

**INTERIM REPORT OF THE  
JOINT SUBCOMMITTEE STUDYING**

**The Availability and  
Affordability of Motor  
Vehicle Liability Insurance**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



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Report of the Joint Subcommittee Studying  
the Availability and Affordability of  
Motor Vehicle Liability Insurance

To the Governor  
and the General Assembly of Virginia  
Richmond, Virginia

January 1990

To: The Honorable L. Douglas Wilder, Governor of Virginia,  
and  
The General Assembly of Virginia

I. INTRODUCTION

During the latter half of the 1980's, the General Assembly devoted considerable time and resources to studying insurance issues and legislation. Much of that effort focused on issues relating to the availability and afford-ability of commercial liability insurance, a line seriously affected by the recent liability insurance crisis. The General Assembly responded in its 1987, 1988 and 1989 Sessions by enacting significant regulatory reforms and commissioning a two-year joint legislative study of the availability and affordability of commercial liability insurance, the insurance industry's antitrust exemption and reinsurance costs.

During this same period, the Office of the Attorney General, the State Corporation Commission's Bureau of Insurance, and consumer advocacy groups continued to observe and report to the General Assembly significant consumer concerns about the cost and availability of motor vehicle insurance. In both the 1987 and 1988 Sessions, the General Assembly passed resolutions directing the Bureau of Insurance to study specific automobile insurance issues.

In 1987, the General Assembly adopted Senate Joint Resolution No. 142 directing the Bureau of Insurance to study the cancellation and nonrenewal of automobile insurance policies to determine whether additional regulation was needed. The study resulted in the 1988 enactment of legislation relating to the grounds for nonrenewal and notification of policy terminations. During the 1988 Session, the General Assembly adopted House Joint Resolution No. 72 directing the Bureau of Insurance to study insurance premium increases resulting from not-at-fault and partially-at-fault accidents. After conducting its study, the Bureau reported to the 1989 Session of the General Assembly that current regulatory procedures appear adequate to monitor and redress improper premium surcharges.

Despite these efforts by the General Assembly and the State Corporation Commission, problems relating to automobile insurance remained the leading source of consumer complaints filed with the Bureau of Insurance and the Attorney General in 1988. By the third quarter of that year, there were

reports that more drivers were driving without insurance than in the past due to increasing insurance costs. From 1982 to 1987, Virginia automobile insurance premiums were reported to have increased 72%, as compared to 63% nationwide. Observers noted that automobile insurance costs were emerging as a major inflationary force.

In addition to premium increases, other automobile insurance issues surfaced as concerns to both the Attorney General and members of the 1989 General Assembly. Specific areas of concern included: (1) whether rate design factors such as age, gender, marital status and garage location are being fairly and appropriately applied in Virginia; (2) whether steps can and should be taken to reduce the number of drivers insured through the Virginia Automobile Insurance Plan (Virginia's "assigned risk" plan); and (3) whether Virginia laws prohibiting rebating and the exclusion of a named driver from coverage serve the best interests of Virginia consumers, insurers and insurance agents.

To address these concerns, the 1989 Session of the General Assembly passed Senate Joint Resolution No. 223 establishing a joint legislative subcommittee with citizen participation to study the affordability and availability of motor vehicle liability insurance in the Commonwealth. (Appendix 1.)

The membership of the joint subcommittee, appointed in accordance with the provisions of the resolution, is as follows: from the Senate Committee on Commerce and Labor, the Senate Committee on Privileges and Elections appointed Senators Richard L. Saslaw of Annandale and John H. Chichester of Fredericksburg; from the House Committee on Corporations, Insurance, and Banking, the Speaker appointed Delegates Thomas W. Moss, Jr. of Norfolk, Edward R. Harris, Jr. of Lynchburg, and Harvey B. Morgan of Gloucester; and as citizen members, the Governor appointed Mr. Evans B. Brasfield, Esquire of Richmond and Mr. Samuel A. Derieux of Richmond. Senator Richard L. Saslaw was elected Chair of the Joint Subcommittee.

## II. EXECUTIVE SUMMARY

The Joint Subcommittee began its study of motor vehicle liability insurance by conducting three public meetings in Richmond, Virginia on August 31, 1989, September 20, 1989, and October 31, 1989.

At the August 31, 1989 meeting, the Subcommittee adopted an extensive agenda of topics developed by the Office of the Attorney General. The Subcommittee also received input from the Commissioner of Insurance and representatives of insurance companies, insurance agents and consumers. Topics identified for study included: (1) consumer awareness; (2) the assigned risk plan; (3) automobile theft and insurance fraud; (4) uninsured motorists; (5) the named driver exclusion; (5) duplicate payments and stacking; (6) premium surcharges; (7) cancellations and nonrenewals; (8) settlement problems; (9) safe driver discounts; (10) competition and insurer profitability; and (11) costs associated with drunk and drugged driving. Members of Subcommittee also expressed interest in no-fault insurance and the insurance industry's antitrust exemption. Chairman Saslaw stressed the importance of conducting public meetings at convenient locations around the State to give interested citizens an opportunity to

comment.

At the September 20, 1989 meeting, the Subcommittee heard presentations on consumer awareness, the assigned risk plan, automobile theft and insurance fraud. The Office of the Attorney General proposed point-of-sale disclosure requirements for private passenger automobile insurance and safeguards to ensure proper use of the assigned risk plan. Studies were presented showing that consumers with clean driving records are sometimes placed in the assigned risk plan. Initiatives to control insurance costs by reducing automobile theft and insurance fraud also were discussed.

At the October 31, 1989 meeting, the Subcommittee heard presentations on a range of issues. The meeting began with presentations on highway safety and a new program to apprehend and prosecute drunk drivers with videotaped evidence. Legislative initiatives to control insurance costs by reducing automobile theft and insurance fraud also were discussed.

The Office of the Attorney General made a presentation on uninsured motorists and proposed insurance certification requirements for registering a vehicle as insured. The Attorney General also proposed consideration of legislation that would permit motor vehicle insurance policies to exclude a named driver from coverage, subject to exceptions for unemancipated minors, dependent children and students.

The insurance industry made presentations on proposed reforms to control insurance costs by eliminating or restricting duplicate payments, stacking of coverages, and subjecting claims for medical expenses to peer review by insurer-selected physicians. Recent court decisions concerning medical payments insurance also were discussed. The insurance industry's proposals produced considerable debate, with opposing presentations by representatives of the Virginia Trial Lawyers Association.

The Attorney General's Office made a series of proposals to address consumer concerns relating to policy cancellations and nonrenewals, premium increases based on accidents and claims, and problems in the settlement of insurance claims. The proposals included a prohibition against retaliatory nonrenewal of a policyholder who files a complaint with the Commissioner of Insurance and civil sanctions to penalize insurers for wrongful cancellation or nonrenewal, improper premium increases and bad faith denial of insurance claims. The Attorney General's proposals also engendered debate, drawing opposition from the insurance industry and support from both the Virginia Trial Lawyers Association and Virginians for Fair Rates and Fair Compensation.

The meeting concluded with discussions of plans for a future meeting to discuss the topic of no-fault insurance. Chairman Saslaw indicated that one of the recommendations of the Subcommittee should be to continue the study for another year to allow further consideration of the issues and proposals which have been presented and to allow an opportunity for public comment at meetings in different locations around the State. The Attorney General and several consumer interest groups concurred in the recommendation.

### III. WORK AND DELIBERATIONS OF THE SUBCOMMITTEE

The Joint Subcommittee held three public meetings during the course of

its interim study. An organizational meeting was held on August 31, 1989, followed by two further meetings on September 20 and October 31, 1989, to elicit testimony from interested parties and the public. Participants included the Office of the Attorney General, the State Corporation Commission's Bureau of Insurance, insurance industry representatives, consumer advocates and the Virginia Trial Lawyers Association. Participants' written testimony and associated materials appear as appendices to this report.

#### August 31, 1989 Meeting

At the August 31 meeting, the Subcommittee heard testimony from representatives of the Attorney General's Office, the Bureau of Insurance, the insurance industry, consumer advocates, and insurance agents.

H. Lane Kneedler, Chief Deputy Attorney General, opened the meeting with a presentation on behalf of the Attorney General. (Appendix 2). Mr. Kneedler related the Attorney General's concern that Virginians are paying too much for their automobile insurance given the Commonwealth's comparatively good loss record and relatively conservative judicial system. He recommended that the Joint Subcommittee study the following issues and areas of concern: consumer awareness, the assigned risk plan, competition in the voluntary market, automobile theft and insurance fraud, costs associated with drunk and drugged driving, and uninsured motorists. Other areas of potential concern identified by Mr. Kneedler included the availability of safe driver discounts, cost containment issues relating to duplicate payments and stacking, policy cancellations and nonrenewals, settlement problems, and the feasibility of allowing a named driver exclusion.

Mr. Kneedler explained the Attorney General's view that consumers are not receiving the full benefit of competition due to a basic lack of awareness of insurance products and prices. He stated that additional consumer information programs are needed to help consumers compare automobile insurance prices and quality of service. He also stated that consumers need to be aware of their rights under the law and the remedies available if they are denied coverage or if a policy is cancelled or nonrenewed.

Mr. Kneedler related that the Attorney General's concerns about Virginia's assigned risk plan focus on the improper placement of drivers in the plan and the inappropriate diversion of others from the plan. He suggested that the Subcommittee consider legislation to establish clearer standards for assignment to the plan.

Mr. Kneedler also identified a number of specific concerns relating to competition in the voluntary market such as insurer profitability, market concentration, rate service organizations, anti-rebate laws, the apparent unavailability of group coverage and insurance sales by banks. He suggested that the Joint Subcommittee consider automobile insurance rates in relation to insurer profitability. He noted that Virginia reportedly had the nation's 10th largest increase in automobile insurance premiums in 1987. He also observed that if premiums had been reduced to reflect the same incurred loss ratio as the national average, Virginians would have

paid \$440 million less in automobile liability insurance for the period 1983 to 1988. Mr. Kneedler explained that he was not claiming that Virginians were, in fact, overcharged \$440 million, but only that Virginia's loss ratio has consistently fallen below the national average and that the difference represents approximately \$440 million.

Mr. Kneedler also observed that other reasons Virginians may be paying too much for their automobile insurance include automobile theft, insurance fraud, and problems associated with drunk- and drugged-driving. He expressed the Attorney General's desire for cooperation with local law enforcement officials, the Commissioner of Insurance and the insurance industry in developing effective anti-theft and fraud reduction programs and additional anti-drunk and anti-drugged driving measures to help reduce insurance costs.

Mr. Kneedler concluded by expressing concern whether current law on uninsured motorists is tough enough on those who fail to meet financial responsibility requirements. He indicated that additional steps may be needed to ensure efficient and effective enforcement of the State's uninsured motorist laws.

Mr. Brasfield inquired whether the Attorney General considered the insurance industry's antitrust exemption an appropriate issue for study. Mr. Kneedler indicated that this issue was being considered by the Joint Subcommittee established pursuant to House Joint Resolution 382 and offered to share information provided to that Subcommittee.

Delegate Harris inquired whether "no-fault" insurance would be considered. Mr. Kneedler suggested that although the Subcommittee appeared to have a full agenda, it may wish to consider this option.

Steven T. Foster, Commissioner of Insurance, began his presentation with comments in response to Mr. Kneedler's remarks. With regard to the \$440 million figure mentioned by Mr. Kneedler, Mr. Foster noted that dividing this figure by the 4.9 million registered vehicles in Virginia amounts to about \$14.96 per vehicle. He also expressed concern that the \$440 million figure could be taken to suggest that the current statutory and regulatory scheme permits excessive rates. Mr. Foster reported that the Bureau's economist, using a reserve-to-surplus method, estimated profitability for private passenger automobile insurance to be 9.8 percent nationwide and 14.5 percent in Virginia. Using a premium-to-surplus method, Mr. Foster reported that profitability was 9.34 percent nationwide and 12.25 percent in Virginia. He stated that for automobile physical damage insurance, the most profitable line of automobile insurance, the reserve-to-surplus method produced profitability results of 43.5 percent nationwide and 48.79 percent in Virginia. He stated that using a premium-to-surplus method for this line produced profitability results of 20.79 percent nationwide and 18.1 percent in Virginia. Commissioner Foster noted that these figures illustrate how different methodologies can influence estimates of profitability. Mr. Foster further noted that there are 125 companies writing and approximately 25,000 agents selling automobile insurance in Virginia. He observed that Chapter 19 of Title 38.2 of the Code provides for implementation of the 60-day delayed effect provisions where the Commission finds that competition is not an effective regulator of rates.



With regard to consumer awareness, Mr. Foster advised the Subcommittee that he shares the Attorney General's concerns about whether consumers can effectively comparison shop for automobile insurance. He pointed out that advertising is a good way of communicating to consumers.

Commissioner Foster also presented a graph reflecting eight categories of automobile insurance complaints received by the Bureau of Insurance during fiscal years 1988 and 1989. (Appendix 3.) The greatest number of complaints concerned policy cancellations and nonrenewals. Commissioner Foster stated that most of these complaints were induced by the consumer's automatic statutory right of appeal to the Commissioner whenever a policy is cancelled or nonrenewed. He stated that the Bureau of Insurance examines these complaints and usually determines that the policy termination is justified. Mr. Foster noted that the statutes allow a company to nonrenew a policy, but forbid nonrenewal for certain specified reasons such as age, sex or marital status. He reminded the Subcommittee that the General Assembly had amended the statute in 1988 to prohibit nonrenewal on the basis of lack of driving experience or lack of supporting business. He noted that the Bureau had seen a drop in complaints following these amendments.

The second largest category of complaints involved "point review" where a policyholder is assigned points and surcharged for his involvement in an accident. Commissioner Foster stated that companies may surcharge a policy based on accidents and claims experience. He noted that complaints concerning point surcharges and policy terminations accounted for more than half of the complaints received during fiscal years 1988 and 1989. He stated that the Commission is currently unable to disaggregate complaints by company.

Commissioner Foster noted that there were comparatively few complaints about agents and that those filed typically involved delays in payments of claims. He indicated that most of these complaints involve the processing and handling of the claim by the insurer. He explained that policyholder service complaints typically involve adding a vehicle to the policy or increasing coverages. He noted that a low percentage of complaints involved premium and rating and that most such complaints involved complaints about premium increases. The smallest number of complaints involved refusals to insure.

Commissioner Foster explained that the graph was designed to give the Subcommittee a sense of the concerns of Virginia consumers to help identify appropriate areas of study. He stated that one problem area involves point review. He expressed concern that where a policy covers more than one vehicle, a surcharge is often applied to all vehicles and is not limited to the vehicle customarily used by the driver whose misconduct is responsible for the assignment of points. He stated that the surcharge should be restricted to that vehicle.

Another problem identified by Commissioner Foster involved refusals to insure drivers who have been insured by substandard companies specializing in high-risk drivers. He stated that legislation should be enacted to prohibit this practice.

With regard to policy terminations, Commissioner Foster noted that while the General Assembly had examined this area in 1988 and adopted

amendments to prohibit the use of certain criteria as the basis for nonrenewal, the Subcommittee may wish to consider this issue further.

Commissioner Foster also discussed a problem relating to the so-called "short-rate" provision. He explained that an agent may misquote a rate, and the insured may later wish to cancel upon receiving a bill for a higher premium from the insurance company. Mr. Foster stated that the law should be changed to require computation of the premium up until cancellation based on the quoted rate.

Commissioner Foster acknowledged concerns about improper placements in the assigned risk plan. He stated that the Commission was currently examining the assigned risk plan and considering a proposal to require agents to specify on the application the reason for placing a driver in the plan.

Commissioner Foster pointed out that many drivers rely on their agents to shop for coverages and premiums. He expressed concern about the situation where a driver is not informed by the agent of restrictions companies may have placed on the agent based on the bad claims experience of policies sold by the agent. Commissioner Foster recommended a requirement that such restrictions be disclosed to the consumer because they may render the agent unable to place coverage in the preferred or standard market.

Mr. Phillip B. Morris, representing State Farm Mutual Automobile Insurance Company, expressed the industry's disagreement with the underlying premises of the study resolution. (A copy of the resolution appears as Appendix 1 to this report.) He stated that although numerous complaints may be filed with the Attorney General and the Bureau of Insurance, there is no indication of any need for reform. He noted that the industry has increased efforts to inform consumers and suggested that recent statutory changes may have increased the number of complaints.

Mr. Morris further noted that a November 1988 report by the Bureau of Insurance found that between October 1987 and September 1988, new assignments to the assigned risk plan had decreased 26 percent. He also stated that factors such as age, sex, marital status, geographic location and car usage are used in other states and are legitimate tools for making underwriting decisions.

Mr. Morris also expressed disagreement with allegations of rapidly increasing insurance rates. He noted that although Virginia ranked twelfth nationally in population, it ranked twenty-fifth nationally in automobile insurance rates. He cited a State Corporation Commission report indicating that Virginia automobile insurance rates had risen 3.8 percent annually over the last five years.

Mr. Morris presented a fact sheet comparing increases in insurance premiums with increases in medical, vehicle repair and settlement costs. (Appendix 4.) He stated that consumers pay for increases in coverage and in the value of vehicles. And he noted that the Bureau of Insurance concluded in November 1988 that automobile insurers were not making excessive profits and that competition exists in the marketplace.

Mr. Morris concluded by stating that the industry supports Virginia's current system for regulating automobile insurance. He indicated that the industry has no objection to review or fine tuning and has in the past

supported initiatives by the Commissioner of Insurance to improve the system.

Mr. Christopher Lagow, a representative of Nationwide Mutual Insurance Company, expressed agreement with State Farm's remarks and Nationwide's willingness to work with the Subcommittee. He also presented a brochure concerning insurance costs. (Appendix 5.)

Mr. David Halla, an independent insurance agent from Northern Virginia, expressed concern about improper rating practices. His prepared remarks appear as Appendix 6 to this report. Mr. Halla noted that the Bureau of Insurance had placed one agency under investigation for using improper territory codes to rate commercial automobile insurance policies. He stated that this agency and many others have written millions of dollars of insurance coverage by using this practice. He claimed that rating fraud is simple and easy, discourages good competitive practices, and guarantees the insurance companies recovery as future rates are adjusted upward to compensate for premium deficiencies. He stated that if fraudulent rating practices were prohibited, aggressive companies would find other, less costly, and more desirable means of competing.

Mr. Theodore L. Smith, a representative of the Independent Insurance Agents of Virginia, discussed the unique position of insurance agents in working with both insurance companies and consumers. He related that insurance agents have witnessed increases in the cost of living and insurance. Mr. Smith stated that independent agents who deal with more than one company can help consumers shop for the best bargain and provide service. He noted that consumers sometimes fail to recognize that insurance is a transference of risk among a group of policyholders and not an individual investment. Mr. Smith stated that independent agents believe that there is strong competition in the marketplace. He expressed opposition to proposals to repeal the "anti-rebate" law which he stated serves to protect consumers against discrimination. A position paper outlining this view appears as Appendix 7 to this report.

Mr. Richard Cagan, representing Virginians For Fair Rates and Fair Compensation, reported on the results of a telephone hotline conducted during the fall of 1988. A copy of his prepared remarks appears as Appendix 8 to this report. Mr. Cagan related that the hotline received over 1,200 calls from consumers all over the state and that the leading complaint was excessive cost, followed by reports of unfair practices, inadequate compensation and poor service. He stated that these four categories accounted for 50% of the automobile insurance complaints. Mr. Cagan suggested that the Subcommittee conduct one or more public hearings around the State to learn more about consumer problems. He also expressed concern about the use of factors such as age, sex, marital status and neighborhood as underwriting tools. A news release from the Consumer Federation of America also was presented (Appendix 9.)

The presentation concluded with additional remarks by Chief Deputy Attorney General Kneedler. Mr. Kneedler agreed with Commissioner Foster's comments concerning the importance of careful statistical analysis of insurer profitability. Mr. Kneedler also responded to questions from Delegate Morgan concerning the factors to be considered in determining whether competition is effectively regulating rates under § 38.2-1905.1 of

the Code of Virginia. A copy of this Code section appears as Appendix 10 to this report.

### September 20, 1989 Meeting

At its second meeting, the subcommittee heard testimony on three topics: (1) consumer awareness; (2) the assigned risk plan; and (3) automobile theft and insurance fraud.

### CONSUMER AWARENESS

Mr. Kneedler presented the Attorney General's proposal to assist consumers in shopping for insurance through point-of-sale disclosure requirements. Such requirements would include: (1) the companies an agent represents; (2) a service ranking of those companies; (3) the total premium for the coverages desired and any other fees or charges; and (4) an explanation of each company's rating practices, including the effect of accidents, claims, and traffic violations on premiums. A copy of the full text of Mr. Kneedler's presentation and related materials appear as Appendix 11 to this report.

Mr. Kneedler explained that the proposal to provide consumers with rankings of insurance companies in terms of "consumer satisfaction" or "dissatisfaction" is an important component of the information consumers need to make informed purchasing decisions. He further noted that such rankings would also provide companies an added incentive to treat consumers fairly, and that Commissioner Foster, at the August 1989 Joint Subcommittee meeting, had agreed that such rankings could be a source of useful information for consumers, although the Bureau does not currently have the capability to compile these rankings.

Mr. Kneedler acknowledged recent industry efforts to provide consumers with more information and the continuing need to better inform and educate consumers. He also urged that government improve, not replace, existing market structures. He stated that the Attorney General does not at this time propose to require the Bureau of Insurance to maintain a centralized computer system that would provide individualized price quotations. He noted, however, that a number of states presently compile and publish comparative information.

Mr. Theodore L. Smith, representing the Independent Insurance Agents of Virginia, also addressed the consumer awareness issue. He presented a brochure prepared by the Insurance Information Institute. (Appendix 12.) Mr. Smith indicated that 90,000 of the brochures had been distributed and that a follow-up study was planned to assess whether this type of program is helpful in educating consumers. He also presented a copy of a local newspaper article discussing the Insurance Information Institute program and related materials. (Appendix 13.) In response to the Attorney General's remarks, Mr. Smith noted that agents daily assist consumers in shopping for insurance and expressed the view that consumers have freedom to choose among a number of agents and companies.

Ms. Rosalind Phillips, representing the Government Employees Insurance Company, presented a brochure that GEICO currently distributes to its

policyholders. (Appendix 14.)

Mr. Phillip Morris, a representative of State Farm Mutual Automobile Insurance Company, presented a disclosure form insurers are currently required to provide at renewal. (Appendix 15.) Mr. Morris indicated that the industry has no objection to efforts to enhance consumer awareness of insurance products and prices.

Mr. Richard Cagan of Virginians for Fair Rates and Fair Compensation expressed support for the Attorney General's recommendations. He further recommended that the Subcommittee consider mandating that the Bureau update its consumer guide every six months and provide for its wider distribution, possibly through the Department of Motor Vehicles.

Steven T. Foster, Commissioner of Insurance, presented a copy of the Bureau of Insurance's new consumer guide. (Appendix 16.) He indicated that the Bureau is committed to publishing the guide annually, but would not like to see a mandate requiring annual publication. He indicated that having the Department of Motor Vehicles enclose the guide with motor vehicle registration renewal notices may be a good way of distributing the guide to consumers. Mr. Foster also presented a table of automobile insurance rates effective July 1, 1989. (Appendix 17.)

#### ASSIGNED RISK PLAN

Assistant Attorney General Martha Brissette began the presentations on this issue by noting the Attorney General's concerns that some consumers are being improperly placed in the assigned risk plan, while others are being improperly diverted from it. The latter group, she noted, may be forced into the higher-priced specialty market or to go without insurance. Ms. Brissette stated that the presence of drivers with clean records in the assigned risk plan is a signal that some consumers are not receiving adequate information. She also noted that some consumers who are placed in the plan do not appear to be adequately informed of their right to seek less costly coverage outside of the plan. Ms. Brissette offered the following recommendations to prevent improper placements in the plan:

1. Require that agents disclose to consumers any limitations on the agent's ability to place coverage with the companies the agent represents, and the fact that other companies may be willing to provide coverage at lower rates.
2. Require a clear and concise explanation of the nature and purpose of the plan, so that consumers will understand that it is to be used only as a last resort. The form of the explanation could be the product of consultation with the industry and the Bureau of Insurance.
3. Require agents to certify on the application the reason for assignment to the plan. This could be coupled with a requirement that the agent identify the companies which were contacted and which would not provide insurance for the applicant in the voluntary market. Such requirements could be strengthened by

tying payment of the agent's commission to evidence that the agent made an effort to find less expensive coverage.

4. Before renewal of an assigned risk policy, require disclosure of the consumers' right at any time to seek less expensive coverage outside of the plan, and consumers' right not to be rejected for insurance based on their current assigned risk status.

5. Prohibit insurers from rejecting an application based on the applicant's current status as an insured with a high-risk specialty company. This proposal would parallel the current provision which prohibits an insurer from basing an adverse underwriting decision on a driver's assigned risk status.

Ms. Brissette also offered proposals to prevent improper diversion from the plan. She recommended that as a prerequisite to issuing a policy whose rates exceed those applicable under the plan, the insurer or agent should be required to disclose (a) the availability of lower rates under the plan, and (b) the prohibition on discrimination based on the insured's assigned risk status.

Mr. William Waechter, a representative of the Alliance of American Insurers also made a presentation on assigned risk issues. He stated that in Virginia, 3.9% of automobile liability insurance is written through the assigned risk plan. He noted that all states have residual market mechanisms and that the percentage of Virginia business written through the plan compares very favorably nationwide. He stated that insurance companies do not favor a large residual market and that the population of an assigned risk plan varies with changes in insurance markets. He stated that assigned risk business tends to be expensive and unprofitable. Assigned risk policies, he noted, generally entail more paper work than voluntary placements; for this reason, agents would prefer voluntary placements. Mr. Waechter provided a copy of the renewal notice form the plan issues to policyholders. (Appendix 18.)

Mr. Theodore L. Smith of the Independent Insurance Agents of Virginia also addressed assigned risk issues. He first discussed a handout showing the population of the plan for the period 1978 to 1988. (Appendix 13.) He reported that agents write policies through the plan as an accommodation to their customers and would prefer not to use the plan due to the lack of incentives. One disincentive noted was the high cost of agents' errors and omissions liability policies for agents who write a large volume of business in the substandard or assigned risk market.

Commissioner Foster commented on the differing estimates of the percentage of "clean" drivers (drivers with no accidents or moving violations) in the assigned risk plan. A survey by the Attorney General's Office found that 63.33 percent of the drivers in the Plan reported a clean driving record, and 46.67 percent reported a clean driving record for the past three years. A large survey conducted by the Bureau of Insurance found that 26 percent of the drivers in the plan had clean driving records and 11 percent had clean driving records for at least three years. Commissioner Foster noted that the Bureau had compared applications it

examined against Department of Motor Vehicle records; the Attorney General's survey results were based upon the drivers' own representations of their driving records on the applications.

Commissioner Foster reported that the State Corporation Commission does not favor reducing agents' commissions to deter use of the plan. He indicated that the Commission favors a proposal to require agents to state on the application form the specific reason that an applicant is being placed in the plan.

#### AUTOMOBILE THEFT AND INSURANCE FRAUD

Chief Deputy Attorney General Lane Kneedler described several programs and proposals that might be implemented to reduce automobile theft and insurance fraud in Virginia. Increases in these crimes appear to have contributed significantly to increases in automobile insurance costs.

Mr. Kneedler noted that a number of suggestions had arisen in discussions with insurance industry representatives, including proposals to enhance the criminal penalties and civil remedies available against "chop shop" operations. Programs using electronic anti-theft devices and special decals which have begun to produce positive results in other states were also discussed. Mr. Kneedler recommended that the Subcommittee consider some of these creative and promising solutions.

#### October 31, 1989 Meeting

At the October 31st meeting, the Subcommittee heard testimony on a wide range of topics, including theft and fraud, drunk and drugged driving, uninsured motorists, the named driver exclusion, cost containment issues, safe driver discounts, cancellations and nonrenewals, and settlement problems.

#### THEFT AND FRAUD

The meeting began with a presentation by Judith Lee Stone, Executive Director of Advocates for Highway and Auto Safety. Ms. Stone stated that the group is a newly-formed coalition of consumer groups, individuals, insurance companies and trade organizations whose goal is to promote federal and state regulatory reforms to promote highway safety. She expressed support for aggressive measures to design safer vehicles, promote roadway safety, change driver behavior and deter fraud and theft. A copy of the full text of Ms. Stone's presentation appears as Appendix 19 to this report.

Ms. Dee Ann Bernhard, a representative of the Alliance of American Insurers ("AAI"), next addressed automobile theft and insurance fraud. She stated that automobile theft is a \$6 billion problem that contributes to the cost of insurance. She reported that six out of ten stolen vehicles are eventually recovered. She observed that while automobile theft is not as serious a problem in Virginia as in other states, automobile theft contributes to the cost of insurance in every state. Ms. Bernhard stated that the insurance industry is working with law enforcement agencies,

automobile manufacturers, and consumer coalitions to decrease automobile theft.

Ms. Bernhard also observed that the cost of automobile repairs drives up insurance costs. She stated that the industry supports measures to promote competition in the auto parts market to help reduce insurance costs.

Ms. Bernhard advised the Subcommittee that a Joint Industry Task Force on Auto Theft and Fraud has developed nine legislative proposals, two of which already have been enacted in part in Virginia. Copies of an article concerning these proposals and related materials submitted by the AAI appear as Appendices 20 through 22 to this report.

#### DRUNK AND DRUGGED DRIVING

Mr. Anthony Troy, representing Aetna Insurance Company, addressed the subject of drunk and drugged driving and presented three witnesses to speak further on the issue. The first witness was Mr. Bob Caruthers of Aetna who reported on a new program called "EYE on DUI." Mr. Caruthers explained that Aetna offers the program in cooperation with Mothers Against Drunk Driving ("MADD") and local law enforcement agencies. Under the program, Aetna pays for installation in police cars of video cameras which are used to record the apprehension and arrest of drunk drivers. Mr. Caruthers reported that Aetna and law enforcement officials have experienced very positive results. Lieutenant Bert Walker of the City of Richmond Police Department gave a report on drunk driving in the Richmond area. He stated that his office investigated 7,272 automobile accidents in 1988 and determined that 696 or 9.5 percent of these accidents were alcohol-related. He stated that his office estimates that 41 percent of fatal accidents involve a drunk driver. Lt. Walker reported that his office investigated 140 hit-and-run accidents and estimated that 40 percent involved drunk drivers. He expressed support for the new Aetna program as a means of deterring drunk driving and facilitating conviction with solid evidence of driver impairment.

Ms. Christen Edwards, President of the Richmond chapter of MADD, related her personal experience when her sister was killed by a drunk driver. She stated that nationwide an alcohol-related accident fatality occurs every twenty-three minutes and that two of every five Americans will be involved in an alcohol-related accident. She expressed support for the Aetna program as a strong deterrent that will facilitate conviction.

Chief Deputy Attorney General H. Lane Kneedler commended Aetna's support for the EYE on DUI initiative. He noted that the Attorney General's efforts to combat drunk and drugged driving include the successful introduction and passage of Virginia's first per se drunk driving law, legislation reducing the blood alcohol level necessary for conviction, and legislation providing for the testing of impaired drivers for the use of drugs.

#### UNINSURED MOTORISTS

Mr. Kneedler began the discussion of uninsured motorists with a presentation of the Attorney General's concerns and recommendations.



Copies of the prepared remarks and related materials presented by the Attorney General's Office appear as Appendix 23 to this report. Mr. Kneedler recommended that the Subcommittee consider a proposal to require vehicle registrants to provide the Department of Motor Vehicles ("DMV") with insurance certification which would include the insurer's name, phone number, policy number and expiration date. He also recommended consideration of a proposal to amend motor vehicle registration forms to require registrants to certify that they will notify DMV if the vehicle becomes uninsured.

In response to questions from Mr. Derieux and Senator Chichester, Mr. Kneedler stated that the Attorney General's Office considers its proposal to be an improvement upon the present system. He noted that the Attorney General's proposal differs from the insurance monitoring processes DMV implemented several years ago and is intended both to provide motorists with an incentive to keep their automobile insurance in force and to enhance DMV's monitoring efforts. He pointed out that the present system relies on random audits and that the Attorney General's proposal is designed to deter falsification of insurance information by requiring all motorists who register a vehicle as insured to provide DMV with certain concrete, verifiable information. He noted that the verification process could conceivably be computerized with current technology.

Ms. Ann Ober of the Department of Motor Vehicles stated that the Attorney General's proposal was similar to a system DMV had formerly used but rejected because it inconvenienced 95 percent of the registrants, who were honest people. She stated that DMV favors its current random sampling method, which does not require extensive manual processing. She expressed concern that the Attorney General's proposal would require manual entry of information from registration cards and delay processing. She stated that DMV currently samples 1000 persons per day and that those found to be uninsured are required to pay an uninsured motorists fee and to file proof of insurance for three years, in addition to being guilty of a class 3 misdemeanor.

Mr. Richard Cagan of Virginians for Fair Rates and Fair Compensation reported that DMV collects approximately \$7 million in uninsured motorists fees and uses about \$2.5 million for enforcement. He expressed agreement with the Attorney General's concerns about the current system and stated that there is a need to make it easier for persons to obtain insurance and harder to evade financial responsibility requirements. Mr. Cagan also recommended development of a low cost insurance program that would include collision coverage.

#### NAMED DRIVER EXCLUSION

On behalf of the Attorney General's Office, Mr. Kneedler proposed consideration of a named driver exclusion with certain exceptions for unemancipated minors, dependent children and students. Mr. Kneedler observed that there were both advantages and disadvantages of permitting such an exclusion and recommended that the Subcommittee study ways to secure the cost benefits of the exclusion without sacrificing other important public policy goals.

Ms. Rosalind Ann Phillips, counsel for the Government Employees Insurance Corporation Group ("GEICO"), expressed support for legislation that would permit policies to exclude a named driver from coverage. (Appendix 24.) Ms. Phillips reported that Maryland is one of thirty states which permit the named driver exclusion. She stated that the Maryland Automobile Insurance Plan offers an excluded driver policy for excluded drivers who do not own a vehicle.

Mr. Leo W. Doyle of the National Association of Independent Insurers described the operation of the Maryland plan. He stated that the plan is a separate corporate entity which provides coverage for excluded drivers and functions in part as an insurance company and in part as a state-operated residual market mechanism. He indicated that the plan is supposed to be self-sustaining but is subsidized in part by insurers at a cost of \$8 to \$10 per policy. Mr. Doyle stated that the excluded driver policy provides the minimum coverage required by Maryland law and that subsidization is required to support the cost of policies in urban areas. He indicated that common law principles do not generally impose parental liability for the acts of unemancipated children. He also stated that insurers cannot refuse to defend cases where parental liability is asserted. He noted that the Maryland plan permits spouses to be treated separately for automobile insurance purposes.

Mr. Irvin Cantor, a representative of the Virginia Trial Lawyers Association, expressed opposition to the named driver exclusion. (Appendix 25.) He stated that allowing policies to exclude named individuals, presumably family members, from coverage detracts from the main objective of insurance and protection of the public. He indicated that the national climate regarding the named driver exclusion is static and that no states have either recently adopted or eliminated the exclusion.

Commissioner Foster reported that the State Corporation Commission opposes any change in or repeal of the statutory omnibus clause which requires motor vehicle insurance policies to extend coverage to anyone using the insured vehicle with the named insured's express or implied permission. He explained that the Commission is concerned that allowing the named driver exclusion may create more problems than it solves. He stated that allowing the exclusion would not serve to depopulate the assigned risk plan but would increase the number of persons assigned to the plan. He also noted that an "operator-only" policy is currently available in Virginia.

#### COST CONTAINMENT ISSUES

##### A. Duplicate Payments and Stacking

Assistant Attorney General Martha Brissette presented an overview of issues relating to benefit payments and stacking of coverages. She also presented the Attorney General's recommendation that information be included in the Bureau of Insurance's consumer's guide explaining alternative sources of compensation and coverages which may be combined so that consumers can make better informed purchasing decisions. She noted that no legislation appears needed to implement this recommendation.

Mr. Henry H. McVey, III, a representative of the National Association of Independent Insurers, presented the industry's views on duplicate

payments and stacking. (Appendix 26.) Mr. McVey argued that the duplication of benefits permitted by the collateral source rule tends to make the automobile liability insurance system a game in which the goal is to obtain maximum compensation, not fair compensation.

Mr. John Palmquist, a representative of the Progressive Insurance Company, addressed the issue of stacking. He argued that the law should not be changed so as to expand the circumstances in which stacking is permitted. He stated that such a change would be contrary to public policy, inconsistent with contractual and indemnity principles, and would distort insurance pricing. A copy of Mr. Palmquist's presentation appears as Appendix 27 to this report.

Several representatives of the Virginia Trial Lawyers Association ("VTLA") responded to the industry's presentations and presented a packet of materials which appear as Appendices 28 through 30 to this report. The speakers were introduced by VTLA President Michael Blachman. Mr. Blachman reported that although Virginia is the nation's 13th most populous state, its automobile insurance premiums consistently rank below the national average. The VTLA attributed this fact to the conservative nature of Virginia's legal climate. Mr. Blachman argued that coverage which is currently required should not be sacrificed.

Mr. Robert Mann presented VTLA's position on the collateral source rule. He stated that there is no evidence that the collateral source rule had caused any crisis in the affordability or availability of insurance. He also noted that there is no evidence that its elimination would have any appreciable impact on insurance premiums. He referenced two insurance company studies which concluded that abolition of the collateral source rule would have no real impact on premiums.

Mr. Blachman presented the VTLA's position on stacking. He explained that while Virginia law currently provides for stacking uninsured and underinsured motorist coverages in cases involving separate policies, stacking is not permitted in cases involving vehicles insured under the same policy. He stated that this anomaly should be corrected through legislation providing for stacking where a consumer elects to insure multiple vehicles under the same policy. He argued that this modification would promote uniformity in the law, provide additional first-party coverage to those who need it most, and give consumers the benefits of additional protection for which they are already in large part paying. Mr. Richard Cagan of Virginians For Fair Rates and Fair Compensation commented that the insurance industry wishes to remedy inefficiencies that do not assist insurers and retain inefficiencies which benefit them. He expressed support for a program which would allow consumers to select the primary source of coverage where two sources of coverage would apply to the same risk. He also expressed support for the present collateral source rule.

#### B. Peer Review

Michelle Redden, Assistant Counsel for the State Farm Insurance Company, presented the industry's comments on peer review and other cost containment issues. (Appendix 31.) Ms. Redden noted that the price and availability of automobile insurance are affected by a variety of factors, including safety, fraud and theft, the tort system, and escalating medical costs. She pointed out that efforts to improve highway and automobile

safety would reduce insurance costs, save lives and reduce serious injuries. She also spoke in favor of legislation to reduce automobile theft and eliminate double recovery.

Ms. Redden also argued that containing medical costs will require greater accountability on the part of Virginia health care providers. She stated that peer review is part of an aggressive effort to control medical costs. She explained that medical records and bills are reviewed for compliance with certain criteria by insurer-designated medical professionals; if the charges are determined to be unreasonable, State Farm may refuse full reimbursement. She stated that legislation is needed to promote and encourage the peer review process which has been successfully challenged in Virginia trial courts. She argued that legislation should authorize reimbursement only for reasonable and medically necessary services and treatments. Ms. Redden noted that West Virginia, Maryland, and Delaware are currently using a peer review system. She indicated that State Farm and other insurers are working to promote such programs in Virginia and North Carolina. She stated that State Farm does not want insurance premiums to become so high that insurance is unaffordable.

Mr. John Herby, representing the Virginia Trial Lawyers Association, responded to the industry's presentation. He noted that under present law, insurance companies have the right to refuse payment of unreasonable and/or unnecessary expenses submitted under the medical payments coverage of an automobile policy. He argued that peer review programs seek to go beyond present law and impose an unfair burden on the insured that impedes the settlement of claims. A copy of the VTLA position statement appears as Appendix 32 to this report.

#### C. Medical Payments Coverage

Mr. Trent Bowen of State Farm Mutual Automobile Insurance Company next presented the industry's views on recent developments in the area of medical payments ("medpay") coverage. (Appendix 33.) Mr. Bowen explained that Virginia law authorizes insurers to offer medical payments coverage under automobile insurance policies to cover medical expenses arising out of the use or occupancy of a motor vehicle or through being struck by a vehicle. He cited two Virginia Supreme Court cases holding an insurer liable for compensation for expenses arising out of the use of vehicles that were not insured for medical payments coverage. He stated that legislation is needed to change such decisions, which give coverage a broader interpretation than expected and increase insurance costs.

#### SAFE DRIVER DISCOUNTS

Mr. Kneedler stated that a number of discounts appear to be available and that there did not appear to be a need to mandate such discounts through legislation at the present time. Mr. Cagan of Virginians For Fair Rates and Fair Compensation testified, on the other hand, that it would be in the public interest to mandate safe driver discounts, and he recommended discounts for older drivers and car owners who use safety devices such as airbags.

## CANCELLATIONS AND NONRENEWALS

Senior Assistant Attorney General Edward L. Petrini offered three basic recommendations regarding insurance cancellations and nonrenewals:

- (1) prohibit retaliatory nonrenewal of a policy-holder who files a complaint with the Commissioner of Insurance, including nonrenewal for an accident that the Commissioner has determined cannot be the basis for a point surcharge;
- (2) authorize the State Corporation Commission to award to the insured a civil sanction equal to twice the premium increase resulting from an illegal point surcharge; and
- (3) authorize the State Corporation Commission to award to the insured a civil sanction equal to twice the additional premium incurred to obtain a new policy as a result of wrongful cancellation or nonrenewal.

Mr. Petrini acknowledged that the Attorney General's Office did not have documented cases of retaliatory action by insurers. However, he said, the Office was informed that some persons expressed reluctance to invoke formal governmental processes for fear of retaliatory action by their insurers. Mr. Petrini further noted that the Code of Virginia currently sets forth a number of prohibited reasons for nonrenewing a policy and that those reasons should include the filing of a complaint with the Commissioner of Insurance. He explained that such a prohibition is particularly important in the context of complaints about point surcharges because an insurer currently may nonrenew a policy after a policyholder successfully complains to the Commissioner to have a point surcharge removed.

Mr. Phillip Morris expressed the insurance industry's opposition to the Attorney General's proposals. He argued that the proposals were unnecessary and unreasonable, particularly the proposals to authorize civil sanctions. He stated that the industry specifically opposes the proposal that would award an insured twice the premium increase resulting from an illegal point surcharge. He noted that current law requires insurers to notify insureds of their right to protest surcharges to the Bureau of Insurance and that the Bureau takes insurers to task over these situations. He stated that if a pattern develops, the Bureau can ultimately seek revocation of an insurer's license to write insurance.

Mr. Morris also expressed opposition to the proposal for a civil sanction equal to twice the additional premium incurred to obtain a new policy as a result of wrongful cancellation or nonrenewal. He stated that it is generally the insurance industry's belief that there is no need for civil sanctions and penalties as suggested by the Attorney General.

Commissioner Foster indicated that the State Corporation Commission would like to have more time to consider the Attorney General's proposals. He noted that the Commission supports legislation to amend § 38.2-1905 to restrict point surcharges to the vehicle customarily driven by the operator responsible for the points.

Mr. Richard Cagan of Virginians For Fair Rates and Fair Compensation concurred in the Attorney General's comments concerning consumers' fear of

retaliatory action by insurers. He stated that many of the persons who called the telephone hotline his group conducted specifically requested that their concerns not be relayed to the Bureau of Insurance. He also expressed concern about the lack of clear standards for nonrenewals and cancellations. He stated that there should be a requirement that policies must set forth such standards in plain English. He also recommended requiring insurers to allow a grace period for renewals and prohibiting insurers from seeking information about prior cancellations or nonrenewals in insurance questionnaires and applications.

#### SETTLEMENT PROBLEMS

Assistant Attorney General Martha Brissette discussed complaints the Attorney General has received regarding the settlement of claims and presented the Attorney General's recommendation that the Code of Virginia be amended to authorize a civil sanction in the form of an interest penalty and attorney's fees for an insurer's bad faith failure to pay a claim in excess of \$1,000. This proposal would include a requirement that insurers report the imposition of sanctions to the Bureau of Insurance so that this information may be made available to consumers.

Mr. Henry H. McVey, III, a representative of the insurance industry, expressed opposition to the Attorney General's proposal on the ground that relatively few mistakes are made in the settlement of claims. Mr. Morris and Commissioner Foster noted that the Unfair Claims Settlement Practices Act currently gives the State Corporation Commission authority to penalize and ultimately revoke the license of an insurer who persistently engages in unfair settlement practices.

Ms. Lynn Tate of the Virginia Trial Lawyers Association expressed support for the Attorney General's proposal and stated that her group would like to go even further in providing a cause of action for the bad faith denial of claims. She stated that Virginia law is woefully lacking in this area and that insureds need legal remedies to redress the failure of insurance companies to pay claims.

Mr. Richard Cagan of Virginians for Fair Rates and Fair Compensation noted that his group had received many complaints regarding delays in payment of claims. He stated that insurers should be liable for interest and penalties if they fail to settle claims within 30 days.

Chief Deputy Attorney General Kneedler responded to the industry's comments by noting that the Attorney General's proposal deals with bad faith, not mistakes. He stated that the proposal also speaks to a judicial finding of bad faith. Mr. Kneedler noted that § 8.01-66.1 of the Code of Virginia currently provides a remedy for insurers' bad faith failure to pay claims of \$1,000 or less. He stated that the purpose of the Attorney General's proposal is to provide a similar remedy for claims of over \$1,000.

The meeting concluded with a discussion of plans for a future meeting to discuss the topic of no-fault insurance. Chairman Saslaw noted that a number of additional issues remained to be considered and indicated that one of the Subcommittee's recommendations should be to continue the study for another year.

A meeting to discuss the topic of no-fault insurance was scheduled for

December 14, 1989, but was subsequently cancelled due to the unavailability of the insurance industry's main witness. The Attorney General, the Virginia Citizens Consumer Council, and Virginians for Fair Rates and Fair Compensation have recommended that the study be continued to allow further consideration of the issues and proposals which have been presented and an opportunity for public comment at several Subcommittee hearings around the State. A copy of the Attorney General's letter to Chairman Saslaw appears as Appendix 34 to this report.

#### IV. RECOMMENDATIONS

In accordance with Chairman Saslaw's remarks at the conclusion of the October 31, 1989 Subcommittee meeting, the Attorney General and several consumer interest groups have recommended that the Subcommittee continue its work for another year.

## V. APPENDICES

1. Senate Joint Resolution No. 223.
2. August 31 Presentation by Office of Attorney General.
3. Categories of Automobile Insurance Complaints.
4. Increases in Insurance Premiums.
5. Nationwide Insurance Costs Brochure.
6. Improper Rating Practices Presentation.
7. Independent Agent's Position on Anti-Rebate Law.
8. August 31 Presentation by Virginians for Fair Rates and Fair Compensation.
9. Consumer Federation of America News Release.
10. Section 38.2-1905.1 of the Code of Virginia.
11. September 20 Presentation by Office of the Attorney General.
12. Insurance Information Institute; Auto Insurance Basics.
13. Lowering Costs of Insurance.
14. GEICO Brochure.
15. State Farm Mutual Insurance Company Disclosure.
16. Virginia Auto Insurance Guide.
17. Sample Auto Insurance Rate Table.
18. Virginia Auto Insurance Plan Notice.
19. Advocates for Highway and Auto Safety Presentation.
20. Article from Journal of American Insurance.
21. Auto Theft and Fraud.
22. States' Data on Insurance Laws.
23. October 31 Presentation by Office of the Attorney General.
24. October 31 Presentation by GEICO.
25. Virginia Trial Lawyers' Presentation on Named Driver Exclusion.



26. October 31 Presentation by National Association of Independent Insurers.
27. Presentation by Progressive Casualty Insurance Company.
28. VTLA's Presentation on Affordability and Availability.
29. VTLA's Presentation on Collateral Source Rule and Subrogation.
30. VTLA's Presentation on Stacking.
31. State Farm Insurance Company's Presentation on Availability and Affordability.
32. VTLA's Presentation on Peer Review.
33. State Farm's Presentation on Automobile Medical Expense Insurance.
34. Attorney General's letter.

APPENDIX 1

SENATE JOINT RESOLUTION NO. 223

*Establishing a joint subcommittee to study the availability and affordability of motor vehicle insurance in the Commonwealth.*

Agreed to by the Senate, February 23, 1989

Agreed to by the House of Delegates, February 21, 1989

WHEREAS, numerous complaints have been filed with the Office of the Attorney General and the Commissioner of Insurance and brought to the attention of the General Assembly by various consumer advocates concerning the cost and availability of motor vehicle insurance in this Commonwealth; and

WHEREAS, there is reason to be concerned about the growing number of Virginia drivers who have been denied motor vehicle insurance coverage by insurance companies and have been relegated to the "assigned risk plan," the Virginia Automobile Insurance Plan, for their motor vehicle insurance; and

WHEREAS, it is the practice of insurers to use factors such as the age, sex and marital status of drivers, as well as the geographical location where a motor vehicle is primarily garaged, the miles driven per year and the driving records of all licensed drivers in a household, in determining the premium charged for motor vehicle insurance, and the consideration of such factors may be unjustified; and

WHEREAS, there is a need to determine whether companies writing motor vehicle liability insurance in Virginia are charging unreasonably high rates; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That a joint subcommittee be established to study the availability and affordability of, and rate design and rating formula issues involving, motor vehicle insurance in the Commonwealth.

The joint subcommittee shall consist of seven members to be appointed as follows: two members from the Senate Committee on Commerce and Labor to be appointed by the Senate Committee on Privileges and Elections; and three members from the House Committee on Corporations, Insurance and Banking to be appointed by the Speaker of House; and two members representing the general public to be appointed by the Governor.

The joint subcommittee shall complete its work prior to December 15, 1989, and submit its findings and recommendations to the Governor and the 1990 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for processing legislative documents.

The indirect costs of this study are estimated to be \$10,650; the direct costs of this study shall not exceed \$6,480.

APPENDICES NUMBERED 2 THROUGH 34 are available for review at the offices of the Division of Legislative Services, General Assembly Building, Richmond, Virginia during regular business hours.

