This leaves the states on a par with every other special interest group, from foreign governments to mustard makers."

It will now be tempting for Congress and a new president to look to the interest on state and local bonds—the focus of the *South Carolina* case—as a federal revenue source. State governments have been innovative in developing and diversifying their economies. State and local bonds have been important in financing these efforts. The *Garcia* and *South Carolina* decisions are not just abstract arguments about fine points of constitutional law. Instead they have critical day in and day out implications for how state and local governments work, how they are financed, and how they relate to the national government.

The nation's 7,500 state legislators are disturbed about the federal budget deficit. A committee of the National Conference of State Legislatures, for example,

has called reducing and eventually eliminating the deficit "our most serious national domestic policy challenge." The deficit poses a threat to the nation's economy and, in turn, to the fiscal health of state and local governments. It is, therefore, in the best, vital interest of all public officials to develop and implement strategies for reducing the deficit.

The federal government's search for budget solutions may ultimately lead it to revenue sources that state governments have historically used. As state governments are asked to assume more and more responsibility for domestic programs, the federal government should not at the same time deprive them of the means of funding those programs.

This intrusion already occurred when Congress eliminated the deductibility of state and local sales taxes from the federal income tax. Proposals now making the rounds in Washington are even more disturbing and, if adopted, would drastically alter the nation's inter-governmental fiscal system.

I am particularly concerned about proposals for a national consumption or value-added tax. It promotes savings and would make the country more competitive, but it is regressive. And what is often missing from the debate is a discussion about how a national consumption tax, really a sales tax, would affect state revenue systems.

Forty-five states use the sales tax as a source of revenue. Imposition of a national consumption tax would affect state sales tax revenues in two fundamental ways. One, by making goods more expensive and reducing demand, the national tax would automatically reduce state sales tax revenues. Two, by imposing a national tax on top of a state's tax, it would make it difficult, if not impossible, for a state's legislature ever again to increase its own sales tax rate. State governments, which must balance their budgets, would then be forced to turn to other revenue sources or reduce services. And a national sales tax would create great pressure on state legislatures to bring their own sales taxes into conformity with the national tax base.

There will be considerable pressure on the next Congress to raise revenues to reduce the deficit. The recently appointed National Economic Commission will issue recommendations early in 1989. This report may have profound implications for the future of the federal-state relationship, particularly if it recommends that the federal government seek revenues from traditional state sources or that it apply a national value-added tax.

Our federal system is a dynamic, creative one, but it is also in delicate balance. State legislatures must understand the implications of these issues and take an active, positive role in their resolution.

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*William T. Pound is executive director of The National Conference of State Legislatures.*

**JANUARY 20, 1989**

Volume 56, Number 3

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**Editorial & Circulation:** Direct all inquiries to the Washington office. Subscriptions are \$20 per year; single copies are \$2.

*InsuranceWeek* (ISSN 0020-4846) is published every Friday for insurance professionals in the 13 western states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. The magazine was founded in 1933 by Insuranceweek Inc., which also is the publisher of *Claims, The Magazine of Insurance Adjusting and Claims Management*, and *Kirschner's Insurance Directories*.

Postmaster: Send address changes to *InsuranceWeek*, 1001 Fourth Avenue Plaza, Suite 3020, Seattle, WA 98154. (Entered as second class postage paid at Seattle, WA 98154.)

## Kean: No-good No-fault Should Go

By Doug Canfield, Editor

Though it's too late for California, passage of Proposition 103 has forced legislators in other states to bring auto insurance reform to the front burner.

Probably for the first time in history, auto insurance was the major topic of a governor's State of the State address. New Jersey Gov. Thomas Kean said in a Jan. 10 speech that his state's ineffective no-fault auto insurance system and mandatory coverage laws should be scrapped.

New Jersey's no-fault threshold over which insureds can sue is only \$200. Average auto premiums rank second in the nation, below Massachusetts and above California. In 1983, New Jersey established a high-risk Joint Underwriting Association, which is \$2.5 billion in the red. Last year, Kean signed a bill designed to bail out the JUA and encourage drivers to return to the private market.

"If we can't have real no-fault, it is time to admit the system doesn't work and shoot it and put us out of our misery," Kean said. "The alternative I suggest to you this afternoon is to eliminate no-fault and get rid of mandatory auto insurance."

Kean must feel the heat of 103. So must Gov. Michael Dukakis in Massachusetts, where yet another insurer — Reliance — has filed to pull out. But besides these and California, auto coverage affordability crises loom for high-cost western states such as Arizona, Nevada and Alaska.

The effect of 103 on state legislators outside California is mixed. Some in Nevada were quick to follow the "Sen.-Alan-Robbins-all-of-a-sudden-I'm-a-consumer-advocate" bandwagon. Others, such as Kean, seem to be well informed. It is up to our industry to make sure the latter prevail.



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# N.J. Gov. Blasts Auto System

BY ROGER BARNES

New Jersey Gov. Thomas Kean said it may be necessary to eliminate no-fault and mandatory auto insurance in his state of the state message last week.

"If we can't have real no-fault, it is time to admit the system doesn't work, close it down, shoot it and put us out of our misery," said Gov. Kean, in his address before 800 legislators, officials and guests at the War Memorial Building in Trenton.

"The alternative I suggest to you is to eliminate no-fault and get rid of mandatory auto insurance," the governor said. "In the process, we can rid ourselves of the three most obnoxious letters in a New Jersey's vocabulary— JUA."

During his address, Gov. Kean said for six years he has called for a mandatory verbal threshold allowing lawsuits for pain and suffering only in cases involving serious injuries or death. The governor noted that in Michigan, which already has such a law, insurance rates are 20 percent less than New Jersey.

"There is only one way to really begin to reduce auto insurance rates under the no-fault system," said the governor. "We have to reduce lawsuits by approving a

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## *Gov. Kean Calls For Mandatory Verbal Threshold*

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mandatory threshold."

Such a proposal was passed by the Assembly "several times," only to have the "will of the people stymied by special interests when the legislation reached the other house," said Gov. Kean.

"Even as we meet today, trial lawyers are planning to spend a million dollars to convince New Jersey drivers not to choose a verbal threshold in their own policies," he said. "But if we maintain our present dual system, rates are going to continue to rise year by year."

The governor's statements, which legislators greeted with roaring applause, reflect growing frustration in a state with many auto insurance problems.

New Jersey drivers pay one of the highest auto insurance premium rates in the nation, in addition to premium surcharges to keep the Joint Underwriting Association afloat. (The JUA, which currently insures half the drivers in the state, has a \$2.5 billion deficit.)

New Jersey adopted legislation, which took effect Jan. 1, mandating depopulation of the JUA and offering a voluntary verbal threshold which drivers may choose to help reduce their premiums (see NU, Sept. 12).

During the first weeks of the new year, groups representing lawyers in New Jersey mounted a drive to advise consumers about the new auto insurance law. The groups sent out letters saying the new law's voluntary verbal threshold will not save drivers as much money as predicted, but would only limit their ability to sue for pain and suffering.

"If they (drivers) believe they want to give up the rights for themselves and their families in return for a savings of \$4 or \$5 a month, that's a choice some people will want to make," said Saul Wolfe, president of the New Jersey State Bar Association.

However, some say the content of many of the lawyer group letters went too far, including Insurance Commissioner Kenneth D. Merin, who has asked the state Supreme Court to determine whether the conduct of the lawyers breached professional ethical codes.

President of the Senate John Russo (D-Ocean) called the elimination of compulsory insurance the "only sensible way to go." Sen. John Lynch (D-Essex) said car insurance issues should be placed on the ballot for voter decision. □

# BEST'S INSURANCE MANAGEMENT REPORTS

Property/Casualty  
Release No. 3  
January 16, 1989



A.M. Best Company  
Oldwick, N.J. 08858  
201-439-2200

Financial News

Washington Review

Perspectives

On-Line Reports

JAN 18 1989

## Insurer Group Agrees with N.J. Governor's Stance on "True" No-Fault Auto Insurance

A major insurance industry association says it agrees with New Jersey Gov. Thomas Kean's proposed revisions in his state's no-fault automobile insurance law. William Bailey, special counsel to the Insurance Information Institute, said the "governor's position and ours are really the same." Gov. Kean has tried unsuccessfully to reform the 16-year-old current system by placing strict limits on lawsuits. Although I.I.I. supports any workable system that a state's residents favor, Mr. Bailey said that experience shows that "in high-density states like New Jersey, strict no-fault seems to work best." He added that what New Jersey now has is a "hybrid no-fault system" whose threshold limits—the amounts at which it converts to a liability-based system—are too low.

A series of reforms took effect in the state January 1 to contain rising rates, including one that would allow drivers to limit their right to sue in exchange for lower premiums, but the governor has called it inadequate. "If we can't have real no-fault, it is time to admit the system doesn't work and shoot it and put it out of our misery," he said in his annual State of the State address to a joint session of the New Jersey legislature. The governor also suggested eliminating all forms of mandatory auto insurance. A spokesperson for the governor said that Kean made the statement out of frustration with lawmakers, and has no formal proposal to abolish the system.

In the most recent display of consumer unrest over high auto insurance rates, 200 New Jersey motorists marched on the Statehouse. The protesters, part of an organization called Citizens Auto Insurance Revolt, reenacted the Boston Tea Party by throwing stacks of insurance policies from a boat on a flatbed truck. Three potential Republican gubernatorial candidates speaking to the group pledged to work for legislation that would reform the system. Auto insurance rates in New Jersey are reported to be among the highest in the nation.

## Stiff Penalties For Insurers Approved In Calif.; Banks Move Step Closer to Insurance License

Three measures designed to strengthen Proposition 103 cleared their first legislative hurdle in California, despite charges that the bills are harsh. The state Senate Insurance, Claims and Corporation Committee voted 6-2 Wednesday to levy hefty fines on insurance companies leaving California in the wake of the voter-approved initiative and voted 6-1 to keep companies from transferring their policies to higher-cost subsidiaries.

Under the first bill by Sen. Alan Robbins (D-Tarzana), insurance companies would be required to renew policies unless

a policy was revoked for nonpayment, fraud, or serious driving violations. Sen. Robbins said that under Proposition 103 insurance companies can still get out of the business provided they first arrange for their policy renewals to be assumed by another insurance company. The measure is aimed primarily at Hartford, Conn.-based Travelers Corp., the only major insurance company refusing to renew auto policies in the state.

Seven Fireman's Fund companies began renewing auto policies in the state on Thursday after Insurance Commissioner Roxani Gillespie cited the companies' actions as a violation of the insurance code. According to the insurance department, the companies will offer renewals until a hearing is held and a final decision is reached.

Another measure would prohibit insurance companies from changing their underwriting standards in the wake of Proposition 103. The third measure approved by the Senate panel establishes an insurance consumer advocate to be appointed by the state attorney general.

In other developments, the Proposition 103 case was absent from the calendar of oral arguments posted by the state Supreme Court for February, an indication that the court is unlikely to take up the insurance initiative until at least March.

Also, state Bank Superintendent Howard Gould has determined that Proposition 103 effectively repeals all state laws keeping banks out of the insurance business, an opinion supported by Insurance Commissioner Roxani Gillespie.

In a letter to the Independent Insurance Agents and Brokers of California, Commissioner Gillespie said the insurance department must take its lead from the state banking department with respect to the status of the financial code and cannot reject a license application from a state-chartered bank on the grounds that banks cannot sell insurance. Agents argued that Proposition 103's wording could not be applied to the banking code. Currently, two state banks have filed for an agent's license.

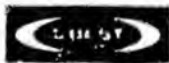
## 1987 Auto Study Update

The automobile registration figures obtained from the Federal Highway Administration, used by A.M. Best Company to calculate average automobile premiums by state (On-Line Reports, Property/Casualty edition, January 2, 1989), have been challenged by some states, including Arizona and South Carolina. The registration figures used in Best's formula included private passenger automobiles and commercial taxis, but not state-owned vehicles or pickup trucks. The report divides the total private passenger auto premiums for each state by the number of registered passenger vehicles reported by the FHA.

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# BEST'S INSURANCE MANAGEMENT REPORTS

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## Average Automobile Insurance Premiums by State

The insurance premium for the average private passenger automobile in the United States increased \$44.28 to \$486.50 in 1987. In Massachusetts, the state with the highest average auto premiums, the increase was \$100.17, to a total of \$655.72, while in Iowa, the state with the lowest average auto insurance premiums in 1987, premiums paid there increased only 5% to \$255.61 per registered automobile.

The five states with the highest average auto premiums in 1987 were Massachusetts (\$655.72), New Jersey (\$634.84), California (\$623.44), Arizona (\$601.96) and Nevada (\$600.04).

One year earlier, in 1986, New Jersey topped the list, Alaska was number two and California ranked third. In 1986 there were 10 states with average premiums above the \$500.00 level. In 1987, there were 19 states plus the District of Columbia above that level, and the top five of those had average premiums of more than \$600.00.

Twenty states and the District of Columbia had average premiums above the national average of \$486.50, and 30 states were below the national average.

From 1986 to 1987, the growth of average auto premiums increased by more than the national average (10.0%) in 26 states. Among these, the following seven reported increases of more than 15%: Washington, D.C. (25.2%), Massachusetts (18.0%), Maryland (17.9%), Indiana (17.3%), Hawaii (16.9%), South Dakota (15.4%) and Rhode Island (15.2%). Idaho and Oklahoma experienced increases of less than 1%, while three states—Wyoming, Colorado and Alaska—reported small declines.

Net premiums written by the U.S. property/casualty industry for private passenger auto insurance in 1987 totaled \$64.3 billion, a 11.7% increase over 1986. The industry experienced a \$4.3 billion underwriting loss on this business, which was not overcome by \$4.0 billion of related investment income.

In 1988, according to our preliminary estimates, the property/casualty industry wrote almost \$70 billion in private passenger auto premiums and had an underwriting loss of \$4.7 billion. Estimated investment income of \$4.5 billion fell short again, leav-

(continued on back)

### About This Information

This annual A. M. Best Company report on average private passenger auto insurance premiums by state has been expanded to provide more information. Five years of rankings now are shown, as well as the number of insurers writing in each state.

Although this report is being released nearly a month earlier than last year's study, the basic approach remains unchanged. We divide private passenger auto direct premiums written for each state by the number of each state's registered vehicles, as reported by the Federal Highway Administration. Premiums for 1987 have been available since May from Best's Executive Data Service, but auto registration tallies are not available until December.

Results of this study can be distorted by several factors. The Federal Highway Administration's figures include government-owned and commercial passenger vehicles (but not trucks, buses and motorcycles).

Also skewing the averages is the unknown number of registered, but not

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## Average Automobile Insurance Premiums by State Ranked by 1987 Premiums per Passenger Vehicle

1987 Rank	State	1987 Average Premium (1)	1986 Rank	1986 Average Premium	1985 Rank	1985 Average Premium	1984 Rank	1984 Average Premium	1983 Rank	1983 Average Premium
1	Massachusetts	\$655.72	4	\$555.55	3	\$521.40	2	\$489.00	3	\$418.58
2	New Jersey	634.84	1	603.55	2	580.12	1	565.77	1	521.21
3	California	623.44	3	568.20	4	503.65	6	423.49	8	373.83
4	Arizona	601.96	5	553.84	7	471.38	5	423.65	12	354.35
* 5	Nevada	600.04	6	549.49	5	498.75	7	418.99	5	387.62
6	Maryland	597.08	10	506.34	11	423.53	11	374.20	10	358.44
7	Alaska	588.85	2	602.45	1	595.44	4	447.34	4	398.11
8	New York	583.69	7	522.06	6	485.07	3	453.26	2	421.70
9	Washington, D.C.	579.82	15	463.13	19	385.27	20	339.10	21	301.98
10	Pennsylvania	568.97	9	512.09	8	465.03	8	418.78	6	384.61
* 11	Rhode Island	549.00	12	476.60	15	405.93	17	350.29	17	325.12
12	Delaware	536.96	13	469.15	14	408.04	16	350.70	18	323.29
13	Hawaii	530.13	17	453.60	12	417.59	19	349.57	9	360.90
14	Louisiana	529.68	8	515.39	9	443.24	10	401.86	7	383.72
15	Connecticut	519.93	14	466.09	13	412.52	12	373.01	14	338.05
16	South Carolina	514.93	20	449.74	17	398.86	14	365.38	15	334.93
17	Michigan	509.28	11	481.07	16	404.63	15	359.04	16	328.24
* 18	New Hampshire	508.85	18	453.10	37	312.34	32	304.55	29	291.00
19	West Virginia	506.81	16	454.65	10	428.58	9	404.97	11	356.41
20	Georgia	501.14	19	450.23	22	372.06	30	305.48	30	287.18
* 21	Arkansas	494.29	22	433.75	18	392.27	18	349.73	23	294.67
<b>National Average</b>		<b>486.50</b>		<b>442.22</b>		<b>390.04</b>		<b>351.48</b>		<b>322.30</b>
22	Texas	474.33	23	426.09	20	383.76	13	372.48	13	343.32
23	Missouri	460.88	28	403.49	26	354.38	28	309.81	27	291.11
24	Minnesota	456.48	25	416.98	34	318.29	23	326.69	25	292.30
* 25	Illinois	439.48	24	418.51	25	356.00	27	312.69	19	307.75
* 26	Virginia	436.20	31	381.82	32	325.15	38	281.17	33	268.85
27	Oregon	435.09	28	396.36	28	349.68	29	306.65	20	302.22
28	Colorado	434.97	21	444.11	21	379.16	22	329.91	22	301.38
29	Florida	433.91	30	390.50	29	344.98	31	304.58	26	291.55
30	Utah	431.01	27	396.78	31	329.96	36	284.22	34	265.58
* 31	Washington	430.20	29	393.86	27	351.53	25	315.99	24	293.52
32	Indiana	423.13	39	360.89	42	298.08	42	268.56	35	259.19
33	New Mexico	415.57	32	378.17	23	368.43	24	325.97	42	246.97
34	Kentucky	409.43	35	369.37	33	321.83	43	268.25	44	241.44
* 35	Wisconsin	409.29	34	372.76	39	308.85	40	279.96	43	245.93
36	North Carolina	408.42	38	362.36	35	315.75	35	285.78	46	239.38
* 37	Vermont	405.36	37	363.97	38	310.66	33	291.12	36	258.65
38	Montana	405.22	33	372.96	24	360.36	26	314.46	40	248.41
39	Oklahoma	370.28	36	366.85	30	342.47	21	332.78	28	291.09
40	Kansas	369.14	41	345.19	36	312.50	34	286.14	31	281.70
* 41	Maine	364.59	43	332.83	43	296.71	37	263.48	37	258.68
42	Ohio	350.84	44	327.01	45	279.39	44	260.60	47	237.31
* 43	Nebraska	348.27	45	323.98	44	288.02	41	269.25	38	257.63
44	Idaho	345.66	42	344.30	41	300.43	45	256.61	39	248.71
45	Wyoming	345.02	40	347.91	40	307.51	39	281.05	32	277.50
* 46	Mississippi	331.16	47	297.25	47	271.02	46	250.53	45	240.34
* 47	Tennessee	328.38	48	292.49	48	261.15	48	235.82	49	215.07
48	North Dakota	328.23	46	307.13	46	276.07	47	243.00	41	247.64
* 49	Alabama	306.73	49	278.46	49	260.63	50	224.10	51	200.24
50	South Dakota	295.08	50	255.77	50	231.24	51	213.47	50	208.66
* 51	Iowa	255.61	51	243.95	51	214.84	49	229.89	48	222.18

\* Indicates states which did not have compulsory auto insurance laws in 1987, according to the Insurance Information Institute.  
Note: Various factors may skew results; see text for explanation of how figures are calculated.

insured, vehicles. Several states still do not mandate coverage, and others have varying degrees of registered, but illegally operated uninsured cars. Also affecting the averages are different

states' requirements for minimum limits of coverage.

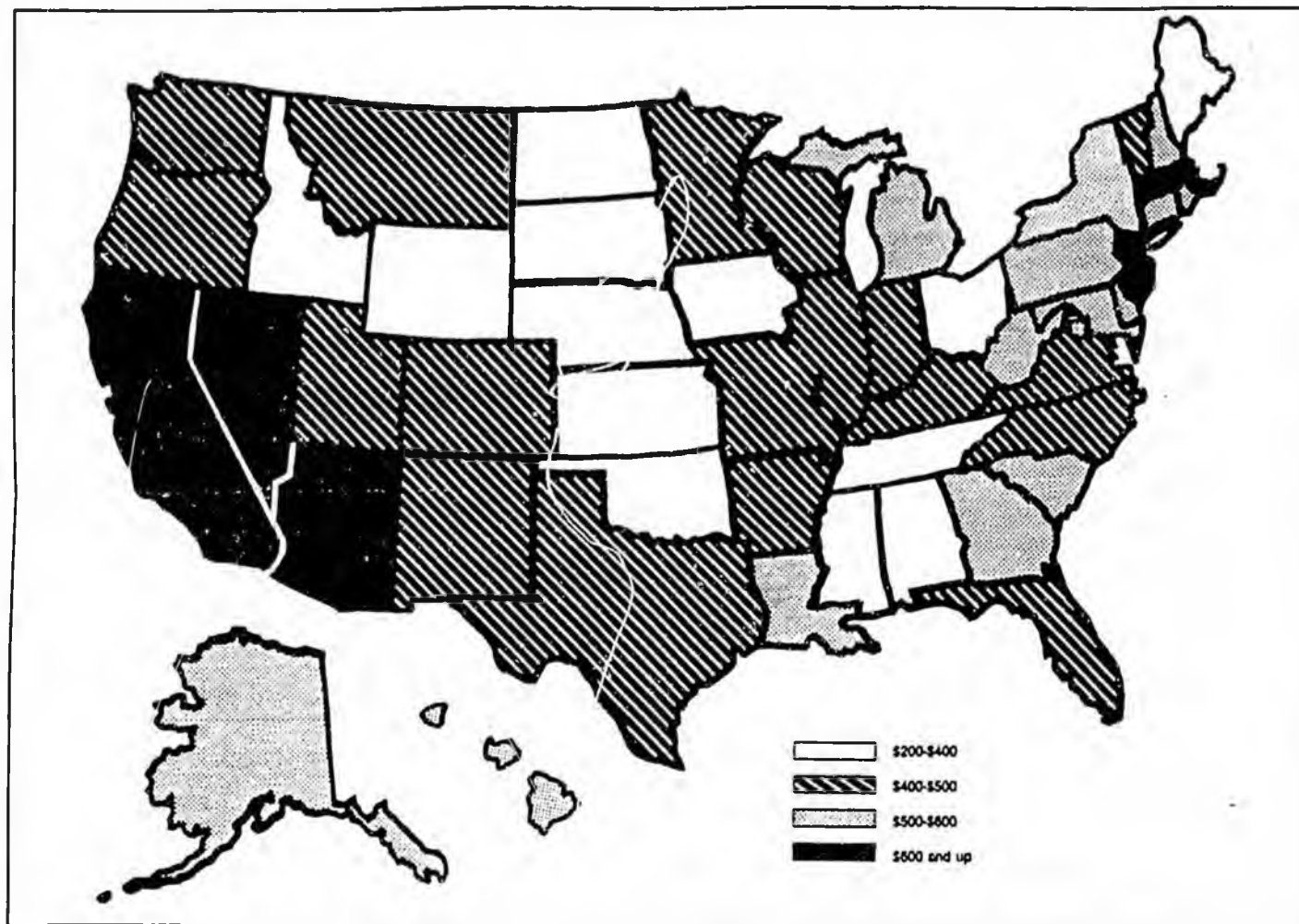
It should be noted that each year the A.M. Best Company and the Federal Highway Administration both

adjust figures published in prior reports to ensure that the best currently available information is reported. These adjustments could change rankings reported in prior years' reports.

## Growth of Average Auto Premiums Five Years, By State

86/87 Growth Rank	State	86/87 Growth Percent	85/86 Growth Percent	84/85 Growth Percent	83/84 Growth Percent	82/83 Growth Percent	82/87 Growth Percent	Number of Companies Writing In State		
								1987	1986	Net Change
1	Wash. D.C.	25.20	20.21	13.61	12.30	14.37	119.62	166	178	-12
2	Massachusetts	18.03	6.55	6.85	17.14	9.08	71.70	169	170	-1
3	Maryland	17.92	19.55	13.18	4.98	11.92	87.48	263	262	1
4	Indiana	17.25	21.07	10.99	3.62	14.43	86.80	353	358	-3
5	Hawaii	16.87	8.62	19.46	-3.14	-1.09	45.28	105	103	2
6	South Dakota	15.37	10.61	8.32	2.30	3.74	46.70	209	218	-9
7	Rhode Island	15.19	17.41	15.28	7.74	8.02	82.40	177	179	-2
8	South Carolina	14.50	12.78	9.16	9.09	9.39	68.17	184	191	-7
9	Delaware	14.45	14.98	16.35	8.48	9.06	81.15	187	185	2
10	Virginia	14.24	17.43	15.64	4.58	8.00	71.98	283	277	6
11	Missouri	14.22	13.86	14.38	6.42	10.45	74.87	324	328	-4
12	Arkansas	13.96	10.58	12.16	18.68	12.85	89.29	251	257	-6
13	North Carolina	12.71	14.78	10.49	19.39	13.59	93.82	216	225	-9
14	New Hampshire	12.31	45.07	2.56	4.65	11.02	94.14	164	170	-6
15	Tennessee	12.27	12.00	10.74	9.65	8.93	66.31	316	312	4
16	New York	11.81	7.62	7.02	7.48	9.59	51.68	259	270	-11
17	Connecticut	11.55	12.99	10.59	11.00	9.89	70.02	216	226	-10
18	West Virginia	11.47	6.59	5.33	13.63	3.40	47.03	198	199	-1
19	Mississippi	11.41	9.68	8.18	4.24	11.26	53.30	267	267	0
20	Vermont	11.37	17.16	6.71	12.46	-0.97	55.08	170	181	-11
21	Texas	11.32	11.03	3.03	8.49	10.65	52.87	403	405	-2
22	Georgia	11.31	21.01	21.22	6.37	11.99	95.43	336	331	5
23	Florida	11.12	13.19	13.27	4.47	10.41	64.31	370	365	5
24	Pennsylvania	11.11	10.12	11.05	8.86	7.44	58.94	284	294	-10
25	Kentucky	10.85	14.77	19.97	11.11	6.72	80.97	283	286	-3
26	Alabama	10.15	6.84	16.30	11.92	5.05	60.91	283	294	-11
27	New Mexico	9.89	2.64	13.03	31.99	7.45	80.80	246	250	-4
28	Wisconsin	9.80	20.69	10.32	13.84	7.09	78.23	311	310	1
29	Oregon	9.77	13.35	14.03	1.46	3.79	49.43	257	265	-8
30	California	9.72	12.82	18.93	13.28	4.36	74.05	374	375	-1
31	Maine	9.54	12.18	4.67	9.58	6.27	49.78	185	184	1
32	Minnesota	9.47	31.01	-2.57	11.77	2.35	59.84	284	287	-3
33	Washington	9.23	12.04	11.24	7.65	3.83	52.17	274	268	6
34	Nevada	9.20	10.17	19.04	8.01	0.90	56.08	207	216	-9
35	Arizona	8.69	17.49	11.27	19.56	17.52	99.63	299	297	2
36	Montana	8.65	3.50	14.59	28.59	-1.54	60.81	190	195	-5
37	Utah	8.63	20.25	18.09	7.02	5.81	71.72	220	227	-7
38	Nebraska	7.50	12.48	6.97	4.51	4.18	40.84	254	251	3
39	Ohio	7.29	17.05	7.21	9.82	4.88	55.05	346	343	3
40	Kansas	6.94	10.46	9.21	1.57	5.95	38.83	276	284	-8
41	North Dakota	6.87	10.45	14.43	-1.87	2.66	36.07	211	221	-10
42	Michigan	5.86	18.89	12.70	9.39	6.92	65.88	236	251	-15
43	New Jersey	5.19	4.04	2.54	8.55	14.33	39.25	213	228	-15
44	Illinois	5.00	17.56	13.85	1.61	5.53	50.70	384	380	4
45	Iowa	4.78	13.55	-6.55	3.47	-3.00	11.59	290	298	-8
46	Louisiana	2.77	16.28	10.30	4.73	4.11	43.70	319	320	-1
47	Idaho	0.39	14.60	17.07	3.18	7.55	49.47	211	222	-11
48	Oklahoma	0.39	7.70	2.91	14.32	15.73	47.22	286	281	5
49	Wyoming	-0.83	13.14	9.42	1.28	5.00	30.55	176	173	3
50	Colorado	-2.06	17.13	14.93	9.47	5.01	51.56	303	302	1
51	Alaska	-2.25	1.18	33.11	12.93	11.87	66.31	124	128	-4
<b>National Average</b>		10.01	13.38	10.98	9.08	7.99	63.06	1,120	1,097	

Note: Various factors may skew results; see text for explanation of how figures are calculated.



ing another operating loss.

Newly included in this annual report on auto insurance is the number of insurance companies writing in each state. During 1987, a net of 15 companies ceased writing private passenger automobile insurance in each of New Jersey and Michigan; 12 companies left Washington, D.C. and 11 pulled out of New York, Vermont, Alabama and Idaho. In all, the District of Columbia and 32 states had a net loss of insurers writing auto business and 17 states had a net gain of new insurers. Mississippi had no net change.

In 1987 there were 1,120 individual insurance companies writing private passenger auto insurance in the United States, although a number of these were subsidiaries of groups. The number of groups writing private passenger auto insurance totaled 544.

For consumers in several states, private passenger automobile insurance premiums reached a crisis level in 1987. Rates had been increasing for years, but the high price of insurance moved Californians to action as drivers displayed their outrage and anger toward insurance companies, state and federal legislators and even each other as they sought to change the system in 1988. (Ironically, California's average premium growth was lower than the national average in 1987, albeit up 74% over five years.)

The insurance industry's own frustrations, however, were never more evident than in the recent California elections, when over half the state's voters approved Proposition 103. The insurance industry spent more than \$50 million to influence voters, yet failed to justify premium

rates which are increasing faster than the overall cost of living.

Consumer groups have promised to export the Proposition 103 movement to other states where consumer unrest over auto insurance rates could make voters receptive to supporting limitations on the price of insurance.

Insurers are taking this seriously, especially in states like California where rates in metropolitan areas are sharply higher than in outlying districts.

As some insurers leave the California auto market, the aspect of driving away insurers could become a more serious concern for voters and legislators to consider. But for many people and many insurers in a number of states, the price of auto insurance has become a major public issue that just will not go away. □



# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

### DIVISION OF INSURANCE

STEVE COWPER, GOVERNOR

P. O. BOX D  
JUNEAU, ALASKA 99811-0800  
PHONE: (907) 465-2515

February 14, 1989

Honorable Richard Shultz  
House of Representatives  
P.O. Box V  
Juneau, AK 99811

Dear Representative Shultz:

I have been asked to respond to your questions concerning automobile premiums as well as Alaska's basic limits for automobile insurance. The reason the basic limits have continued to change is because of the purchasing power of the dollar. The limits have been adjusted twice from their 1959 level of October 29, 1985 due to inflation. The rates were changed to 15/30/5 in 1966 as inflation dropped the dollar value and were adjusted again in 1975 to the current level of 25/50/10. Exhibits A and B show the purchasing power of the dollar limits from 1959 through 1983 and with the subsequent basic limits changes.

Exhibit C shows the basic auto insurance limits for all 50 states, the District of Columbia and the Canadian provinces. As you can see, Alaska's basic rates are the highest in the nation. Southern states tend to have the lowest rates.

Exhibit D is a ten-year history both private passenger and commercial auto premiums collected nationwide along with the annual percentage of change and the combined ratio for each year. The combined ratio measures the relationship between premiums and company expenses and claims losses. A combined ratio above 100 means that for every \$100 paid in premiums, more than \$100 went to expenses and claims losses. The chart shows a gradual rise in the combined loss ratio for liability insurance until 1985 when it leveled off. The physical damage loss ratio has continued to drop from a high of 100.6 in 1984.

Exhibit E is a state by state comparison of all auto premiums written by state for 1987. Alaska ranks 46th nationally in total premiums written.

Exhibit F compares the cost of an average automobile insurance policy per state for the years 1983 through 1987. Alaska is only one of three states in which the cost of a policy declined in 1987. The other two were Colorado and Wyoming.

Honorable Richard Shultz

-2-

February 14, 1989

Exhibit 6 shows the growth of average premiums by state for the last five years. It also shows the number of companies writing in different states for 1986 and 1987. Exhibit H further expands on the number of companies as it shows 1982 figures and the net change since then. Alaska has lost eight companies since 1982.

If you have any questions, please don't hesitate to call Bob Sims of the Alaska Division of Insurance, 465-2517.

Sincerely,

*Bob Sims for Jim Jordan*

Jim Jordan  
Deputy Director

JJ/sa4865s  
21389a

Enclosures

cc: Representative Davie Donley  
Representative Kay Wallis  
Linda Wild, Special Assistant to Commissioner, DCED  
Joan Brown, Administrative Officer

In view of the interest being expressed by a number of persons in reviewing the limits of liability required by the Alaska Safety Responsibility Act (financial responsibility law) the Division of Insurance has updated exhibits originally prepared when the limits were last revised in 1975.

EXHIBIT A reflects the purchasing power or value of the dollar based on the annual average value as measured by consumer prices. The base year utilized is 1959, the year of Alaska Statehood. The indices used were developed by the U. S. Bureau of Labor Statistics. Column (3) shows the limits of liability for bodily injury applicable to the particular year. Column (5) does the same for property damage. The figures for 1982 and 1983 are projections and are not firm.

EXHIBIT B is the same concept as EXHIBIT A except it uses the date of last change of limits as the base year and thus uses a shorter span of years.

EXHIBIT C is an excerpt from the FC&S BULLETINS published by the National Underwriter Company of Cincinnati, Ohio. It depicts the current (as of January 1983) limit of liability for each state of the United States and for each province in Canada.

March 1, 1983

Division of Insurance  
Department of Commerce & Economic Development  
State of Alaska

PURCHASING POWER OF FINANCIAL RESPONSIBILITY LAW LIMITS USING 1959  
(statehood) AS BASE YEAR

(1) Year	(2) Purchasing Power indx	(3) B.I. Limits (000)	(4) Purchasing Power of (3)	(5) P.D. Limit (000)	(6) Purchasing Power of (5)
1959	1.000	10/20	10000/20000	5	5000
1960	.984	10/20	9840/19680	5	4920
1961	.975	10/20	9750/19500	5	4875
1962	.964	10/20	9640/19280	5	4820
1963	.953	10/20	9530/19060	5	4765
1964	.940	10/20	9400/18800	5	4700
1965	.924	10/20	9240/18480	5	4620
1966	.899	10/20	8990/17980	5	4495
1966	.899	15/30	13485/26970	5	4495
1967	.873	15/30	13095/26190	5	4365
1968	.838	15/30	12570/25140	5	4190
1969	.796	15/30	11940/23880	5	3980
1970	.751	15/30	11265/22530	5	3755
1971	.720	15/30	10800/21600	5	3600
1972	.698	15/30	10470/20940	5	3490
1973	.657	15/30	9855/19710	5	3285
1974	.587	15/30	8805/17610	5	2935
1975	.542	15/30	8130/16260	5	2710
1975	.542	25/50	13550/27100	10	5420
1976	.512	25/50	12800/25600	10	5120
1977	.481	25/50	12025/24050	10	4810
1978	.447	25/50	11175/22350	10	4470
1979	.402	25/50	10050/20100	10	4020
1980	.355	25/50	8875/17750	10	3550
1981	.325	25/50	8125/16250	10	3250
1982est.	.310	25/50	7750/15500	10	3100
1983est.	.295	25/50	7375/14750	10	2950

## Proposals

1983est.	.295	50/100	14750/29500	25	7375
1983est	.295	100/200	29500/59000	25	7375

Prepared by: Alaska Division of Insurance  
Based on U.S. Bureau of Labor Statistics  
Date: March 1, 1983

## EXHIBIT B

## PURCHASING POWER OF FINANCIAL RESPONSIBILITY LAW LIMITS USING 1975 (date of last change in financial responsibility law limits) AS BASE YEAR

(1) Year	(2) Purchasing Power Indx	(3) B.I. Limits (000)	(4) Purchasing Power of (3)	(5) P.D. Limit (000)	(6) Purchasing Power of (5)
1975	1.000	25/50	25000/50000	10	10000
1976	.945	25/50	23625/47250	10	9450
1977	.887	25/50	22175/44350	10	8870
1978	.824	25/50	20600/41200	10	8240
1979	.742	25/50	18550/37100	10	7420
1980	.654	25/50	16350/36700	10	6540
1981	.599	25/50	14975/29950	10	5990
1982est.	.572	25/50	14300/28600	10	5720

Prepared by: Alaska Division of Insurance  
 Based on: U.S. Bureau of Labor Statistics  
 Date: March 1, 1983

EXHIBIT IV CHART 1

AUTOMOBILE FINANCIAL RESPONSIBILITY/COMPULSORY LIMITS

STATE	LIABILITY LIMITS*	STATE	LIABILITY LIMITS*
ALABAMA	20/40/10	RHODE ISLAND	25/50/10
ALASKA	50/100/25	SOUTH CAROLINA	15/30/5
ARIZONA	15/30/10	SOUTH DAKOTA	25/50/25
ARKANSAS	25/50/15	TENNESSEE	20/40/10
CALIFORNIA	15/30/5	TEXAS	20/40/15
COLORADO	25/50/15	UTAH	20/40/10
CONNECTICUT	20/40/10	VERMONT	20/40/10
DELAWARE	15/30/10	VIRGINIA	25/50/10
DISTRICT OF COLUMBIA	25/50/10	WASHINGTON	25/50/10
FLORIDA	10/20/05	WEST VIRGINIA	20/40/10
GEORGIA	15/30/10	WISCONSIN	25/50/10
HAWAII	35/UNLIMITED/10	WYOMING	25/50/20
IDAHO	25/50/15		
ILLINOIS	20/40/15	<b>CANADA</b>	
INDIANA	25/50/10	ALBERTA	\$200,000
IOWA	20/40/15		INCLUSIVE**
KANSAS	25/50/10	BRITISH COLUMBIA	\$200,000
KENTUCKY	10/20/05		INCLUSIVE**
LOUISIANA	10/20/10	MANITOBA	\$200,000
MAINE	20/40/10		INCLUSIVE**
MARYLAND	20/40/10	NEW BRUNSWICK	\$200,000
MASSACHUSETTS	10/20/05		INCLUSIVE**
MICHIGAN	20/40/10	NEWFOUNDLAND	\$200,000
MINNESOTA	20/60/10		INCLUSIVE**
MISSISSIPPI	10/20/05	N.W. TERRITORIES	\$200,000
MISSOURI	25/50/10		INCLUSIVE**
MONTANA	25/50/5	NOVA SCOTIA	\$200,000
NEBRASKA	25/50/25		INCLUSIVE**
NEVADA	15/30/10	ONTARIO	\$200,000
NEW HAMPSHIRE	25/50/25		INCLUSIVE**
NEW JERSEY	15/30/5	PRINCE EDWARD ISLAND	\$200,000
NEW MEXICO	25/50/10		INCLUSIVE**
NEW YORK***	10/20/05	QUEBEC****	\$200,000
NORTH CAROLINA	25/50/10		INCLUSIVE**
NORTH DAKOTA	25/50/25	SASKATCHEWAN	\$200,000
OHIO	12.5/25/7.5		INCLUSIVE**
OKLAHOMA	10/20/10	YUKON	\$200,000
OREGON	25/50/10		INCLUSIVE**
PENNSYLVANIA	15/30/5		

\* - THE FIRST TWO FIGURES REFER TO BODILY INJURY LIABILITY LIMITS AND THE THIRD FIGURE TO PROPERTY DAMAGE LIABILITY. FOR EXAMPLE, 10/20/5 MEANS COVERAGE UP TO \$20,000 FOR ALL PERSONS INJURED IN AN ACCIDENT, SUBJECT TO A LIMIT OF \$10,000 FOR ONE INDIVIDUAL, AND \$5,000 COVERAGE FOR PROPERTY DAMAGE.

\*\* - "INCLUSIVE" MEANS THAT AMOUNT OF LIABILITY INSURANCE SHOWN IS AVAILABLE TO SETTLE EITHER BODILY INJURY OR PROPERTY DAMAGE CLAIMS - OR BOTH. WHEN A CLAIM INVOLVING BOTH BODILY INJURY AND PROPERTY DAMAGE REACHES THE "INCLUSIVE" LIMIT, PAYMENT FOR PROPERTY DAMAGE IS LIMITED TO \$20,000 IN BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK AND NEWFOUNDLAND, AND TO \$10,000 IN THE OTHER TERRITORIES HAVING "INCLUSIVE" LIMITS.

\*\*\* - 50/100 IN CASES OF WRONGFUL DEATH

\*\*\*\* - QUEBEC HAS A COMPLETE NO-FAULT SYSTEM FOR BODILY INJURY CLAIMS, SCALED DOWN FOR NON-RESIDENTS IN PROPORTION TO THEIR DEGREE OF FAULT. THE \$50,000 LIMIT RELATES TO LIABILITY FOR PROPERTY DAMAGE IN QUEBEC AND TO LIABILITY FOR BODILY INJURY AND PROPERTY DAMAGE OUTSIDE QUEBEC.

SOURCES: AMERICAN INSURANCE INSTITUTE; INSURANCE BUREAU OF CANADA; INSURANCE INFORMATION INSTITUTE

Exhibit P

EXHIBIT I CHART 3

AUTOMOBILE LIABILITY INSURANCE 1978 - 1987  
(000's Omitted)

YEAR	PRIVATE PASSENGER			COMMERCIAL		
	WRITTEN PREMIUMS	ANNUAL % OF CHANGE	COMBINED RATIO*	WRITTEN PREMIUMS	ANNUAL % OF CHANGE	COMBINED RATIO*
1978	\$16,047,755		98.3	\$4,335,232		99.3
1979	\$17,385,444	8.3%	100.8	\$4,716,903	8.8%	104.4
1980	\$18,590,373	6.9%	102.6	\$4,728,913	0.3%	109.1
1981	\$19,649,912	5.7%	108.9	\$4,745,262	0.3%	117.5
1982	\$21,487,468	9.4%	110.1	\$4,738,978	-0.1%	125.6
1983	\$23,349,939	8.6%	111.1	\$4,736,128	-0.1%	132.1
1984	\$24,809,382	6.3%	112.8	\$5,407,281	14.2%	142.4
1985	\$28,243,882	13.8%	118.9	\$7,842,789	45.0%	126.3
1986	\$32,972,920	16.7%	117.9	\$11,108,002	41.6%	111.6
1987	\$37,449,134	13.6%	116.1	\$11,755,444	5.8%	107.1

\* - BEFORE DIVIDENDS TO POLICYHOLDERS. THE COMBINED RATIO MEASURES THE RELATIONSHIP BETWEEN PREMIUMS AND INSURANCE COMPANY EXPENSES AND CLAIM LOSSES. A COMBINED RATIO ABOVE 100 MEANS THAT FOR EVERY \$100 PAID IN PREMIUMS, MORE THAN \$100 WENT TO EXPENSES AND CLAIM LOSSES.

AUTOMOBILE PHYSICAL DAMAGE INSURANCE 1978 - 1987  
(000's Omitted)

YEAR	PRIVATE PASSENGER			COMMERCIAL		
	WRITTEN PREMIUMS	ANNUAL % OF CHANGE	COMBINED RATIO*	WRITTEN PREMIUMS	ANNUAL % OF CHANGE	COMBINED RATIO*
1978	\$10,540,718		95.9	\$2,294,195		89.5
1979	\$11,909,408	13.0%	100.3	\$2,628,293	14.6%	93.6
1980	\$13,086,150	9.9%	96.6	\$2,746,853	4.5%	95.9
1981	\$14,033,370	7.2%	98.6	\$2,713,919	-1.2%	99.8
1982	\$15,292,070	9.0%	101.4	\$2,713,417	0.0%	106.1
1983	\$16,974,304	11.0%	96.3	\$2,773,199	2.2%	105.9
1984	\$18,497,769	9.0%	100.6	\$3,268,035	17.8%	110.9
1985	\$21,180,583	14.5%	98.9	\$4,066,138	24.4%	97.1
1986	\$24,198,891	14.3%	93.6	\$5,106,615	25.6%	82.1
1987	\$26,838,193	10.9%	89.7	\$5,157,198	1.0%	79.4

\* - BEFORE DIVIDENDS TO POLICYHOLDERS. THE COMBINED RATIO MEASURES THE RELATIONSHIP BETWEEN PREMIUMS AND INSURANCE COMPANY EXPENSES AND CLAIM LOSSES. A COMBINED RATIO ABOVE 100 MEANS THAT FOR EVERY \$100 PAID IN PREMIUMS, MORE THAN \$100 WENT TO EXPENSES AND CLAIM LOSSES.

SOURCE: A.M. BEST COMPANY INC., BEST'S AGGREGATES & AVERAGES

Exhibit E

EXHIBIT I CHART 4

AUTOMOBILE DIRECT WRITTEN PREMIUMS BY STATE IN 1987  
(000's Omitted)

STATE	PRIVATE PASS. AUTOMOBILE LIABILITY	PRIVATE PASS. AUTOMOBILE PHYS. DMG.	COMMERCIAL AUTOMOBILE LIABILITY	COMMERCIAL AUTOMOBILE PHYS. DMG.	TOTAL ALL LINES OF INS.
ALABAMA	\$362,830	\$440,933	\$172,313	\$80,348	\$2,596,553
ALASKA	\$77,451	\$53,713	\$26,091	\$7,634	\$822,144
ARIZONA	\$666,115	\$358,017	\$163,084	\$62,161	\$2,666,487
ARKANSAS	\$244,691	\$214,488	\$118,988	\$49,818	\$1,506,961
CALIFORNIA	\$6,071,104	\$3,633,943	\$1,491,732	\$591,341	\$28,716,912
COLORADO	\$576,600	\$385,492	\$137,786	\$69,784	\$2,545,997
CONNECTICUT	\$780,939	\$486,933	\$245,899	\$97,946	\$3,981,176
DELAWARE	\$127,704	\$75,488	\$45,547	\$17,204	\$617,343
DIST. OF COLUMBIA	\$86,439	\$58,872	\$26,244	\$8,383	\$710,662
FLORIDA	\$2,344,836	\$1,319,107	\$762,260	\$271,563	\$10,114,380
GEORGIA	\$1,049,085	\$746,489	\$358,019	\$135,318	\$5,024,804
HAWAII	\$214,419	\$103,215	\$59,659	\$17,661	\$988,689
IDAHO	\$113,529	\$85,080	\$36,501	\$20,928	\$620,237
ILLINOIS	\$1,431,829	\$1,281,637	\$517,547	\$231,104	\$9,577,137
INDIANA	\$621,134	\$534,696	\$253,767	\$147,099	\$3,458,920
IOWA	\$262,901	\$229,723	\$124,226	\$65,606	\$1,827,819
KANSAS	\$288,343	\$263,340	\$110,906	\$67,370	\$1,822,168
KENTUCKY	\$411,862	\$321,404	\$121,347	\$78,644	\$2,158,147
LOUISIANA	\$641,071	\$381,602	\$253,284	\$62,894	\$3,263,098
MAINE	\$125,680	\$124,016	\$64,756	\$33,629	\$972,107
MARYLAND	\$1,099,115	\$517,692	\$288,969	\$104,817	\$4,024,588
MASSACHUSETTS	\$1,240,909	\$975,290	\$372,267	\$202,714	\$6,316,505
MICHIGAN	\$1,195,345	\$1,575,199	\$348,703	\$235,229	\$7,720,598
MINNESOTA	\$723,592	\$397,688	\$214,191	\$88,987	\$3,646,168
MISSISSIPPI	\$213,222	\$229,601	\$112,916	\$62,192	\$1,529,852
MISSOURI	\$646,222	\$579,912	\$221,754	\$109,136	\$3,890,857
MONTANA	\$98,606	\$67,810	\$46,893	\$24,422	\$552,437
NEBRASKA	\$157,894	\$141,262	\$83,534	\$45,235	\$1,117,993
NEVADA	\$228,409	\$119,317	\$52,954	\$20,322	\$826,337
NEW HAMPSHIRE	\$176,263	\$172,054	\$70,178	\$40,279	\$1,103,159
NEW JERSEY	\$1,942,249	\$1,172,916	\$776,606	\$244,765	\$8,930,318
NEW MEXICO	\$181,472	\$147,503	\$55,875	\$29,600	\$948,151
NEW YORK	\$2,855,224	\$1,986,209	\$1,118,610	\$360,043	\$17,047,401
NORTH CAROLINA	\$790,318	\$626,305	\$278,638	\$117,267	\$3,791,336
NORTH DAKOTA	\$65,129	\$50,494	\$25,635	\$16,722	\$427,203
OHIO	\$1,366,231	\$1,081,040	\$423,857	\$223,689	\$6,680,921
OKLAHOMA	\$371,757	\$340,048	\$127,292	\$71,409	\$2,126,549
OREGON	\$453,104	\$260,175	\$130,435	\$61,294	\$2,064,783
PENNSYLVANIA	\$2,312,841	\$1,183,160	\$708,810	\$260,428	\$10,149,393
RHODE ISLAND	\$159,257	\$137,782	\$56,366	\$23,526	\$944,976
SOUTH CAROLINA	\$549,876	\$364,048	\$123,312	\$51,982	\$2,208,953
SOUTH DAKOTA	\$62,431	\$57,735	\$33,181	\$19,323	\$433,369
TENNESSEE	\$509,728	\$534,501	\$234,260	\$101,470	\$3,207,038
TEXAS	\$2,010,230	\$1,907,777	\$689,662	\$302,734	\$12,967,251
UTAH	\$178,390	\$143,048	\$57,718	\$28,220	\$878,090
VERMONT	\$64,509	\$68,425	\$30,592	\$17,444	\$478,305
VIRGINIA	\$956,224	\$607,625	\$291,207	\$104,612	\$4,166,127
WASHINGTON	\$732,942	\$422,287	\$196,275	\$84,291	\$3,009,649
WEST VIRGINIA	\$221,787	\$184,928	\$57,309	\$33,944	\$913,996
WISCONSIN	\$550,430	\$418,483	\$195,446	\$105,938	\$3,295,856
WYOMING	\$45,300	\$50,755	\$18,895	\$11,611	\$288,240
COUNTYRWIDE	\$38,659,149	\$27,624,269	\$12,548,274	\$16,901,952	\$199,478,139

SOURCE: INSURANCE INFORMATION INSTITUTE

## Average Automobile Insurance Premiums by State Ranked by 1987 Premiums per Passenger Vehicle

1987 Rank	State	1987 Average Premium (1)	1988 Rank	1988 Average Premium	1985 Rank	1985 Average Premium	1984 Rank	1984 Average Premium	1983 Rank	1983 Average Premium
1	Massachusetts	\$655.72	4	\$555.55	3	\$521.40	2	\$488.00	3	\$416.58
2	New Jersey	634.04	1	603.55	2	580.12	1	565.77	1	521.21
3	California	623.44	3	568.20	4	503.65	6	423.49	8	373.83
4	Arizona	601.36	5	553.84	7	471.38	5	423.65	12	354.35
5	Nevada	600.04	6	549.19	5	498.75	7	418.09	5	387.92
6	Maryland	597.08	10	506.34	11	423.53	11	374.20	10	356.44
7	Alaska	588.88	2	602.45	1	596.44	4	447.34	4	396.11
8	New York	583.69	7	522.06	6	485.07	3	453.26	2	421.70
9	Washington, D.C.	579.82	15	463.13	19	385.27	20	339.10	21	301.96
10	Pennsylvania	568.97	9	512.09	8	465.03	0	418.76	6	384.61
11	Rhode Island	549.00	12	478.60	15	405.93	17	350.29	17	325.12
12	Delaware	536.96	13	469.15	14	408.04	16	350.70	18	323.29
13	Hawaii	530.13	17	453.60	12	417.59	19	349.57	9	360.90
14	Louisiana	529.68	8	515.39	9	443.24	10	401.86	7	363.72
15	Connecticut	519.93	14	466.09	13	412.52	12	373.01	14	336.05
16	South Carolina	514.93	20	449.74	17	388.86	14	365.38	15	334.93
17	Michigan	509.28	11	481.07	16	404.63	15	359.04	16	328.24
18	New Hampshire	508.85	18	453.10	37	312.34	32	304.55	29	291.00
19	West Virginia	506.81	16	454.65	10	426.56	9	404.97	11	356.41
20	Georgia	501.14	19	450.23	22	372.06	30	305.48	30	287.18
21	Arkansas	494.29	22	433.75	18	392.27	18	349.73	23	294.67
<b>National Average</b>		<b>486.50</b>		<b>442.22</b>		<b>390.04</b>		<b>351.48</b>		<b>322.20</b>
22	Texas	474.33	23	426.09	20	383.76	13	372.48	13	343.32
23	Missouri	460.88	26	403.49	26	354.36	28	309.81	27	291.11
24	Minnesota	456.48	25	416.98	34	318.29	23	326.69	25	292.30
25	Illinois	439.46	24	418.51	25	356.00	27	312.69	19	307.75
26	Virginia	436.20	31	381.82	32	325.15	38	281.17	33	268.85
27	Oregon	435.09	28	396.36	28	349.68	29	306.65	20	302.22
28	Colorado	434.97	21	444.11	21	379.16	22	329.91	22	301.36
29	Florida	433.91	30	390.50	29	344.98	31	304.58	26	291.55
30	Utah	431.01	27	396.78	31	329.96	36	284.22	34	265.58
31	Washington	430.20	29	393.86	27	351.53	25	315.99	24	293.52
32	Indiana	423.13	39	360.89	42	298.08	42	268.56	35	259.19
33	New Mexico	415.57	32	378.17	23	368.43	24	325.97	42	246.97
34	Kentucky	409.43	35	369.37	33	321.83	43	266.25	44	241.44
35	Wisconsin	409.29	34	372.76	39	308.85	40	279.96	43	245.93
36	North Carolina	408.42	38	362.36	35	315.75	35	285.78	46	239.36
37	Vermont	405.36	37	363.97	38	310.66	33	291.12	36	258.85
38	Montana	405.22	33	372.96	24	360.36	26	314.46	40	248.41
39	Oklahoma	370.28	36	368.85	30	342.47	21	332.78	28	291.09
40	Kansas	369.14	41	345.19	36	312.50	34	286.14	31	281.70
41	Maine	364.59	43	332.83	43	296.71	37	283.48	37	258.68
42	Ohio	350.84	44	327.01	45	279.39	44	260.60	47	237.31
43	Nebraska	348.27	45	323.98	44	288.02	41	269.25	38	257.63
44	Idaho	345.66	42	344.30	41	300.43	45	256.61	39	248.71
45	Wyoming	345.02	40	347.91	40	307.51	39	281.05	32	277.50
46	Mississippi	331.16	47	297.25	47	271.02	46	250.53	45	240.34
47	Tennessee	328.38	48	292.49	48	261.15	48	235.82	49	215.07
48	North Dakota	328.23	46	307.13	46	278.07	47	243.00	41	247.64
49	Alabama	306.73	49	278.46	49	260.63	50	224.10	51	200.24
50	South Dakota	295.08	50	255.77	50	231.24	51	213.47	50	208.66
51	Iowa	255.61	51	243.95	51	214.84	49	229.89	48	222.18

\* Indicates states which did not have compulsory auto insurance laws in 1987, according to the Insurance Information Institute.  
Note: Various factors may skew results; see text for explanation of how figures are calculated.

insured, vehicles. Several states still do not mandate coverage, and others have varying degrees of registered, but illegally operated uninsured cars. Also affecting the averages are different

states' requirements for minimum limits of coverage.

It should be noted that each year the A.M. Best Company and the Federal Highway Administration both

adjust figures published in prior reports to ensure that the best currently available information is reported. These adjustments could change rankings reported in prior years' reports.

## Growth of Average Auto Premiums Five Years, By State

86/87 Growth Rank	State	86/87 Growth Percent	85/86 Growth Percent	84/85 Growth Percent	83/84 Growth Percent	82/83 Growth Percent	82/87 Growth Percent	Number of Companies Writing in State		
								1987	1988	Net Change
1	Wash. D.C.	25.20	20.21	13.61	12.30	14.37	119.62	166	178	-12
2	Massachusetts	18.03	6.55	6.85	17.14	9.08	71.70	189	170	-1
3	Maryland	17.92	19.55	13.18	4.98	11.92	87.48	263	262	1
4	Indiana	17.25	21.07	10.99	3.62	14.43	86.80	353	356	-3
5	Hawaii	16.87	8.62	19.46	-3.14	-1.09	45.28	105	103	2
6	South Dakota	15.37	10.61	8.32	2.30	3.74	46.70	209	218	-9
7	Rhode Island	15.19	17.41	15.88	7.71	8.02	82.40	177	179	-2
8	South Carolina	14.50	12.76	9.16	9.09	9.39	68.17	184	191	-7
9	Delaware	14.45	14.98	16.35	8.48	9.06	81.15	187	185	2
10	Virginia	14.24	17.43	15.64	4.58	6.00	71.98	283	277	6
11	Missouri	14.22	13.86	14.38	6.42	10.45	74.87	324	328	-4
12	Arkansas	13.96	10.58	12.16	18.68	12.85	89.29	251	257	-6
13	North Carolina	12.71	14.76	10.49	19.39	13.59	93.82	216	225	-9
14	New Hampshire	12.31	45.07	2.56	4.65	11.02	94.14	164	170	-6
15	Tennessee	12.27	12.00	10.74	9.65	8.93	66.31	316	312	4
16	New York	11.81	7.62	7.02	7.48	9.59	51.68	259	270	-11
17	Connecticut	11.55	12.99	10.59	11.00	9.89	70.02	216	226	-10
18	West Virginia	11.47	6.59	5.33	13.63	3.40	47.03	198	199	-1
19	Mississippi	11.41	9.68	8.18	4.24	11.26	53.30	267	267	0
20	Vermont	11.37	17.16	6.71	12.46	-0.97	55.08	170	181	-11
21	Texas	11.32	11.03	3.03	8.49	10.65	52.87	403	405	-2
22	Georgia	11.31	21.01	21.80	6.37	11.99	95.43	336	331	5
23	Florida	11.12	13.19	13.27	4.47	10.41	64.31	370	365	5
24	Pennsylvania	11.11	10.12	11.05	8.88	7.44	58.94	284	294	-10
25	Kentucky	10.85	14.77	19.97	11.11	6.72	80.97	283	286	-3
26	Alabama	10.15	6.84	16.30	11.92	5.05	60.91	283	294	-11
27	New Mexico	9.89	2.64	13.03	31.99	7.45	80.80	246	250	-4
28	Wisconsin	9.80	20.69	10.32	13.84	7.09	78.23	311	310	1
29	Oregon	9.77	13.35	14.03	1.46	3.79	49.43	257	265	-8
30	California	9.72	12.82	18.93	13.28	4.36	74.05	374	375	-1
31	Maine	9.54	12.18	4.67	9.58	6.27	49.78	185	184	1
32	Minnesota	9.47	31.01	-2.57	11.77	2.35	59.84	284	287	-3
33	Washington	9.23	12.04	11.24	7.65	3.83	52.17	274	268	6
34	Nevada	9.20	10.17	19.04	8.01	0.90	56.08	207	216	-9
35	Arizona	8.69	17.49	11.27	19.56	17.52	99.63	299	297	2
36	Montana	8.65	3.50	14.59	26.59	-1.54	60.61	190	195	-5
37	Utah	8.63	20.25	16.09	7.02	5.81	71.72	220	227	-7
38	Nebraska	7.50	12.48	6.97	4.51	4.18	40.84	254	251	3
39	Ohio	7.29	17.05	7.21	9.82	4.88	55.05	346	343	3
40	Kansas	6.94	10.46	9.21	1.57	5.95	38.83	276	284	-8
41	North Dakota	6.87	10.45	14.43	-1.87	2.66	36.07	211	221	-10
42	Michigan	5.86	18.89	12.70	9.38	6.92	65.88	236	251	-15
43	New Jersey	5.19	4.04	2.54	8.55	14.33	39.25	213	228	-15
44	Illinois	5.00	17.56	13.85	1.61	5.53	50.70	384	380	4
45	Iowa	4.78	13.55	-6.55	3.47	-3.00	11.59	290	298	-8
46	Louisiana	2.77	16.28	10.30	4.73	4.11	43.70	319	320	-1
47	Idaho	0.39	14.60	17.07	3.18	7.55	49.47	211	222	-11
48	Oklahoma	0.39	7.70	2.91	14.32	15.73	47.22	286	281	5
49	Wyoming	-0.83	13.14	9.42	1.28	5.00	30.55	176	173	3
50	Colorado	-2.06	17.13	14.93	9.47	5.01	51.56	303	302	1
51	Alaska	-2.25	1.18	33.11	12.93	11.87	66.31	124	128	-4
<b>National Average</b>		<b>10.01</b>	<b>13.38</b>	<b>10.98</b>	<b>9.08</b>	<b>7.99</b>	<b>63.06</b>	<b>1,120</b>	<b>1,097</b>	

Note: Various factors may skew results; see text for explanation of how figures are calculated.

### Some Auto Insurers Retreat

Over the past five years, writers of private passenger auto insurance have shifted their business in and out of states. While the total number of individual companies writing private passenger auto increased from 1,038 to 1,120, a slight majority of the states experienced a net decrease of insurers writing auto business. The District of Columbia and 26 states each had a five-year decline of writers, as shown in the table below.

This table supplements last week's On-Line Report, "Average Auto Premiums by State," which showed a one-year change of writers.

State	Number of Companies Writing in State		Net Change
	1987	1988	
Alabama	283	301	-18
Alaska	124	132	-8
Arizona	299	291	8
Arkansas	251	264	-13
California	374	359	15
Colorado	303	307	-4
Connecticut	216	212	4
Delaware	187	196	-9
Wash. D.C.	166	173	-7
Florida	370	348	22
Georgia	336	315	21
Hawaii	105	105	0
Idaho	211	233	-22
Illinois	384	374	10
Indiana	353	348	5
Iowa	290	295	-5
Kansas	276	267	9
Kentucky	283	288	-5
Louisiana	319	309	10
Maine	185	183	2
Maryland	263	237	26
Massachusetts	169	181	-12
Michigan	236	273	-37
Minnesota	284	285	-1
Mississippi	267	259	8
Missouri	324	320	4
Montana	190	203	-13
Nebraska	254	255	-1
Nevada	207	220	-13
New Hampshire	164	177	-13
New Jersey	213	229	-16
New Mexico	246	254	-8
New York	259	279	-20
North Carolina	216	226	-10
North Dakota	211	213	-2
Ohio	346	324	22
Oklahoma	286	267	19
Oregon	257	256	1
Pennsylvania	284	273	11
Rhode Island	177	183	-6
South Carolina	184	209	-25
South Dakota	209	222	-13
Tennessee	316	297	19
Texas	403	385	18
Utah	220	230	-10
Vermont	170	178	-8
Virginia	283	269	14
Washington	274	265	9
West Virginia	198	191	7
Wisconsin	311	286	25
Wyoming	176	182	-6
National Total	1,120	1,038	82

### EXECUTIVE NOTES

#### American Bankers Insurance Group

Jay Fuchs was promoted to executive vice president, financial markets, of American Bankers Group, Miami. In other management changes, Bonnie Blackburn was named senior vice president, marketing services; Darrell Gambero was appointed senior vice president, manufactured housing and consumer finance; F. Thomas Hayes was named senior vice president, retail and special markets; Stanford Neubarth was named senior vice president and secretary, corporate planning and acquisitions; and Stephen Williams was appointed senior vice president, regional sales.

#### Fred. S. James & Co.

Quill O. Healey was elected president and chief operating officer of Fred. S. James & Co., New York. He previously served as group director of the company's retail offices in the eastern United States. Appointed executive vice presidents in the Chicago office are John E. Doerr, former president of Doerr, Burns & Associates; James M. Herrmann, previously senior vice president and sales manager for large accounts; and William R. Storie, former senior vice president.

Appointed senior vice presidents in the Chicago office were Cynthia L. Ferrara, most recently a vice president, human resources; Patricia A. Sacony, former vice president, finance; Kenneth Gladkowski, previously a vice president and account executive and Terry R. McCubbin, who most recently served as deputy managing vice president at Alexander & Alexander of St. Louis.

#### AMBAC Indemnity

H. Russell Fraser is stepping down as president and chief executive officer of AMBAC Inc. and AMBAC Indemnity, New York, effective January 1. He will remain on the boards of AMBAC Inc., AMBAC Indemnity and Capital Markets Assurance, New York. All are subsidiaries of Citibank, N.A.R. Daniel Massey, currently senior executive vice president of AMBAC, will become the new president and chief executive officer of AMBAC and AMBAC Indemnity.

#### Financial Guardian Group

Darrell Prater was promoted to president and chief operating officer of Financial Guardian Group, Kansas City, Mo. In other management changes at the company, Frank Witthun was elected executive vice president, Ken Schultz was named vice president and treasurer and Dick Juntunen was appointed senior vice president.

#### First Transamerica Life

Joseph Flanagan was named president of First Transamerica Life Insurance, a New York-based affiliate of Transamerica Life Insurance Companies. He most recently served as the company's executive vice president and chief operating officer.

(continued on Supplements)

Anchorage Daily News Jan 13, 1989

# Uninsured drivers still liable for damages in car accidents

By MARILEE ENGE  
Daily News reporter

Although Alaska's mandatory auto insurance law expired at the end of 1988, drivers are still legally responsible for damages they cause in automobile accidents, according to Jay Dulany, director of the Division of Motor Vehicles.

Alaskans are no longer required to carry liability insurance on their cars, but they still must show financial responsibility if they are involved in an accident.

Alaska's Mandatory Insurance law was allowed to run out on Dec. 31, and Dulany said people are confused about whether the

state still has insurance requirements.

Sgt. Greg Stewart, who heads the Anchorage Police Department's traffic unit, said many drivers mistakenly believe they no longer are required to show financial responsibility when they cause accidents.

"I investigated an accident today where a guy said, 'I let it lapse at the end of the year because I'm not required to have it,'" Stewart said Wednesday. The driver's car had just rear-ended another vehicle. "I told him his license may be suspended."

A driver involved in a

traffic accident in which the damage is more than \$500, or in which someone is injured, must show an ability to pay for the damages. Drivers who do not have liability insurance must post a cash security deposit with the state, submit proof of an agreement to pay for the damages, show evidence that the driver was not at fault or obtain a release from liability from the other party in the accident.

A driver who cannot show financial responsibility after an accident can lose his or her license.

Drivers whose licenses are suspended or revoked are still required to have SR-22 insurance for three years after the action, Dulany said.

# Mandatory Auto Insurance - Stats from public safety

On December 22, 1988, Laura Fleming from Senator Eliason's office called for some statistical information concerning the Financial Responsibility (FR) and Mandatory Insurance (MI) Laws. Thus, the following information was compiled. An important item to keep in mind is that suspension notices are sent under the FR Law only to uninsured drivers who were at fault and caused damage to another person's property. Under the MI Law the notices are sent to all uninsured drivers regardless of fault, or whose property was damaged.

1981: Accidents involving 25,380 drivers were processed.

2,616 FR suspension notices were generated, which was 10.3% of the drivers.

22% of those suspended never complied with the law and the suspensions were terminated three years after the effective date. This is 2.2% of the total drivers involved in accidents.

1982: Accidents involving 31,812 drivers were processed.

2,749 FR suspension notices were generated, which was 8.6% of the drivers.

22% of those suspended never complied with the law and the suspensions were terminated three years after the effective date. This is 1.9% of the total drivers involved in accidents.

1983: Accidents involving 34,428 drivers were processed.

3,320 FR suspension notices were generated, which was 9.6% of the drivers.

30% of the those suspended never complied with the law and the suspensions were terminated three years after the effective date. This is 2.9% of the total drivers involved in accidents.

1984: Accidents involving 35,820 drivers were processed.  
3,326 FR suspension notices were generated, which was 9.3% of the drivers.

30% of those suspended never complied with the law and the suspensions were terminated three years after the effective date. This is 2.8% of the total drivers involved in accidents.

1985: Due to the change in procedures incorporated with inception of MI Law, FR figures are incomplete for this year. Partial year figures reflect that for accidents involving 26,098 drivers, 1,743 FR suspension notices were generated, which was 6.7% of the drivers.

1986: Accidents involving 32,559 drivers were processed.  
2,027 FR suspension notices were generated, which was 6.2% of the drivers.

3,415 MI suspensions generated as a result of accidents remained in effect for the full term, which reflects 10.5% of the drivers did not submit proper proof of insurance.

1987: Accidents involving 28,444 drivers were processed.

1,713 FR suspension notices were generated, which was 6.0% of the drivers.

2,770 MI suspensions generated as a result of accidents remained in effect for the full term, which reflects 9.7% of the drivers did not submit proper proof of insurance.

1988: (Partial Year) Accidents involving 21,963 drivers were processed.

1,322 FR suspension notices were generated, which was 6.0% of the drivers.

1,826 MI suspensions generated as a result of accidents remained in effect for the full term, which reflects 8.3% of the drivers did not submit proper proof of insurance.

NOTE: 1985 through 1988 figures do not reflect the number of FR suspensions in which the driver never complied with the law, thus, the party receiving the damages may not have been compensated. The figure for 1985 will not be available due to changed in record keeping procedures. For the other years, the figures will not be available until three years elapse following the suspension.

It should also be noted that some of the FR suspensions were voided due to the driver being able to prove there was insurance in existence to cover the accident. Compliance with the law can also be accomplished by obtaining a release from, or entering into a settlement agreement

with, the person who suffered the loss. Statistics were not maintained to reflect the method a person complied with the law.

It should also be noted that the FR suspensions include only those generated when accident reports were worked or reviewed. They do not include unsatisfied judgments, defaults, etc., which is generally an additional suspension to a driver who was previously suspended when the accident report was originally reviewed, however, under a different section of the law.

Another figure requested was the number of court suits initiated as a result of uninsured accidents, and whether or not these would change as a result of no MI law. I am unable to provide figures concerning this subject. There has definitely been an increase in civil cases the past couple of years, which I believe is a national trend. DMV has noticed a large increase in unsatisfied judgments and defaults on confession of judgment. This specific increase had nothing to do with the MI law. However, with its repeal, and the possibility of more uninsured, the likelihood of an additional increase in civil suits in court is quite possible.

For informational purposes our figures reflect that the number of drivers who were not insured when involved in motor vehicle accidents prior to the inception of the MI law are as follows:

1984 - Not available  
1983 - 19%  
1982 - 20%  
1981 - 21%

Bill Brown  
Chief of Driver Services  
Division of Motor Vehicles  
465-4335

1987

## Automobile Financial Responsibility/Compulsory Limits

State	Liability Limits*	State	Liability Limits*
Alabama	20/40/10	Rhode Island	25/50/10
Alaska	50/100/25	South Carolina	15/30/5
Arizona	15/30/10	South Dakota	25/50/25
Arkansas	25/50/15	Tennessee	15/30/10 <sup>2</sup>
California	15/30/5	Texas	20/40/15
Colorado	25/50/15	Utah	20/40/10
Connecticut	20/40/10	Vermont	20/40/10
Delaware	15/30/10	Virginia	25/50/10
District of Columbia	25/50/10	Washington	25/50/10
Florida	10/20/5	West Virginia	20/40/10
Georgia	15/30/10	Wisconsin	25/50/10
Hawaii	35/unlimited/10	Wyoming	25/50/20
Idaho	25/50/15		
Illinois	15/30/10	<b>CANADA</b>	
Indiana	25/50/10	Alberta	\$200,000 inclusive**
Iowa	20/40/15	British Columbia	\$200,000 inclusive**
Kansas	25/50/10	Manitoba	\$200,000 inclusive**
Kentucky	25/50/10	New Brunswick	\$200,000 inclusive**
Louisiana	10/20/10	Newfoundland	\$200,000 inclusive**
Maine	20/40/10	Northwest Territories	\$50,000 inclusive**
Maryland	20/40/10	Nova Scotia	\$200,000 inclusive**
Massachusetts	10/20/5	Ontario	\$200,000 inclusive**
Michigan	20/40/10	Prince Edward Island	\$200,000 inclusive**
Minnesota	30/60/10	Quebec	\$50,000 property damage <sup>3</sup>
Mississippi	10/20/5	Saskatchewan	\$200,000 inclusive**
Missouri	25/50/10	Yukon	\$200,000 inclusive**
Montana	25/50/5		
Nebraska	25/50/25		
Nevada	15/30/10		
New Hampshire	25/50/25		
New Jersey	15/30/5		
New Mexico	25/50/10		
New York	10/20/5 <sup>1</sup>		
North Carolina	25/50/10		
North Dakota	25/50/25		
Ohio	12.5/25/7.5		
Oklahoma	10/20/10		
Oregon	25/50/10		
Pennsylvania	15/30/5		

\*The first two figures refer to bodily injury liability limits and the third figure to property damage liability. For example, 10/20/5 means coverage up to \$20,000 for all persons injured in an accident, subject to a limit of \$10,000 for one individual; and \$5,000 coverage for property damage.

\*\*"Inclusive" means that the amount of liability insurance shown is available to settle either bodily injury or property damage claims—or both. When a claim involving both bodily injury and property damage reaches the "inclusive" limit, payment for property damage is limited to \$5,000 in Northwest Territories; to \$20,000 in British Columbia, Manitoba and Newfoundland, and to \$10,000 in the other territories having "inclusive" limits.

<sup>1</sup>50/100 in cases of wrongful death

<sup>2</sup>20/40/10 as of Jan. 1, 1987; 25/50/10 as of Jan. 1, 1990.

<sup>3</sup>Quebec has a complete no-fault system for bodily injury claims, scaled down for non-residents in proportion to their degree of fault. The \$50,000 limit relates to liability for damage to property in Quebec and to liability for bodily injury and property damage outside Quebec.

Sources: American Insurance Association; Insurance Association of Canada.

# Alaska drivers pay 2nd-highest rates for auto insurance

By DEBBIE MCKINNEY  
Daily News reporter

Alaska has the dubious honor of having the second-highest auto insurance rates in the country. Only New Jersey's are higher.

The average national auto insurance premium is \$440.60 a year. While New Jersey residents pay an average of \$603.50 a year, Alaskans pay \$602.50. California has the third-highest rates at \$568. Iowa has the lowest at \$244.

Icy roads, driving in the dark and other dangerous conditions play a minor role in the cost of insuring a vehicle in Alaska. The National Safety Council in Chicago, which compiles highway safety statistics, does not

keep state-by-state accident comparison figures. It does, however, keep track of highway death rates. Figures show that Alaska's death rate is below the national average, which is 2.6 deaths per 100,000,000 vehicle miles. Alaska's rate is 2.0.

One of the biggest factors driving up Alaska's rates is the cost of auto repair. Parts must be shipped up to Alaska via air freight or barge. And because wages are high in Alaska, auto repairmen generally charge more for their services than their counterparts Outside.

Alaska also has one of the highest mandatory liability limits in the nation — \$50,000/\$100,000 for bodily injury per accident, and \$25,000 for property damage — as set by the Alaska legislature. Bob Sims, market analyst with the state Division of Insurance in Juneau, attributes these standards to high medical and auto repair costs.

In 1985, Alaska passed a mandatory auto insurance law, which put a lot of marginal and high-risk drivers in the insurance pool. Since the mandatory insurance bill died in the

## One of the biggest factors driving up Alaska's rates is the cost of auto repair.

state legislature this year, the law will become defunct as of midnight Dec. 31. Once it does, Sims expects rates to go higher as drivers start to drop their insurance. When an uninsured driver is involved in an accident with an insured driver, the insured driver's insurance company, effectively, does the bailing out. The only way for insurance companies to recover their losses is by charging higher premiums.

The reason New Jersey's rates are high is partly due to the fact that its population density is higher than any other state in the union. "That just means you have more people bumping into each other more often," says Marc Rosenberg, of the Insurance Information Institute in Washington, D.C.

Like Alaska, New Jersey has a high mandatory liability limit and, proportionately, one of the highest numbers of high-risk drivers in the nation. So many, in fact, that the state has developed a joint underwriting association to accommodate them all. With the number of high-risk drivers growing rapidly, this fund is running a massive deficit, Rosenberg explains. Insurance companies are sticking regular drivers with a surcharge to help bail out these assigned-risk drivers.

The real source of aggravation for California drivers is that it costs Los Angeles residents far more to insure their vehicles than those who live elsewhere in the state. Insurance revolters want rates based on a statewide average, which means rates would go down for Los Angeles residents and go up for everyone else.

Now for the good news locally. Alaska's auto insurance rates actually dropped this year. They are down 2½ percent to 3 percent from last year due to a slight decline in auto repair claims.

# Senate to blame for death of insurance law

By REP. DAVE DONLEY

Alaska's roads will be even dicier to drive than usual this winter because it will be twice as likely that the car sliding into you on an icy street will be uninsured as well as out of control.

Alaska's mandatory auto insurance program will end on Jan. 1 because the Alaska State Senate chose to kill House Bill 44, a measure that would have saved it. What does that mean to you and me? A large increase in the number of uninsured drivers on the road and a likely increase in the cost of insurance for the responsible rest of us.

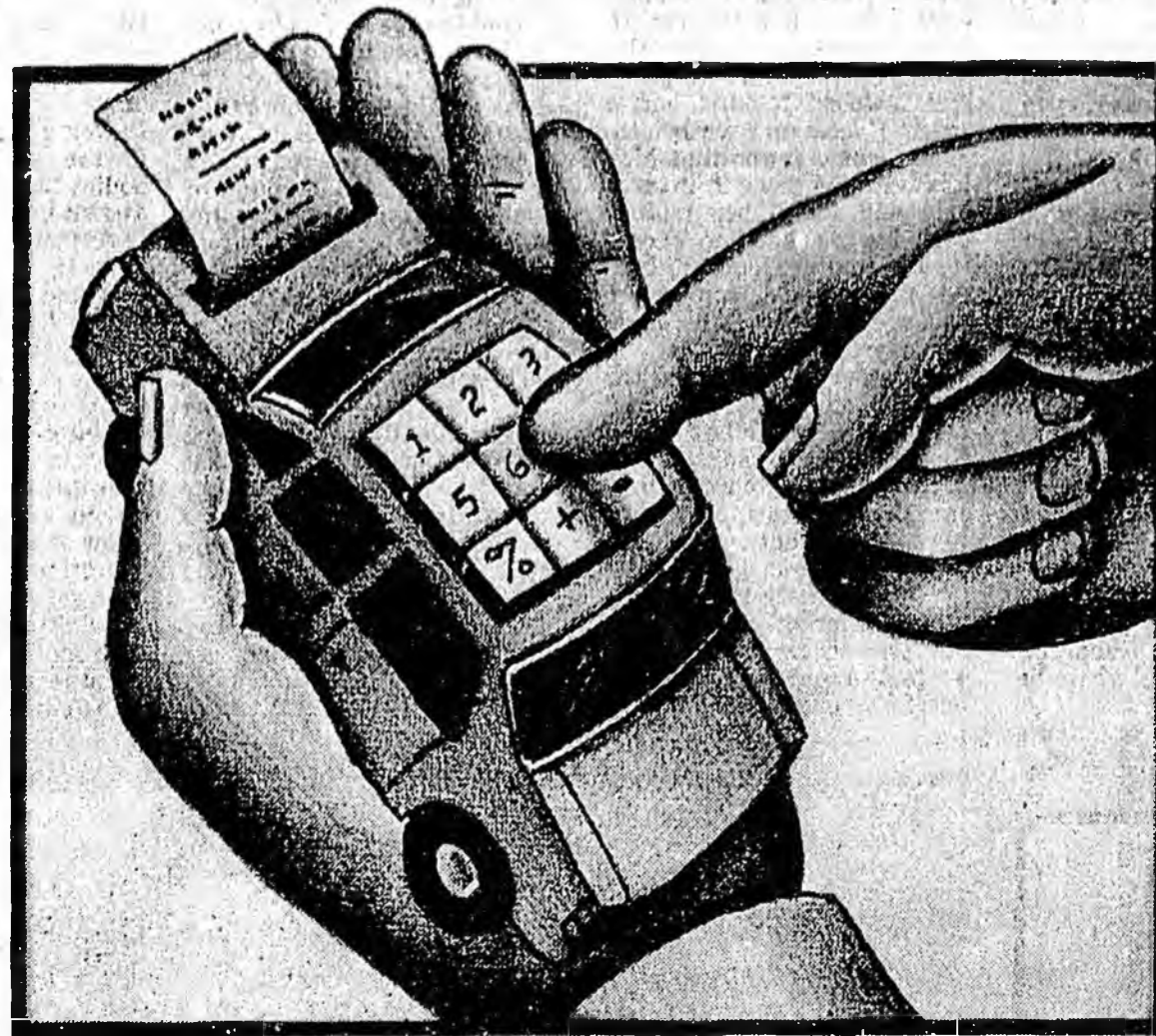
In 1984 the legislature adopted a mandatory automobile insurance program. Some legislators opposed it. The insurance companies opposed it. The department of public safety wasn't any too happy about having to administer it.

Some Alaskans felt that the state shouldn't require people to purchase insurance and there was a real concern that a mandatory program would raise insurance costs.

So Alaska's program was narrowly tailored to require minimum enforcement cost to the department and minimum paperwork to the industry and to the consumer. There was also a "sunset" clause requiring the legislature to adopt new legislation to continue the program or allow it to die on Jan. 1, 1989.

Unfortunately, that's just what the Senate did this year — they let the program die by refusing to allow HB 44 to come to a vote. It didn't just fall through the cracks during the chaos of adjournment either. The House adopted HB 44 unanimously the first day of the 1988 session.

HB 44 would have passed if it had been brought to the floor, but the Senate leadership didn't want that to happen. So they killed it by allowing the sun to set in the dark, away from public review.



Recent statewide polls show that 80 percent of Alaskans support the mandatory auto insurance program and want it strengthened to require proof of insurance "up front" in order to register your vehicle. Alaska's auto insurance rates have not increased since the

law went into effect. In fact they have dropped twice in the last three years.

More importantly, our mandatory insurance program has cut the number of uninsured drivers on Alaska's highways in half — to less than 10 percent today — one of the

lowest rates in the nation.

Before Alaska's mandatory insurance law it was estimated that as many as 40 percent of our drivers were under or uninsured. And that was in the boom times. Just how high will that number go, given our current economy, when insurance is no longer required? Those Alaskans who own cars will have to scramble to purchase under and uninsured motorist insurance, the cost of which is sure to increase dramatically. Alaskans who don't own cars will not be protected against uninsured drivers unless they purchase expensive health and income insurance.

So the program is a clear success, the vast majority of Alaskans want it, and the consequences of ending it are several. So why would the Senate choose to put us all at risk by killing a program that works so well? I don't know, but we shouldn't let them get away with it.

Local newspapers would have you believe that Sen. Eliason from Sitka, chairman of the Senate Rules Committee, killed the bill. But the real responsibility lies much closer to home.

Alaska's auto insurance program would not die if the Senate leadership wanted to save it. It is the Republican senators who make up the leadership who pull the strings in the Senate and this time they pulled in favor of special interests and against Alaskans.

But you can do something about it. If you read this before the governor calls a special session, you can ask him to put Alaska's mandatory automobile insurance program on the agenda. If the Senate won't responsibly protect Alaskans from uninsured motorists, hopefully the governor will.

□ Dave Donley of Anchorage represents District 11-A in the House of Representatives.

# Liability insurance requirement to to expire

By Larry Persly  
Associated Press Writer

JUNEAU — Alaska drivers as of Jan. 1 no longer will be required to have liability insurance due to the Senate's failure to approve legislation this session.

The state's mandatory auto insurance law will expire Jan. 1, after a four-year history.

But, under a different law, if drivers are in an accident they will have to prove they can pay the bills or risk losing their licenses for three years.

There are an estimated 30,000 uninsured drivers in Alaska, according to the Division of Motor Vehicles.

House members in the first week of the session in January passed a bill (HB44) to amend state law to require proof of insurance before people would be allowed to register their vehicles.

The House vote was 38-1, but the clear majority and quick action by the House didn't help much in the Senate.

"There was no input at all" from senators pushing for the bill, said Rules Chairman Sen. Dick Eliason, R-Sitka.

"The only legislator who appeared to be interested was Donley," Eliason said. The measure was sponsored by Rep. Dave Donley, D-Anchorage.

Donley's bill was one of about 40 measures that died in the Rules Committee when the Senate adjourned Tuesday morning.

The committee is the final stop for bills before they reach the floor for a vote.

Before making it to Rules just two days before the session ended, Donley's bill spent three months in Sen. Mitch Abood's State Affairs Committee, often a graveyard for bills opposed by

Senate leaders.

A House bill to require that drivers and passengers use seat belts died in Abood's committee this session.

Alaska's current auto insurance law is an after-the-fact mandatory coverage. It requires proof of insurance after an accident, not before. Failure to have insurance after being involved in an accident, regardless of fault, results in a 90-day license suspension.

The law also requires violators to purchase expensive, high-risk insurance for three years after the accident; it prohibits if

the law that has drawn a lot of public criticism.

Donley's bill would have turned around the law to require that owners certify to the Division of Motor Vehicles that they have insurance prior to receiving their annual registration tags.

The current law was adopted by the 1984 legislature with a provision that it expire Jan. 1, 1989, unless extended by lawmakers.

Termination of the existing insurance law on Jan. 1 will not affect Alaska's financial responsibility law. Under that provision, people at fault in accidents involving personal injury or property damage in excess of \$500 must show their ability to pay the damages or risk losing their licenses for three years.

Drivers may avoid losing their licenses by showing proof of insurance, paying the victims or getting the victims to release them from liability for the damages, said Charles Hosack, Division of Motor Vehicles deputy director.

Prior to the mandatory insurance law of 1984, he said, 20 percent of people involved in accidents had no insurance.

# Increase of car insurance costs unlikely

By Daniel R. Saddler  
Times Business Writer

Auto insurance premiums probably will not increase after the Jan. 1 expiration of Alaska's mandatory car insurance law, a state official said Friday.

But those who drove without insurance before the law took effect in 1984 may just let their coverage lapse in 1989, said Don Koch, an insurance division special deputy.

"I just think some people are going to say the devil with it, and drop it," he said.

"Before that bill was passed we had an uninsured rate of 21 percent, based on public safety's numbers," said Koch. "A year afterward it was 9.5 percent. That's a pretty healthy impact."

An existing law requiring infants traveling in cars to be carried in restraining

seats has helped lower car insurance premiums, Koch said. A bill forcing adults to wear seat belts, which died in the legislature's end-of-session rush, would have contributed further to that decline, he said.

State Farm, which insures a quarter of all Alaska drivers, dropped rates by 11.3 percent in January, and rates for most other insurance companies will drop 4.7 percent in July. The average annual premium is about \$600.

After Jan. 1, companies selling auto liability insurance must still offer uninsured motorist coverage, which averages \$55 per year, he said.

"The mandatory insurance bill we have had is a pretty good one in terms of impact," Koch said. "Without spending a tremendous amount of money, it does have

some effectiveness.

In some other states insurance companies must report uninsured motorists to the government, adding overhead costs that are paid for with higher premiums, he said.

"That's the unfortunate thing," said Koch. "We have a system that doesn't put an extra burden on the population, and the system's going to be gone."

Gehe Reed, a manager of State Farm Alaska agencies, predicts the number of uninsured motorists will increase only about three percent.

"We will undoubtedly have a flurry of cancellations when it becomes no longer mandatory, but that will be a very short period of time," he said.

However, he said the law was not worth  
See Premiums, page C-

## Premiums: Stable

Continued from page C-1

the estimated \$750,000 in additional enforcement costs listed in a 1987 public safety commission report.

The state has no firm estimate on how many of its 300,000 motorists are uninsured due to complexities in registration tabulations and the five-year cycle of license plate issuance, Koch said.

The Division of Public Safety bases its estimates on information gathered in accident reports.

Some drivers never buy insurance regardless of the laws.

"There's always a hard-core group that says, 'By God I'm going to do it my way,'" Koch said. "And as long as a person doesn't have an accident or a serious violation nobody's going to know about it."

5-16-88

Page Times

# Editorials

Elaine Atwood  
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Managing Editor

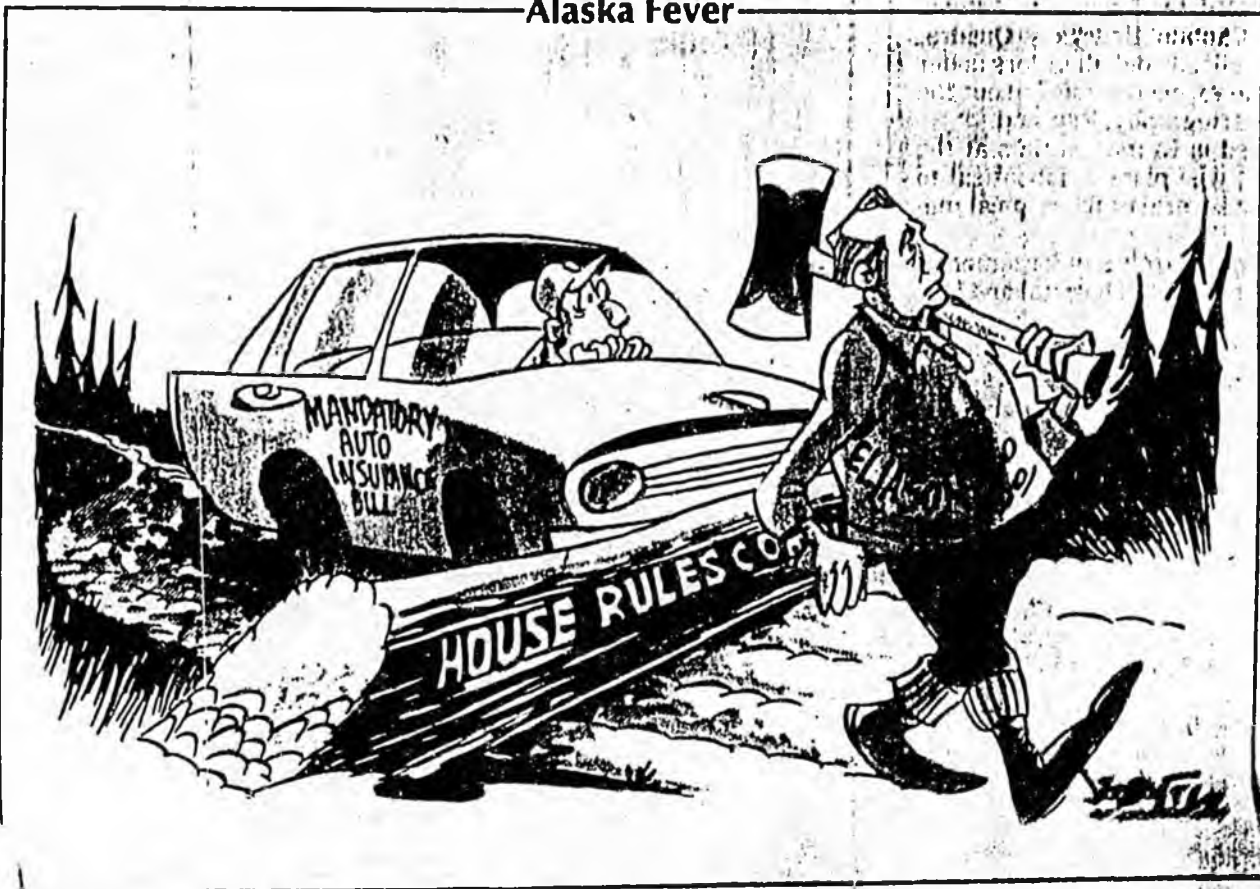
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## Reming

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 ...the old borough and

## Alaska Fever



## The Wagman file



by  
Robert J.  
Wagman

## Europe checks U.S. flights for drugs

AMSTERDAM — A strange thing happened on my way through Amsterdam's Schiphol Airport: I saw a number of passengers arriving from Boston stopped by Dutch customs officers to examine their luggage.

*In my past four trips, I have always been stopped, and they generally remain so today. Passengers arriving from Amsterdam, however,*

*tries in Southeast Asia — have been subject to more rigorous customs checks. Thus, perhaps, some European countries are starting to view the United States as almost a drug-transiting coun-*

## DuPont looks forward to next time

WASHINGTON — Pete DuPont, looking as fresh as a daisy that has found a meadow much



*with those who connected him with two, 83 percent with those who connected him with three. Of course, those numbers do not really prove that the more*

THE MOTIVATION behind this move to throw away all of this tradition and

possibility is nothing

to the



YOUR KIND UNDERSTANDING IS APPRECIATED.

PLEASE USE PLANS, PLEASE CONTACT HEINZ NOONAN AT 266-1599

Anchorage Daily News

Saturday, May 14, 1988

b-6



# Family legislation is hot, but going nowhere

WASHINGTON — It is conceivable that if you...



**BAD BOYS:** Wings coach blames loss on players' drinking, Sports, Page B-1

## IN HIGH GEAR

Potboiler takes off down life's highway

Lifestyles, Page G-1

## ALTAR BYPASS

More U.S. couples skip wedding vows

Nation, Page A-3

## CAMP OPENS

Foreman to start Valley workouts

Sports, Page B-1



# Anchorage Daily News

VOL. XLIII, NO. 134 88 PAGES

ANCHORAGE, ALASKA, FRIDAY, MAY 13, 1988

PRICE 25 CENTS

## Senator buries car insurance law

By JOHN LINDBACK  
Daily News reporter

JUNEAU — Alaska's mandatory car insurance law is scheduled to die Jan. 1 because a powerful state senator killed a bill to keep it alive.

When the 1984 legislature passed the law, it appeased the idea's most vocal critic, Sen. Dick Eliason, R-Sitka, by tacking on a sunset provision: The law would die Jan. 1, 1989, if the legislature didn't renew it.

On the last night of the session, Eliason, chairman of the Senate Rules Committee, held in his committee a House bill to continue the law. All

bills must pass through the rules committee on their way to the floor for votes.

The House had passed the bill 38-1 early in the session.

"I wasn't being vindictive about it," Eliason said Thursday. "I was just doing my job." He said he killed the law because of a report last year by the Department of Public Safety that cited problems and costs with administering it.

Besides, he said, "It's been a non-issue on the Senate side. I only had a couple people talk to me about it."

The law was passed in 1984 after

years of complaints from Alaskans about accidents with uninsured drivers. Under it, drivers involved in accidents and serious traffic violations must show proof of insurance to police. Those without such proof can have their licenses suspended. The law requires vehicle owners to carry \$50,000 coverage for single injuries, \$100,000 coverage for multiple injuries in a single accident, and \$25,000 coverage for property damage. Rural areas are exempted.

The state shouldn't force people to buy insurance, Eliason said. People can protect themselves because the

state requires insurance companies to offer Alaskans uninsured-driver protection in their standard policies. Uninsured-driver provisions add little to the total cost of insurance, he claimed.

The prime sponsor of this year's House bill, Rep. Dave Donley, said state statistics show the law is working. The statistics say the number of uninsured drivers involved in accidents has dropped from about 20 percent to about 10 percent since the law went into effect.

"It wasn't like it was a turkey,"



Anchorage Daily News/Bob Hallen  
Sen. Dick Eliason

See Back Page, INSURANCE

Union vote

U.S. foreign

## HEART: Research loses federal funding

Continued from Page A-1

blood through the circulatory system.

But doctors have implanted artificial hearts in many patients to keep them alive until donor hearts have been available for transplant.

Although laboratories and hospitals reliant on federal funds will no longer be able to develop and experiment with total artificial hearts, privately financed institutions will not be affected.

Among the latter is Humana-Audubon Hospital, in Louisville, Ky. The artificial heart program there, supported entirely by private funds, is directed by Dr. William DeVries, the surgeon who performed the first implantation of what was intended as a permanent artificial heart in a human being. The operation was performed in 1982 on Barney Clark, who died three months later.

The NIH said that although the government had contributed nearly \$240 million to the development of an artificial heart since 1964, the \$2.7 million appropriated this year would be the last. From now on, a spokesman said, research funding would focus on the development of left ventricular assist devices, which will not only be used to assist patients awaiting the transplant of a natural heart but may lead to further artificial heart development. When a left ventricular assist device has been perfected, a device more closely approximating a complete heart may be the next step.

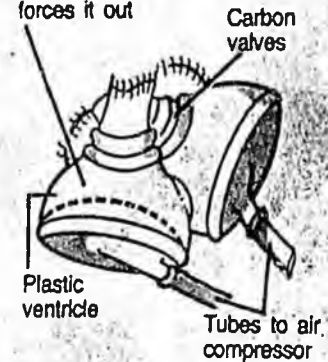
In a statement attributed

### Jarvik-7

#### Artificial heart

Jarvik-7 mimics the human heart, using machine-driven air pressure to pump blood throughout the body. It is a permanent replacement for the damaged human heart.

Blood collects in inner sac before air pressure forces it out



It pumps oxygen-depleted blood from the body into the lungs, which restore the oxygen; and pumps the oxygen-enriched blood to the body

Chicago Tribune Graphic; Sources: Chicago Tribune news reports

would not affect its own research either in heart-assist devices or complete artificial hearts. DeVries deplored the cancellation of federal funds to other artificial heart researchers, saying the decision would hinder, halt, or interrupt the efforts of "outstanding workers." The surgeon added that research institutions must increasingly do without federal financing and rely on private resources.

DeVries has implanted no new artificial hearts in the

grant permission for each such operation in advance. It was not clear whether the FDA would prohibit any further artificial heart implantations as a result of Thursday's action by the NIH. A Humana spokesman said, however, that the decision "does not affect FDA approval for the moment."

Dr. Denton Cooley of Houston's Texas Heart Institute installed the first artificial heart in a human being in 1967, but only to serve as a temporary replacement for the patient's natural heart while another human heart was being sought.

The first mechanical heart to be installed permanently in a patient was the Jarvik 7 — a compressed-air powered device designed by Dr. Robert Jarvik in the early 1970s while he was a medical student at the University of Utah and was implanted by DeVries in Clark. Compressed air passed through the device operates a multi-layered diaphragm which in turn drives the blood past a simple system of valves. Its power initially was supplied by a 250-pound air compressor. Later models were powered by a semi-portable unit.

One of the problems developers of the Jarvik 7 encountered was the sharpness of the pulses that send blood surging through a patient's circulatory system. This may have contributed to the clotting and stroke conditions suffered by some patients. Several alternative designs had been under study until Thursday's decision; among them was an electrically-powered

## INSURANCE: Senator ends requirement

Continued from Page A-1

Donley said Thursday as he prepared to leave. "It worked. Now that we got rid of the law I think it's going to be a real problem again."

Killing the mandatory insurance law leaves Alaskans with only an old "financial responsibility" law as a recourse for going after someone who hits them and isn't insured, Donley said. The law requires uninsured motorists at fault in an accident to pay for auto damages exceeding \$500 and for personal injuries.

The old law is more inconvenient for accident victims, according to Donley and state officials. Victims may have to wait months or years to get paid. Also, if an at-fault, uninsured driver can't pay, or refuses to pay, the driver

loses only his or her license.

"It doesn't do much for the person who gets hurt and doesn't get compensated," Donley said.

Donley said he tried to convince Eliason in the final, hectic hours of the session to give the bill a floor vote. He also enlisted the aid of Commissioner of Public Safety Arthur English to urge Eliason to move it.

Eliason said the commissioner's lobbying did little to sway him. A Jan. 16, 1987, report to the legislature by the commissioner who preceded him, William Nix, contained convincing facts, he said.

Despite the 10 percent drop in uninsured drivers, the report said, "it is difficult to say whether or not the mandatory insurance program is

cost-effective." During the first full fiscal year it was in effect, the law cost law enforcement agencies and the court system about \$750,000, he said. Police officers made more "driving-while-license-suspended" arrests because the law suspended the licenses of people who drove without insurance. Prosecutors handled more driving-while-license-suspended cases. The courts handled more cases and the Department of Public Safety labored under more paperwork, he said.

Nix, in his report, told the legislature that because of budget cuts he would cease administration of the law as of July 1, 1987. But department officials said Thursday that they are still enforcing it.

## NORIEGA: White House pushes for plan

Continued from Page A-1

said. He declined to detail specifics of the negotiations with Noriega and asserted that no agreement had been reached.

If a deal on the charges could be worked out, it "would be the most fruitful and productive plea bargain that we have seen in a long time," White House Chief of Staff Howard Baker said.

The White House and State Department sought to keep a mantle of secrecy over the efforts to remove Noriega from power. Officials said premature disclosure of details of the negotiations with the Panamanian general could derail the talks.

But according to administration officials, one proposal under negotiation included the possibility that Noriega would face no crim-

wants to proceed with the prosecution.

"I am authorized to say his views haven't changed and he wants to proceed with the case and he's ready to proceed with the trial," said Ans Barnett, Kellner's executive assistant. Meese would not comment.

The administration originally insisted that Noriega must leave Panama and face charges in the United States. But two months of tough U.S. economic sanctions have failed to dislodge Noriega, who is the leader of the Panamanian defense forces, and the administration has been forced to scale back its public demands.

When a reporter asked whether permitting Noriega to avoid prosecution in exchange for giving up power would send "a signal that crime pays," Fitzwater said: "We just have to wait and see the outcome of this. I don't think

**CONSUMER SAVINGS FROM  
NO-FAULT AUTOMOBILE INSURANCE**

**Prepared for:  
Project NEW START  
P.O. Box 18899  
Washington, D.C. 20036**

**By:  
Edward J. Heiden  
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Washington, D.C. 20006**

**January 24, 1989**

## SUMMARY OF RESULTS

The average premium consumers pay for their automobile insurance rose by more than 60 percent between 1982 and 1987 -- more than three times the increase in the Consumer Price Index. These large increases reflect the interaction of a number of factors, all tending to increase the frequency of claims and the costs of paying those claims. This is no comfort to consumers, however, who have made their concerns clear at the voting booth.

Proponents of no-fault insurance have long believed that a properly designed no-fault plan offers at least a partial solution to the problem of spiraling insurance costs. However, quantitative estimates of the potential savings to consumers have not thus far been available. Previous studies (in particular, a comprehensive 1985 U.S. Department of Transportation review of the no-fault experience) have focused primarily on the many advantages of no-fault for accident victims, and have not produced estimates of lower premium costs.

This study systematically investigates the effect of no-fault systems on average premium levels. The principal finding, based on analysis of data from all 50 states plus the District of Columbia on the determinants of automobile insurance premiums, is that verbal-threshold no-fault plans yield substantial savings to consumers in the form of reduced premiums. On the basis of 1987 data, the most recent available, we estimate that adoption of such no-fault plans nationwide would yield annual savings to policy holders of \$3.7 billion.

Only three states -- Florida, Michigan, and New York -- currently have such verbal-threshold plans, that permit accident victims to make claims under the traditional fault system only in the event of a very serious injury. An additional eleven states have dollar-threshold plans that afford accident victims much greater ability to make fault-based claims. The results presented here indicate that these dollar-threshold plans do not offer comparable savings potential.

The actual effect of verbal-threshold no-fault on any individual's rate would depend on a complex set of factors that insurance companies use to try to determine the riskiness of individual drivers, including the driver's age, sex, marital status, driving record, and where he or she lives. The actuarial process by which insurance companies develop their rate structures, and the effect of no-fault on specific rates, is beyond the scope of this study. However, the range of potential savings would be large. It is reasonable to conclude that some households could see declines in their annual insurance bills of as much as several hundred dollars, if verbal-threshold no-fault plans were adopted in their states.

**CONSUMER SAVINGS FROM  
NO-FAULT' AUTOMOBILE INSURANCE**

## I. INTRODUCTION

The average premium consumers pay for their automobile insurance rose by more than 60 percent between 1982 and 1987 -- more than three times the increase in the Consumer Price Index. These large increases reflect the interaction of a number of factors. For example, the frequency (number of claims per car) of bodily injury claims increased by about thirteen percent (between 1983 and 1987). Medical costs increased by 40 percent (between 1982 and 1987) -- more than twice the change in the overall cost of living. And, automobile thefts per registered car increased by almost five percent (between 1982 and 1986).

Given these trends in the frequency of claims and the factors that go into paying those claims, it comes as no surprise that premiums have been rising rapidly. This is no comfort to consumers, however, who have made their concerns clear at the voting booth. Proposition 103, passed recently by California voters, calls for a 20-percent rollback in premium levels.

Proponents of no-fault insurance have long believed that properly designed no-fault plans offer at least a partial solution to the problem of spiraling insurance costs. However, quantitative estimates of the potential savings available to consumers have not thus far been made.

Previous studies (in particular, the May 1985 Department of Transportation report entitled Compensating Auto Accident Victims: 1984 Follow-Up Report on No-Fault Auto Insurance Experiences) have demonstrated many of the other benefits of no-fault for consumers. Specifically, more accident victims receive compensation in states with no-fault plans than in the traditional insurance states. In addition, the compensation is on average higher and made available to beneficiaries more rapidly under no-fault systems. The DOT report did not, however, estimate the effect of no-fault on the premiums consumers pay.

This study systematically investigates the effect of no-fault systems on average premium levels, and yields estimates of the total savings to consumers that would result if no-fault insurance were adopted nationwide.

## II. NO-FAULT INSURANCE

All no-fault plans have a number of different provisions and no two states have adopted plans that are identical in all respects. However, each of the fourteen states generally considered a no-fault state has an insurance plan with the following two principal defining characteristics:

1. Restricted access to the tort system. In no-fault states, accident victims are precluded from making claims on other drivers unless their accident-related costs exceed a specified threshold. In eleven of the fourteen no-fault states, accident victims are permitted to make claims under the traditional tort system only if their accident-related medical costs are above a specified dollar-threshold level. These dollar thresholds range from \$400 to \$6,000. Three of the no-fault states have adopted verbal thresholds, which permit access to the tort system only if the accident victim has suffered a very serious injury. The following table classifies the no-fault states according to the type of threshold they have adopted.

### NO-FAULT VERBAL-THRESHOLD STATES

FLORIDA  
MICHIGAN

NEW YORK

NO-FAULT DOLLAR-THRESHOLD STATES

(1987 dollar amount of threshold in parentheses)

COLORADO (\$500)	MASSACHUSETTS (\$500)
CONNECTICUT (\$400)	MINNESOTA (\$4,000)
GEORGIA (\$500)	NEW JERSEY (\$1,700)
HAWAII (\$6,000)	NORTH DAKOTA (\$2,500)
KANSAS (\$2,000)	UTAH (\$3,000)
KENTUCKY (\$1,000)	

2. Mandated purchase of personal injury protection (PIP) insurance. All of the no-fault states listed above mandate that drivers purchase PIP insurance, which provides compensation for medical expenses, lost wages, and other non-pain-and-suffering costs, in the event of an accident.

Twelve additional states plus the District of Columbia -- the "add-on" states -- have adopted some elements of no-fault, without limiting access to the traditional fault system. Some of the add-on states require that drivers purchase PIP, and all require that insurance companies offer such protection. The following states require purchase of PIP by drivers:

STATES REQUIRING PURCHASE OF PERSONAL INJURY PROTECTION

COLORADO	KENTUCKY	NORTH DAKOTA
CONNECTICUT	MARYLAND	OREGON
DELAWARE	MASSACHUSETTS	PENNSYLVANIA
FLORIDA	MICHIGAN	SOUTH CAROLINA
GEORGIA	MINNESOTA	UTAH
HAWAII	NEW JERSEY	
KANSAS	NEW YORK	

### III. EFFECT OF NO-FAULT ON PREMIUMS

If no-fault insurance reduces unnecessary litigation expenses and claims for nonpecuniary costs (i.e., pain and suffering), the savings should be passed on to consumers in the form of lower premiums. It would, however, be inappropriate to estimate these savings simply by comparing the premium levels in the no-fault states with those in the traditional states, because of the many other factors that are important in determining premium levels. If we did not control for these other factors, estimates of the effect of no-fault on premiums might be seriously biased. Multiple regression analysis is a statistical tool designed to isolate the impact of each causal variable on average premiums and eliminates this potential bias.

To test the hypothesis that no-fault leads to lower premiums, we constructed a multiple regression model that relates average insurance premiums in each state to a variety of factors, including whether the state has adopted a no-fault plan and the characteristics of that plan, as well as other important determinants of accident costs and insurance premiums. By appropriately controlling for the many other factors that influence automobile insurance premium levels, we can isolate the effect of no-fault and its component elements.

Average insurance premiums are defined as total premiums -- including private passenger auto liability, physical damage and no-fault premiums -- divided by the number of registered cars. The model controls for the following factors that would be expected to have a significant effect on the costs of automobile accidents and, therefore, on premium levels: automobile accident fatality rates, auto theft rates, hospital costs, automobile repair costs, population density, the percent of cars that are insured, and personal disposable income.

Controlling for these factors, the model then estimates the price impact of no-fault plans by including factors that indicate

whether a state is a no-fault state and the adopted. Specifically, no-fault plans are

personal injury protection (PIP) an

- whether a state has a tort limitation
- if it does, whether the limitation is a dollar-threshold limitation, or a verbal-threshold limitation; and
- whether purchase of PIP insurance is required.

The model was run separately using data for 1986, 1987, and "pooled" 1986-87 data. All the data series used are standard for insurance studies of this type and are publicly available. The model, data sources, and the results obtained are discussed in more detail in the attached appendix.

The model generally fits the data quite well, explaining between 76 and 80 percent of the variation in average premiums. As expected, factors that influence accident-related costs (whether insured or not), such as fatality and theft rates and hospital costs, are important determinants of average premium levels.

With respect to the no-fault variables, the principal results are as follows:

- Not surprisingly, limiting access to the tort system can be expected to decrease average premiums, while requiring the purchase of PIP insurance can be expected to increase them.
- Adoption of a dollar-threshold no-fault plan may yield savings, but these savings would be small relative to those possible from a verbal-threshold plan. The effect of a dollar-threshold tort limitation on premiums, while tending to reduce them, is not statistically significant at a high confidence level.

- On the other hand, the effect of a verbal-threshold tort limitation is substantial and statistically significant at a high confidence level.

The negative effect on premiums of a verbal-threshold limitation outweighs the positive effect of requiring the purchase of PIP, so that the net effect of the two is a reduction in auto insurance premiums. On the basis of 1987 data, the most recent available:

- The net effect of adopting verbal-threshold no-fault plans nationwide would be savings of \$3.7 billion annually.

The actual effect of verbal-threshold no-fault on any individual's rate would depend on a complex set of factors that insurance companies use to try to determine the riskiness of individual drivers, including the driver's age, sex, marital status, driving record, and where he or she lives. The actuarial process by which insurance companies develop their rate structures, and the effect of no-fault on specific rates, is beyond the scope of this study. However, the range of potential savings would be large, and it is reasonable to conclude that some households could see declines in their insurance bills of as much as several hundred dollars, if verbal-threshold no-fault plans were adopted in their states.

V. ESTIMATED SAVINGS USING 1986-87 DATA

The savings estimates presented above are based on the statistical results obtained using statewide data for 1987. Pooled 1986-87 data, while less recent, represent a larger data base. These data support the substantial savings potential of verbal-threshold no-fault plans.

- On the basis of 1986-87 data, nationwide savings of \$2.9 billion would be obtained if all states adopted verbal-threshold no-fault plans.

## APPENDIX

### DISCUSSION OF REGRESSION RESULTS

The regressions are aimed at determining whether the adoption of no-fault insurance raises, lowers, or leaves unchanged average automobile insurance premiums. Simply examining the relationship between average premiums in no-fault states, however defined, and average premiums in traditional fault states would be potentially misleading because other determinants of tariffs are likely to be correlated with no-fault variables. If we do not control for these other influences, the effect of no-fault on insurance prices is likely to be seriously biased. Multiple regression analysis is designed to isolate the impact of each causal variable on premiums and eliminate this bias.

Automobile insurance premiums, like all other prices are determined by a variety of cost and demand factors. The variables included in the final regression results are defined in Table A.1. The results are presented in Table A.2.

Table A.2 presents results obtained using three sets of data - 1986 observations, 1987 observations, and all observations pooled for both years. Using appropriate tests, we are not able to reject the hypothesis that the relationship between premiums and these explanatory variables is constant over time. Thus, there is a case for pooling the data.

The adjusted  $R^2$ s range from .76 to .80 and the F statistics are all significant at the 99 percent confidence level. The coefficients of all the explanatory variables, with the exception of DTORT, are also generally significant at high confidence levels.

The results are mostly as expected. Average premiums are positively related to fatalities per car (FATRCY) and thefts per car (THEFTRCY). States with higher hospital costs (HR) have higher auto insurance premiums. States with higher disposable incomes

(PCI) and percent of the car population insured (PERINS) -- two demand variables -- also have higher premiums. The coefficient on population density (DENS) is, somewhat unexpectedly, negative. We would have expected the states with higher population density to have higher premium levels. It turns out, however, that some very low density states, such as Alaska and Nevada, have very high premiums. The automobile repair cost variable (REPIND) has a negative coefficient, rather than the positive one we would have expected.

Our major interest, of course, is with the no-fault variables. The effect of no-fault is captured by three variables:

1. The effect of a dollar-threshold tort limitation (DTORT) on premiums is negative, but only at about the 80 percent confidence level in the pooled equation and at lower levels in the other equations.
2. The effect of a verbal-threshold tort limitation (VTORT) is negative and much larger than the effect of the dollar threshold. It is significant at the 95 percent level in the 1987 equation and at the 99 percent confidence level in the pooled equation. This is a strong result, tempered only slightly by the fact that there are only three verbal-threshold states in the data base (six observations for the pooled data).
3. Finally, as expected, requiring drivers to purchase PIP insurance (PIPREQ) increases average premium levels.

**TABLE A.1**  
**DESCRIPTIVE STATISTICS AND SOURCES FOR REGRESSION VARIABLES**  
(Means and standard deviations are for pooled 1986 and 1987 data)

<u>Variable</u>	<u>Mean</u>	<u>Std. Dev.</u>	<u>Definition/Source</u>
AVPRM	433.92	98.40	Average premium per registered car. Avg. premium includes auto liability, physical damage, and no-fault premiums. For 1986, Best's Insurance Manag. Reports, <u>1986 Avg. Private Passenger Auto Premiums by State</u> . For 1987, Best's Executive Data Service. Car registrations from Federal Highway Administration, <u>Highway Statistics 1986 and 1987</u>
DTORT	0.22	0.41	Dummy variable equals 1 for dollar-threshold states, 0 otherwise. From American Insurance Association, <u>Summary of Selected State Laws and Regulations Relating to Automobile Insurance, 1987-1988.</u>
VTORT	0.06	0.24	Dummy variable equals 1 for verbal-threshold states, 0 otherwise. Same source as DTORT.
PIPREQ	0.36	0.48	Dummy variable equals 1 for states that require personal injury protection (PIP), 0 otherwise. Same source as DTORT.
FATRCY	0.0004	0.0001	Fatalities per car registered. From <u>Highway Statistics 1986 and 1987.</u>

DESCRIPTIVE STATISTICS AND SOURCES FOR REGRESSION  
VARIABLES (cont'd)

<u>Variable</u>	<u>Mean</u>	<u>Std. Dev.</u>	<u>Definition/Source</u>
DENS	352.58	1,380.31	Population Density - Residents per square mile in 1986. From the <u>Statistical Abstract of the U.S., 1988</u> , Table 21, pg. 19. 1986 data was repeated for 1987.
HR	501.99	114.33	Average hospital cost per day per patient. From American Hospital Association, <u>Hospital Statistics 1987 and 1988</u> .
PCI	12,280.98	2,022.16	Disposable personal income per capita in current dollars. From the U.S. Bureau of Economic Analysis, <u>Survey of Current Business</u> , August issues.
PERINS	1.006	0.15	No. of car years insured per car registered. For 1986, car years equals the sum of voluntary car years and shared car years from <u>AIPSO FACTS 1987/1988</u> . For 1987 $CY/REG = (1 + \text{avg. \% increase in the ratio } CY/REG \text{ from } 1982 - 86) \times (\text{the ratio of } CY/REG \text{ in } 1986)$ .
REPIND	12,382.24	1,730.71	Payroll expenditures per employee in general automobile shops. From the <u>Census of Services Industries, 1982</u> , Bureau of the Census. Same data was used for both 1986 and 1987.

DESCRIPTIVE STATISTICS AND SOURCES FOR REGRESSION VARIABLES  
(cont'd)

<u>Variable</u>	<u>Mean</u>	<u>Std. Dev.</u>	<u>Definition/Source</u>
THEFTRCY	0.0073	0.0044	Motor vehicle thefts per registered car. For 1986, thefts from the 1987 - 1988 <u>Property/Casualty Fact Book</u> , pg. 97. For 1987, THEFTRCY = 1986 THEFTRCY x the avg. annual growth in THEFTRCY from 1977-86 from the <u>1987-88 Property/Casualty Fact Book</u> , pg. 97.

TABLE A.2  
ESTIMATES OF THE EFFECT OF NO-FAULT INSURANCE  
ON AVERAGE PREMIUMS (AVPRM)  
(Numbers in parentheses are t-scores)

<u>Variable</u>	<u>1986</u>	<u>1987</u>	<u>1986-87</u>
C	-241.80 (-3.09)***	-249.74 (-2.31)**	-260.42 (-4.23)***
DTORT	-13.68 (-0.57)	-29.61 (-1.02)	-22.44 (-1.24)
VTORT	-59.09 (-1.77)*	-87.79 (-2.16)**	-74.04 (-2.95)***
PIPREQ	55.56 (2.47)**	72.23 (2.84)***	64.81 (3.98)***
FATRCY	345,392.26 (4.56)***	394,120.03 (4.18)***	383,881.90 (6.86)***
DENS	-0.02 (-2.97)***	-0.02 (-2.49)**	-0.02 (-3.98)***
HR	0.17 (1.96)*	0.17 (1.65)	0.18 (2.92)***
PCI	0.03 (5.80)***	0.04 (6.15)***	0.04 (9.53)***
PERINS	122.46 (2.39)**	129.07 (2.06)**	127.08 (3.30)***
REPIND	-0.01 (-2.63)**	-0.02 (-3.12)***	-0.02 (-4.75)***
THEFTRCY	12,689.84 (5.68)***	15,726.84 (5.63)***	13,974.43 (8.22)***
R Squared	0.83	0.81	0.82
Adjusted			
R Squared	0.79	0.76	0.80
F Stat	19.65****	16.58****	40.52****
N	51	51	102

- 
- \* = Indicates coefficient significantly different from zero in a two-tailed test at 90 percent confidence level.
- \*\* = Indicates coefficient significantly different from zero in a two-tailed test at 95 percent confidence level.
- \*\*\* = Indicates coefficient significantly different from zero in a two-tailed test at 99 percent confidence level.
- \*\*\*\* = Indicates hypothesis that all coefficients are zero is rejected at 99 percent confidence level.

## AUTHORS

Edward J. Heiden is President of Heiden Associates, where he has conducted a large number of trade regulation and industry studies, as well as economic impact analyses for private and government clients.

Dr. Heiden has also held a number of senior government positions in which he focused on issues of importance to consumers. He served as Director of Economic Planning at the White House Office of Consumer Affairs; Director of Strategic Planning (Chief Economist) at the Consumer Product Safety Commission; and Director and Chief Economist of Policy Planning and Evaluation at the Federal Trade Commission.

He has published numerous articles on topics in industrial organization, antitrust, and regulatory analysis.

Dr. Heiden was a member of the economics faculty at the University of Wisconsin (Madison), where he was also Director of the Center for Research in Firm and Market Behavior. He received his Ph.D. in Economics of Industrial Organization from Washington University.

Thomas M. Lenard is Vice President of Heiden Associates, where he specializes in economic analysis of regulatory and competition/antitrust issues.

Previously, Dr. Lenard served as Special Advisor for Economic Policy at the Office of Management and Budget; and also as Deputy Division Chief for Economic Regulations, OMB, where he helped direct the activities of a staff of economists responsible for reviewing the economic impacts of regulation. Dr. Lenard had major responsibilities for the Council on Wage and Price Stability's monitoring of the federal government's microeconomic activities and regulations that contributed to higher consumer prices. He has also served as Special Assistant to the Director of the Bureau of Economics at the Federal Trade Commission.

Dr. Lenard has published articles on a variety of economic and regulatory issues, focusing on the costs to consumers of alternative government policies.

Dr. Lenard was a member of the economics faculty at the University of California, Davis, and received his Ph.D. in Economics from Brown University.

**HB**

**48**

SENATE COMMITTEE REPORT

FURTHER

FINANCE

5/4/89

DATE TURNED INTO OFFICE

4/12/90

Mr. President:

L&C

Committee considered

CSHB 48 (FIN)

reduced rates and discounted local exchange telecommunication service for low-income individuals

and recommended

- replace with \_\_\_\_\_ CS \_\_\_\_\_ )  same title
- or adopt \_\_\_\_\_ CS HB 48 (Fin) )  new title
- attached amendment(s) and \_\_\_\_\_ )  technical title change (HB only)
- \_\_\_\_\_ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

FISCAL NOTE(S)  zero  fiscal impact  appropriation no FN  
 new  updated Dept of Conn.  previous  
 same as previous fiscal note(s) published 4/9/90

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

J. K. ...  
Michael ...  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Jan ... No Rec.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Dr. ...  
 Chair: signature and recommendation

Committee Backup attached



*Sheila → Dick*

## Representative H.A. "Red" Boucher

---

Chairman House Committee on State Affairs • Special Committee on Telecommunications  
Member Labor & Commerce Committee • Chairman Commission on the Future of the Permanent Fund

### M E M O R A N D U M

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

FROM: Representative H.A. "Red" Boucher

SUBJ: House Bill 48, "Lifeline Rates..."

DATE: February 20, 1990

I respectfully request the scheduling of House Bill 48, "An Act relating to reduced rates and discounted local exchange telecommunication service for low income individuals..." for a hearing in the Senate Labor and Commerce Committee at your earliest convenience.

Backup information has been provided to Sheila Peterson, of your staff. If you require any further information, please contact Ronda Thompson, my Legislative Assistant or myself.

# Alaska State Legislature

POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4831



CHAIRMAN  
Special Committee on  
Telecommunications

DISTRICT 10  
BOX 111038  
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(907) 349-2192

MEMBER  
Labor and Commerce  
State Affairs  
Finance—Subcommittee Administration

## Representative H. A. "Red" Boucher

### HB 48 - SPONSOR STATEMENT

REPRESENTATIVE H.A. "RED" BOUCHER

#### LIFELINE RATES

HB 48 permits Alaska's telephone companies to introduce "lifeline rates" to benefit the state's low-income telephone customers. A lifeline rate is a reduced rate or a discounted service designed to assure that significant rate increases will not force low-income people to quit their telephone service.

Right now, reduced rates and discounted service for low-income phone customers are not allowed in Alaska. In the present statutes, discrimination in rates and service is prohibited. The purpose of HB 48 is to remove that prohibition in the case of providing lifeline rates to low-income phone customers.

HB 48 prepares the state of Alaska for the real possibility that significant increases in telephone rates can occur within the next couple years. AT&T has been paying 80 to 100 million dollars annually, in subsidy to support Alaska's high cost telephone system. AT&T wants to stop paying this subsidy. While the Governor's Office is participating in FCC proceedings to insure reasonable phone rates for all Alaskans continue, this legislature can not ignore the possibility that rates will increase to the extent that low-income people could no longer afford telephone service. By passing this bill, this legislature will allow a safety net to be built for our low-income telephone subscribers.

HB 48 also sends a signal to the Federal Communications Commission that the state of Alaska is helping people inside our state receive the benefit from cost reductions we are requesting from them. In this way we demonstrate that we are willing to protect its citizens from the negative effects of escalating phone rates.

## TELEPHONE LIFELINE RATES

1. WHAT ARE THEY?
2. WHY ARE THEY NECESSARY?
3. WHO'S FOR AND WHO'S AGAINST IT?

1. **WHAT ARE THEY?** Lifeline Rates is a catch phrase or buzzword for any of a variety of methods used by various states to subsidize the cost of basic telephone service for people who can't afford it.

2. **WHY ARE THEY NECESSARY?** Lifeline Rate legislation is part of the response that the FCC and most other states are making to the trend of higher local telephone charges that result from the court ordered divestiture of AT&T's Bell system and consequent deregulation of the telephone industry.

Current law does not allow the Alaska Public Utilities Commission to approve tariff structures to telephone companies to grant discounts and/or reduced service. Such discounts would have to be initiated by the utility company and approved by the Commission.

3. **WHO'S FOR IT AND WHO'S AGAINST IT?** (The good guys are for it and the bad guys are against it.) 😊

The Federal Communications Commission and forty states have enacted some sort of Lifeline Rate legislation. (See attached list)

Critics of Lifeline Rate<sup>+</sup> legislation say it's just another welfare program. There is no budget impact. The cost of the Lifeline Rates are borne by the utility company and it's customers subject to APUC approval. This procedure is accepted throughout the country because it is in the public interest to keep as many people as possible on the telephone system.



## Representative H.A. "Red" Boucher

---

Chairman House Committee on State Affairs • Special Committee on Telecommunications

### HISTORY OF CHANGES IN HB 48 (TELEPHONE LIFELINE RATES)

#### STATE AFFAIRS COMMITTEE

HB 48 passed the State Affairs Committee without amendment.  
No fiscal note.

#### LABOR AND COMMERCE COMMITTEE

CS HB 48 (L&C) was drafted by Rep. Gruenberg in the Commerce Committee. It clarifies the original bill and is stylistically superior.

Whereas the original bill added two, separate, but identical, subsections to modify two, existing sections of statute, the CS uses one modifying subsection and references the subsection in the two existing sections.

Some additional language changes are not substantive but they do make the bill read better.

No fiscal note.

#### FINANCE COMMITTEE

The Finance CS differs from the L&C CS by deletion of one word, i.e. (local).

Whereas the L&C CS references federal, state and local government social service programs, the Finance CS deletes "local".

No fiscal note.

TABLE 2.1

Lifeline and Connection Assistance Programs:  
Date of Approval

State	Lifeline	Link Up
Alabama		10/01/87
Arizona	11/14/86	1/15/88
Arkansas	5/22/86	10/01/87
California	1/01/85*	
Colorado	7/25/86	11/13/87
Connecticut		11/13/87
District of Columbia	3/18/86	8/19/87
Hawaii	10/27/86	
Idaho	7/21/87	
Indiana		4/25/88
Iowa		3/10/88
Kansas		1/27/88
Kentucky		12/24/87
Louisiana		10/25/88
Maine	8/11/87	8/11/87**
Maryland	5/22/86	10/01/87
Minnesota	1/27/88	1/27/88
Mississippi		4/27/88
Missouri	10/01/87	12/28/87
Montana	8/11/87	8/11/87
Nebraska		3/17/88
Nevada	4/28/87	
New Hampshire		11/3/88
New Jersey		11/13/87
New Mexico	4/01/87	1/15/88
New York	11/02/87***	8/11/87
North Carolina	5/22/86	10/19/87
North Dakota		12/24/87
Ohio	7/01/87	10/01/87
Oregon	5/22/86	5/05/88
Pennsylvania		6/02/88
Puerto Rico		11/17/88
Rhode Island	9/21/87	9/21/87
South Carolina		12/24/87
South Dakota	3/25/88	3/25/88
Tennessee		11/3/88
Texas	7/12/88	10/01/87
Utah	12/31/86	3/17/88
Vermont	10/01/86	
Virginia	12/24/87	12/24/87



ALASKA STATE LEGISLATIVE COMMITTEE

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POSITION PAPER

TELEPHONE LIFELINE SERVICES

Telephone Lifeline Services have been and are being established in many states, with recognition of the need of telephone service as a basic necessity for all. Telephone Lifeline Service is an affordable basic service which should be available to any household which lacks the resources to maintain a minimally adequate standard of living, with the goal of maintaining service and preserving dignity.

In recent years, telephone services have been expanded in many parts of Alaska, providing a vital basic communications service. However, there are elderly, handicapped and low-income Alaskans who need telephone service for personal and emergency communication, but simply cannot afford installation and monthly rates.

AARP defines "Lifeline" service as follows:

1. A simple statement of eligibility is required, whereby eligible consumers do not have to demonstrate eligibility for other public benefit programs.
2. Need should be based on income alone, not age, as a criterion.
3. The connection fee is discounted by at least 50%, if not waived entirely.
4. Basic service charge is no greater than 50% of the flat-rate service charge available to customers in the area.
5. Each eligible household would receive at least 60 free calls per month.

Although full Telephone Lifeline Services have not been proposed for Alaska at this time, Representative Boucher has introduced HB 48: "An Act relating to reduced rates and discounted service for low-income telecommunications customers." Under this legislation, a utility may provide, but is not required to provide, discounted or reduced-rate service. If such service is provided, APUC cannot require a utility to incur uncompensated costs or administrative burdens they could not recover through approved tariffs.

The State Legislative Committee of AARP recommends passage of HB 48; and further recommends that after one year, assessment be made of the impact on utilities and on low-income Alaskans, and that this assessment result in such amendments or further legislation as may be needed to equitably achieve the goal of making these vital communications available to those who need this service.

Adopted 11/87  
Amended 1/89

ALASKA PUBLIC UTILITIES COMMISSION

COMMENTS ON HB 48

April 11, 1990

The commission has always supported the objective of providing affordable, universal telecommunications service throughout the state. This legislation is directed toward achieving that objective by allowing telephone utilities to offer discounted rates to low income individuals. Implicit in the legislation is that other subscribers will subsidize the discounted service. The Legislature should be aware that the proportion of customers that may qualify for discounted services may vary greatly among utilities operating in the state.

The commission believes that the policy decision as to whether an exception should be made to the discrimination clause in AS 42.05.391(a) is within the purview of the Legislature. However, the commission objects to the provision of Section 2 that allows only the utilities to decide when and what essential services should be discounted. If the Legislature endorses the underlying premise of this bill, then the regulators should be given the same level of discretion as the utilities to evaluate whether or not discounted rates are in the public interest. This argument is further strengthened by the fact that the utilities are insulated from the financial burdens of discounted services. The commission, therefore, recommends that the words "to provide a discounted service or reduced rate or" be deleted on page 1, lines 26-27.

LW/dgl6714D  
041190a

**Н В**

**61**

SENATE COMMITTEE REPORT

FURTHER

DATE TURNED INTO OFFICE 3/8/89

2/28/89

Mr. President:

LABOR AND COMMERCE

Committee considered HB 61

governor's committee on employment of the handicapped; and relating to Alaska Employ the Handicapped Week

and recommended

- replace with \_\_\_\_\_ CS \_\_\_\_\_ )  same title
- or adopt \_\_\_\_\_ CS \_\_\_\_\_ )  new title
- attached amendment(s) and  technical title change (HB only)
- \_\_\_\_\_ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

**FISCAL NOTE(S)**  zero  fiscal impact  appropriation no FN  
 new  updated  previous  
 same as previous fiscal note(s) published 1/9/89

MEMBERS SIGNING DO PASS

*[Signature]*  
 \_\_\_\_\_  
*[Signature]*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

OTHER RECOMMENDATIONS

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*[Signature]*  
 \_\_\_\_\_  
 Chairman signature and recommendation

Committee Backup attached

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 9, 1989

The Honorable Sam Cotten  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Representative Cotten:

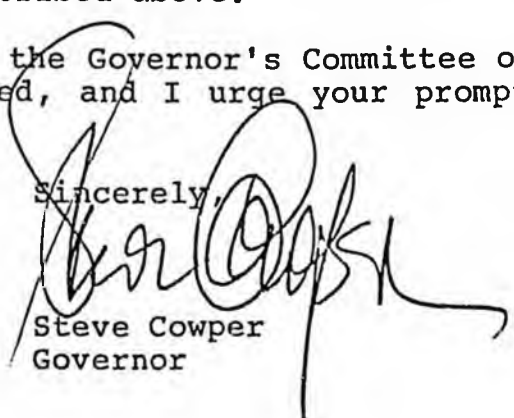
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill changing the name of the governor's committee on employment of the handicapped to the governor's committee on employment of people with disabilities. The bill changes, in the same manner, other statutory references concerning the committee's operations. This change would make the state governor's committee name consistent with the name of the national committee, which is the "President's Committee on Employment of People With Disabilities." Each state's governor's committee is affiliated with the president's committee.

Additionally, the bill makes the same name change, and changes the dates, for the governor's week for recognition of efforts to employ people with disabilities. The special week would be renamed "Alaska Employ People with Disabilities Week." The special recognition would be during the first full week in October rather than the first full week in May. This change of date will allow the state recognition to concur with the present federal recognition for the same activities in October.

The bill also makes a few minor technical corrections unrelated to the changes described above.

The bill has the support of the Governor's Committee on the Employment of the Handicapped, and I urge your prompt and favorable consideration.

Sincerely,



Steve Cowper  
Governor

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: HB 61  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Labor  
 Title: "An Act relating to the governor's  
committee on employment of the handicapped" BRU: Employment Security  
 Sponsor: Rules Committee Components: Committee on  
 Requestor: House Labor & Commerce Employment of the Handicapped

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	0.0	0.0	0.0

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Judy Knight, Deputy Director Phone: 465-2712  
 Division: Employment Security Date: 1/19/89

Approved by Commissioner: Jim Sampson Date: 1/19/89  
 Agency: Department of Labor

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

**HB**

**70**

SENATE COMMITTEE REPORT

FURTHER

FIN

4/14/89

DATE TURNED INTO OFFICE

4/29/89

Mr. President:

L&C

CSHB 70 (FIN)

Committee considered

extending the termination date of the Board of Pharmacy; relating to substitution of generic drugs that are therapeutically equivalent; relating to pharmaceutical medical assistance for needy persons; etc and recommended

- replace with \_\_\_\_\_ CS \_\_\_\_\_ )  same title
- or adopt \_\_\_\_\_ CS \_\_\_\_\_ )  new title
- attached amendment(s) and  technical title change (HB only)
- Senate letter of intent adopted

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_

FISCAL NOTE(S)  zero  fiscal impact  appropriation no FN  
 new  updated  previous  
 same as previous fiscal note(s) published 1/9/89

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*Beardsley No Rec*  
*Jan. Fair do not pass*

*De Rosa*  
 Chairman signature and recommendation

Committee Backup attached

HOUSE BILL 70

RELATING TO PHARMACY

CSHB 70 (Fin) relates to pharmaceutical medical assistance for needy persons in the medicaid program. This legislation would add prescribed drugs as a covered medicaid service.

During the last legislative session, the Department of Health and Social Services was given the option to add pharmacy services under the Medicaid program until June 30, 1989. Since February 1 of this year, the pharmaceutical medical assistance for needy persons has been under the medicaid program. Passages of HB 70 will make this option permanent and will enable the State to continue to receive Federal matching funds for drugs dispensed to medicaid recipients. This federal match is projected to be \$2.5 million in FY 91.

Although there has been some dissatisfaction over the implementation of this medicaid option, the Department of Health and Social Services and Alaska pharmacists are willing to work cooperatively together to ensure the success of this program. Passages of HB 70, along with the Finance Committee Letter of Intent, will guarantee that the State will continue to be eligible for Federal matching funds to implement this program and the letter of intent will provide a forum for the pharmacists and the Department to solve their differences. I recommend that the Senate pass CSHB 70 (Fin).

ADDITIONAL INFORMATION

1. If HB 70 does not pass, and the Federal match is lost, additional general funds (\$2.5 million) would be required in FY 90 to maintain the current level of pharmacy services for needy Alaskans.
2. Alaska is the only State in the union which has not adopted the pharmacy medicaid option.
3. Before the last legislative session, pharmacy services for Medicaid eligible individuals were purchased from the General Relief Medical Program. This money was all State money. The pharmacists were reimbursed on an "usual and customary" cost - ie. the same price that a paying customer would paid.

## Letter of Intent

It is the intent of the Senate that the Department of Health and Social Services will submit to the Health Care Financing Administration (HCFA) for its approval a Medicaid state plan amendment, which incorporates Alaska data and which is based upon the Texas reimbursement methodology for pharmacy services as approved by HCFA, including a dispensing fee which varies by ingredient cost. The Department of Health and Social Services will work with Alaska pharmacists to prepare this plan amendment and vigorously promote its approval by the Health Care Financing Administration. This plan amendment shall be submitted to HCFA by the Department of Health and Social Services as soon as practical (but no later than three months) after formal HCFA approval of the Medicaid plan amendments submitted March 31, 1989.

It is the intent of the Senate that the Department of Health and Social Services will work with Alaska pharmacists to immediately define a class of "expensive drugs" and then develop an interim methodology to adequately compensate pharmacy providers for dispensing these expensive drugs with a mutually acceptable reimbursement formula.

The Department of Health and Social Services shall report to the legislature by the tenth day of the Sixteenth Alaska State Legislature on the Department's progress in implementing the pharmaceutical Medicaid option.

Finance Letter of Intent

## Summary of HB 70

- \* HB 70 makes permanent the pharmaceutical medicaid option which was adopted during the last legislative session.
- \* HB 70 enables the State to receive Federal matching funds for drugs dispensed to medicaid recipients. This federal match is projected to be \$2.5 million in FY 91.
- \* If HB 70 does not pass, and the Federal match is lost, additional general funds would be required in FY 90 to maintain the current level of pharmacy services for poor Alaskans.
- \* Alaska is the only State in the union which has not adopted the pharmacy medicaid option.
- \* The Department of Health and Social Services and Alaska pharmacists have worked together to implement this medicaid option. As the legislative intent indicates, this cooperation will continue through the study of alternative reimbursement strategies.

Provided by H+SS

## FISCAL NOTE

### Summary

Before the last legislative session, pharmacy services for Medicaid eligible individuals were purchased from the General Relief Medical program because Alaska had not adopted the pharmacy option under the Medicaid program. During the last legislative session, CSSB 255, which was signed into law as Chapter 120, SLA 1988, added pharmacy services as a Medicaid option for the period October 1, 1988 - June 30, 1989. (SB 255 has a sunset clause which repeals Chapter 120 effective July, 1989.)

Unless this legislation is passed, a general fund appropriation of \$2,560 million will be needed in FY90 to continue to pay for pharmacy services for poor Alaskans. In essence, the state would be relinquishing \$2.56 million in federal match and pharmacy services for Medicaid eligible individuals would once again be purchased through the general relief medical program (GRM). Should general funds not be appropriated, significant reductions in pharmacy services would also likely occur.

### Budgetary and Program Impact

All services which are purchased by the state under the Medicaid program receive a dollar-for-dollar federal match. All services purchased under the General Relief Medical program are entirely general funds.

The Department has submitted its FY90 budget assuming this legislation would pass, pharmacy services would remain as a Medicaid option and, \$2,560.2 in federal funds would be received as match. Consequently, this legislation has a zero fiscal note. If it passes, the total pharmacy cost of \$5.037 million is split between federal funds and general funds. The

proposed FY90 budget contains sufficient general funds to pay the state share, so pharmacy services would continue as currently provided.

If this legislation does not pass, federal matching funds for pharmacy services would be lost. Should this occur, an additional \$2,560.2 in general funds would be needed to replace the federal funds so that existing services could be maintained.

When pharmacy legislation (SB 255) passed in FY89, the department estimated \$2 million in savings because the total drug program cost about \$4 million. Services to new eligibles and utilization and price increases have since increased the total program cost to \$5 million. Consequently, returning to a totally general funded pharmacy program would cost \$1 million more in FY90 than it did in FY88, the last year in which pharmacy was entirely funded by several funds.

Throughout the interim, the department has worked diligently with pharmacists to fashion a Medicaid program which captures federal reimbursement while minimizing financial impact to pharmacists. A separate document describes the policy making process, the research conducted on pharmacy costs, and the reimbursement methodologies which resulted from that process.

If the legislature decides not to pass this legislation, the department requests that the full \$2.56 million in general funds be appropriated. This amount includes the inflation in pharmacy service costs which occurred from FY88 to FY90 in addition to the restoration of the general fund which had been supplanted by federal funds.

73 X part  
+

PHARMACY PROGRAM DATA

March '89

05%  
per

<u>Dispensing Fees (per Rx)</u>	
National Average	\$ 3.45
Lowest in Alaska	3.45
Alaskan Average	7.90
Highest in Alaska	11.46

Cost of drugs to pharmacies is 11-12% below "list."  
Alaska will pay at least that much; more if defensible.

Average Rx sales (gross) for independent Alaskan pharmacies: \$338,000 year.

Average Rx sales (gross) for all Alaskan pharmacies, including chains: \$501,000 year.

Medicaid volume: 10-15% of Rx and \$ per year.

Approximate savings from new program reimbursement rules is 17% compared to old program.

Effect of the Medicaid program on the average pharmacies' annual gross income is about a 1 1/2% decrease.

Cost of developing and implementing this program: \$160,000  
 Savings from new federal receipts this FY: \$1M  
 Savings from new federal receipts next FY: \$2.5M

Features of the Medicaid Pharmacy Program:

- (1) encourages use of generics, but avoids ineffective drugs (see attached report);
- (2) allows for brand name drugs at doctor's discretion;
- (3) reimburses our pharmacies as much as possible under federal rules (Texas has a special program that would not be acceptable to feds if it were being proposed now - see attached letter; also the Texas program pays pharmacies less for costs of drugs than our program);

- (4) doesn't require pharmacies to bill other insurance first - cuts red tape;
- (5) doesn't require pharmacies to collect \$1 co-payment from patients - simpler than the old program;
- (6) has been developed with full participation of the pharmacy community;
- (7) will slow program cost increases over time;
- (8) saves Alaska  $\frac{1}{2}$  of the total cost of all drugs for Medicaid (\$4-5M/year) by capturing federal receipts;
- (9) allows continuation, without any increases in the budget, of emergency dental services for adults, chiropractic services and eyeglasses that would otherwise be eliminated.



RECEIVED  
MAR 10 1989  
MEDICAL ASSISTANCE  
OPERATIONS  
Region X  
M/S 24  
2201 Sixth Avenue  
Seattle, WA 98121

Eric S. Hansen, Chief  
Medical Assistance  
Division of Medical Assistance  
Department of Health and Social Services  
4433 Business Park Boulevard Building  
Anchorage, Alaska 99503

Dear Mr. Hansen:

This is to confirm HCFA's policy for establishing the dispensing fee and estimated acquisition cost for drugs. As stated in your December 30, 1988 letter and discussed with Bob Grauman of my staff on March 9, 1989, basing all or part of the dispensing fee on the cost of ingredients is unacceptable because it contradicts HCFA's cost containment efforts. The use of ingredient costs as a basis tends to encourage dispensing brand name products instead of generic equivalents as well as stimulate price increases. Similarly, states cannot use average wholesale price (AWP) as the estimated acquisition cost of drugs. Numerous studies have shown pharmacies consistently purchase drugs at much less than AWP.

If you have any questions on this matter, our contact person is Bob Grauman. Bob can be reached at 206/442-0445.

Sincerely,

*Bunnee A. Butterfield*  
Bunnee A. Butterfield, Chief  
State Medicaid Operations Branch

cc: Kim Busch

F 3 45 4 46  
- 11 -

State	Fiscal Year 1988				Formulary Status	State HAC	State HAC'd drugs	Vendor Drug Payments	Fiscal Year 1987		Number of Prescription Processed
	Dispensing Fee Copayment	Ingredient Reimbursement Basis	Formulary	Yes/No					Avg. Ingrad-ent Cost Per Claim	Average Prescription Price	
Alabama	03.75	.50-3.00	MAC-9.28	Yes	C	Yes	12	031,081,371	06.00	012.05	3,710,767
Alaska	7.90		AWP-5%	No	B	No	0	N/A	No History	21.00	180,000
Arizona			--- KMOCCB Capitation Plan ---								
Arkansas	04.01		AMP	Yes	C	Yes	25	041,719,545	012.97	016.32	2,877,274
California	04.05	01.00 (1)	EAC	Yes	C	Yes	155	0169,810,319	010.38	014.43	27,605,245
Colorado	03.78	01.00	EAC (9)	Yes	C	Yes	200	022,444,056	015.30	018.50	
Connecticut	03.55 (2)		AMP/EAC	Yes	C	No		017,603,536	011.87	014.53	2,696,141
Delaware	03.65		AAC	No	B	No		04,486,023	010.66	014.31	197,741
Dist of Columbia	04.25	00.50	AMP (8)	No	B	Yes	(11)	011,128,062		014.73	756,647
Florida	04.23		MAC-7%	No	B	No		0116,229,853			
Georgia	04.26		AMP	Yes	C	Yes	85	0111,007,153		016.59	7,519,592
Hawaii	03.22		AMP/EAC	Yes	C	No		09,863,075			555,144
Idaho	2.50-3.50		AMP/EAC	No	B	No		02,920,358	09.13	012.63	391,791
Illinois	03.47		AMP-7.5%	Yes	C	Yes	(4)	0137,797,393			
Indiana	03.00		AMP-3%	No	B	No		075,389,638	015.41	018.41	4,252,774
Iowa	03.70 (2)	01.00	AMP (8)	No	B	Yes	35	033,777,984	010.15	013.57	2,508,728
Iowa	03.70 (2)	01.00	AMP (8)	No	B	Yes	(4)	020,223,958	09.67	013.46	1,642,180
Kansas	2.46-4.67	01.00	AMP/EAC	Yes	C	Yes	229	036,446,526	06.58	09.83	4,084,774
Kentucky	03.25		EAC (8)	Yes	C	Yes	733	086,566,603	010.66		6,109,545
Louisiana	03.51		EAC	No	B	Yes	32	021,086,107	011.91	015.26	1,316,180
Maine	03.55	00.50	EAC (8)	No	B	Yes	153	045,330,006		016.13	3,250,190
Maryland	03.70	00.50 (3)	EAC	No	B	Yes	153	045,330,006			
Massachusetts	03.72		AMP/EAC	No	A	Yes	(4)	089,829,373			
Massachusetts	03.72		AAC (8)	Yes	C	Yes	(4)	0129,397,205	09.43	012.57	10,294,129
Michigan	03.45	00.50	AMP-10%	Yes	C	Yes	120	047,430,302			
Minnesota	04.00		EAC	Yes	C	Yes	(4)	047,005,541	011.79	015.12	3,074,857
Mississippi	03.33	01.00	EAC	Yes	C	Yes	(4)	046,775,000		011.30	
Missouri	03.00	.50-2.00	AMP/EAC	Yes	C	Yes	(4)	046,775,000			
Montana	2.00-3.75	01.00	EAC (8)	No	A	No		07,837,330			
Montana	2.00-3.75	01.00	EAC (16, 8)	No	B	Yes	395	018,284,744	010.20	013.20	1,267,284
Nebraska	4.30-5.12 (7)		EAC (16, 8)	No	B	Yes	395	018,284,744	010.20	013.20	1,267,284
Nebraska	4.30-5.12 (7)		EAC (16, 8)	No	B	Yes	395	018,284,744	010.20	013.20	1,267,284
Nevada	03.95		AMP-10%	No	B	No		04,751,057			
Nevada	03.95		AMP-10%	No	B	No		04,751,057			
New Hampshire	2.85-3.00	.50-1.00	EAC/AMP	No	B	No		07,296,685	09.42	012.32	592,417
New Hampshire	2.85-3.00	.50-1.00	EAC/AMP	No	B	Yes	132	0104,568,805	011.15	014.86	8,784,261
New Jersey	3.63-3.97		EAC (8)	No	B	Yes	(4)	014,689,445	013.04	015.51	958,400
New Jersey	3.63-3.97		AMP/EAC	No	B	Yes	(4)	014,689,445	013.04	015.51	958,400
New Mexico	03.65		EAC	Yes	C	No		0385,312,110	010.82	013.42	
New Mexico	03.65		EAC	Yes	C	No		0385,312,110	010.82	013.42	
New York	02.60		EAC	Yes	C	No		065,511,242	013.30	016.87	3,804,028
New York	02.60		EAC	Yes	C	No		065,511,242	013.30	016.87	3,804,028
North Carolina	03.85 (10)	00.50	AMP/EAC	No	A	No		07,516,587	010.78	014.53	530,620
North Carolina	03.85 (10)	00.50	AMP/EAC	No	B	No		07,516,587	010.78	014.53	530,620
North Dakota	03.75		AMP/EAC	No	B	No		07,516,587	010.78	014.53	530,620
Ohio	03.12		EAC/AMP	Yes	C	Yes	317	0150,570,202	09.45	012.57	12,709,041
Ohio	03.12		EAC/AMP	Yes	C	Yes	317	0150,570,202	09.45	012.57	12,709,041
Ohio	03.12		AMP	Yes	C	Yes	(4)	031,075,000	014.68	018.09	1,717,668
Oklahoma	03.55 Max		AMP	Yes	C	Yes	(4)	031,075,000	014.68	018.09	1,717,668
Oklahoma	03.55 Max		AMP	Yes	C	Yes	(4)	031,075,000	014.68	018.09	1,717,668
Oregon	3.45-3.75		EAC/AMP	No	A	Yes	300	021,140,425	010.64	014.07	1,825,312
Oregon	3.45-3.75		EAC/AMP	No	A	Yes	300	021,140,425	010.64	014.07	1,825,312
Pennsylvania	02.75	00.50	EAC/AMP	No	B	Yes	126	0143,387,994	011.30	014.05	12,370,487
Pennsylvania	02.75	00.50	EAC/AMP	No	B	Yes	126	0143,387,994	011.30	014.05	12,370,487
Rhode Island	03.40		EAC/AMP	No	B	Yes	28	014,426,849		013.97	1,055,045
Rhode Island	03.40		EAC/AMP	No	B	Yes	28	014,426,849		013.97	1,055,045
Rhode Island	03.40		EAC (8)	No	B	Yes	7	032,385,353	012.98	016.28	1,989,276
South Carolina	03.30	01.00	EAC (8)	No	B	Yes	40	05,767,588	010.78	015.03	356,000
South Carolina	03.30	01.00	EAC (8)	No	B	Yes	40	05,767,588	010.78	015.03	356,000
South Dakota	04.25	01.00	EAC (8)	No	B	Yes	40	05,767,588	010.78	015.03	6,304,177
Tennessee	04.21		AMP-7%	Yes	C	Yes	150	080,961,451	09.71	013.19	7,697,796
Tennessee	04.21		AMP-7%	Yes	C	Yes	150	080,961,451	09.71	013.19	7,697,796
Texas	(5)		EAC (6, 8)	No	B	Yes	145	0123,297,069	011.69	015.87	7,697,796
Texas	(5)		EAC (6, 8)	No	B	Yes	145	0123,297,069	011.69	015.87	7,697,796
Utah	03.40		EAC (8)	No	B	Yes	46	09,933,605		012.39	815,122
Utah	03.40		EAC (8)	No	B	Yes	46	09,933,605		012.39	815,122
Vermont	02.75	01.00	AMP/EAC	No	B	Yes	352	08,082,238		014.45	559,324
Vermont	02.75	01.00	AMP/EAC	No	B	Yes	352	08,082,238		014.45	559,324
Virginia	03.40	50-1.00	EAC	No	B	Yes	82	055,496,164	010.73	013.13	4,225,285
Virginia	03.40	50-1.00	EAC	No	B	Yes	82	055,496,164	010.73	013.13	4,225,285
Washington	3.05-3.85		89% AWP	Yes	C	Yes	282	043,891,312	09.15	012.55	4,328,011
Washington	3.05-3.85		89% AWP	Yes	C	Yes	282	043,891,312	09.15	012.55	4,328,011
West Virginia	02.75	.50-1.00	AMP	Yes	C	No		019,739,981	011.91	012.66	833,149
West Virginia	02.75	.50-1.00	AMP	Yes	C	No		019,739,981	011.91	012.66	833,149
Wisconsin	03.70	00.50	AMP/EAC	No	B	Yes	291	066,232,967	08.40	012.39	2,847,008
Wyoming			AMP/EAC	No	B	Yes	291	066,232,967	08.40	012.39	2,847,008
Wyoming			AMP/EAC	No	B	Yes	291	066,232,967	08.40	012.39	2,847,008
Wyoming			---	No Vendor Drug Program				average	011.02	014.39	* Approx number

# 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

It is the intent of the Senate that the Department of Health and Social Services will submit to the Health Care Financing Administration (HCFA) for its approval a Medicaid state plan amendment, which incorporates Alaska data and which is based upon the Texas reimbursement methodology for pharmacy services as approved by HCFA, including a dispensing fee which varies by ingredient cost.

The Department of Health and Social services will work with Alaska pharmacists to prepare this plan amendment and vigorously promote its approval by the Health Care Financing Administration. This plan amendment shall be submitted to HCFA by the Department of Health and Social Services as soon as practical (but no later than three months) after formal HCFA approval of the Medicaid plan amendments submitted March 31, 1989. The Department of Health and Social Services shall report to the legislature by the 10th day of Sixteenth Alaska State Legislature on the Department's progress in implementing the pharmaceutical Medicaid option.