

Approved

Date

3/7/91

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at
Chairperson

9:00 a.m./~~p.m.~~ on TUESDAY, MARCH 5, 1991 in room 529-S of the Capitol.

All members were present ~~except~~:

Committee staff present:

Bill Wolff, Research Department
Fred Carman, Revisors Office
Louise Bobo, Secretary

Conferees appearing before the committee:

Tim Edwards, AARP, Berryton
June Dirks, Wichita
Dr. A. W. Dirks, AARP, Wichita
Dick Brock, Kansas Insurance Department
Bill Sneed, State Farm Insurance
Ed Klumpp, Kansans for Highway Safety
Lori Callahan, American Insurance Association

Chairman Bond called the meeting to order at 9:10 a.m.

SB 217 - Motor vehicle insurance: discounts for over age 55.

Chairman Bond called on Senator Yost to explain the bill. Senator Yost informed the committee that this bill would provide for a discount for persons over age 55 who participate in a driving course. He then said that he would defer to his people from Wichita to testify on behalf of the bill.

Tim Edwards, AARP, Berryton, told the committee that he was in support of this bill because Kansas was following a national trend of having more over age 80 licensed drivers on our highways. He stated that 55+ age drivers have fewer accidents overall but a higher accident rate per mile driven. Mr. Edwards advocated the advantage of a driving course called 55 Alive/Mature Driving, for which he is a volunteer instructor. He cited statistics which concluded that graduates of the driving course had fewer accidents and fewer traffic convictions. (Attachment 1)

June Dirks, a retired teacher from Wichita, told the committee that she was so enthusiastic after taking the driver course that she volunteered to be an instructor. Mrs. Dirks stressed that the drivers course brought to the attention of the participants their diminishing hearing and/or vision and also addressed other changes that take place as one grows older. Mrs. Dirks pointed out that 30 states already have some type of driving course for the older driver and 20 other states have it under consideration (Attachment 2)

Dr. A. W. Dirks, AARP, Wichita, appeared before the committee in support of this bill. He informed the committee that the State Legislative Committee of the AARP voted to seek support for the mandatory reduction of insurance premiums for those who have participated in a State approved defensive driving course. (Attachment 3)

Dick Brock, Kansas Insurance Department, rose in support of this bill as written. He stated that the bill would permit the present age classifications or discounts to continue and the credit for completion of an approved driver's course would be in addition to the existing discount. However, Mr. Brock said these questions would have to be answered by each insurer should SB 217 be enacted. (Attachment 4)

Bill Sneed, State Farm Insurance, informed the committee that although his client would prefer that discounts be left within the competitive marketplace, he did have amendments to offer if the committee felt the discount should be mandated. Amendments

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

room 529-S Statehouse, at 9:00 a.m./~~pm~~ on TUESDAY, MARCH 5, 1991.

on lines 19, 24, and 35 would shorten the period of time between courses from three years to two years. The proposed amendment on lines 20, 21 would require that the driving courses be administered by the National Safety Council of the State of Kansas and the amendment would also allow the flexibility to utilize other types of discounts. On line 22, the amendment would specify that the discount follows the person and not the policy. The amendment on line 34 would make sure that the discounts mandated in the bill cannot be stacked and would also eliminate individuals for qualification if the course was the requirement of an administrative order. (Attachment 5)

Lee Wright, Farmers Insurance, spoke briefly in support of SB 217 with the amendments as proposed by Bill Sneed. Mr. Wright stated that his client presently offered discounts for the 50-69 age group but might not be able to offer both discounts.

Ed Klumpp, Kansans for Highway Safety, testified before the committee in support of this bill. He stated that a driver improvement course would provide an opportunity to review the laws and roadway markings. Mr. Klumpp said that this would be a step forward in accident prevention for this particular age group and, therefore, they supported passage of this bill. (Attachment 6)

There being no other conferees, Chairman Bond announced the hearing on SB 251 closed. A brief discussion followed. One committee member inquired how long violations stayed on one's driving record. Mr. Brock replied that, except for serious offenses, the usual time was three years. Mr. Sneed emphasized to the committee that if they wanted to mandate this driving course, they needed to require that it be taken every two years instead of three as one's memory diminishes, etc. Mr. Brock suggested that insurance companies needed the flexibility of not offering the discounts, otherwise, the only alternative for them is not to write the insurance. Chairman Bond asked if the language in lines 20 and 21 of the second amendment made sense and Mr. Brock suggested that the same thing could be accomplished with the original language.

Senator Yost made a motion to approve the amendments prepared by Mr. Sneed except for the second amendment, lines 20 and 21. Senator Reilly seconded the motion. The motion carried.

Senator Yost made a motion to insert the word "shall" after the word "commissioner" on lines 16. Senator Kerr seconded the motion. The motion carried.

Senator Yost made a motion to pass SB 217 out of committee favorably as amended. Senator Reilly seconded the motion. The motion carried.

SB 304 - Rules and regulations for use of rates before filing.

Lori Callahan, American Insurance Association, appeared before the committee in support of this bill. Ms. Callahan informed the committee that this bill would only affect insurance companies who write multimillion dollar umbrella policies for large commercial businesses. She continued that they needed the flexibility of being able to quote premium rates on umbrella policies without having to observe the 30 day waiting period currently in the law and prior approval by the Insurance Department. Ms. Callahan further stressed that if Kansas hoped to attract larger commercial businesses, it needs to be able to offer adequate insurance protection. (Attachment 7)

Senator Strick made a motion to pass SB 304 out favorably. Senator Salisbury seconded the motion. The motion carried.

The meeting adjourned at 10:01 a.m.

TESTIMONY ON SENATE BILL (S.B.) 217

By Tim O. Edwards, 55 Alive/Mature Driving Instructor
Before the Financial Institutions and Insurance Committee

I favor S.B. 217 because the number of older drivers on Kansas roads is growing rapidly. In 1989 over 34,000 Kansans, 55 and older, were involved in traffic collisions. From 1980 to 1990, age 50+ Kansas licensed drivers increased by 4.3 percent, but the age 80+ Kansas licensed drivers increased by 50.8 percent. Kansas is following a national trend of more over 80 age licensed drivers on our roadways.

While these 55+ age drivers have fewer accidents overall, they have a higher accident rate per mile driven. In addition, the older driver is at a greater risk of injury or death from an auto accident because their bodies are less trauma-resistant. A simple injury may be fatal or require a longer rehabilitation process.

One way to assist older Kansans to live a longer active life is to encourage collision prevention via traffic safety education. I have been asked to mention a driver training course that is available which I instruct as a volunteer. This course is called 55 Alive/Mature Driving, a unique program for older drivers.

In 1990, there were 16,088 55 Alive courses and ^{310,869}~~390,200~~ persons age 50+ trained nationally. Of that number, only 56 courses and 900 persons were trained in Kansas. Hopefully, this number can be increased.

Will you please note the following attachments which reference the 55 Alive/Mature Driving course:

1. 55 Alive/Mature Driving, 1991.
2. Memo - California Survey of Mature Driving Participants
3. 55 Alive Brochure

Attachment 1
FI & I
3/5/91



55 ALIVE/MATURE DRIVING 1991



Background

The AMERICAN ASSOCIATION OF RETIRED PERSONS was founded in 1958. Today the Association is the nation's leading nonprofit, nonpartisan organization that provides a vital fellowship for men and women age 50 and older whether they are still actively employed, semi-retired or retired.

Currently the Association's membership stands at just over 33 million and continues to grow at a rate of 200,000 new members each month. Approximately 1 out of every 2 Americans age 50 and older belongs to AARP. For interested members there are more than 3,500 chapters and 2,500 units nationwide which work for local community welfare, carry on programs to support the goals of the national organization, and provide educational and social programs.

One of AARP's most significant services is to inform and rally members around legislative issues being considered by older persons.

Older Drivers' Needs Addressed

Recognizing the need to help older drivers improve their skills and prevent traffic accidents, AARP offers 55 ALIVE/MATURE DRIVING to all motorists age 50 and older. The eight-hour classroom refresher is the first nationwide, comprehensive curriculum designed especially for the older motorist. 55 ALIVE/MATURE DRIVING is available to both Association members and non-members.

AARP's involvement in driver improvement education for older Americans began in 1969. In that year the Association commenced teaching the National Safety Council's (NSC) Defensive Driving Course (DDC) to older Americans nationwide. The program grew dramatically each year and by 1979, when the DDC was phased out, more than 400,000 older Americans had completed the course. In addition, the National Safety Council honored AARP as the number one civilian trainer of drivers every year between 1969 and 1979. The ten consecutive awards cite outstanding contributions to adult driver education.

One reason for the program's extraordinary growth rate was the enthusiastic response from Association members who volunteered to become instructors. More than 4,500 instructors age 50 and older were trained by AARP during the involvement with DDC.

Beneficial as this training effort was, the DDC program had some limitations for older motorists. It was felt that another program was needed. The DDC was not geared to compensate for the age-related physical changes of older persons. It was designed for all drivers age 16 and older. As such, areas which are not seen as serious problems for the older driver are given considerable emphasis. Age-related areas of importance are not covered in detail during the DDC presentation. In developing a specific classroom refresher curriculum for older motorists it was concluded that age-related physical changes, declining perceptual skills, rules of the road, local driving problems, and license renewal merited prime consideration.

An additional change deemed necessary was in the manner of program presentation. Older adults learn best and have the greatest retention rate when the opportunity to participate in the learning process is maximized.

Creation of 55 ALIVE/MATURE DRIVING

Convinced that older drivers should have a training program of their own, AARP decided to create one. Data was collected from all the nation's state departments of motor vehicles, state agencies on aging, state offices of highway safety, and state departments of transportation. Along with that canvassing, materials were reviewed and contributions received from safety councils, associations, universities, and various agencies of the federal government. Discussions were held with many of the nation's distinguished traffic safety educators to obtain their views regarding the needs of older drivers. During this process a total of 12 older driver courses were uncovered that had been developed since 1961. Most were shortlived but they were examined for their successes and failures. The result is the first comprehensive driver education program fashioned specifically to meet the needs of older motorists. The program is titled 55 ALIVE/MATURE DRIVING.

55 ALIVE/MATURE DRIVING concentrates on those driver education concerns important for Americans. In the United States, there are approximately 45 million registered drivers age 50 and older. This constitutes 30% of all drivers on the nation's roadways. According to U.S. government figures this is expected to increase significantly by 2000. It is anticipated that women drivers over age 65 will increase 120% over the next five years.

The Accident Record of the Older Driver

Drivers over age 50 are a unique population and have specific physiological considerations and driving problems. 55 ALIVE/MATURE DRIVING is aimed at this target population. How do these individuals compare with other age brackets in safe driving practice and incidence of accidents? In order to obtain an accurate picture it is not enough to consider only age and number of accidents, it is necessary to factor in the annual number of miles driven per year. Research shows that the number of annual miles driven by motor vehicle operators begins to decline significantly after age 55. Therefore, an important consideration with regard to the safe driving practices and abilities of older persons is the criteria used to determine accident involvement statistics. The record of the older driver is good when calculated on the basis of accidents per driver. When the same figures are examined on the basis of miles driven annually a different picture emerges. This more significant and meaningful statistic highlights the urgent need for corrective measures to re-educate older drivers.

Since older persons drive fewer miles, corrections must be made for driving exposure. When this factor is included in accident involvement rates, and the involvement per exposure is determined, a U-shaped curve of accidents versus age results. Violation and accident rates per mile are higher for the youngest and oldest drivers and lower for those in the middle ranges. Although one can quibble over the exact placement of the curve, a general "U" configuration has emerged in every major study undertaken during the past 30 years.

The National Safety Council reports that when the number of miles driven is taken into account, drivers age 55 and older have a poorer accident record than drivers in their middle years.

The U.S. Department of Transportation identifies the older driver as being age 60 and older and a group which requires special consideration in the development of driver improvement training procedures. The National Highway Safety Forecast points out that the older driver is adjudged at fault more frequently than middle-aged drivers, and due to the population age shifting currently underway in America, is perhaps *one of the fastest growing highway safety problem areas*.

The Differences of Older Drivers

Older drivers do not commit traffic violations such as speeding, drunk driving or reckless driving to any significant degree.

Older drivers do have problems when involved in driving situations requiring quick response, full vision and interaction with other drivers. Typical violations include failure to yield right-of-way, improper turning, incorrect lane changing, passing, and entering and leaving expressways.

The older driver learned to drive during the first forty years of this century, well before the advent of formal driver education programs in the public school systems. The older driver who has completed a formal driver training course is the exception rather than the rule.

These individuals may experience physical changes which affect driving abilities and attitudes. People age at different rates so age alone is not a fair criterion for determining driving competence, and there is no question that driving ability can be affected by the aging process. The gradual failure of sensory acuity associated with aging reduces the quantity and accuracy of information capable of being processed. This reduces the ability of the individual to respond or react to his environment with the speed and judgment current traffic often requires.

Eighty-five to ninety percent of all sensory input needed to drive comes via the eye. Unfortunately, as one ages the need for more illumination increases, glare sensitivity rises, dark adaption lessens, and peripheral vision narrows. Hearing loss also presents problems for older drivers. It is also broadly accepted that as one ages muscles tend to weaken or atrophy.

Research shows that normal age-related physical changes begin to accelerate at age 55. Accidents per mile driven begin to increase at this same age. This is the reason we call the course 55 ALIVE/MATURE DRIVING. The course title has nothing to do with the 55 mph speed limit.

We accept all motor vehicle drivers age 50 and older because this action allows the 50-54 year old age group to prepare for the normal age-related physical changes and anticipate accident behavior. It gives them a head start.

The U.S. Department of Transportation evaluated 55 ALIVE/MATURE DRIVING in the early 1980s. Project researchers found a large and statistically significant increase in knowledge in the treatment group that was retained during the entire evaluation period. Drivers taking the 55 ALIVE/MATURE DRIVING course showed a trend in violation reduction; although numbering several thousand, the evaluation participants were not large enough in numbers to demonstrate statistical significance regarding accidents.

Insurance Reduction

Currently several automobile insurance companies in selected states voluntarily provide premium reductions to graduates of 55 ALIVE/MATURE DRIVING. In addition legislation has been enacted in 30 states and the District of Columbia which require all automobile insurance companies conducting business in those states to provide a premium discount to graduates of state-approved driver improvement courses. AARP's 55 ALIVE/MATURE DRIVING is approved in every state. Many other states are currently considering this mandated legislation.

The list now includes:

<i>State</i>	<i>Discount</i>	<i>Age</i>	<i>Effective Date</i>
AK	Appropriate	55+	1988
AR	Appropriate	55+	1981
CA	Appropriate	55+	1987
CT	Appropriate (Minimum 5%)	62+	1983
DE	10% on liability and personal injury protection	All licensed drivers	1982
DC	Appropriate	55+	1985
FL	Appropriate	55+	1986
GA	Appropriate	All licensed drivers	1989
KY	Appropriate	55+	1984
ID	Appropriate	65+	1989
IL	Appropriate	55+	1982
LA	Appropriate	55+	1984
MN	Appropriate, of at least 10%	55+	1985
MS	Appropriate	55+	1988
MT	Appropriate	55+	1987
ND	Appropriate	55+	1983
NM	Appropriate	55+	1987
NV	Appropriate	55+	1989
NY	10% on liability, personal injury protection and collision	All licensed drivers	1981
OK	Appropriate	55+	1986
OR	Appropriate	55+	1990
PA	Appropriate	55+	1990
RI	Appropriate	55+	1984
SD	Appropriate	55+	1988
TN	Appropriate	55+	1984
TX	10% of premium	All licensed drivers	1974
UT	Appropriate	55+	1988
VA	Appropriate	55+	1985
WA	Appropriate	55+	1986
WV	Appropriate	55+	1986
WY	Appropriate	60+	1983

For Further Information Regarding This Program Write:

AARP
 55 Alive/Mature Driving
 1909 K Street, NW
 Washington, DC 20049

1-4

MEMORANDUM
Transportation

TO: 55 ALIVE/MATURE DRIVING National Corps
FROM: Mike Seaton, Assistant Manager
DATE: September, 1989
SUBJECT: 55 ALIVE Summer Success Story

California Survey

A California Department of Motor Vehicle study compared driving records for 40,339 graduates of the state's Mature Driver Improvement program (91% had completed AARP's 55 ALIVE/MATURE DRIVING) with those of 75,064 randomly selected older drivers who did not take the course. All were age 55 or above.

Adjusting the results to factor out differences between the two groups, the graduates had 16% fewer accidents involving death or injury and 15.7% fewer traffic convictions. (see attached summary)

Ray Peck, Director of Research for the California Department of Motor Vehicles, who directed the study, stated that the results are quite suggestive and promising that the driver training course was responsible for at least some of the reduction in accident risk.

This is an important statement because it has never been said about any other course available today nationwide. The California study results contain all the ingredients desired by motor vehicle administrators and insurance industry officials to validate a course. These include independent assessment, control group and analysis of DMV records.

This is not Gallup Poll research but a scientific study required annually by the legislation mandating insurance discounts in California. The study will go on for several years with additional graduates being added annually. The California study is the most comprehensive evaluation and the largest numerical base ever undertaken on a classroom driver refresher course in America.

You are saving lives and preventing injuries. There is no doubt about that.

55 ALIVE Goes International

The Canada Safety Council has been awarded a grant by the Canadian government to implement 55 ALIVE Edition III throughout Canada. They currently implement our Edition II on a limited basis (1,000 annual graduates) in selected Provinces. The grant request would expand that effort significantly. 55 ALIVE staff assisted with the grant approval process and will provide technical assistance during the three year grant.

1-5

Mr. Chairman
Members of the Committee

I am June Dirks from Wichita, a retired English teacher. I have recently been approved as a volunteer instructor for the "55 Alive Mature Driving" course.

Last November I enrolled in and completed the "55 Alive Mature Driving" course. It was one of the most rewarding and valuable experiences that I have been involved in. There is no doubt that the result of the course completion is that I am driving more efficiently and safely. Another result is that the value of the course impressed me enough to become a volunteer instructor.

"55 Alive is the first and most recognized comprehensive nationwide course designed especially for the older driver. It takes into consideration physical changes, and advances in educational curriculum which enables drivers to compensate for those changes. Course material is based on information gained from research to determine what is needed by this age group to update driver knowledge and skills. Most importantly, the curriculum provides opportunities for participants to identify individual problem areas and gain information needed to improve their behavior as drivers."

The physical limitations sometimes placed on older drivers through loss of hearing and diminished vision need to be brought to the attention of the older driver. That is one of the purposes of this course. There are numerous other changes that are also addressed: slowed reaction times, various medication effects, special problems of alcohol use on the body as it ages, plus others.

The most difficult area for the older driver is probably when he/she must face the warning signs which indicate that it is time to stop driving. This course is straight forward and frank about helping the older driver face this fact and make a wise decision.

Attachment 2
F I I
3/5/91

The course consists of eight hours of classroom instruction that refine existing skills and develop safe, defensive driving techniques. The textbook used in the course is available to every student to keep and refer to later. The cost to the student for the course and text is \$8; there is no cost to the state.

The value of such retraining cannot be too strongly stated. One leading insurance company reported that 100,000 graduates of the course who were tracked over many years showed a 10% accident claim reduction, which is certainly a saving to everyone involved. (1990) In a report from the New York State Department of Motor Vehicles the findings were even more impressive. The comparisons of pre-course and post-course accident and conviction rates of drivers who participated in their insurance reduction program showed that overall accident rates were 15% lower.

The insurance reductions most assuredly will be further incentive to encourage older drivers to complete the "55 Alive Mature Driving" course. Currently 30 states and the District of Columbia have enacted similar legislation. An additional 20 states are now considering this type of legislation.

A detailed Position Paper is included for your information and study. It includes recent evaluations of the effectiveness of the program by one of the leading insurance companies. The States of New York and California evaluations are also included along with a list of Mandated Insurance States as of January 1, 1991.

I request your support for Senate Bill 217.

Thank you.

June Dirks

AMERICAN ASSOCIATION OF RETIRED PERSONS

TRANSPORTATION

LEGISLATIVE PACKET 1991

Automobile Insurance Discounts
For Older Drivers

PROGRAM DEPARTMENT

POSITION PAPER

Automobile Insurance Discount

The Kansas state legislative committee of the American Association of Retired Persons proposes that legislative steps be taken to reduce automobile insurance premiums for motor vehicle operators age 55 and older who complete a state approved driver education course.

Action in other states: Similar legislation has been enacted in 30 states and the District of Columbia which requires all automobile insurance companies conducting business in those states to provide a premium reduction to graduates of state-approved driver improvement courses. Many other state legislatures are considering this legislation.

Goal of Legislation

The goal of this legislation, however, is to provide an incentive discount on automobile insurance premiums that encourages older drivers to take a driver improvement course and to reduce the chances of accidents and claim filings.

Rationale: Motor vehicle operators age 55 and older are a unique population and have specific physiological considerations and driving problems. How do these individuals compare with other age brackets in safe driving practice and incidence of accidents?

In order to obtain an accurate picture it is not enough to consider only age and number of accidents, it's necessary to factor in the annual number of miles driven per year. Research shows that the number of annual miles driven by motor vehicle operators begins to decline significantly after age 55. Therefore, an important consideration with regard to the safe driving practices and abilities of older persons is the criteria used to determine accident involvement statistics.

The record of the older driver is good when calculated on the basis of accidents per driver. When the same figures are examined on the basis of miles driven annually, a different picture emerges. This more significant and meaningful statistic highlights the urgent need for corrective measures to re-educate older drivers.

Because older persons drive fewer miles, corrections must be made for driving exposure. When this factor is included in accident involvement rates, and the involvement per exposure is determined, a U-shaped curve of accidents versus age results. Violation and accident rates per mile are higher for the youngest and oldest drivers and lower for those in the middle ranges. Although one can quibble over the exact placement of the curve, a general "U" configuration has emerged in every major study undertaken during the past 30 years.

The National Safety Council reports that when the number of miles driven is taken into account, drivers age 55 and older have a poorer accident record than drivers in their middle years.

The U.S. Department of Transportation identifies the older driver as being age 60 and older and a group which requires special consideration in the development of driver improvement training procedures. The National Highway Safety Forecast points out that the older driver is adjudged at fault more than middle aged drivers, and due to the population age shifting currently underway in America, is perhaps one of the fastest growing highway safety problem areas.

Older drivers have problems when involved in driving situations requiring quick response, full vision and interaction with other drivers. Typical violations include failure to yield right-of-way, improper turning, incorrect lane changing, passing, and entering and leaving expressways.

The older driver learned to drive during the first forty years of this century, well before the advent of formal driver education programs in the public school systems. The older driver that has completed a formal driver training course is the exception rather than the rule.

These individuals may experience physical changes which affect driving abilities and attitudes. People age at different rates, so age alone is not a fair criterion for determining driving competence. There is no question, however, that driving ability can be affected by the aging process. The gradual failure of sensory acuity associated with aging reduces the quantity and accuracy of information capable of being processed. This reduces the ability of the individual to respond or react to his environment with the speed and judgment current traffic often requires.

Eighty-five to ninety percent of all sensory input needed to drive comes via the eye. Unfortunately, as one ages the need for more illumination increases, glare sensitivity rises, dark adaptation lessens, and peripheral vision narrows. Hearing loss also presents problems for older drivers. It is also broadly accepted that as one ages muscles tend to weaken or atrophy.

Primary objective: By passage of this legislation, S.B. 217 will create an economic incentive for older drivers to take a driver improvement course and thereby improve their driving performance. This reduces their chances of accidents and accident claim filings, and creates a safer driving environment for everyone. Notably, the proposed legislation brings this about without cost to the state.

The older driver earns the driver improvement discount by taking a positive, preventive step. This incentive discount is given in addition to any other marketing discounts, such as for being a senior citizen, non-smoker, seat-belt wearer, etc. None of these other marketing discounts were dropped when other states mandated this legislation.

The automobile insurance industry writes policies on accidents per age group, and thus considers older drivers to be a reduced risk because of the fewer miles that they drive. In fact, some insurance companies reduce premiums for drivers after age 55 or 65, much the same as they do for drivers after age 25. The issue is not whether some automobile insurance companies may or may not reduce rates for older drivers as a marketing tool. The primary issue is reducing accidents per mile involving drivers age 55 and older.

In the early eighties this legislation was developed in consultation with the three major insurance trade associations: American Insurance Association, National Association of Independent Insurers and The Alliance of American Insurers. These associations represent the vast majority of auto insurance companies. All three groups requested that several specific phrases be included in the legislation. The term "appropriate reduction" would allow competition within the insurance industry of each state to set the reduction percentage. In other words, if the bill becomes law, no one would dictate the terms of an "appropriate reduction" to the state's insurance industry. Each company in the state would set its own discount rate and be able to raise or lower the percentage each year based on the accident claims experience of policyholders that graduate from approved driver improvement courses. This does not mean to imply that the insurance trade associations endorse this legislation. But rather that this language is less objectionable to the industry.

The insurance trade associations also feel that any individual graduating from an approved course should retake an approved curriculum every two or three years. This keeps information current, and also refreshes the driver on necessary skills and techniques to remember.

Numerous studies have been conducted on the well-known courses, and the results demonstrate effectiveness. It is worth noting that no state has rescinded this type of legislation. A major insurance company reports that 100,000 55 Alive graduates tracked over many years demonstrate a 10% accident claim reduction (1990). Evaluation involving tens of thousands of older driver course graduates by The California Department of Motor Vehicles (1989), The New York Department of Motor Vehicles (1988), and The New York Department of Insurance (1987) demonstrate fatal and injury accident and violation reductions.

Each independent assessment states that overall, the accident prevention program along with its accompanying discount, is appropriate, justified and should be continued.

Research proves that this legislation works. Automobile insurance companies take into consideration standard actuarial findings and provide an appropriate discount. This allows the companies flexibility and assures the premium adjustment will be earned by those getting it, not subsidized by other insured drivers.

This legislation does not establish a special category of drivers in any discriminating sense. It simply recognizes an area of need and provides an incentive to help older drivers and the insurance industry reduce accidents and accident claims.

America is growing older. Large numbers of Americans are living into their 70's, 80's, and 90's. The older driver needs to return to the classroom. Additionally many older drivers live where there is little or no public transportation. Driving is the difference between independence and dependence. Kansas needs this legislation to provide an incentive for older motorists to enter the classroom to be able to drive safely for as long as they wish to maintain a license.

There is nothing vague or impractical about this legislation. Its intentions are clear and its implementation would be straightforward.

Kansas needs to add this legislation to its statutes.

RECENT INDEPENDENT EVALUATIONS INVOLVING OLDER DRIVER COURSE GRADUATES

Insurance Company Evaluation:

One of America's leading insurance companies reports that 100,000 55 Alive graduates tracked over many years demonstrate a 10% accident claim reduction—1990.

The California State Department of Motor Vehicles issued its first report to the California Legislature, pursuant to the California Mature Driver Improvement (MDI) Statute on June 1, 1989 titled Annual Tabulations of Mature Driver Program Driving Record Comparisons—1989.

California Department of Motor Vehicle Conclusions:

"The comparison of the pre- and post-course records of 40,399 MDI graduates with those of a 75,064 control sample show that MDI graduates had 16% fewer fatal and injury accidents and 15.7% fewer convictions than the control group during the study period."

The New York State Department of Motor Vehicles issued a report to the New York Legislature, pursuant to the Insurance Law on January 4, 1988, titled Evaluation of the Point/Insurance Reduction Program.

New York Department of Motor Vehicle Conclusions:

"The comparisons of pre-course and post-course accident and conviction rates of drivers who participated in the Point/Insurance Reduction Program show that overall accident rates were 15 percent lower and overall conviction rates were 56 percent lower in the 18 months after course attendance than in the 18 months before course attendance for the 84,806 drivers who participated from February 1982 through June 1983."

The New York State Insurance Department issued a report to the New York State Legislature, pursuant to the Insurance Law on March 15, 1987, titled Accident Prevention Courses and their Effect on Automobile Insurance Rates.

The report findings represent 105,000 New York Point/Insurance reduction graduates for 1985.

New York Department of Insurance Conclusions:

"The loss ratio of .539 of all those with the Defensive Driver credit is relatively better than the loss ratio of .588 for those without the Defensive Driver credit. It is important to note that the earned premiums shown for insureds with the Defensive Driver credit already reflect the ten percent discount. Thus, the combined data appear to indicate that the discount is justified and merits continuance."

Each independent assessment states that overall, the accident prevention program along with its accompanying discount, is appropriate and justified, and should be continued.

Currently 30 states and the District of Columbia have enacted similar legislation. An additional 20 states are now considering this legislation.

Mandated Insurance States

1/1/91

State	Discount	Age	Effective Date
AK	Appropriate	55+	1988
AR	Appropriate	55+	1981
CA	Appropriate	55+	1987
CT	Appropriate (Minimum 5%)	62+	1983
DE	10% on liability and personal injury protection	All licensed drivers	1982
DC	Appropriate	55+	1985
FL	Appropriate	55+	1986
GA	Appropriate	All licensed drivers	1989
KY	Appropriate	55+	1984
ID	Appropriate	65+	1989
IL	Appropriate	55+	1982
LA	Appropriate	55+	1984
MN	Appropriate, of at least 10%	55+	1985
MS	Appropriate	55+	1988
MT	Appropriate	55+	1987
ND	Appropriate	55+	1983
NM	Appropriate	55+	1987
NV	Appropriate	55+	1989
NY	10% on liability, personal injury protection and collision	All licensed drivers	1981
OK	Appropriate	55+	1986
OR	Appropriate	55+	1990
PA	Appropriate	55+	1990
RI	Appropriate	55+	1984
SD	Appropriate	55+	1988
TN	Appropriate	55+	1984
TX	10% of premium	All licensed drivers	1974
UT	Appropriate	55+	1988
VA	Appropriate	55+	1985
WA	Appropriate	55+	1986
WV	Appropriate	55+	1986
WY	Appropriate	60+	1983

Senate Committee on Financial Institutions and Insurance
March 5, 1991 529 South 9:00AM

Mr. Chairman
Members of the Committee
Proponent for Senate Bill 217

I am Bill Dirks from Wichita representing the State
Legislative Committee (S.L.C.) of American Association of
Retired Persons (A.A.R.P.)

A copy of our Legislative priorities and support items
was given to each of you at the beginning of the session.
In December the State Legislative Committee voted to add a
support item to seek mandatory reduction of insurance premiums
for those who have participated in a State approved defensive
driving course such as the A.A.R.P. "55 Alive Mature Driving"
course.

We are indebted to Senator Yost and this committee for
introducing Senate Bill 217 and conducting hearings today.
We believe S.B. 217 will serve as an incentive to cause drivers
to practice safety, lower insurance payouts due to fewer
accidents, thus benefitting all insured persons.

Most of all, for those drivers who are trained, it will
help protect lives and lessen injuries including those of us
who travel those same highways. You have heard and will hear
from others about the benefits of the A.A.R.P. "55 Alive Mature
Driving" course.

This Bill is a good match for State approved defensive
driving programs; therefore, A.A.R.P. requests that the Committee
vote favorably for Senate Bill 217.

Thank you.

Attachment 3
F I & I
3/5/91

Testimony By
Dick Brock, Kansas Insurance Department
Before the Senate Financial Institutions and Insurance Committee
on Senate Bill No. 217
March 5, 1991

The Insurance Department supports Senate Bill No. 217. In doing so we are assuming the motor vehicle accident prevention courses that will entitle a person to the discount will, in fact, improve driving skills and/or make an individual aware of safety related deficiencies. If this assumption is correct, the discount should serve as an incentive to participate in the accident prevention course and thereby reduce the frequency and severity of accidents. This should be the real goal of Senate Bill No. 217 and in the real world, if it meets this goal, the premium savings will be a deserved bonus.

As you have or will probably hear, a number of insurers already utilize rating plans or classification systems which provide or include a discount for more mature drivers. At least one insurer starts this process at age 48, others at 50 and still others at 55. Some continue the discount only to age 65, some go to age 70 and then rates begin to increase beyond that age. As we understand Senate Bill No. 217 as now written, these age classifications or discounts should or could continue but the credit for completion of an approved course would be in addition to any such discounts now applicable. The question, however, is whether or not insurers now providing a discount based on age would provide a significantly smaller discount for completion of an approved course; would reduce their existing discount and provide a somewhat larger discount for the course; or, attempt to withdraw their current discount and provide a still larger discount but only to mature drivers who have completed the course. These are questions that will only be answered by each insurer if this bill is enacted. All such rates are subject to prior approval by the Insurance Department but the magnitude of the

Attachment 4
F I O I
3/5/91

actual credit will depend to a larger extent on how insurers design the structure of the discount and the nature and credibility of the data and other information used to support it.

Nevertheless, if completion of the approved courses fulfill their promise of improving driving skills and reducing accidents, the discount must be meaningful and serve as an incentive to others.

MEMORANDUM

TO: The Honorable Dick Bond
Chairman, Senate Financial Institutions & Insurance Committee

FROM: William W. Sneed
State Farm Insurance Companies

DATE: March 5, 1991

RE: Senate Bill 217

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I am Legislative Counsel for State Farm Insurance Companies. We appreciate the opportunity to testify on Senate Bill 217.

Although we can applaud the efforts by Senator Yost in attempting to assist the over-55-year-olds in Kansas, we must urge caution with this type of legislation. Generally, my client is opposed to mandating rate regulation by statute, as compared to the flexibility of rate filings found within the current law. However, we understand the desires of the proponents of this bill, and in fact, my client provides discounts on a voluntary basis that would incorporate the intent of S.B. 217.

In an effort to assist the Committee, I am attaching a proposed balloon amendment, which we would urge the Committee to consider if you agree that S.B. 217 should be favorably passed. Again, although we believe these types of discounts are better left within the competitive marketplace, if the Committee believes that such a discount should be mandated, we would urge the Committee to include the amendments that we have proposed. I believe that the proposed amendments are self-explanatory, but I will, for the record, explain each.

Attachment 5
FI & I
3/5/91

The amendments we recommend on lines 19, 24 and 35 would narrow the scope of the period of time that such a discount is allowed from three years to two years. We believe that our data would demonstrate that these types of discounts are justified only if the individual becomes involved with these types of courses on a two-year basis as opposed to a three-year basis.

The proposed amendment to lines 20 and 21 would accomplish two goals. One, it would eliminate any fly-by-night types of courses that would allegedly deal with accident prevention, and place into the capable hands of the National Safety Council or the State of Kansas those types of courses that should be allowed for utilization of this discount. Secondly, the amendment would allow the insurer the flexibility to utilize other types of discounts, or alternatively, to continue to write someone without a discount if their driving record so justified the risk, thus not creating a vacuum for those individuals who might ordinarily have no problem getting insurance in today's marketplace.

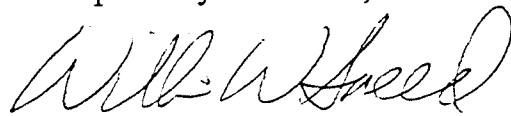
The amendment to line 22 is to quantify that the discount follows the person and not his or her policy. An example of this would be if a company were to provide a 10% discount for completing such a course, and the individual had more than one car, the discount would be proportionate on the number of cars and not 10% for each car. Further, if there were more than one qualified driver within the household and not all drivers completed the course, then the companies could proportion out the discount by virtue of the driver who had completed the course versus any other drivers who had not.

The next amendment is found on line 34, and again, this amendment would attempt to address two issues. First, by inserting the phrase, "an administrative order," it

would eliminate those individuals for qualification if the course was a requirement of an administrative order. Secondly, the additional phrase at the end of that subsection is added so as to make clear that if a company provides a discount for operators over 55, the requirements of 217 would not be stacked upon that particular discount. This is an attempt to allow companies that have greater discounts than what would normally be involved in S.B. 217 to continue such plans. If the requirement found within S.B. 217 stacked the benefits, there is a grave possibility that current discounts not encompassed in S.B. 217 would have to be discontinued.

Again, I would like to thank you for the opportunity to provide this information, and if you have any questions or comments, please feel free to contact me.

Respectfully submitted,



William W. Sneed
Legislative Counsel
State Farm Insurance Companies

SENATE BILL No. 217

By Senator Yost

2-13

8 AN ACT relating to motor vehicle insurance; providing for premium
9 reductions for certain persons completing a motor vehicle accident
10 prevention course.

11 *Be it enacted by the Legislature of the State of Kansas:*

12 Section 1. (a) Any rates, rating schedules, or rating manuals for
13 the liability, personal injury protection, and collision coverages of a
14 motor vehicle insurance policy submitted to or filed with the in-
15 surance commissioner provide for an appropriate reduction in pre-
16 mium charges as to such coverages when the principal operator on
17 the covered vehicle is an insured 55 years of age and older for a
18 ~~three-year~~ period after successfully completing a motor vehicle ac-
19 ~~cident prevention course approved by the division of vehicles of the~~
20 ~~department of revenue. Any discount used by an insurer shall be~~
21 presumed appropriate unless credible data demonstrates otherwise.

22 (b) The premium reduction required by this section shall be
23 effective for an insured for a ~~three-year~~ period after successful com-
24 pletion of the approved course, except that the insurer may require,
25 as a condition of providing and maintaining the discount, that the
26 insured for a three-year period after course completion not be in-
27 volved in an accident for which the insured is at fault.

28 (c) Upon successfully completing the approved course, each per-
29 son shall be issued a certificate by the organization offering the course
30 which shall be used to qualify for the premium discount required
31 by this section.

32 (d) This section shall not apply in the event the approved course
33 is specified by a court order as a result of a moving traffic violation.

34 (e) Each participant shall take an approved course every ~~three~~
35 years to continue to be eligible for the reduction in premiums.

36 Sec. 2. This act shall take effect and be in force from and after
37 its publication in the statute book.
38

Page 1, line 19, by striking the word "three" and inserting in lieu thereof the word "two".

Page 1, by striking lines 20 and 21 and inserting in lieu thereof the following: "cident prevention course offered by the National Safety Council or other approved governmental agency. Any discount used or not used by an insurer shall be"

Page 1, line 22, by adding the following after the word "otherwise.": "Each qualified person is entitled to only one discount."

Page 1, line 24, by striking the word "three" and inserting in lieu thereof the word "two".

Page 1, line 35, by striking the word "three" and inserting in lieu thereof the word "two".

Page 1, line 34, by adding the following after the word "by": "an administrative order or"; and by deleting the period after the word "violation" and inserting the following: "or the insurer provided a comparable discount to all principle operators 55 years of age or older regardless of completion of any approved course."

not present

5-4

5-4



Kansans for Highway Safety

March 5, 1991

TESTIMONY BEFORE THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
REFERENCE SENATE BILL NO. 217
Motor Vehicle Insurance, discounts for certain people over age 55

Kansans for Highway Safety supports Senate Bill 217. The education of all drivers is a primary goal of all traffic safety programs. This type of provision in the insurance laws would provide an added incentive for drivers over age 55 to attend a driver improvement course. Over the years many of the laws and methods of roadway markings change. These sources would provide a means to educate drivers on these changes as well as provide a catalyst for a person to review their driving habits. These courses are designed for the older driver and target areas that are of concern to that age group.

Accident data provided by the State of Kansas, Department of Transportation, shows that an average of 15004 drivers over age 55 are involved in Kansas accidents each year. These account for about 13% of all drivers involved in Kansas accidents. The attendance of the courses provided for in this bill should result in a reduction of accidents involving these drivers.

This bill would eliminate penalizing safe drivers in this age group for the actions of those that are not willing to make the effort to improve their driving skills. The insurance companies would be protected by the provisions written into the bill that allow the discount rates to not apply to those driver that cause accidents.

This bill represents a giant step forward in accident prevention for this age group of Kansas citizens. We recommend that the committee pass this bill favorably.

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*Attachment 6
FI + I
3/5/91*

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GLEENDA L. CAFER

TO: Senate Financial Institutions and Insurance Committee
FROM: Lori M. Callahan, Kansas Legislative Counsel
American Insurance Association
SUBJECT: S.B. 304
DATE: March 5, 1991

The American Insurance Association is a national trade organization representing more than 280 companies who write property and casualty insurance. I appreciate the opportunity to testify today.

AIA supports S.B. 304.

The purpose of S.B. 304 is to allow companies which write the more difficult lines of insurance to quote a premium to an insured prior to approval of the premium by the Insurance Department, subject to approval by the Department within a set amount of time. The insurance companies which would be affected by S.B. 304 would be those companies writing property casualty umbrella policies. These "umbrella" policies are policies in excess of the basic lines of insurance. Premiums for umbrella policies are determined by negotiating a percentage of the underlying premium for each of the lines of insurance receiving umbrella coverage. Insureds who purchase umbrella insurance are large commercial businesses who need insurance in the double

*Attachment 7
FI & I
3/5/91*

digit million dollar range which is provided by umbrella coverage.

The need for S.B. 304 has become apparent as Kansas has become a state in need of larger amounts of insurance for its growing businesses. The companies who currently would like to write umbrella insurance in the state of Kansas are, however, curtailed from doing so in that they must wait until all underlying premiums are quoted in order to establish their umbrella premium, since it is a percentage of the base premium on the underlying coverage. In other words, all the quotes from all the other companies for all the other lines of insurance that the business will be utilizing must be in before the umbrella insurance company can know its premium, and by then, the renewal periods are often a matter of hours or days away from expiration. The current 30 day period for approval of rates prior to utilization, therefore, does not work in this very sophisticated insurance purchasing environment.

As Kansas attracts larger commercial businesses, it needs to be able to assure these businesses that adequate protection in the way of insurance is available in Kansas. S.B. 304 is one factor which will allow this development.

We would ask your support, therefore, of S.B. 304.