

## ☛ 95hr\_AC-ISCP\_Misc\_pt12



☛ Details: Compulsory auto insurance

(FORM UPDATED: 08/11/2010)

# WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

## 1995-96

(session year)

## Assembly

(Assembly, Senate or Joint)

## Committee on Insurance, Securities and Corporate Policy...

### COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

### INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
  - (**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)
  - (**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**



May 25, 1995

**Richard Grobschmidt**  
State Representative

TO: All Legislators  
FROM: Representative Grobschmidt  
RE: Cosponsoring LRB 3905/1

To Over  
ERIC + Bob Weiss  
MAY 26 1995  
Feedback -  
Sought

I will be introducing a companion bill to Senate Bill 60, Senator Plewa's mandatory auto insurance legislation. If you are a cosponsor of SB 60 we will add you to the companion bill unless we hear differently from you. If any one else is interested in cosponsoring this legislation please contact my office at 6-0610 by Wednesday, June 7, 1995. For your reference, a copy of the LRB analysis is reprinted below.

### *Analysis by the Legislative Reference Bureau*

Under current law, the department of transportation (DOT) is required to notify the operator or owner of a motor vehicle that is involved in an accident that results in injury, death or property damage of \$500 or more and to obtain a deposit of security for the accident. A deposit is not required if the person can provide proof of financial responsibility (an applicable motor vehicle liability insurance policy or bond was in effect at the time of the accident providing not less than the following amounts for any single accident: \$25,000 for one person, \$50,000 for more than one person and \$10,000 for property damage).

With certain exceptions, failure to provide proof of financial responsibility or a deposit of security after an accident results in revocation of the operator's motor vehicle operating privilege or of the registration of any vehicles registered by the owner of the vehicle involved in the accident. Any revocation continues until the person provides a deposit of security or otherwise clears his or her liability or a year elapses without an action being commenced as a result of the accident.

The person must demonstrate proof of financial responsibility for the future before the person's operating privilege or registration is renewed or reinstated and must maintain that proof for 3 years. Proof of financial responsibility for the future may be demonstrated by having an insurance policy or bond in the same amounts as are required at the time of an accident or by maintaining a deposit of \$60,000 in cash or securities with DOT.

-Over-

Office: State Capitol, P.O. Box 8952, Madison, WI 53708 • (608) 266-0610  
Home: 1513 Mackinac Avenue, South Milwaukee, WI 53172 • (414) 762-8460  
Legislative Hotline: (toll-free) • 1-800-362-9472



This bill expands the financial responsibility law by prohibiting any person from operating a motor vehicle that is registered in this state or required to be registered in this state unless the owner or operator of the vehicle assures financial responsibility for the operation of the vehicle by:

1. Having in effect a motor vehicle liability insurance policy or bond providing not less than the following amounts for any single accident: \$25,000 for one person, \$50,000 for more than one person and \$10,000 for property damage; or
2. Maintaining a deposit of \$60,000 in cash or securities with DOT.

These insurance policy, bond and deposit amounts are the same amounts as are required under current law as proof of financial responsibility for the future.

The bill provides exceptions for vehicles that are owned by self-insurers, persons who are required to insure the vehicle under other provisions of law or vehicles owned by or leased to a governmental unit, if operating with the permission of the owner or lessee.

The bill also prohibits law enforcement officers from stopping or inspecting a motor vehicle solely to determine whether the vehicle operator has assured financial responsibility for the operation of the vehicle.

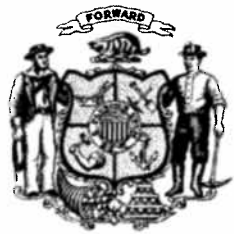
Any person convicted of failing to assure financial responsibility for the operation of a motor vehicle may be required to forfeit not less than \$30 nor more than \$300. The person is also assessed one demerit point for a 2nd or subsequent violation committed within a year. DOT is required to include notification of these requirements and penalties with each operator's license that it issues.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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# WISCONSIN STATE LEGISLATURE



WISCONSIN INSURANCE ALLIANCE  
121 EAST WILSON STREET  
MADISON, WISCONSIN 53703-3422  
(608) 255-1749

Date:

7/10

*Joan's OKing*

To:

Rep Allbars

Attn Julie

*for*

From:

ERIC

*responses*

For:

Approval

Review

Information

Reply

Comment

File

Other:

Please:

Approval

Review

Retain

Other:

Remarks:

Owens said you wanted info on compulsory auto. (over)

I hope this helps,  
We have lots more,  
if this isn't  
enough.

Eric

DRAFT

PROPOSED CONSTITUENT LETTER REGARDING  
COMPULSORY AUTO INSURANCE

INSIDE ADDRESS

RE: Compulsory Auto Insurance

Dear :

Thank you for your letter (inquiry) on Compulsory Auto Insurance.

The issue of whether or not Wisconsin should mandate that all drivers have auto insurance is not a new one. It's an issue that continues to be one for debate in the Wisconsin legislature, as well as around the country.

Proponents for compulsory auto insurance claim that it is the fair thing to do. Why should irresponsible drivers be allowed to cause accidents and not be responsible for the damages they cause? Opponents suggest that compulsory auto insurance is a public policy experiment that doesn't work. They cite experiences in a number of states which seem to indicate that attempting to force people to buy auto insurance as a condition of driving has been a failed public policy experiment.

I have enclosed, for your information, background information used by the insurance industry in opposing compulsory auto insurance legislation this last session.

I can assure you that when the Legislature re-convenes next January, that this will be one of the issues that takes some of our time and attention. I will keep your letter on file and certainly will take your thoughts into consideration as bills proposing compulsory auto insurance are debated.

Thank you for caring enough about this issue to contact me.

Cordially,

# WISCONSIN INSURANCE ALLIANCE

121 EAST WILSON STREET  
MADISON, WISCONSIN 53703-3422  
(608) 255-1749  
FAX (608) 255-2178

DATE: March 24, 1993

MEMO TO: Senate Committee on Housing, Commerce,  
Government Operations and Cultural  
Affairs

FROM: Eric Englund

RE: SB 2 - Compulsory Auto Insurance

Eric Englund  
President

Anne Smith  
Chairperson  
General Casualty Insurance

Greg Madson  
Vice-Chairperson  
Viking Insurance

Tom Holman  
Secretary/Treasurer  
GRE Insurance Group

#### Members:

Alpha Property & Casualty Insurance  
American Family Insurance  
American Standard Insurance  
Badger Mutual Insurance  
Baraboo Mutual Fire Insurance  
Capitol Indemnity Corporation  
Church Mutual Insurance  
City of Waukesha Mutual Insurance  
Cuna Mutual Insurance Group  
Dairyland Insurance  
First Auto & Casualty  
General Casualty Insurance  
Germantown Mutual Insurance  
GRE Insurance Group  
Hartland Cicero Mutual Insurance  
Heritage Insurance  
IDS Property Casualty Insurance  
The Integrity Group  
Jewelers Mutual Insurance  
Lakeland Mutual Insurance  
Manitowoc Cty. Mutual Insurance  
Maple Valley Mutual Insurance  
Midwestern National Insurance Corp.  
Milwaukee Insurance  
Northwestern National Casualty  
Old Republic Surety Company  
Partners Mutual Insurance Company  
Retail Lumbermens Mutual Insurance  
Rural Mutual Insurance Company  
Secura Insurance  
Sentry Insurance  
Threshermen's Mutual Insurance  
Viking Insurance Company  
Waukesha Co. Mutual Insurance  
Wausau Insurance Companies  
West Bend Mutual Insurance  
Western Wisconsin Mutual Insurance  
Wilson Mutual Insurance  
Wisconsin Farmers Mutual Insurance  
Wisconsin Mutual Insurance

The Wisconsin Insurance Alliance, on behalf of its 41 member companies, including the principal domestic insurers of automobiles in this state, solicits your vote in opposition to the bill.

Among life's most unpleasant experiences is being injured or having your property damaged in an automobile accident.

One of the few things worse than that is having the injury or damage caused by an uninsured driver. Two things result for the victim:

- (1) Your life, limb and/or pocketbook are affected and,
- (2) You are rightfully angered that the offender is not paying for their financial responsibility or being punished sufficiently.

Many well-intentioned people feel that compulsory auto liability insurance is the answer. More thorough consideration indicates that such insurance is not the answer. Why?

- (1) **IT DOESN'T COMPEL** - offenders can drive without insurance like they drive without licenses now.
- (2) **IT'S VERY COSTLY** - to enforce, as the Wisconsin Department of Transportation will document. The experience in other states, such as New York, Massachusetts, and Kansas supports the substantial expense involved in enforcement.



- (3) **IT'S UNENFORCEABLE** - from the experience of New York, New Jersey and Idaho.
- (4) **IT DOESN'T WORK** - anyone is free to cancel the day after licensing and to renew the policy the day before and avoid the law while driving all year without insurance.
- (5) **IT DOESN'T PROTECT** - against hit and run, stolen cars.

What then is the better answer to the bad results posed above?

- (1) The injury expenses for you and all members of your family are now covered by the statutorily required coverage for uninsured motorists. It is inexpensive and can be purchased to the limits you choose to protect yourself and your family. Your auto damage is better protected by collision insurance if the car is of value to you, than any reliance on the other person's insurance, compulsory or voluntary.
- (2) Your rightful anger at the offender is better answered by:
  - (A) Strengthening present traffic laws
  - (B) The present revocation of license law
  - (C) Wisconsin's impoundment law which gets the irresponsible person away from their car
  - (D) Wisconsin's financial responsibility laws

Compulsory auto does not compel, is too expensive, results in an administrative quagmire at taxpayer expense and is unnecessary because better alternatives which it cannot and will not replace, are now available and working. These points are all confirmed in the 3/10/81 Legislative Audit Bureau report which rejects compulsory auto insurance.

For the reasons stated above, we urge this committee to withhold its approval of this bill.

**There is a viable option.** It was passed by the Legislature last year.

For years, Wisconsin laws have required financial responsibility on the part of all drivers. Under this law, a person responsible for an accident must be financially responsible for the damages caused by that accident or lose their license/automobile registration. To date, this law has worked quite well. In 1991 there were over 231,000 vehicles involved in reportable accidents according to the Wisconsin Department of Transportation. Of those vehicles, less than 4,000 drivers had their license suspended for a year for failure to show financial responsibility. In other words, less than 2% of those involved in accidents received the mandatory one year suspension.

In the past, the Department of Transportation has indicated that many drivers who were involved in uninsured motorist accidents were repeat offenders. According to this profile, individuals who were involved in uninsured motorist accidents are most likely to be repeat offenders.

Last session, the Wisconsin Legislature acted on this problem. Last session, the Wisconsin Legislature strengthened Wisconsin's financial responsibility laws. Last session, the Wisconsin Legislature determined that those individuals who cause accidents and do not show financial responsibility should not only lose their license for one year, but be forced to maintain insurance for three years following the time their license is reinstated.

This new law became effective 1/1/93 and puts Wisconsin in the position of having one of the strongest financial responsibility laws in the United States. We are optimistic that the implementation of this new law will work in further decreasing the incidents of uninsured motorists not being financially responsible.

We ask that you not move forward with SB 2, but instead, allow Wisconsin's new, tougher, financial responsibility laws to work.

Attachments: (1) D.O.T. 1991 data on safety responsibility/  
financial responsibility  
(2) Financial responsibility law changes effective  
1/1/93  
(3) Data comparisons between Wisconsin and states  
that have compulsory insurance laws  
(4) 1990 average auto premium by state

# 1991 SAFETY RESPONSIBILITY PROGRAM RESULTS

NOT INSURED (29,242) 12.6%  
UNKNOWN (37,825) 16.4%

Vehicles in Reportable Accidents 281,857\*

DAMAGE FORMS TO INJURED PARTIES 105,089\*\*

NOT RETURNED (72,017) 68.5%

NO SF ACTION

INSURED 164,190 71%

COMPLIED

FORM RETURNED (33,072) 31.5%

ISSUE NOTICE OF SUSPENSION 21,244\*\*\*

\*\*\* In the approx. 35% of the accidents that the operator & owner are different persons, each receives a suspension notice.

\* Units/Vehicles where insurance was requested and applicable.

\*\* More than one form per accident can be sent.

NO HEARING

HEARING REQUESTED (2,065) 9.7%

SETTLE & REINSTATE 9,330

SUSPEND. DRIVER LICENSE/REGISTRATION 9,187 (5,972 DRIVERS)

ACCEPT 1 YR SUSPENSION 5,657 (3,807 DRIVERS)

36.2%  
63.8%

43.2%

(402) 1.9%

POST SECURITY

DEPOSIT RETURNED 49%

CLAIM FILED 51%

SETTLE CLAIM (12,057) 56.8%

## PRIVATE PASSENGER AUTOMOBILE AVERAGE PREMIUMS 1990

1990 Rank		1990 Avg. Premium	1988-1990 % Change	Minimum Liability Coverage
1	New Jersey	\$1,164.52	9.9%	15/30/5
2	Massachusetts	975.95	19.7%	10/20/1
3	District of Columbia	937.40	6.6%	25/50/10
4	Connecticut	879.39	12.3%	20/40/10
5	California	872.33	7.5%	15/30/5
6	Hawaii	862.15	17.7%	35/x/10
7	Rhode Island	849.95	8.7%	25/50/25
8	New York	847.38	9.5%	10/20/5
9	Alaska	760.76	10.0%	50/100/25
10	Delaware	732.37	18.1%	15/30/10
11	Maryland	726.77	10.4%	20/40/10
12	Nevada	717.34	6.9%	15/30/10
13	Pennsylvania	707.96	6.1%	15/30/5
14	Louisiana	706.06	8.7%	10/20/10
15	Florida	691.67	5.3%	10/20/10
16	New Hampshire	678.42	9.3%	25/50/25
17	Michigan	669.06	11.1%	20/40/10
18	Arizona	665.60	9.6%	15/30/10
19	Georgia	655.53	8.9%	15/30/10
20	Texas	631.88	9.0%	20/40/15
21	Colorado	629.78	9.1%	25/50/15
22	Illinois	588.68	10.8%	20/40/15
23	New Mexico	582.51	14.3%	25/50/10
24	South Carolina	577.92	-1.7%	15/30/5
25	Washington	577.56	10.7%	25/50/10
26	Oregon	576.01	14.7%	25/50/10
27	Maine	566.82	19.2%	20/40/10
28	West Virginia	560.34	12.3%	20/40/10
29	Mississippi	554.11	7.6%	10/20/5
30	Tennessee	539.86	9.0%	25/50/10
31	Oklahoma	537.62	7.3%	10/20/10
32	Minnesota	537.20	9.9%	30/60/10
33	Vermont	537.06	9.9%	20/40/10
34	Alabama	527.59	10.1%	20/40/10
35	Virginia	525.95	9.1%	25/50/20
36	Indiana	525.61	15.2%	25/50/10
37	Ohio	524.41	10.1%	12.5/25/7.5
38	Missouri	524.22	6.1%	25/50/10
39	Kentucky	512.11	13.0%	25/50/10
40	Utah	496.38	10.5%	20/40/10
41	North Carolina	496.04	13.9%	25/50/15
42	Arkansas	481.13	7.3%	25/50/15
43	Wisconsin	457.39	10.8%	25/50/10
44	Montana	447.44	4.5%	25/50/10
45	Idaho	444.68	10.0%	25/50/15
46	Kansas	434.96	6.2%	25/50/10
47	Wyoming	433.90	5.7%	25/50/20
48	Iowa	394.59	14.0%	20/40/15
49	North Dakota	383.57	8.6%	25/50/25
50	South Dakota	382.17	7.5%	25/50/25
51	Nebraska	376.92	11.6%	25/50/25
	<b>Countrywide</b>	<b>\$661.47</b>	<b>8.8%</b>	

**FINANCIAL RESPONSIBILITY LAW CHANGES**  
**Mandated Under WI ACT 269, Laws of 1991**

Traffic Accident Section  
 PO Box 7919  
 Madison, WI 53707-7919  
 (608) 266-1249

Accidents Before  
 January 1, 1993

Accidents After  
 January 1, 1993

Failure to comply with the Safety Responsibility (SR) requirements.	SUSPENSION of operating and/or registration privileges.	REVOCATION of operating and/or registration privileges.
Default in payments on installment agreement filed under the SR law.	SUSPENSION of operating and/or registration privileges.	REVOCATION of operating and/or registration privileges.
Can Occupational license be issued?	NO.	YES, CDL privileges ONLY (ABC) for SR and DJN revocations.
Requirements to reinstate operating privileges under the SR law.	*Comply with the SR security requirements. -Pay \$50 reinstatement fee.	*Comply with SR security requirements. -File future proof of insurance for 3 years from SR compliance date. -Pay \$50 reinstatement fee.
Requirements to reinstate registration privileges under the SR law.	*Comply with SR security requirements.	*Comply with SR security requirements. -File future proof of insurance for 3 years from SR compliance date. -Pay \$50 registration reinstatement fee.
Requirements to reinstate registration privileges revoked for a damage judgement (DJN)	-Satisfy the judgment or file installment agreement.	-Satisfy the judgment or file installment agreement. -Pay \$50 registration reinstatement fee.

\* SR security requirements -  
 Deposit security, file releases or installment agreements, OR  
 serve one year withdrawal period. (See Sec. 520.4 DLM)

MEMORANDUM

February 2, 1993

To: Don Cleasby  
From: Diana Lee  
Re: Wisconsin vs. Other States: The Effects of  
Compulsory Insurance Laws

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Don, the tables in the following five sections are presented to offer statistical evidence that compulsory laws are not effective in reducing the uninsured motorist problem, automobile insurance losses and premiums. It is not clear what benefits are derived from the enactment of such a law. Because Wisconsin does not have a severe U.M. problem, it is believed that the detrimental effects of mandatory requirement greatly outweigh whatever advantages may exist.

I. WISCONSIN HAS A RELATIVELY LOW U.M. POPULATION; IN FACT, IT IS MORE FAVORABLE THAN MOST COMPULSORY STATES

Table I sets forth individual state ratios of U.M. claim frequency to B.I. claim frequency, reflecting the period 1988-1990 combined. This time period represents the latest available experience from NAI. These ratios provide a good indication of the percentage of accidents involving uninsured motorists and may, therefore, be used as a proxy to measure the extent of the uninsured motorist problem. New York, Massachusetts and South Carolina are not listed because NAI does not collect statistics for the last two states and NAI data for New York is not readily accessible.

Among the forty-eight jurisdictions shown below, Wisconsin ranks #33, with a UM-to-BI frequency ratio of 10.5%. In other words, there are 32 states, including D.C., whose uninsured motorist population is greater than Wisconsin; among this group, 29 of them have a compulsory law, suggesting that this type of law is not effective in reducing the number of uninsured motorists. Moreover, Wisconsin's U.M. population (about 10% of the driving population) is much lower than the nation as a whole (about 18%). The vast majority of people living in this state already have liability insurance. Hence, there is no urgent need to enact a compulsory liability insurance law in Wisconsin, especially in light of the fact that this type of law results in more negative than positive effects.

Table I

<u>Rank</u>	<u>State</u>	<u>'88-'90 Ratio of UM-to-BI Claim Frequency</u>	<u>Rank</u>	<u>State</u>	<u>'88-'90 Ratio of UM-to-BI Claim Frequency</u>
4	Alabama	26.3%	30	Missouri	11.7
9	Alaska	22.7	36	Montana	8.9
21	Arizona	15.3	44	Nebraska	5.8
45	Arkansas	5.7	18	Nevada	15.9
24	California	14.6	42	New Hampshire	7.8
1	Colorado	41.8	40	New Jersey	8.1
31	Connecticut	11.0	3	New Mexico	28.4
11	Dist. of Col.	21.2	47	North Carolina	5.1
15	Delaware	17.3	39	North Dakota	8.2
43	Florida	6.1	26	Ohio	13.5
6	Georgia	24.0	7	Oklahoma	23.9
22	Hawaii	14.9	16	Oregon	16.5
35	Idaho	9.6	19	Pennsylvania	15.6
23	Illinois	14.7	10	Rhode Island	22.6
14	Indiana	19.8	48	South Dakota	4.9
37	Iowa	8.7	8	Tennessee	23.8
38	Kansas	8.3	13	Texas	19.9
28	Kentucky	12.9	34	Utah	10.4
32	Louisiana	10.8	17	Vermont	16.2
46	Maine	5.4	12	Virginia	20.7
27	Maryland	13.3	5	Washington	24.3
25	Michigan	14.0	41	West Virginia	8.0
20	Minnesota	15.4	33	Wisconsin	10.5
2	Mississippi	34.3	29	Wyoming	11.8
				Countrywide	18.1%

Source: NAI

## II. U.M. LOSS EXPERIENCE IS WORSE IN COMPULSORY STATES THAN IN WISCONSIN

In addition to the above data, the statistics collected by NAI show that Wisconsin's uninsured motorist experience is relatively favorable compared to compulsory states. Listed below in Table II is the average 1990 U.M. claim frequency for Wisconsin, compared to a selection of compulsory insurance states with a tort system.



Table II  
Wisconsin vs. Compulsory States  
1990 U.M. Claim Frequency Experience

	<u>No. of Claims Incurred</u> <u>Per 10,000 Ins. Vehicles</u>
Wisconsin	14
Arizona	31
California	68
Illinois	29
Louisiana	22
Missouri	17
Ohio	17

Source: NAIH

The six states compared to Wisconsin all have compulsory laws, yet their U.M. claim frequencies are higher than Wisconsin. In spite of the enactment of such a law in these jurisdictions, insureds are still filing U.M. claims because they were involved in an accident caused by someone who did not have liability insurance. This suggests that a compulsory law is not as effective as it is intended to be. Corroborating the results of Table I, Wisconsin's relatively low frequency also demonstrates that its uninsured motorist problem is not that severe, since 14 claims, out of 10,000 insured vehicles, were incurred in 1990. Certainly, it is less of a problem than in the six compulsory states in Table II.

### III. U.M. CLAIM FREQUENCIES CONTINUE TO RISE IN SPITE OF COMPULSORY LAWS

A more in-depth look at U.M. experience is demonstrated in Table III. Shown here are trends in U.M. claim frequency of all states whose compulsory laws became effective sometime between 1983 and 1985. This period was chosen because of the ready availability of trend data from 1983 to 1987. The purpose of this table is to show that despite the enactment of a mandatory law, claim frequencies involving uninsured motorists still continue to rise for the most part. Even though some states had effective dates in 1985, experience for 1983 and 1984 are indicated, offering a bit more insight into the frequency pattern. Also, note that the number of claim counts in all years except for 1987 are evaluated as of 27 months. Data for 1987 is evaluated as of 15 months only; hence, the claim frequency figures shown for 1987 most likely are understated.

Alaska, Nebraska, Vermont and Wyoming all had laws enacted in 1985. Experience shown below indicates that Alaska's and Vermont's rate of incurring claims involving uninsured drivers grew almost three times and more than fifteen-fold, respectively, since their laws passed. Wyoming's frequency increased slightly



in 1985, while Nebraska's rate dropped when its law passed, although it has remained constant during the three years subsequent to enactment (again, however, the 1987 figure is understated). Claim frequencies for Arizona, Indiana, New Mexico and Ohio have increased 43%, 62%, 33% and 31%, respectively, from the year the compulsory law became effective until 1987. D.C.'s frequency has been fluctuating since 1983, but the number of U.M. claims incurred per 10,000 vehicles has grown 62% from 1983 to 1987.

For the most part, U.M. claim frequencies are continuing to rise after a compulsory law has been enacted. In spite of the new law, policyholders are still reporting claims involving drivers without insurance; in fact, even more claims are being filed. This finding adds further evidence to the ineffectiveness of mandatory insurance requirement.

Table III  
Trends in U.M. Claim Frequency  
(Per 10,000 Insured Vehicles)  
1983-1987

	Comp. Law Eff. Date	1983	1984	1985	1986	1987*
Alaska	1/85	22	16	31	38	45
Arizona	1983	23	25	29	31	33
D.C.	4/83	66	131	95	89	107
Indiana	1/83	26	26	37	48	42
Nebraska	1985	9	7	5	5	5
New Mexico	1/84	46	48	51	60	64
Ohio	1/84	14	13	15	16	17
Vermont	1985	4	6	24	92	88
Wyoming	1985	4	5	6	6	5

Source: NAI

#### IV. COMPULSORY STATES HAVE HIGHER PREMIUMS AND LOSS COSTS THAN WISCONSIN

Shown in Table IV is a comparison of 1991 personal auto liability average premiums and loss costs (incurred loss per insured vehicle) between Wisconsin and selected compulsory liability states. The sources of these figures are the National Independent Statistical Service (for the NAIC) and the quarterly Fast Track Monitoring System, respectively. Except for Illinois, the other seven compulsory states in the table were chosen because they, like Wisconsin, are not no-fault states and because their population density and motor vehicle density somewhat approximate those of Wisconsin (Illinois' densities are substantially higher than Wisconsin, but was included because it abuts the state and, therefore, is of interest). South Carolina's average premium is not available at this time, since NISS does not collect experience for this state.

Table IV  
Wisconsin vs. Compulsory States  
Liability Average Premiums and Loss Costs

	Comp. Law Eff. Date	1991 Liab. Avg. Prem.	1991 Liab. Loss Cost
Wisconsin	----	\$273	\$139.23
Illinois	01/90	303	168.42
Louisiana	1975	454	226.46
Missouri	1986	266	144.59
South Carolina	10/74	n/a	158.40
Texas	01/82	390	188.08
Vermont	1985	251	128.69
Washington	01/90	370	165.58
West Virginia	07/81	322	155.14

Sources: NISS, on behalf of NAIC, and Fast Track Monitoring System

According to NISS, Wisconsin currently is in the bottom third of the nation in terms of liability average premium. With the exception of Vermont, Wisconsin's average liability premium and loss cost are lower than those of its comparison states with a mandatory insurance law.

In general, those states having compulsory laws tend to have higher loss costs and, hence, premiums; one reason for worse loss experience in compulsory states is the fact that a mandatory law, if successful, would require every motorist, including the highest-risk drivers, to be insured. This would cause a deterioration in loss experience, creating an increase in insurance rate levels.

#### V. CHANGE IN LOSS COST IS HIGHER IN COMPULSORY STATES THAN IN WISCONSIN

Table V shows a comparison during particular time periods between Wisconsin's trend in liability loss experience and that of other states currently having a compulsory liability insurance law. The source of this data is the Fast Track Monitoring System.

The liability loss cost has been selected as a basis of comparison because it represents the average amount of loss per insured vehicle. The time period chosen for comparison purposes is that period available on the Fast Track report directly after each compulsory insurance law became effective through 1991. Due to the various effective dates of the compulsory insurance law, individual state comparisons with Wisconsin have been grouped into four different categories, where similar time periods examined have been placed together.

Table V  
Comparing the Change in Liability Loss Cost Levels  
between Compulsory States and Wisconsin

<u>State</u>	<u>Comp. Law Effective Date</u>	<u>Overall Loss Cost % Change (1)</u>	<u>Average Annual Loss Cost % Change (2)</u>
A. Alaska	1/1/85	48.0%	7.3%
California	1/1/85	85.5	11.0
Wisconsin		51.2%	7.2%

- (1) Overall Change in Loss Cost from 1985 to 1991  
(2) Annual Change in Loss Cost from 1985 to 1991

<u>State</u>	<u>Comp. Law Effective Date</u>	<u>Overall Loss Cost % Change (1)</u>	<u>Average Annual Loss Cost % Change (2)</u>
B. New Mexico	1/1/84	124.4%	12.3%
Oklahoma	7/1/83	72.1	8.1
Wisconsin		61.4%	7.1%

- (1) Overall Change in Loss Cost from 1984 to 1991  
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C. Arizona	12/31/82	99.4%	9.2%
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D. Kentucky	7/1/75	144.4%	10.5%
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Texas	1/1/82	151.6	10.8
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- (1) Overall Change in Loss Cost from 1982 to 1991  
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Source: Fast Track Monitoring System

In all cases but Alaska (in A.) and Montana (in D.), the overall loss cost level for the compulsory states has risen higher than for Wisconsin. (Alaska's loss cost decreased in 1987, resulting in a relatively small overall percentage change. Montana's BI

decreased as well in 1988.) These greater percent changes suggest that the average loss per insured vehicle and, hence, the rate level increased even more as a result of the enactment of compulsory insurance.

Also shown in Table V are the average annual percent changes in loss cost for each state. These figures measure the annual movement in incurred loss per insured vehicle. For example, while New Mexico had an average annual increase of 12.3% since its enactment of compulsory insurance, Wisconsin's loss cost experience rose only 7.1% during the same time period. The average loss per insured vehicle tends to accelerate more quickly in a compulsory state each year than in Wisconsin; hence, insurance rates in compulsory states tend to rise more quickly as well. If Wisconsin were to enact a compulsory liability law, then its loss cost may very well increase more significantly, resulting in a higher average liability premium for the policyholders in this state.

Again, an increase in loss cost suggests that the average claim per insured vehicle has risen as a result of the inclusion of those motorists who did not carry automobile liability insurance prior to the adoption of the compulsory law. As stated earlier, one reason for such an increase may be due to the fact that a compulsory insurance law, if successful, would require every motorist, including the highest-risk drivers, to be insured.

In conclusion, opponents of compulsory insurance assert that this type of law is not effective in reducing U.M. claim frequency, and it also creates an increase in insurance rate levels. These assertions are demonstrated by the statistics presented above. Not only are the increases in loss cost generally greater in the compulsory states since the laws were enacted, but the loss costs have usually also risen at a faster rate per year. Lastly, because there is relatively little uninsured motorist problem in Wisconsin, the passage of a compulsory liability insurance law is not necessary.

I hope these figures give you further insight into the negative effects of compulsory insurance in states having such laws. If you have any questions regarding this information or would like additional analysis, please don't hesitate to call..

cc: Terrie Troxel  
Pat McNally  
Bob Zeman  
Terry Tyrpin  
Dan Kummer



Some of the most commonly asked consumer questions about the insurance industry

## Should Wisconsin enact compulsory auto insurance laws?

### The Short Answer

Data and experience from those states that have enacted compulsory auto insurance laws suggest that mandated coverage is not the answer.

### The Explanation

Among life's most unpleasant experiences in being injured or having your property damaged in an automobile accident. The unpleasantness of this experience can be magnified when the "other driver" doesn't have auto insurance. Many well intended people feel that mandating that all drivers have automobile insurance makes sense, and over the years a number of bills have been introduced to make automobile insurance mandatory. The property and casualty insurance industry has historically opposed this legislation because careful consideration indicates that such insurance is not the answer. Why?

- (1) In most states that have adopted compulsory auto insurance the number of drivers who drive without insurance has not significantly changed.
- (2) In many states that have adopted compulsory auto insurance the cost of administration has been extremely significant both to the Department of Transportation in that state and the insurance industry.
- (3) Requiring people to have auto insurance doesn't work. Why? They are free to cancel their insurance a day after they get their license or license plates.
- (4) Mandating auto insurance discriminates against those who are unable to afford that product. While they may need their cars for work, they are made criminals by laws requiring that they have auto insurance.

In addition, there are provisions which provide the protection you need. For example:

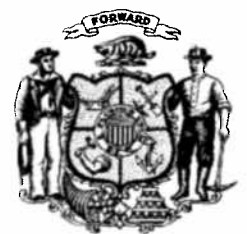
- (1) The injury expenses for you and all members of your family are now covered by the statutorily required coverage for uninsured motorists.
- (2) Your auto damage is protected by collision insurance.

Rather than pursuing non-productive measures like mandatory coverage, Wisconsin should strengthen its financial responsibility laws to penalize the relatively small population of individuals who cause accidents and who don't make restitution.

For more information contact: **Eric Englund, President, Wisconsin Insurance Alliance**  
44 East Mifflin St., Suite 205 • Madison, WI 53703-2800 • (608) 255-1749 • (608) 255-2178 fax



# WISCONSIN STATE LEGISLATURE



## At issue

# Should we steer clear of compulsory auto insurance?

by Jori Olsen—field communications coordinator

**T**hey're out there. They're not out to get you . . . but they will. They're not hardened criminals or even habitual law-breakers. They just can't afford the cost . . . until they hit someone.

Experience shows that compulsory liability laws have not removed uninsured motorists from the roads. "I just can't afford it," "I'm safe because everyone else has insurance," or, "If they sue me, what are they going to get out of me anyway?" are the alibis these drivers take along for the ride.

And what about drivers of unregistered vehicles, uninsured out-of-state motorists, hit-and-run drivers and drivers of stolen cars? The fact is, compulsory laws just don't reach a significant number of people.

While getting proof of insurance is a nuisance for responsible drivers, motorists who don't want to buy insurance find it easy to slip through the cracks. When a proof of insurance card is required for vehicle registration, these drivers can obtain the liability coverage needed to acquire the card with a small down payment to an insurance company. After the card is issued and the car is registered, they can cancel the coverage or let the policy lapse. For the more ambitious violator, card counterfeiting is an option.

Most compulsory liability laws simply do not work, says Bob Kennedy, associate general counsel, Corporate Legal. "Even if they were capable of sweeping up all the irresponsible drivers, the legislatures never provide adequate resources for state agencies to enforce the law."

According to the *Journal of American Insurance*, in Colorado, where a compulsory law took effect Jan. 1, 1982, the number of drivers convicted of having no liability coverage jumped from 2,678 in 1983 to 32,405 in 1986. An administrator with the Colorado motor vehicle division estimated that it would

cost about \$9 million a year to verify that drivers there have insurance.

The stronger the compulsory law, the more difficult and expensive it is to enforce. Kansas is another sorry example: In 1974, insurers were required to report all terminations of coverage to the Department of Revenue. "The state was given no money to hire new people to handle the blizzard of paperwork," Bob related. "As a result, most of the forms ended up being stacked into rooms and never touched."

To make matters worse, law enforcement officers harassed many law-abiding Kansans who were merely changing existing insurance companies, or because of a vacation, for instance, had caused their policies to lapse a day or two. Mistakes in automobile records brought additional harassment upon innocent people. The law did not bring about a decrease in uninsured motorists.

### American Family's stand

States in American Family's operating territory with compulsory laws are Arizona, Colorado, Indiana, Kansas, Minnesota, Nebraska, North Dakota and South Dakota. Illinois adopted a law to become partially effective July 1, 1989, with enforcement to begin Jan. 1, 1990.

Rather than pass compulsory liability laws that don't work, some states, like Missouri, have strengthened their financial responsibility laws in lieu of having a compulsory law. Financial responsibility laws, in effect in nearly every state, penalize drivers who fail to show proof of their ability to pay for damages they have caused following an accident. The laws further require violators to carry insurance for the future protection of themselves and others.

"Financial responsibility laws are less expensive to enforce, since they only deal with the violators, they're more effective, and they don't pick on innocent people," states Bob. "But the only way they're going to work is with severe penalties—a hundred dollar fine is not

much of an incentive for an uninsured driver to go out and buy insurance."

**American Family supports strengthening financial responsibility laws as the best means of attacking the uninsured motorist problem.**

"If such laws carry strict penalties and give state agencies the manpower and money they need for enforcement, they would produce far more responsible drivers than any existing compulsory law," Bob adds.

### What can you do?

If your insureds decide to cancel their auto liability coverages, and they don't plan on changing companies, it's a good time to remind them about what they're giving up.

Insurance buys you a lawyer so you won't have to pay for one out of your own pocket and supervise your own case if you ever have to defend yourself after an accident.

Insurance protects you from hazards on the road you can't avoid no matter how good a driver you are—the time bombs drunken motorists drive—or the uninsured drivers who could never compensate you for your medical bills. They may argue their own cause by saying you couldn't even get a thousand dollars out of them because they don't have it (. . . just wait until an uninsured driver hits them).

As far as the affordability question is concerned, having insurance reminds your clients that it's not a constitutional right, but a privilege to drive a car. Compulsory law or no compulsory law, the responsibility that comes with this privilege should not be shirked. ★

# WISCONSIN INSURANCE ALLIANCE

121 EAST WILSON STREET  
MADISON, WISCONSIN 53703-3422  
(608) 255-1749  
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February 24, 1992

## FOR IMMEDIATE RELEASE

**CONTACT:** Eric Englund  
Wisconsin Insurance Alliance  
(608) 255-1749

Eric Englund  
President

Ronald Harder  
Chairperson  
Jewelers Mutual Insurance

Anne Smith  
Vice-Chairperson  
General Casualty Insurance

Greg Madson  
Secretary/Treasurer  
Viking Insurance

### Members:

Alpha Property & Casualty Insurance  
American Family Insurance  
American Standard Insurance  
Badger Mutual Insurance  
Badger State Mutual Casualty  
Baraboo Mutual Fire Insurance  
Capitol Indemnity Corporation  
Church Mutual Insurance  
City of Waukesha Mutual Insurance  
Cuna Mutual Insurance Group  
Dairyland Insurance  
General Casualty Insurance  
Germantown Mutual Insurance  
GRE Insurance Group  
Hartland Cicero Mutual Insurance  
Heritage Insurance  
IDS Property Casualty Insurance  
The Integrity Group  
Jewelers Mutual Insurance  
Lakeland Mutual Insurance  
Manitowoc Cty. Mutual Insurance  
Maple Valley Mutual Insurance  
McMillan-Warner Mutual Insurance  
Midwestern National Insurance Corp.  
Milwaukee Insurance  
Northwestern National Casualty  
Old Republic Surety Company  
Retail Lumbermens Mutual Insurance  
Rural Mutual Insurance Company  
Secura Insurance  
Sentry Insurance  
Threshermen's Mutual Insurance  
Viking Insurance Company  
Waukesha Co. Mutual Insurance  
Wausau Insurance Companies  
West Bend Mutual Insurance  
Western Wisconsin Mutual Insurance  
Wilson Mutual Insurance  
Wisconsin Farmers Mutual Insurance  
Wisconsin Mutual Insurance  
Wisconsin Reinsurance Corp.

## Tougher Financial Responsibility Laws, Not Compulsory Insurance, Protect Consumers *Insurance Industry Group Cites Data, Experience*

MILWAUKEE--(February 24, 1992) Less than 1.6% of all automobile accidents in Wisconsin during 1990 involved drivers who could not, financially, compensate the other driver involved in the accident. That startling statistic from Wisconsin's Department of Transportation helps illustrate why legislative action mandating drivers purchase auto insurance in order to drive is unnecessary, according to the Wisconsin Insurance Alliance, an industry group representing more than 42 Wisconsin domiciled property/casualty insurers.

"The fact is that compulsory automobile insurance as mandated in Senate Bill 280 is an answer to a problem that we don't have here in Wisconsin," said Eric Englund, president of the WIA. "Our current statutes and enforcement procedures work extremely well and do what this bill purports to do: protect victims of an accident from drivers that are not financially responsible."

He went on to note that "Laws already on our books here in Wisconsin require financial responsibility on the part of drivers. And, since experience in other states with legislation like SB 280 is that the law is difficult and very costly to enforce, you have to wonder why we need SB 280 at all."

(more)



Senate Bill (SB) 280 would require all Wisconsin drivers to purchase auto insurance in order to drive. "The enforcement headaches come from the fact that this is a compulsory bill that doesn't compel," Englund explained. "It would not protect Wisconsin drivers against hit-and-run drivers, car thieves, or out-of-state drivers. And, of course, there will still be drivers who drive without insurance just as now, there are drivers who drive without licenses. Finally, there will be those who comply with the letter of the law -- they'll purchase insurance the day before they get licensed - - and then without violating the law they'll cancel that insurance the day after they get their license."

Englund added that the WIA takes seriously the larger issue raised by the discussion regarding compulsory insurance. "We believe, and we have long worked toward, helping protect consumers who are involved in accidents with uninsured drivers. We know those victims must have recourse in order to recover their losses. But we also believe the way to do that is to enforce and in fact strengthen the financial responsibility laws already on our books."

There is, in SB 280, language that strengthens those laws and Englund said, "the WIA supports that portion of the bill."

The Wisconsin Insurance Alliance represents 42 Wisconsin-domiciled property/casualty insurance companies. The WIA cooperates with insurance industry leaders, Wisconsin business representatives, consumers and policymakers to improve the overall insurance climate for Wisconsin insurers and their consumers.

MEMORANDUM

February 2, 1993

To: Don Cleasby  
From: Diana Lee  
Re: Wisconsin vs. Other States: The Effects of  
Compulsory Insurance Laws

-----

Don, the tables in the following five sections are presented to offer statistical evidence that compulsory laws are not effective in reducing the uninsured motorist problem, automobile insurance losses and premiums. It is not clear what benefits are derived from the enactment of such a law. Because Wisconsin does not have a severe U.M. problem, it is believed that the detrimental effects of mandatory requirement greatly outweigh whatever advantages may exist.

**I. WISCONSIN HAS A RELATIVELY LOW U.M. POPULATION; IN FACT, IT IS MORE FAVORABLE THAN MOST COMPULSORY STATES**

Table I sets forth individual state ratios of U.M. claim frequency to B.I. claim frequency, reflecting the period 1988-1990 combined. This time period represents the latest available experience from NAII. These ratios provide a good indication of the percentage of accidents involving uninsured motorists and may, therefore, be used as a proxy to measure the extent of the uninsured motorist problem. New York, Massachusetts and South Carolina are not listed because NAII does not collect statistics for the last two states and NAII data for New York is not readily accessible.

Among the forty-eight jurisdictions shown below, Wisconsin ranks #33, with a UM-to-BI frequency ratio of 10.5%. In other words, there are 32 states, including D.C., whose uninsured motorist population is greater than Wisconsin; among this group, 29 of them have a compulsory law, suggesting that this type of law is not effective in reducing the number of uninsured motorists. Moreover, Wisconsin's U.M. population (about 10% of the driving population) is much lower than the nation as a whole (about 18%). The vast majority of people living in this state already have liability insurance. Hence, there is no urgent need to enact a compulsory liability insurance law in Wisconsin, especially in light of the fact that this type of law results in more negative than positive effects.

Table I

<u>Rank</u>	<u>State</u>	<u>'88-'90 Ratio of UM-to-BI Claim Frequency</u>	<u>Rank</u>	<u>State</u>	<u>'88-'90 Ratio of UM-to-BI Claim Frequency</u>
4	Alabama	26.3%	30	Missouri	11.7
9	Alaska	22.7	36	Montana	8.9
21	Arizona	15.3	44	Nebraska	5.8
45	Arkansas	5.7	18	Nevada	15.9
24	California	14.6	42	New Hampshire	7.8
1	Colorado	41.8	40	New Jersey	8.1
31	Connecticut	11.0	3	New Mexico	28.4
11	Dist. of Col.	21.2	47	North Carolina	5.1
15	Delaware	17.3	39	North Dakota	8.2
43	Florida	6.1	26	Ohio	13.5
6	Georgia	24.0	7	Oklahoma	23.9
22	Hawaii	14.9	16	Oregon	16.5
35	Idaho	9.6	19	Pennsylvania	15.6
23	Illinois	14.7	10	Rhode Island	22.6
14	Indiana	19.8	48	South Dakota	4.9
37	Iowa	8.7	8	Tennessee	23.8
38	Kansas	8.3	13	Texas	19.9
28	Kentucky	12.9	34	Utah	10.4
32	Louisiana	10.8	17	Vermont	16.2
46	Maine	5.4	12	Virginia	20.7
27	Maryland	13.3	5	Washington	24.3
25	Michigan	14.0	41	West Virginia	8.0
20	Minnesota	15.4	33	Wisconsin	10.5
2	Mississippi	34.3	29	Wyoming	11.8
				Countrywide	18.1%

Source: NAI

**II. U.M. LOSS EXPERIENCE IS WORSE IN COMPULSORY STATES THAN IN WISCONSIN**

In addition to the above data, the statistics collected by NAI show that Wisconsin's uninsured motorist experience is relatively favorable compared to compulsory states. Listed below in Table II is the average 1990 U.M. claim frequency for Wisconsin, compared to a selection of compulsory insurance states with a tort system.

**Table II**  
**Wisconsin vs. Compulsory States**  
**1990 U.M. Claim Frequency Experience**

	<u>No. of Claims Incurred</u> <u>Per 10,000 Ins. Vehicles</u>
Wisconsin	14
Arizona	31
California	68
Illinois	29
Louisiana	22
Missouri	17
Ohio	17

Source: NAIH

The six states compared to Wisconsin all have compulsory laws, yet their U.M. claim frequencies are higher than Wisconsin. In spite of the enactment of such a law in these jurisdictions, insureds are still filing U.M. claims because they were involved in an accident caused by someone who did not have liability insurance. This suggests that a compulsory law is not as effective as it is intended to be. Corroborating the results of Table I, Wisconsin's relatively low frequency also demonstrates that its uninsured motorist problem is not that severe, since 14 claims, out of 10,000 insured vehicles, were incurred in 1990. Certainly, it is less of a problem than in the six compulsory states in Table II.

### **III. U.M. CLAIM FREQUENCIES CONTINUE TO RISE IN SPITE OF COMPULSORY LAWS**

A more in-depth look at U.M. experience is demonstrated in Table III. Shown here are trends in U.M. claim frequency of all states whose compulsory laws became effective sometime between 1983 and 1985. This period was chosen because of the ready availability of trend data from 1983 to 1987. The purpose of this table is to show that despite the enactment of a mandatory law, claim frequencies involving uninsured motorists still continue to rise for the most part. Even though some states had effective dates in 1985, experience for 1983 and 1984 are indicated, offering a bit more insight into the frequency pattern. Also, note that the number of claim counts in all years except for 1987 are evaluated as of 27 months. Data for 1987 is evaluated as of 15 months only; hence, the claim frequency figures shown for 1987 most likely are understated.

Alaska, Nebraska, Vermont and Wyoming all had laws enacted in 1985. Experience shown below indicates that Alaska's and Vermont's rate of incurring claims involving uninsured drivers grew almost three times and more than fifteen-fold, respectively, since their laws passed. Wyoming's frequency increased slightly

in 1985, while Nebraska's rate dropped when its law passed, although it has remained constant during the three years subsequent to enactment (again, however, the 1987 figure is understated). Claim frequencies for Arizona, Indiana, New Mexico and Ohio have increased 43%, 62%, 33% and 31%, respectively, from the year the compulsory law became effective until 1987. D.C.'s frequency has been fluctuating since 1983, but the number of U.M. claims incurred per 10,000 vehicles has grown 62% from 1983 to 1987.

For the most part, U.M. claim frequencies are continuing to rise after a compulsory law has been enacted. In spite of the new law, policyholders are still reporting claims involving drivers without insurance; in fact, even more claims are being filed. This finding adds further evidence to the ineffectiveness of mandatory insurance requirement.

Table III  
Trends in U.M. Claim Frequency  
(Per 10,000 Insured Vehicles)  
1983-1987

	Comp. Law Eff. Date	1983	1984	1985	1986	1987*
Alaska	1/85	22	16	31	38	45
Arizona	1983	23	25	29	31	33
D.C.	4/83	66	131	95	89	107
Indiana	1/83	26	26	37	48	42
Nebraska	1985	9	7	5	5	5
New Mexico	1/84	46	48	51	60	64
Ohio	1/84	14	13	15	16	17
Vermont	1985	4	6	24	92	88
Wyoming	1985	4	5	6	6	5

Source: NAI

#### IV. COMPULSORY STATES HAVE HIGHER PREMIUMS AND LOSS COSTS THAN WISCONSIN

Shown in Table IV is a comparison of 1991 personal auto liability average premiums and loss costs (incurred loss per insured vehicle) between Wisconsin and selected compulsory liability states. The sources of these figures are the National Independent Statistical Service (for the NAIC) and the quarterly Fast Track Monitoring System, respectively. Except for Illinois, the other seven compulsory states in the table were chosen because they, like Wisconsin, are not no-fault states and because their population density and motor vehicle density somewhat approximate those of Wisconsin (Illinois' densities are substantially higher than Wisconsin, but was included because it abuts the state and, therefore, is of interest). South Carolina's average premium is not available at this time, since NISS does not collect premium experience for this state.

**Table IV**  
**Wisconsin vs. Compulsory States**  
**Liability Average Premiums and Loss Costs**

Wisconsin	Comp. Law Eff. Date ----	1991 Liab. Avq. Prem. \$273	1991 Liab. Loss Cost \$139.23
Illinois	01/90	303	168.42
Louisiana	1975	454	226.46
Missouri	1986	266	144.59
South Carolina	10/74	n/a	158.40
Texas	01/82	390	188.08
Vermont	1985	251	128.69
Washington	01/90	370	165.58
West Virginia	07/81	322	155.14

Sources: NISS, on behalf of NAIC, and Fast Track Monitoring System

According to NISS, Wisconsin currently is in the bottom third of the nation in terms of liability average premium. With the exception of Vermont, Wisconsin's average liability premium and loss cost are lower than those of its comparison states with a mandatory insurance law.

In general, those states having compulsory laws tend to have higher loss costs and, hence, premiums; one reason for worse loss experience in compulsory states is the fact that a mandatory law, if successful, would require every motorist, including the highest-risk drivers, to be insured. This would cause a deterioration in loss experience, creating an increase in insurance rate levels.

#### **V. CHANGE IN LOSS COST IS HIGHER IN COMPULSORY STATES THAN IN WISCONSIN**

Table V shows a comparison during particular time periods between Wisconsin's trend in liability loss experience and that of other states currently having a compulsory liability insurance law. The source of this data is the Fast Track Monitoring System.

The liability loss cost has been selected as a basis of comparison because it represents the average amount of loss per insured vehicle. The time period chosen for comparison purposes is that period available on the Fast Track report directly after each compulsory insurance law became effective through 1991. Due to the various effective dates of the compulsory insurance law, individual state comparisons with Wisconsin have been grouped into four different categories, where similar time periods examined have been placed together.

**Table V**  
**Comparing the Change in Liability Loss Cost Levels**  
**between Compulsory States and Wisconsin**

<u>State</u>	<u>Comp. Law Effective Date</u>	<u>Overall Loss Cost % Change (1)</u>	<u>Average Annual Loss Cost % Change (2)</u>
A. Alaska	1/1/85	48.0%	7.3%
California	1/1/85	85.5	11.0
Wisconsin		51.2%	7.2%

- (1) Overall Change in Loss Cost from 1985 to 1991  
(2) Annual Change in Loss Cost from 1985 to 1991

<u>State</u>	<u>Comp. Law Effective Date</u>	<u>Overall Loss Cost % Change (1)</u>	<u>Average Annual Loss Cost % Change (2)</u>
B. New Mexico	1/1/84	124.4%	12.3%
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decreased as well in 1988.) These greater percent changes suggest that the average loss per insured vehicle and, hence, the rate level increased even more as a result of the enactment of compulsory insurance.

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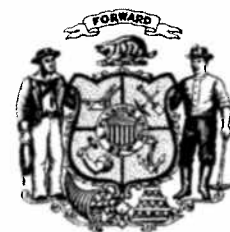
I hope these figures give you further insight into the negative effects of compulsory insurance in states having such laws. If you have any questions regarding this information or would like additional analysis, please don't hesitate to call..

cc: Terrie Troxel  
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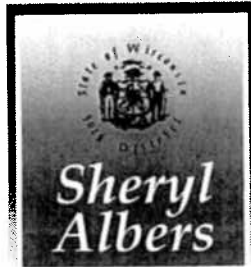




# WISCONSIN STATE LEGISLATURE



June 16, 1995



Bob -

Sheryl would appreciate  
your input and/or feedback  
on this legislation.

Thanks!

Julie  
(Committee Clerk)

Hi Sheryl —

Thanks for asking! I brought  
this to Merrimac Mutual board  
meeting on Tuesday. Unanimous!  
All licensed drivers in Wisconsin,

(over)

e.g. those with Wisconsin D.L.'s,  
should be ~~not~~ mandated to carry  
minimum BI + PD liability  
coverages.

(Could almost do away with uninsured  
motorists' coverage, then, except out-of-  
state drivers might get involved as  
uninsureds!)

When other driver is at fault in a  
BI accident, why penalize the innocent  
victim and his/her auto company by  
asking him/her to pay for uninsured  
motorists coverage and the company to  
pay for his/her hospital bills.

Other alternative? Eliminate liability  
insurance altogether, and lawsuits.

Insurance co's and lawyers would have  
a fit!!

Best Regards!  
Bob Wein