

January 30, 1979

The House Highways and Transportation Committee convened in room 20 of the Capital Annex on January 30, 1979 at 12:40 p.m., with Chairman Baeth presiding and four members absent (Ernst, Fabrega, Keyser and Lien) and one excused (Kanduch). Chairman Baeth opened the meeting to an executive session on House Bill 67.

HOUSE BILL 67 Rep. Cooney said the bill had been in the committee twice before and each time a standing committee report was prepared. He said the first report needed to be cancelled so the final recommendation of the committee could be carried out. He moved to repeal the amendments made on the January 18, 1979 report and leave standing the amendment on the January 23 report. The motion passed unanimously with those present.

Chairman Baeth opened the meeting to a hearing on the following bill:

HOUSE BILL 262 REPRESENTATIVE PATRICIA E. GESEK, the chief sponsor, said this is an act to require liability protection on vehicles as a condition of operation. She read two amendments she wished made to the bill. A copy of her testimony which includes the amendments is exhibit 1 and part of the minutes.

REP. JOHN VINCENT, the next proponent speaker, said the number one concern expressed as he went through his district before election was the need of some form of compulsory liability insurance. He encouraged the members to study the bill carefully and come up with something to offer the people.

JIM MANION, Montana Auto Association, signed as neither supporting or opposing. He said the AAA definitely supports the concept that all licensed drivers should have some type of liability insurance.

JIM HUGHES, Mountain Bell, said they support the bill with the amendments proposed by the sponsor.

ARNOLD ERICKSON, National Retired Teachers Association and AARP, spoke next. He said they had identified the need of this type of liability insurance as one of their aims more than a year ago.

JOSEPHINE DRISCOLL, Insurance Department, State Auditor, was the first opponent speaker. She said they agree as to the need but feel it is impossible to legislate responsibility--the responsible individual will carry insurance and the irresponsible one will not. She said laws on compulsory automobile liability insurance has been generally ineffective. A complete copy of her testimony is exhibit 2 and part of the minutes. She said the estimated budget required to enforce this law would be \$397,000 for 1980. A copy of the fiscal note is exhibit 3 and part of the minutes.

January 30, 1973

Page 2

GLEN DRAKE, American Insurance Association, spoke next in opposition. He said as has been indicated the bill is well intentioned. He said they recognize the problem of the uninsured motorist, but compulsory laws do not achieve their purpose. He said their primary problem is with section 8, subsections 3, 4 and 5. He said subsection 3 requires the insurance companies to create a fund for the payment of claims for persons who are not otherwise covered. He said this could be interpreted to mean all vehicles and persons involved. He asked who is going to pay for this fund. He said obviously the insurance companies will have to increase their premiums and so the cost falls back on the same insured persons the bill is trying to help. He mentioned the availability of uninsured motorist's coverage which has a fairly low premium--about \$16 a year. In subsection 4 he said it was interesting to note that it applies to all insurance companies, and as Mountain Bell is self insured he said he could see why they support the bill. Subsection 5 he felt needs a lot of work. He said the cost would be high and the Motor Vehicle Division would be physically unable to go out and do the things demanded of them by the bill.

LARRY MAJERUS, Motor Vehicle Division, Justice Department, said there were 772,000 vehicles which would be affected by the bill. He said he was at the meeting to help supply information.

REP. GESEK in her closing statement said the senior citizens of Missoula had intended to be at the meeting as proponents. She said it is possible to legislate mandatory insurance laws as other states have them. She said she believes it to be enforceable. She said those who choose to be irresponsible should be required to have insurance before they can have their cars on the highways. She said she would discuss section 8 with the drafter of the bill. If that part were not needed for a basic mandatory bill, she said it could be deleted.

During questions from the committee, Rep. Cooney asked Mr. Drake if he had any suggestions on how to clean up section 8. Mr. Drake doubted that it could be made acceptable to his people. He said it is setting up another uninsured motorist provision. In reply to a question Mrs. Gesek said Illinois has mandatory coverage. Rep. Rosenthal asked what is to prevent a motorist from getting insurance to get his license plates and then cancelling. Mr. Manion responded, nothing. He said to his knowledge three states have this coverage--and Idaho the most workable one. To the question of how many drivers are not licensed, Mr. Majerus responded from 15 to 20%, which is an estimation based on another state's study. Mrs. Geske said the bill has to do with vehicle registration and about 40% of the vehicles do not have insurance coverage. Mr. Tropila questioned the need of more employees in the Insurance Division of the state as the insurance companies are already set up to do claims. Ms. Driscoll said the

Highways and Transportation

January 30, 1979

Page 3

way the bill is worded they are to do it. In response to another question Mr. Drake said the sending of the cancellation notices to the state would not be a problem as they could send a copy of one sent to the client. Mr. Tropila suggested the Motor Vehicle Division take away the license plates of those cancelling.

W. BOYCE CLARK, Independent Insuring Agents of Montana, came. He had arrived late due to the change of the committee's meeting time. The committee moved unanimously that he get to present his testimony. He spoke in support of the bill and a copy of his testimony is exhibit 4 and part of the minutes.

The committee returned to their questions and Rep. Wood asked if it wouldn't be feasible to collect a full year's insurance and have it nonrefundable from the one applying for a vehicle registration. This would eliminate the problem of cancellation. Mr. H.E. Parks, USF&G, was asked to respond. He said the company might also wish to cancel out the client and also that a number of clients pay monthly; he felt this would also drive premiums up. He also mentioned it was possible that a client would change from one insuring company to another because of a better price--the cancellation notice would go to the Highway Patrol and the client would have the inconvenience of proving he was reinsured.

Pat Melby, Alliance of American Insurers, when questioned if he had something to add, said he didn't at this time.

Signing but not speaking were:

Henry Jergensen, HRTA, signed as supporting
R. M. Thiesen, Insurance Department, signed as opposing

Meeting adjourned at 1:35 p.m.

Respectfully submitted,

William R. Baeth
WILLIAM R. BAETH, Chairman

Emelia Satre, Sec.