

Alaska State Legislature
Senate Labor and Commerce Committee
120 E. 4th St., Juneau, AK 99801

2/27/14

Sent via electronic transmission to: Sen.Mike.Dunleavy@akleg.gov;
Sen.Peter.Micciche@akleg.gov

RE: SB 167, Uninsured and Underinsured Coverage - NAMIC's Written Testimony in Support of Proposed Legislation

Dear Senator Mike Dunleavy, Chair; Senator Peter Micciche, Vice Chair; and members of the Senate Labor and Commerce Committee:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written support for SB 167 for your committee's consideration.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,400 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$196 billion in annual premiums, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. NAMIC has 85 members who write property/casualty and workers' compensation insurance in the State of Alaska, which represents 41% of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC supports SB 167, because it corrects a drafting oversight currently in Alaska law that creates unintended legal ambiguity inconsistent with the legislative intent of the law on U/UIM coverage and creates legal ramifications detrimental to Alaskan insurance consumers.

Specifically, the current language of AS 28.20.445(c) unintentionally, unnecessarily, and improperly discriminates against *some* auto insurance policyholders and passengers.

In regard to insurance policyholders, the current law unintentionally discriminates against multiple vehicle insurance policyholders who insure their motor vehicles with the same insurer via separate auto insurance policies by denying them the full benefits of the current U/UIM law. The 1990 amendment to the U/UIM law was enacted to: a) provide for consumer choice in U/UIM coverage limits, so consumers could purchase as much or as little U/UIM coverage as they deemed appropriate; 2) to clarify for the benefit of consumers what their U/UIM coverage limits are when they have multiple vehicles and multiple auto policies; and 3) to resolve legal ambiguity relating to stacking of U/UIM coverage limits which was an unnecessary and avoidable insurance rate cost-driver for consumers.

In effect, the technical drafting problem with the current law is anti-insurance consumer, because it treats *some* insurance policyholders (multiple vehicle policyholders with multiple auto insurance policies with the same insurer) differently from other insurance policyholders (multiple vehicle policyholders with a single auto insurance policy with the same insurer). From a public policy standpoint, this arbitrary discrimination is unfair to insurance consumers.

Specifically, the language in the current law creates a situation where a multiple vehicle policyholder, who insures his/her vehicles via multiple auto insurance policies with the same insurer, is required to provide U/UIM coverage limits for his passengers that is inconsistent with the intent of the law and the consumer's reasonable expectation that the U/UIM coverage limits he/she selected would be applied uniformly to both named insurers and passengers.

AS 28.20.445(c) as currently drafted:

If a **person** is entitled to uninsured or underinsured motorists coverage under more than one coverage when two or more vehicles are insured **under one policy**, the maximum amount payable *may not exceed the highest limit of any one coverage under the policy*. If a person is entitled as the **named insured** to uninsured or underinsured motorist coverage **under more than one motor vehicle policy** issued by the same insurer the maximum amount payable *may be limited to the highest limit of any one coverage under the policies*. (Emphasis added)

The current language of the law uses the word "person" (the definition of "person" includes both the named insured and passengers in the motor vehicle) in the provision relating to U/UIM coverage limits for multiple vehicles-single policy scenarios, but then uses the phrase "named insured" (the definition of "named insured" does not include passengers in the motor vehicle) in the provision relating to U/UIM coverage limits for multiple vehicles-multiple policy scenarios. Consequently, the multiple vehicle policyholder who has a single auto insurance policy covering his/her vehicles gets the exact U/UIM coverage limits he/she wanted and selected, but the multiple vehicle policyholder with multiple auto insurance policies with his/her insurer does not get the U/UIM coverage limits he/she wanted and selected. From a public policy standpoint, this doesn't make any sense.

The drafting inconsistency in the current law is also patently unfair to auto passengers, because it creates dramatically different U/UIM coverage limits for *some* passengers. If the passenger is per chance in a vehicle where the multiple vehicle policyholder has a single auto insurance policy for all his/her motor vehicles, the passenger's U/UIM coverage limits are different from what he/she would have if the policyholder of vehicle has multiple auto insurance policies with his/her insurer. This is because the current language of the law requires the passenger to have the same U/UIM coverage limits as the named insured in multiple vehicles-single policy scenarios, but different U/UIM coverage limits than the named insured in multiple vehicles-multiple policies scenarios.

The drafting problem in the current law also creates an irrational distinction in U/UIM coverage limits being provided to passengers and named insured, because it creates a situation where the passenger's U/UIM coverage limits may be higher than the named insured simply as a result of how the policyholder decided to procure auto insurance coverage for his/her multiple vehicles (single policy or multiple policies). It really doesn't make sense for a passenger to have higher or lower U/UIM coverage limits and different coverage limits from the named insured *exclusively* because the multiple vehicle policyholder had a single auto insurance policy for his/her vehicles or multiple auto insurance policies with his/her auto insurer.

This inconsistent language creates legal ambiguity and unnecessary confusion for insurance consumers. The typical policyholder doesn't want his/her U/UIM coverage limits determined by whether he/she has one auto policy or multiple auto policies nor do consumers want to pay higher insurance rates because inconsistent terminology in the law creates a higher U/UIM coverage limit for passengers than for the named insured.

In essence, the current problem is one of legal ambiguity resulting from inconsistent use of language throughout a statutory provision. Fortunately, this type of problem is easily fixed by replacing the word "named insured" with the word "person" and clarifying that the multiple auto insurance policies issued by the insurer be issued to the same policyholder "in the same household".

AS 28.20.445(c) as proposed:

If a **person** is entitled to uninsured or underinsured motorists coverage under more than one coverage when two or more vehicles are insured **under one policy**, the maximum amount payable *may not exceed the highest limit of any one coverage under the policy*. If a **person** is entitled to uninsured or underinsured motorists coverage **under more than one motor vehicle policy** issued by the same insurer **in the same household**, the maximum amount payable *may be limited to the highest limit of any one coverage under the policies*. (Emphasis added).

Since SB 167 effectuates a common-sense fix to unintended legal ambiguity in the current law, and because there is no legislative history or public policy rationale for treating the name insured and his/her passengers differently for U/UIM coverage limits based solely upon whether the multiple vehicles owned by the policyholder are listed in one auto policy or multiple auto policies, NAMIC respectfully requests that the Senate Labor and Commerce Committee **VOTE YES on SB 167.**

Thank you for your time and consideration of NAMIC's written testimony. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you have any questions pertaining to my written testimony.

Respectfully,

A handwritten signature in black ink, appearing to read "Christian J. Rataj". The signature is fluid and cursive, with a large initial "C" and "R".

Christian J. Rataj, Esq.
NAMIC's Senior Director - State Affairs
Western Region