SOUTH CAROLINA

State of the State

BRIEFING MATERIAL

- **Child Care**
- **Education**
- **Tax Cuts**
- **Automobile Insurance**

Governor Carroll A. Campbell, Jr.

January 18, 1989

EXPANDING CHILD CARE IN SOUTH CAROLINA

Expanding the availability of quality child care is one of the most pressing challenges facing South Carolina. Lack of access to quality child care with appropriate hours at an affordable price constitutes one of the greatest obstacles to expanding opportunities for working women in South Carolina. Moreover, improving access to child care is critical for our future economic growth.

Two thirds of new jobs created between now and 1995 will have to be filled by women, most of whom will have children sometime during their careers. Already about one-half of women with children one year old or younger are working. Failure to meet the needs of those women will constrain their opportunities and damage the productivity of our work force.

South Carolina could take several steps with modest costs that would expand the availability of child care. Among those steps are : 1) Providing Information to Employers and Parents, 2) Using Financial Incentives to Expand Child Care Options, and 3) Improving Access to Liability Insurance.

These recommendations are driven by two important assumptions:

1) With the exception of child care for the children of state employees, it is not appropriate for the state government to fund the ongoing operations of child care centers.

2) It is appropriate for the state government to stimulate and encourage the private sector to expand the options available for child care.

Providing Information to Employers and Parents

The lack of reliable information about child care in a readily available form appears to be one of the major impediments for businessmen and parents. Therefore, the Governor's Office will initiate three projects targeted toward different audiences.

1. A manual called "Starting and Operating a Child Care Center in South Carolina"

Audience:	Entrepreneurs and Businessmen
Writers:	Governor's Office and Development Board Staff
Location:	One Stop Shopping Office at Development Board

This manual would explain the procedure for starting a child care center, including all relevant permits, regulations, and requirements. It would discuss the availability of insurance, and include a roster of the insurance companies who write liability insurance for child care centers in South Carolina. The manual would also discuss the economics of child care, and the potential for entrepreneurs in this industry.

2. A brochure and workshop called "Employer Options for Helping Employees with Child Care"

Audience:	Businessmen with established businesses
Writers:	Governor's Office and Development Board Staff
Location:	Governor's Office

The brochure would educate businessmen about the range of options available to them in helping employees with child care, including tax incentives in current law. A workshop or set of workshops could be held to expand on the material in the brochure.

A wide range of options is available. Employers could:

1) Support on-site child care centers
2) Lease space to an outside child care provider
3) Purchase slots in existing child care centers
4) Form a consortium that would establish one center for several businesses
5) Provide a subsidy to help employees pay child care costs
6) Provide information and referral services for employees
7) Support programs for after school care and summer camps for school age children

8) Contribute toward capital improvement and large equipment purchases for non-profit child care centers
9) Offer a flexible benefit program that could include such options as payroll deduction of pre-tax dollars for child care, child care as part of a cafeteria benefit plan, use of sick days for a child's illness, and flex-time, part-time, and maternity leave.

A number of tax incentives are already available in current law for employers. Employers can:

1) Establish child care centers as tax exempt organizations, thereby qualifying any donations as tax exempt. The allowance for charitable contributions by a business has been raised to 10 percent of a company's taxable income.

2) Take advantage of the Dependent Care Assistance Plan in the 1981 Tax Act. This allowed any money paid by the employer to an employee for child care to be considered as "pre-tax" dollars that are not subject to social security taxes or income taxes.

3) Consider expenditures to provide child care services for employees to be deductible as ordinary and necessary business expenses if absenteeism and turnover is reduced.

3. A computerized list of child care facilities, and a brochure called "How to Choose a Child Care Center"

Audience: Parents
Writers: Governor's Office Staff
Location Governor's Office Division of Health and Human Services

A computerized list would include:

1) Names and telephone numbers of all registered child care facilities in a particular county
2) Number of available slots
3) Hours, days, and months of operation
4) Fees
5) Ages of children served
6) Child/teacher ratio

This list would allow Governor's Office staff to give parents the range of options available. Staff would **not** make recommendations, just provide information.

The brochure would discuss the types of child care facilities available in South Carolina. It would include the criteria used to license child care centers, and suggest questions that parents would want to have answered when making a decision about sending a child to a child care center.

Using Financial Incentives to Expand Child Care Options

In addition to tax incentives already available in federal law, additional financial incentive options should be used:

1. Utilize Community Development Block Grant Funds

The Governor's Office administers federal CDBG funds for rural areas and small towns that will be utilized to stimulate the start of child care centers. Once CDBG funds have been committed for an economic development project, 15 percent of those funds could be used as seed money for a child care center. 51 percent of the families using the center must have low or moderate incomes.

In addition, a stand-alone child care center could receive CDBG start-up funds if it were a non-profit organization created by one or more businesses in an area to serve the needs of their employees. This center would need to meet one of two standards to be eligible: 1) 51 percent of the employees of the center would have to have low to moderate incomes, or 2) 51 percent of the individuals placing children in the center would have to be employees of the sponsoring businesses, and have low to moderate incomes. This use of CDBG money would need federal pre-approval before committing funds.

2. Designate $500,000 of Jobs Economic Development Authority (JEDA) Loan Pool Funds for Child Care Facilities

The State should designate $500,000 of the loan pool funds at the Jobs Economic Development Authority for child care construction. The funds would create a revolving loan pool, matchable by employers. The maximum loan would be $250,000, and the money would be paid back over five years with interest at or near the prime rate.

To receive a loan, a corporation must:

a) Contribute at least 10 percent of the total project cost, either through cash or in-kind donations.

b) Ensure that 50 percent of the children in the center are children of the sponsoring company(s)'s employees.

3. Establish Tax Credits to Stimulate Child Care Facilities

The State should create a tax credit to businesses for various parts of child care financing to stimulate the growth of child care facilities. A business tax credit is most likely to provide the greatest expansion of child care facilities at the least cost to the state. The state should establish three different 50 percent tax credits:

a) A Capital Expenditure Credit to an employer developing a child care facility either alone or with other employers. The credit is for 50 percent of capital costs with a maximum of $100,000 spread over ten years.

b) An Employee Assistance Credit to any employer who provides child care assistance (such as a subsidy) to employees who put children in a child care center that meets the State's standards. The credit is 50 percent of the amount paid or incurred by the employer up to a maximum of $2500 per employee per year.

c) An Information and Referral Credit to employers who will get a 50 percent credit for money spent on information and referral services to benefit employees who are looking for child care. There should be no maximum amount on this credit.

The Tax Commission estimates that the revenue impact of these three credits would be $1.3 million annually.

4. Use Public School Facilities for Non-Profit Latch-Key Programs

The State should allow school facilities to be used by non-profit child care operators to provide care to school age children before and after school, as well as during school for children in half-day kindergartens. The model for this proposal is a 1985 Indiana law that allows schools to provide space to non-profit organizations that operate latch-key programs.

Improving Access to Liability Insurance

Child care operators place insurance problems at the top of the list of obstacles to running child care facilities in South Carolina. 75 percent of child care operators questioned in a recent Governor's Office survey considered the availability of insurance to be a major impediment to child care operations, and 69 percent considered the affordability to be an impediment. 36 percent of the center operators in the survey say they have had difficulty in the past obtaining insurance for their facilities. A recent Wall Street Journal article forecast increasing difficulty obtaining liability insurance for child care centers.

The manual on "Starting and Operating a Child Care Center in South Carolina" should be of substantial help to child care centers searching for liability insurance. Its discussion on the types and cost of insurance available, along with its roster of insurance companies that write such policies in the state, should make the search for insurance far easier.

Other recommendations include:

1. Creating a Child Care Liability Insurance Joint Underwriting Association (JUA)

A JUA should be established to provide child care liability insurance in the event that the Insurance Commissioner declares a crisis in the availability or affordability of liability insurance. This would be similar to the JUA's already established for Medical Malpractice and Legal Malpractice. It would probably never be necessary, but it would be a safety net in the event that insurance companies chose to pull out of the state.

2. Expanding the Charitable Immunity Statute to Include Child Care Centers

South Carolina's Charitable Immunity Statute currently protects employees working in charitable endeavors from being sued for ordinary or unintentional negligence, and provides a $200,000 cap on damages for the employer. A separate statute provides immunity for Directors.

These statutes should be amended to cover non-profit child care centers explicitly. In addition, this protection should also be extended to employers who provide child care services for their employees either without cost or substantially at cost. (The protection would apply, of course, only to the child care services). These statutes would not prohibit suit against an employer or employee for intentional or criminal conduct such as molestation.

3. Increase Penalties for Child Abuse Offenses

One of the major causes of the affordability and availability problems with child care center liability insurance is the potential for huge damage awards in the event of child abuse by a child care center employee. As a long-term effort to improve the access and cost of liability insurance, penalties should be increased for the various child abuse and molestation offenses if they occurred in or near a child care center or school. In addition, penalties should be increased for child care center operators who hire persons who have been convicted of any child abuse offense. Stiff penalties also should be created for individuals who have been convicted of child abuse who apply for employment at a child care center.

Taken together, these options should increase access to affordable child care for South Carolina parents.

IMPROVING INNOVATION AND FLEXIBILITY IN SOUTH CAROLINA SCHOOLS

South Carolina has made great progress in improving our schools through the Education Finance Act and the Education Improvement Act. Our student performance has moved from near the bottom of the national scale to the middle of the scale on almost every achievement measure. More students are entering first grade ready to do first grade work than ever before. Basic skills performance has improved in every subject area, and in five years the number of students meeting minimum standards has increased by 120,000 (out of a total of about 600,000 students in the state). The percentage of high school graduates going to college and successfully completing the freshman year is at the highest level ever.

But now we face the challenge of moving beyond average performance to superior performance, of reaching beyond minimum standards to standards of excellence. Doing so requires greater flexibility and innovation at the local school level.

To reach average levels of achievement, our State has mandated not only **what** should be achieved but **how** it should be achieved. The state has dictated a specific set of prescriptions for learning including choosing the textbooks, the curriculum, and the testing program. These prescriptions took the form of mandates that resulted in an enormous amount of monitoring, inspecting, and enforcing to see that the rules were not broken.

This "total control" cookbook strategy made sense when our achievement levels were near the bottom of the nation. But now, given the large differences among students in South Carolina schools, a cookbook approach will not achieve excellence. What works for improving minimum performance will not produce outstanding performance. We should follow the lead of states that have moved beyond minimum mandates by providing greater flexibility for decision-making and innovation to our local schools.

What South Carolina Should Do

For schools whose students have exceeded basic standards of achievement, the State should maintain required standards of performance, but should not dictate the process by which the schools meet those standards. Schools that have exceeded basic standards have earned the opportunity to become more innovative and flexible. Principals should be given more authority to construct schedules and arrange classes. Teachers should be given more autonomy to structure curricula and select teaching materials. Parents should be given greater opportunity to participate in the education of their children.

South Carolina must move authority downward and outward in our educational system. The assumption that innovation "trickles down" from the State Department of Education is incorrect. Most school innovation works best when teachers, principals, parents and the community come together as problem solvers and accept greater responsibility for improving our schools. Moreover, South Carolina will not be able to attract talented people into teaching unless we can provide the opportunity to exercise increased professional judgement and autonomy from the state bureaucracy.

Flexibility is particularly important for students who are "at-risk" of dropping out of school because of learning deficiencies, teenage pregnancy, or drug and alcohol abuse. The design of traditional schools may actually interfere with student learning for those youngsters most at risk of dropping out. School innovation and flexibility is as much about the business of creating new opportunities for student learning as it is about avoiding the harmful practices that are often associated with rigid uniformity. Research clearly shows what common sense has suggested all along--schools and students differ and what works for some students may not work for others.

Eligibility for Initial Selection for Special Status

Only certain schools that have met prescribed performance standards would qualify for "Innovation and Flexibility" status. A school would qualify if it met the following criterion:

The school must have won within the past year a School Incentive Award.

At a minimum, this award requires two standards of achievement:

1. Student achievement as measured by the Basic Skills Assessment Program (BSAP) and the Comprehensive Test of Basic Skills (CTBS) is above the average for South Carolina schools with similar demographic and economic characteristics. The State Department of Education already groups schools into five levels depending on the characteristics of a school's students and teachers. Those levels can be used to make this determination.

2. The average level of student achievement within a school as measured by BSAP and CTBS has improved over the previous year. The State Department of Education computes a statistic called the "school gain index" that can be used for this determination.

Eligibility to Continue Special Status

For schools to continue to receive "Innovation and Flexibility" status, they must meet the following criterion:

Student achievement as measured by BSAP and CTBS did not decline significantly after the school received initial eligibility.

Notification

No later than June 30, 1989, the State Department of Education should notify each school district of the schools within the district that meet the eligibility standards for Innovation and Flexibility status. In following years, the State Department should notify the districts as soon as achievement data is available. The schools receiving Innovation and Flexibility status will still be required to report on all student achievement measures. Should any school fail to maintain identified standards required for this special program, its Innovation and Flexibility status will be revoked until performance standards again meet the criteria.

Examples

While schools receiving Innovation and Flexibility status will be required to maintain superior levels of student achievement, they will be released from numerous regulations that dictate how students should be taught. For example, schools receiving this status would be released from state regulations on class scheduling, class structure, textbook selection, curriculum, staffing, and planning. All schools would be required to maintain continuing compliance with state and federal laws and regulations dealing with health, safety and civil rights.

Following are several examples of how schools receiving the Innovation and Flexibility status could alter current practices to improve student achievement.

1. Alter School Schedules

Some schools may want to extend the school day in the afternoons to provide for after-school programs, or provide for "early bird" special programs in the mornings. Other schools might replace the traditional 55 minute class period with two hour blocks of time three times a week to allow an extended science laboratory or more in-depth treatment of particular subjects.

2. Shift Staffing Patterns

Some high schools may want to create larger classes for lectures and smaller seminars for discussion groups similar to some college courses. Current pupil/teacher ratios that apply to individual classrooms make it all but impossible for innovations like this to occur.

3. Improve School Improvement Planning

School improvement planning, a process now tightly controlled by state-mandated format, deadlines, and assessment procedures, could be left solely to the discretion of a particular school. The local school site council along with the local school board could redesign a process for identifying school needs, developing a written plan to respond and reporting results to the public and parents.

4. Restructure the Use of Teachers' Time

Some schools may want to restructure the teachers' time and expertise. For example, teachers could select among their peers certain teachers who would act as "lead teachers" in research projects, or staff development activities that would be built into the normal weekly agenda. Others might agree to act as data managers and computer experts to assist other teachers who may lack skills or expertise in those areas.

5. Use More Experts From Outside the School

Some schools could create better opportunities for content specialists from higher education, experts from private business and government, or retired professionals to teach or assist existing faculty. For example, teachers could team up with outside experts for one semester and the next semester be given the opportunity to work alongside the business professionals in the private sector. This type of opportunity for teachers could be viewed much like a sabbatical currently provided to college professors.

6. Construct Class Groups Differently

Schools could be restructured beyond traditional patterns of student placement to group students according to their skills and knowledge rather than their age. This would allow all students to move more rapidly into more challenging classes regardless of their age or traditional grade assignment. It would also allow a student to progress at different rates in different subjects. Moreover, it would reduce the stigma for less gifted students of being below grade level.

7. Involve Parents More in Their Child's Education

Schools could provide increased opportunities for parents and families to support and participate in the education of their children. For example, North Carolina and Kentucky both provide opportunities for mothers of at-risk four year olds who need adult literacy training to come to the school with their child, work with the early childhood teacher and their child part of the day and receive adult literacy training for part of the day. Arkansas has implemented a very successful program that uses parents as teachers at home. Parents agree to work with their child for a certain period every day. The parents are trained by paraprofessionals, who in turn visit the homes once a week. Results are dramatic for both children and parents. After one year, nearly half the mothers who had been unemployed either got a job or went back to school. Children in the program showed a 33 month gain in achievement over 16 months.

8. Increase Cooperation With State Agencies

Some schools could utilize the resources of state agencies that support children, particularly those at risk of dropping out of school. For example, the Cities in Schools program uses a "case management" approach where many agencies serve potential drop-outs at the school building rather than asking the students to go from place to place to get help.

The bureaucratic, regulatory nature of recent education reform efforts has given rise to the need for a new set of education initiatives, independent of the EFA and the EIA. The major thrust of this reform should be increasing flexibility and innovation for local schools. That flexibility would allow greater autonomy for principals, teachers, and parents to create an environment where students can move beyond average to superior achievement.

TAX CUTS:

PROVIDING RELIEF TO THE TAXPAYERS AND

PROMOTING FAIRNESS IN THE TAX CODE

In the budget I proposed last November for Fiscal Year 89-90, I called for $76 million in tax cuts over four years to provide relief for our taxpayers and promote fairness in the tax code. This briefing paper reiterates those proposals, and should clarify some misrepresentation that has occurred regarding these tax cuts.

Some confusion has arisen over the timing of the tax cuts. I have proposed that the automobile insurance premium tax be eliminated, and insurance rates be reduced a proportional amount. That change should occur in 1989, and be built into the budget for FY89-90. I have also proposed a phased-in reduction in income tax rates and capital gains taxes. I proposed that those changes occur starting January 1, 1990. Consequently the revenue impact would be felt in April of 1991, and the cut would be built into the FY90-91 budget.

I also proposed, however, that if sufficient surplus occurs in the current fiscal year, then the effective date of the income and capital gains tax cuts should be January 1, 1989. The revenue impact would then be felt in April of 1990, and the cut would be included in the budget for FY89-90. If the Board of Economic Advisors raises the estimate for next year as a result of the surplus this year, then a portion of the surplus this year becomes recurring rather than non-recurring revenue. I strongly believe that, if we can spend money contingent on its availability as we did last year, then we can also provide an accelerated tax cut under the same conditions.

Some have already objected to this proposal, claiming that the needs of our state are too great. We do have great needs. But we have also been experiencing the benefits of a growing economy. During the past two years our State's general fund revenues grew by 7.4 percent and 8.9 percent. In the current year our revenues are growing at 9.6 percent, almost twice the rate necessary to cover the expenditures in the Appropriations Act. As I said in my budget message, "(T)here comes a time when government must control its appetite for more and more money by sharing prosperity with the people. This is the time to share."

Automobile Insurance Premium Tax

Currently automobile insurance companies pay a tax on the premiums they collect from South Carolina drivers. That tax, which should amount to $15.2 million in FY89-90, is split between state and county governments to fund ongoing operations. If not changed next year, the state will receive approximately $11.9 million, and the counties will receive approximately $3.3 million of the revenue. This amount is far in excess of that appropriated to the South Carolina Insurance Commission each year to regulate our insurance system.

I believe that the state portion of the tax paid on automobile insurance premiums should be eliminated, and automobile insurance rates reduced by a proportional amount. Should sufficient revenues be available to replace the county money, I would like to see the county portion eliminated as well.

Eliminating the state's portion of the money raised by the automobile insurance tax could reduce the rates for good drivers by about $6.75 per car. And if we included the counties' share of the tax, rates for good drivers could drop by $8.55 per car.

This change in our tax law should relieve some of the enormous burden South Carolinians bear as a result of our high automobile insurance rates. I believe this change should be instituted in the first year of the four-year tax reduction program, and should start with the 1989-90 budget.

Income Tax Rates

South Carolina's income tax structure raises rates too fast on low and moderate income taxpayers. The top rate of 7 percent is reached at $10,000, an income barely above the poverty level for a family of four. Moreover, after the federal government passed the Tax Reform Act of 1986, our State raised the rate on the first $2000 of income from 2 percent to 3 percent, thereby raising taxes on the poorest of the poor.

I am proposing three steps over four years that will cut income taxes for all South Carolinians, thereby making our tax structure more fair, more equitable, and more stimulative for South Carolina's economy:

a) In the first year, the rate on the first $2000 of income should be reduced from 3 percent back to 2.5 percent, a change that will save taxpayers $11 million. That would partially offset the increase passed after the Tax Reform Act, and would insure that even the poorest taxpayers get a tax break.

b) In the second year, the income subject to the top rate of 7 percent should be moved to $15,000, and the rate on income from $10,000 to $15,000 should be reduced from 7 percent to 6.5 percent. That change would save taxpayers approximately $12.8 million, and would benefit all taxpayers with an income of at least $10,000.

c) In the third and fourth years, the new brackets should be indexed to inflation to guard against hidden tax increases. In other words, indexing would stretch the brackets to prevent us from slipping back into a situation where those with low incomes are subject to the highest tax rate. At an inflation rate of 5 percent, indexing would save taxpayers $10 million annually.

I believe the first step, the reduction from 3 percent to 2.5 percent on the first $2000 of income, should occur on January 1, 1990, with the revenue impact felt in April of 1991. Should sufficient surplus occur in the current fiscal year, then the rate change should take effect on January 1, 1989, with the revenue impact falling in April of 1990.

Capital Gains Tax

When the federal government adopted the Tax Reform Act of 1986, it eliminated the different tax rates on regular income and investment or capital gains income. The result was an increase in the federal long term capital gains tax from 20 percent of the gain to 28 percent of the gain, or an increase of 40 percent.

Shortly thereafter, our State also eliminated the different tax rates on the two types of income. But in South Carolina, the result was an increase in the capital gains tax from 2 percent to 7 percent, or an increase of 250 percent.

That change hits particularly hard those South Carolinians who want to sell a farm and retire on the proceeds, those who want to buy a smaller house or condominium after children are grown, or those who need to sell stock for retirement income. (Taxpayers over age 55 can take a one-time exclusion of $125,000.) Moreover, the large increase hurts our attractiveness as a retirement home, especially in competition with Florida which has no state capital gains tax.

I believe we should reduce our capital gains tax by one percentage point per year over four years, down to a level of 3 percent. A 3 percent level would reflect an increase similar to the 40 percent increase that the federal government adopted, rather than our 250 percent increase. That change would save taxpayers $5.5 million in the first year. Initially the general fund will experience a decrease in revenue, but the increase in economic activity generated by a capital gains tax reduction will reduce the revenue impact over several years, and eventually generate more money for the state coffers than the initial loss.

The timing on the reduction should be the same as on the income tax reduction. The first one percentage point reduction should occur no later than January 1, 1990, but if sufficient surplus revenue materializes the change should occur retroactive to January 1, 1989.

These three tax changes will reduce the tax burden on South Carolina taxpayers by at least $76 million over four years. However, the increased economic activity and the signals we send to those looking for a place to locate or expand a business or find a retirement home should more than make up for the initial revenue loss. I urge the General Assembly to adopt a commitment to this four year program, starting with reducing our automobile insurance rates.

STATE OF THE STATE BRIEFING MATERIALS

AUTOMOBILE INSURANCE
EXECUTIVE SUMMARY
PROPOSED IDEAS UNDER DISCUSSION

GOVERNOR ÇARROLL A. CAMPBELL, Jr.
JANUARY 18, 1989

OBJECTIVES

A. To reduce, and in some cases eliminate, the subsidies which good drivers are currently paying on behalf of bad drivers;
B. To reduce the Reinsurance Facility losses and the recoupment fee;
C. To continue the crack down on uninsured motorists
D. To promote competition for the business of good drivers

SUMMARY OF PROPOSALS

A. Liability Insurance Reforms

- End double dipping of automobile insurance benefits
- End drunk driver subsidy by making punitive damages coverage optional
- Limit recovery of non-economic loss arising out of minor automobile accidents

B. Comprehensive and Collision

- Increase the mandatory deductible for comprehensive and collision

C. Reinsurance Facility Reforms

- Repeal of the entire mandate to write for bad drivers together with the creation of a standard, self sustaining, Reinsurance Facility rate for bad drivers
- Repeal of the mandate to write physical damage coverage, which will eliminate $22 of the recoupment fee
- Reduce the number of policies which insurance companies can transfer to the Reinsurance Facility

D. Promoting Competition

- Expand the permissible class plans
- Liberalize the granting of credits and discounts

E. Highway Safety

- Secondary seatbelt bill
- Mandatory blood or breathlyzer testing of drivers where a fatality or serious bodily injury occurs
- Mandatory public service requirement for DUI first offenders
- Revoking the regular driver's license of a youthful driver who is involved in a serious driving infraction, such as DUI, and reissuing a special restricted (daytime) drivers license

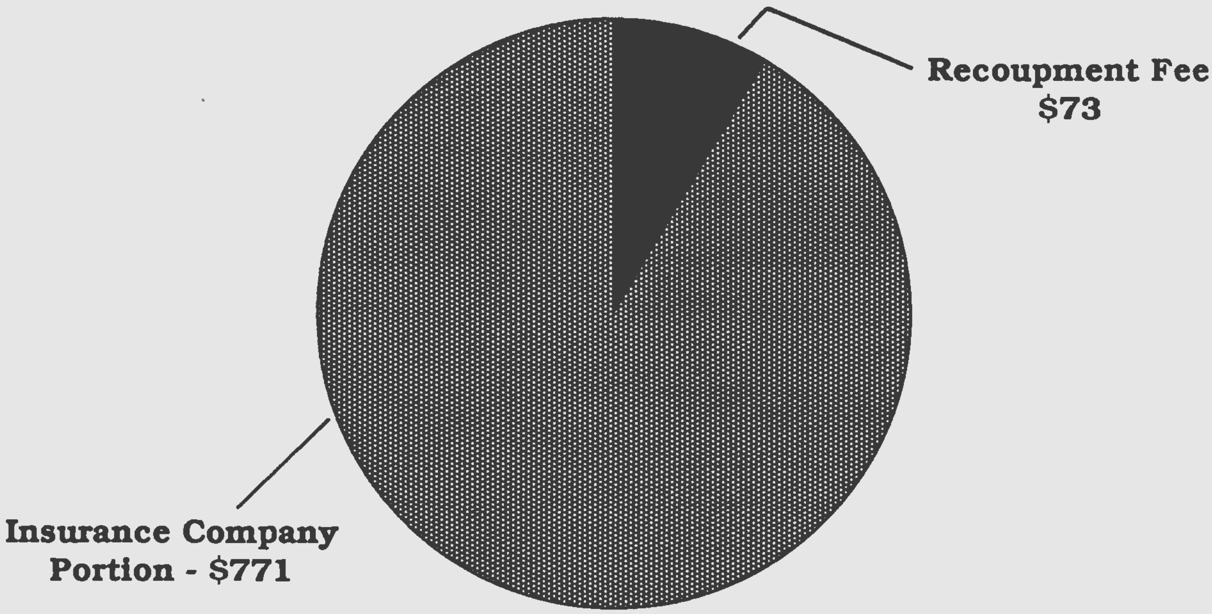
ESTIMATED SAVINGS

Repeal of the Premium Tax- 1.25%
Seatbelts- 3.5%
Liability, Reinsurance Facility, Uninsured Motorist and PIP Reforms- 5 to 10%
Repeal of the Mandate to Write physical damage coverage- $22

Total estimated savings for a good driver with full coverage: 10% to 15% of your premium plus $22 recoupment fee.

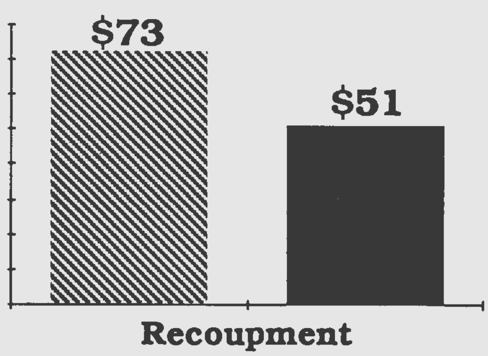
Impact of Changes on an Average Policyholder

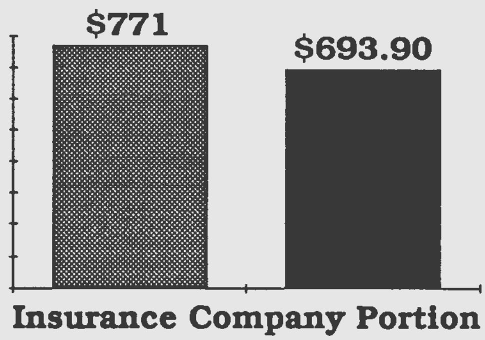
(Greenville resident; 1988 Buick;$25,000/$50,000 Policy Limits)



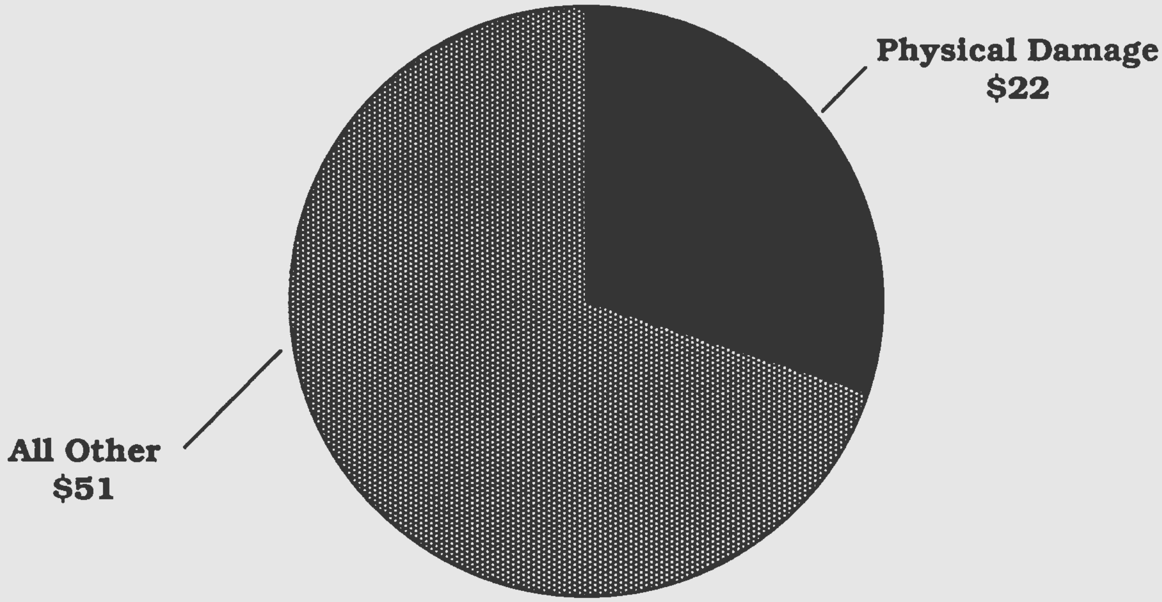
After Bill Goes Into Effect

(Assuming 10% Rollback)

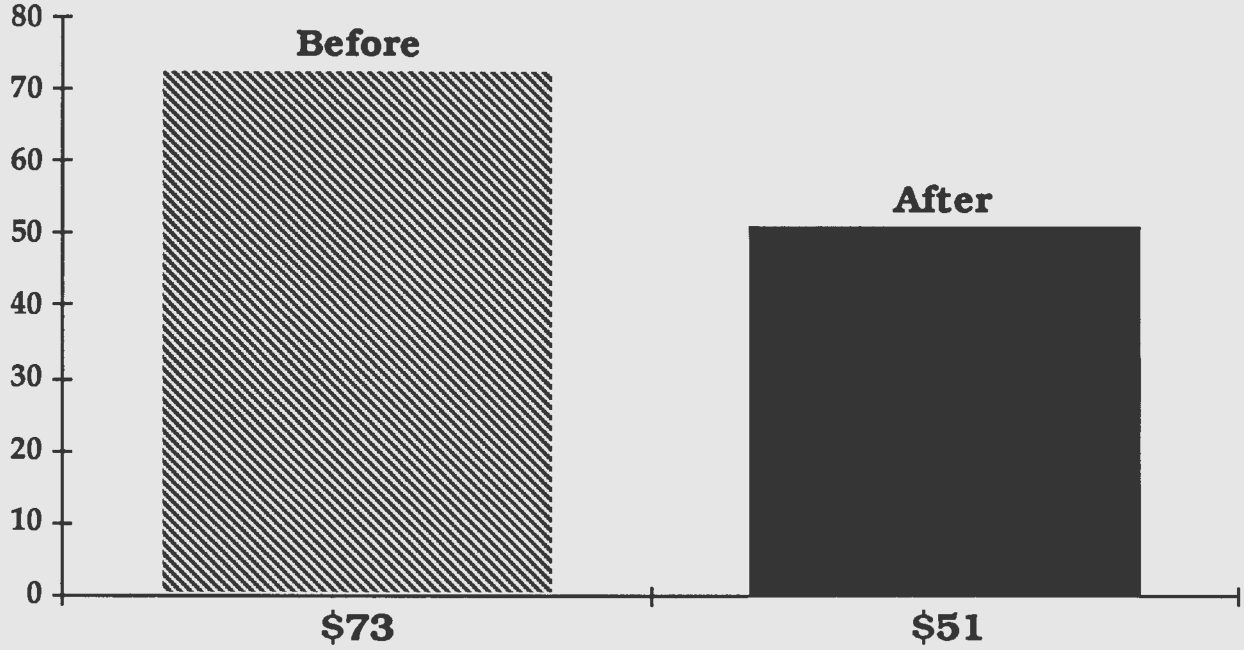




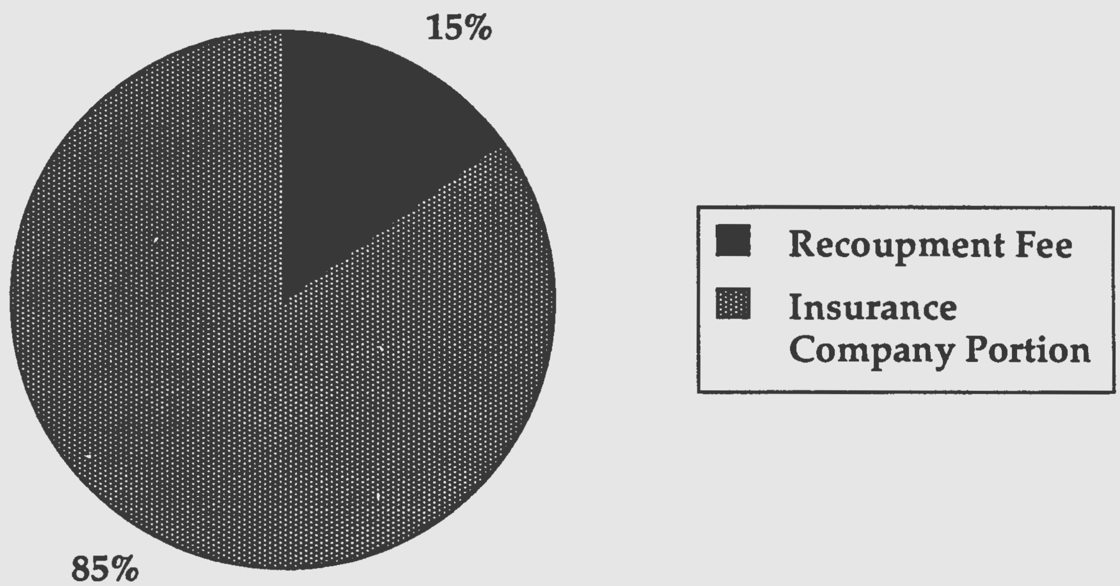
$73 Recoupment Fee



After Repeal of the Mandate to Write Physical Damage Coverage

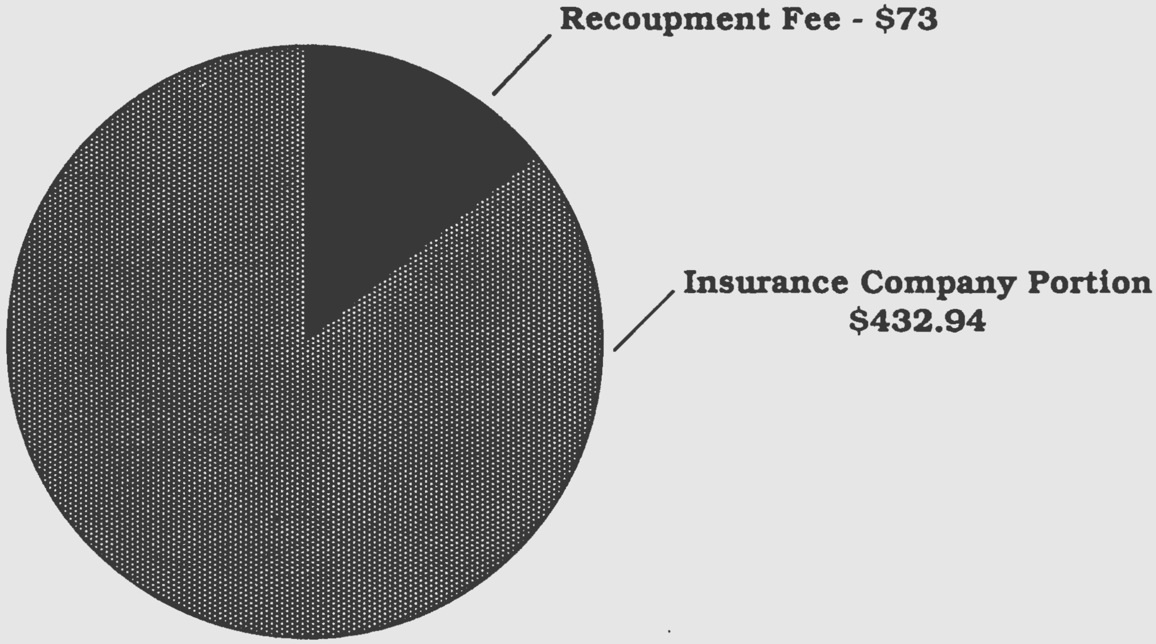


Your Total Premium

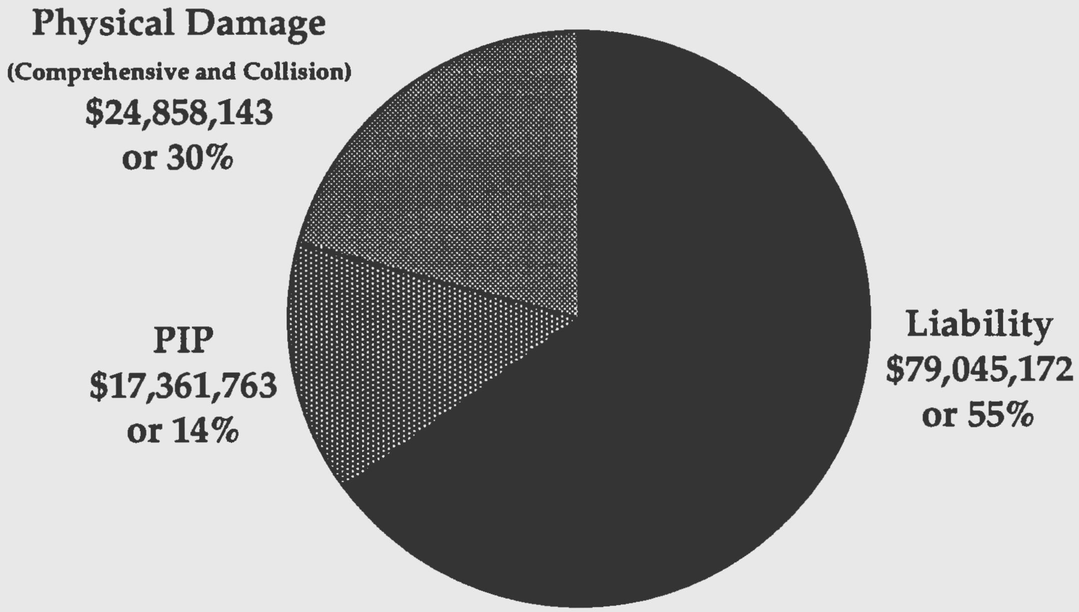


The 1987 Average Total Premium in South Carolina was $505.94.
($901,578,653 in private passenger premiums divided by 1,782,000 registered vehicles)

Average Total Premium

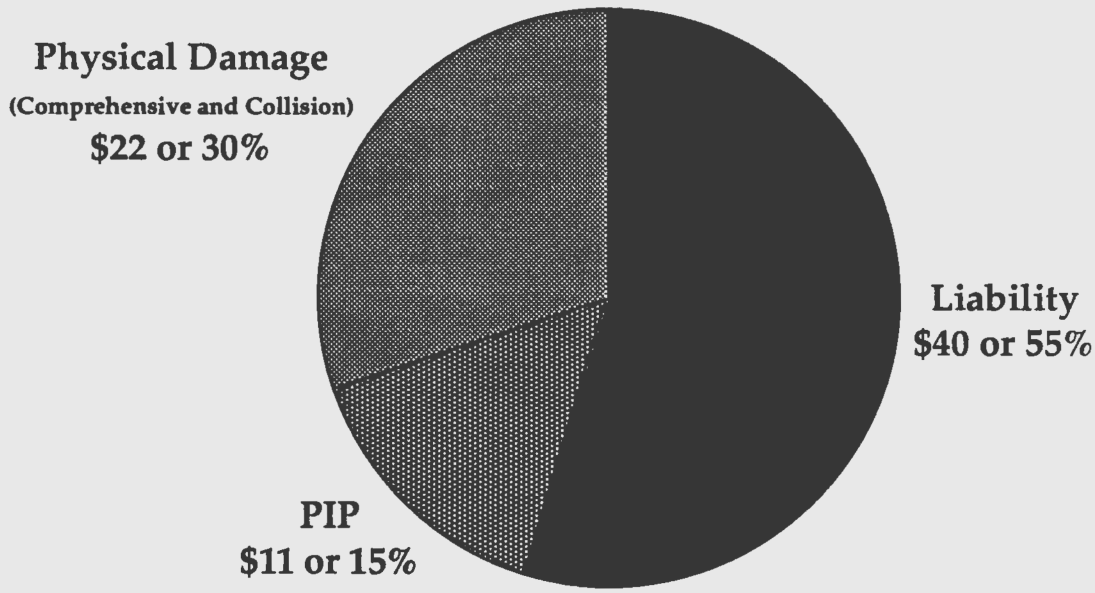


Breakdown of the 1986-87 Private Passenger Reinsurance Facility *Loss* by Coverage



Breakdown of the 1986-87 Reinsurance Facility Recoupment Charge per Vehicle By Coverage

(Total Recoupment = $73)



STATE OF THE STATE BRIEFING MATERIALS

AUTOMOBILE INSURANCE

GOVERNOR CARROLL A. CAMPBELL, Jr.
JANUARY 18, 1989

INTRODUCTION

Attached is a menu of proposed ideas under discussion for automobile insurance and highway safety reforms in South Carolina. These proposals are derived from a number of sources, including legislation previously introduced or endorsed in South Carolina, such as by the Joint Legislative Automobile Insurance Study Committee (Saleeby Committee) and Governor Campbell (Automobile Insurance Affordability Act), as well as reform efforts in other states. Adoption of certain of the proposals listed herein are crucial to rolling back the cost of insurance. Other proposals, although important, will have only a long term beneficial impact on rates. Several proposals will require further study and public comment before their adoption can even be endorsed.

The thrust of these proposals are to (1) reduce and in some cases eliminate the subsidies which good drivers are currently paying for bad drivers, (2) to reduce the Reinsurance Facility losses and (3) to restore competition in the marketplace for good business. Passage of this legislation should carry with it a mandatory rollback of rates in an amount of no less than 10%.

In reviewing this menu of possible options it is very important to keep two things in mind: First, your total premium is composed of two components: (1) the recoupment fee of $73 per year per vehicle for good drivers; and (2) the portion charged by your insurance company. (See attached graphs.)

The recoupment fee is a flat charge. As such, the percentage which it occupies of your total premium depends on how expensive your insurance company portion is, which typically varies according to your policy limits. It composed 21% of the total premium of a State Farm insured with *minimum limits* (about 31% of the state has minimum limits); it composed only 13% of a good driver's policy with $100,000/300,000 limits. A reasonable percentage would be about 15%.

Second, 75% of the average person's insurance company premium results from just two coverages: liability and collision, with roughly 40 to 45% of your premium coming from liability and 30 to 35% from collision. The other coverages (comprehensive, uninsured and underinsured motorist and PIP) compromise only a small percentage of your premium and any effective reform accordingly must primarily deal with liability and collision coverage along with the recoupment fee.

Third, insurance is a very complex and interrelated subject, and actions taken in one area can have a profound and sometimes negative impact on other areas. It is accordingly crucial to understand the possible impact which an action taken on the voluntary market can have on the Reinsurance Facility and vice versa.

A brief summary of the menu is given below.

SUMMARY
IDEAS UNDER DISCUSSION

LIABILITY INSURANCE REFORMS

The cost of liability insurance is a function of claims frequency (the number of claims filed per 100 policies) and claims severity (the cost of settling an average claim). Our liability insurance is so expensive because of our very high and growing claims frequency- one of the highest in the nation. Our claims severity for bodily injury coverage is also rising at a rapid rate. With regards to claims frequency, from 1980 through the second quarter of 1988 the paid claim liability frequency in South Carolina rose from 1.25% to 1.70% and the number of paid claims from 11,406 to 20,906 (an increase of 80.26%.). With regards to claims severity, for this same time period the average loss rose from $2,873 to $5,020 (an increase of 74.73%). (Detailed statistics in these regards are listed in the attached report "Trends Affecting the Cost of Automobile Insurance.") The liability proposals should accordingly be designed to reduce claims frequency and severity, while allowing for full recovery of economic loss. Possible proposals in this regard include (1) repeal of the collateral source rule in order to end double dipping of automobile insurance benefits; (2) making punitive damages coverage optional; (3) limits on the recovery of non-economic loss arising out of minor automobile accidents; (4) we should examine the possibility of lowering the minimum policy limits, which will both lower the cost of insurance for people with minimum limits as well as reduce the Reinsurance Facility losses; and (5) coverage of resident relatives only when a premium has been paid on their behalf.

COMPREHENSIVE AND COLLISION

The cost of comprehensive and collision can be lowered by (1) an increase in the mandatory deductible for collision coverage from $50 to $100 (savings: $11), or $200 (savings: $22), or $250 (savings: $27); (2) creation of a mandatory $50 (savings: $5), or $100 (savings: $$7), or $200 (savings: $12) deductible for comprehensive; (3) automatic $350 deductible for collision coverage unless the insured requests a lower deductible; and (4) repeal of the mandate to write such coverage (savings $22 recoupment fee.)

REINSURANCE FACILITY REFORMS

Possible Reinsurance Facility reforms include (1) repeal of the mandate to write physical damage coverage (comprehensive and collision); (2) repeal of the mandate to write high limits policies; (3) total repeal of the mandate to write for bad drivers; (4) creation of a standard objective standards rate for bad drivers; (5) tightening the requirements for becoming a designated agent; (6) reduction in the cession limitation; (7) reconstituting the Facility Board of Governors; and (8) eliminating the excess premium tax.

CRACK DOWN ON UNINSURED MOTORISTS

The General Assembly can continue its efforts to crack down on uninsured motorists by (1) creating a minimum policy term of three months, while also requiring a minimum down payment of three months premium for those who premium finance; (2) require youthful drivers to produce proof of insurance as a condition to obtaining a special restricted drivers license; (3) changing the method by which insurance companies provide notice of cancellation; and (4) adding driving uninsured to the Habitual Offender and vehicle confiscation statutes.

RESTORING COMPETITION AMONGST INSURERS

Consumer advocates have long stated that promoting competition between insurers is one of the keys to lowering rates. In addition independent agents desperately need new plants in South Carolina. Key proposals in this regard include (1) expanding the permissible class plans; (2) liberalizing the granting of credits and discounts; (3) repealing the anti-rebate statute for automobile insurance; (4) exploring the placing of restrictions on the use of rating bureau (ISO) rates for large insurers in South Carolina; and (5) requiring a automobile insurance price shopper's guide to be attached to selected Highway Department mailings.

GOVERNOR CARROLL A. CAMPBELL,Jr.
STATE OF THE STATE
BRIEFING MATERIALS

AUTOMOBILE INSURANCE

MENU OF POSSIBLE OPTIONS
SUMMARY OF REFORM EFFORTS ACROSS THE NATION
Automobile Insurance
Highway Safety Reforms
January 16, 1989

LIABILITY COVERAGE

1. CAP NON-ECONOMIC LOSS ARISING OUT OF MINOR ACCIDENTS

Liability, uninsured, underinsured and PIP coverages by law cover two types of damages: economic or actual loss (typically medical bills and loss wages) and non-economic loss. Non-economic loss include non-pecuniary compensatory damages for intangible injuries such as pain and suffering and mental anguish, as well as punitive damages. Contrary to popular belief, payment for non-economic loss comprise the bulk of personal injury payments made in this state, usually three to four times more than actual losses. In 1987 only 1.7% of our residents were involved in an accident in which there was a personal injury or fatality and yet our citizens paid an astonishing $549,876,000 in private passenger liability premiums to cover such losses! The 98% of our drivers who were not involved in such accidents are no longer content- and in many cases can no longer afford- to subsidize the recovery of non-economic loss arising out of minor automobile accidents. This reform would accordingly limit the recovery of non-economic damages to 25% of economic damages except in cases involving (i) death; (ii) or serious and permanent disfigurement or injury. This limitation would also not apply in cases involving the operation of an uninsured vehicle, harm caused intentionally or specified crimes. (An 11/28/1988 editorial in the Philadelphia Inquirer stated that "the soundest way to hold down the cost of automobile insurance is to restrict damages for pain and suffering -- allowing them only for accidents that result in death, disfigurement or other serious injury.")

2. COLLATERAL SOURCE RULE

As stated in a U.S. Department of Transportation report, *Compensating Auto Accident Victims,* (May, 1985) "The collateral source rule is a little known doctrine that has a tremendous impact in all of the states, no-fault as well as traditional. ... The rule ... permits the plaintiff to recover "double payment.... The rule, in fact, enables the plaintiff to recover *multiple* payments on account and as a consequence of the same items because pain and suffering damages are computed by juries and insurance adjusters as, in most cases, a multiple of the amount ... recoverable economic losses such as medical bills, amount of loss wages, etc." (emphasis in original.) The S.C. Civil Justice Coalition claimed last year that a poll it conducted found that 69% of those surveyed felt that the collateral source rule was unfair and should be changed. This reform adds a new §38-77-350, to eliminate double recoveries of automobile insurance benefits in civil tort actions; amend §38-77-290(d), §38-77-

290(F) and §38-77-260, all dealing with PIP, or "no-fault" benefits to eliminate double recoveries of liability and PIP benefits; amend §38-77-210 to eliminate double recoveries of uninsured motorists benefits. (Endorsed in part by Governor Edward's Task Force to Study Automobile Insurance Rates (1977) and the South Carolina Insurance Commission). In 1979 the Legislative Audit Council, referring to no-fault benefits, stated that if automobile insurance "coverages are coordinated, there can be substantial premium savings for the public.... Information from other states seems to bear out that significant net savings throughout the entire insurance system can be achieved if no-fault benefits are coordinated with other coverages." Note that this proposal will only prohibit double recoveries of automobile insurance benefits.

3. PUNITIVE DAMAGES

According to one report South Carolina is the only state in the nation which requires by statute that punitive damages be covered in an automobile insurance policy. The purpose of an award of punitive damages is to punish the drunk driver by making him pay a large judgment and to make the punishment of the drunk driver an example in the community so that others will be deterred from driving drunk. Thus in *Bowers v. Charleston & W. C. Ry. Co.*, 42 S.E.2d 705, 709 (1947) our Supreme Court stated that "Punitive damages are allowed in the interest of society in the nature of punishment and as a warning and example to deter the wrongdoer and others from committing like offenses in the future." Similarly, the Federal District Court in South Carolina has stated that "In South Carolina, punitive damages do not compensate the plaintiff for any loss. Instead, they are awarded to punish the defendant and deter others who might undertake similar action." *Garner v. Wyeth Laboratories, Inc.*, 585 F.Supp. 189,194 (D.S.C. 1984). A study conducted by a professor at the University of South Carolina School of Law, *"Patterns" in Civil Jury Verdicts in the State Circuit Courts of South Carolina: 1976-1985,*, 38 S.C.L. Rev. 705, 739 (Patrick Hubbard) reported that punitive damages were awarded in 10% of the motor vehicle civil action verdicts in 1983; 8% in 1984 and 6% in 1985. The mean verdict where awarded in motor vehicle actions was $297,478 in 1983; $36,936 in 1984; and $234,208 in 1985. The median verdict where awarded rose from $5,000 in 1983 to $7,000 in 1984 to $12,500 in 1985. By requiring that the drunk driver's insurer- rather than the drunk driver- pay the punitive damages award there is neither any punishment nor deterrent effect. In addition, the payment of punitive damages goes into the insurer's rate base which results in good drivers subsidizing the costs of drunk driving. Amend §38-77-30(4) for purposes of both liability and uninsured motorists coverage to exclude punitive damages from such coverage. Insurance companies will be required, however, to offer a separate punitive damages rider. This will remove the "drunk driver" subsidy from the base rate. (Endorsed by the Governor Edward's Task Force to Study Automobile Insurance Rates (1977))

4. PUNITIVE DAMAGES

Sixty percent (60%) of all punitive damages awarded in automobile insurance actions must go to the Reinsurance Facility for the purpose of reducing recoupment charges levied upon good drivers. (The remaining 40% goes to the litigant and his attorney.) This is consistent with the way other "fines" are handled.

5. CREATE DEDUCTIBLES FOR LIABILITY COVERAGE

Impose a $100 deductible (or other dollar figure) on liability claims whereby the at-fault insured has to pay the first $100 of any liability claim. (Court of Appeals Chief Judge Alex Sanders introduced such a bill some years ago.)

6. CONSIDER LOWERING THE MINIMUM LIMITS FOR LIABILITY COVERAGE

Consider lowering the minimum liability limits from the current $15,000/30,000/5,000 to $10,00/20,000/5,000. This will have the effect of lowering the premium by 5 to 15% for this coverage. (South Carolina Farm Bureau states that their research indicates that the savings will be 10%.) Since the average bodily injury claim in South Carolina is well below the lower limits the average accident victim will continue to receive full compensation. (The average claim payment in South Carolina for bodily injury was $5,020 through the second quarter of 1988, which is almost half of the proposed lower limits.) The reduced cost of the new policy will not only benefit the poorest people of South Carolina but will also attract some of the uninsured motorist population back into the system. The number of insureds with minimum limits policies in South Carolina has increased from approximately 19% of the population to 31% over the past decade, indicating how difficult it has become for many of our citizens to pay our premiums. Although our current limits seem low, a number of states (D.C., La., Mass., Miss., Ohio, and Ok.) have lower limits. Lowering the minimum limits will also decrease the Facility loss as 40% of the Reinsurance Facility is composed of minimum limits policies compared to 31% of the state as a whole. (Source: A recommendation contained in Study of the Availability and Affordability of Automobile Insurance in Los Angles County, a Research Project of the Consumer Affairs Division, California Department of Insurance. This concept was also recommended in 1988 by the Chairman of the New Jersey Assembly Insurance Committee and endorsed by the South Carolina Insurance Commission in 1977.)

7. CREATE AN OPERATOR'S POLICY

Under current law resident relatives are covered in an owner's policy regardless of whether the owner desires to cover them and regardless of whether any premium is paid on their behalf. Our law has produced two unfortunate side effects: (1) knowing that they get the coverage whether they pay for it or not, some people lie and tell their agent they have no resident relatives; and (2) vehicle owners are forced to pay a higher premium because one family member has a poor driving record- even though the poor driver may be forbidden to use the family vehicle. Under this reform resident relatives will be insured only if they are listed in the policy covering the subject vehicle. Insurance companies will be required to offer an operator's policy (in addition to the normal owner's policy.) This will be a good compromise for those who want insurance to follow the person instead of the vehicle. (Source: This has been suggested by many people including a recommendation contained in Study of the Availability and Affordability of Automobile Insurance in Los Angles County, a Research Project of the Consumer Affairs Division, California Department of Insurance.)

COMPREHENSIVE\COLLISION

1. DEDUCTIBLES

Physical damage coverage is one of the most expensive coverages, and it is an area which is largely out of the control of the Legislature because the costs relate directly to the rapidly escalating costs of crash parts and the high cost of labor. Encouraging the use of large physical deductibles is one way in which the legislature can lower the cost of this coverage. The use of large deductibles does bring about significant costs savings. Under current law collision insurance is subject to a mandatory $50 deductible whereas comprehensive has no mandatory deductible. The costs of this coverage can be lowered by (1) an increase in the mandatory deductible for collision from $50 to $100 (savings: $11), or $200 (savings: $22), or $250 (savings: $27); (2) creation of a mandatory $50 (savings: $5), or $100 (savings: $$7), or $200 (savings: $12) deductible for comprehensive. One suggestion is $250 for collision and $100 for comprehensive. (Figures are taken from State Farm.) Further, another suggestion is that every policy automatically have a $300 deductible for collision unless the insured affirmatively requested a lower deductible. Note that 80% of the voluntary market already has a $200 collision deductible, with only about 9% of the voluntary market with a lower deductible. By contrast 44% of the collision coverages in the Reinsurance Facility have under a $200 deductible and only one third have a $200 deductible. 38% of the state has under a $100 comprehensive deductible while 57% has a $100 comprehensive deductible.

REINSURANCE FACILITY REFORMS

1. MANDATE TO WRITE: PHYSICAL DAMAGE COVERAGES

The mandate to write currently applies to all coverages offered in South Carolina, both mandatory and optional. These coverages include liability, PIP, Uninsured Motorist, Underinsured Motorist, and physical damage coverages. The mandate would be repealed for all physical damage coverages (comprehensive and collision) and these coverages could not be ceded to the Reinsurance Facility. South Carolina is apparently the only state in the country which includes physical damage coverage in its mandate to write. This would eliminate $22 of the $73 recoupment fee. (Endorsed by the Governor Edward's Task Force to Study Automobile Insurance Rates (1977). Senator Mccauley's bill has passed the Senate three times).

2. MANDATE TO WRITE: BAD DRIVERS WHO FAIL THE OBJECTIVE STANDARDS

Amend §38-77-140 to state that insurance companies are not required to sell *any* policies to bad drivers who fail the objective standards. Such drivers would typically purchase a Reinsurance Facility policy at a uniform self sustaining rate (see below) or from non-standard companies. This would remove the subsidy which good drivers are currently paying and would probably improve the enforcement of our mandatory insurance provisions as the Reinsurance Facility would keep a centralized list of such drivers and whether they are insured.

3. UNIFORM AND INCREASED OBJECTIVE STANDARDS RATE

One of Act 166's major provisions was to create a 25% higher rate for those bad drivers who fail the objective standards. Since there is a wide "spread" or difference in the premiums charged by the various insurance companies doing business in South Carolina, one bad driver may be paying considerably less than another. Since many of these drivers are ceded to the Reinsurance Facility, the Facility is losing money on the bad drivers who purchase coverage from the more competitive companies. Instead of basing the objective standards rate on a percentile of the companies base rate (which is the current system) you would establish a uniform objective standards rate such as 130% of the ISO base rate for 1988. (This increases the bad driver rate from 25 to 30% for bad drivers paying ISO rates; it greatly increases the rate for many bad drivers since ISO's rates are much higher than charged by many companies.

4. MANDATE TO WRITE: HIGH LIMITS LIABILITY COVERAGE

Amend §38-77-140 to state that insurance companies are not required to sell high limits policies and to prohibit insurance companies from ceding high limits policies to the Reinsurance Facility. In essence, the mandate would be repealed for all policies with limits over a certain dollar amount. Every insurance agent (and not just designated agents) would be able to write a Reinsurance Facility Policy with limits up to $300,000 (or some other figure) for those insureds turned down in the voluntary market. These Reinsurance Facility policies would be sold at an actuarially self-sustaining rate and would not contribute to the Facility loss.

5. MANDATE TO WRITE: UNINSURED DRIVERS

Repeal the mandate to write for persons who "game the system" by either canceling their policy within the first two months of issuance or failing to make their payment which results in the insurer or premium finance company canceling the policy, where the insured fails to procure other insurance within the time limits provided by law.

6. DESIGNATED AGENTS

(A). Either place a temporary moratorium on the appointment of new designated agents or greatly tighten the qualifications for becoming a designated agent; prohibit any agent from becoming a designated agent whose contract with his automobile insurer was canceled for misconduct and grant immunity to insurers who inform the Reinsurance Facility of the reason for cancellation. (B) Give the Facility board the power to limit the number of policies sold by each designated agent depending upon market need in the area serviced by the designated agent.

7. AGENT'S COMMISSION ON REINSURANCE FACILITY POLICIES

Cap the agent's commission payable on all renewal policies ceded to the Reinsurance Facility at 10%. (This is the commission rate for most of the assigned risk plans in the South.)

8. PREMIUM TAX

Eliminate the private passenger premium tax and require the companies to roll back their rates in an equivalent amount. Savings: 1.25% of the policy cost.

9. CESSION LIMITATION

Reduce the cession limitation from 40% to 30%.

10. REINSURANCE FACILITY BOARD OF GOVERNORS

Reconstitute the Reinsurance Facility Board of Governors to have a majority of consumer appointees as well as ex officio representation from the LCI and Banking and Insurance Committees. Advisory committees would be set up to include the current industry representation.

11. DESIGNATED CARRIERS

There are now three carriers under contract with the Reinsurance Facility to serve as designated carriers. The designated carrier contracts should be put out for public bids every three years. Furthermore Facility business should be allocated in proportion to the amount of voluntary business which each carrier writes and the carriers should be allowed to file separate rate levels for their voluntary business.

12. EXPENSE ALLOWANCE ON CEDED BUSINESS

Cap and\or reduce the "expense allowance" which voluntary carriers are allowed to charge on business ceded to the Reinsurance Facility.

CRACK DOWN ON UNINSURED MOTORISTS

1. MINIMUM POLICY TERM

Prohibit any policy from being canceled within the first three months of issuance except for certain specified circumstances (sale of the vehicle, moving out of state, etc.); and require payment of the first three months of premium for any premium financed policy.

2. CANCELLATION

Insurance companies will be required to notify the Highway Department of the cancellation and non-renewal of insurance policies only in the following circumstances: (1) cancellation within the first three months of the policy issuance; and (2) cancellation and non-renewal of policies by persons who fail the objective standards (more than two accidents or three tickets.) Under current law insurers are required to notify the Highway Department of every single cancellation and non-renewal and the Highway Department then has to go the expense of issuing a suspension notice to everyone of these people, even though many of them have simply switched companies, moved out of state, etc. The Highway Department is so swamped with these notices that they can not keep up with the really bad drivers.

3. CANCELLATION

When the Highway Department receives a cancellation notice it issues a suspension notice to the motorist advising them to produce proof of insurance within 20 days or the motorists license and registration will be canceled. In most cases the motorist produces proof of a new insurance policy; however in some cases the proof of insurance indicates the motorist was uninsured for some period of time. Require the Highway Department to compare the date of cancellation with the effective date of the new insurance policy and fine such motorists a set daily fee for each day the motorist was illegally uninsured. The Department should be allowed to keep the entire fine to administer the program.

4. YOUTHFUL DRIVERS

Require youthful drivers applying for their special restricted license to produce proof of insurance as a condition to getting their license. (North Carolina Law).

5. RENEWAL DISCOUNT

Allow a renewal discount.

6. EXCESS UM COVERAGE

Reinstate subrogation of excess uninsured motorist coverage. (Under current law an insurer is prohibited from collecting excess UM payments from an illegally uninsured motorist whose negligence caused the payment!)

7. VEHICLE LICENSE TAG

Require the Highway Department to issue a receipt when they cancel a driver's tags at the driver's request; this will facilitate surcharging drivers who illegally drive uninsured

8. CANCELLATION

Amend section 56-10-240 to allow insurers to provide cancellation notices to the Highway Department by means of computer tape; and to increase the reinstatement fees for license plates and registration for those who illegally cancel or non-renew their policies.

PROMOTING COMPETITION IN THE MARKETPLACE

1. ADDITIONAL CLASS PLANS

Amend our very restrictive statute dealing with class plans to allow utilization of up to 250 classes. This will allow use of the ISO 202 class plan.

2. DISCOUNTS AND CREDITS

Amend §38-73-735, dealing with credits and discounts, to allow policies which offer a credit or discount to be ceded to the Reinsurance Facility subject to the Facilities rules. (Recommended by the Chief Insurance Commissioner.)

3. ENCOURAGING ADDITIONAL INSURANCE COMPANIES TO LOCATE IN SOUTH CAROLINA

Insurance companies not already doing business in this state have been very reluctant to start doing business in South Carolina. This has put tremendous pressure on independent agents since many independent agency companies have retrenched their operations in this state and very few new companies have come into the state to replace them. It has also created a serious availability problem in rural areas. Although there are a variety of reasons why insurance companies are reluctant to locate here, one major reason is that they are concerned that it will be quite difficult and expensive to withdraw from the state if they start losing money. A two year "safe harbor" could be created for companies which have never done business in the state. In return for their locating in South Carolina they will be guaranteed an easier exit. Specifically, the statute which prohibits companies from canceling an agency contract as a result of unprofitable automobile insurance business should not apply until a new company has done business in the state for two years. Secondly, our "prior approval" rating statute should be amended to apply only after a company has completed two years of operation in the state; during the first two years of a companies presence in South Carolina the company would be regulated by a "file and use" rating system. NOTE: these two reforms, which should encourage new companies to locate in South Carolina, would only apply to new companies and not to any company (to include subsidiaries, related and parent companies) which is already located here. These reforms will hopefully attract some of the companies pulling out of California and Mass.

4. BANKS

Allow banks to sell reinsurance. Currently the vast majority of reinsurance premiums now go out of state. (Rep. Jack Rogers introduced such a bill two years ago.)

5. ANTI-REBATE STATUTE

Current law prohibits insurance *agents* (as opposed to companies) from offering credits and discounts. The "anti-rebate" statute should be repealed (for purposes of automobile insurance only.)

6. ISO

South Carolina, like most other states, allows insurance companies to utilize ISO's filed rates instead of filing their own. A company would be inclined to use ISO rates in lieu of filing their own in several instances: (a) ISO's rates are higher than their own loss experience would justify; or (b) the amount of business they write in South Carolina would not justify the expense of preparing their own filing, or (c) their own loss data is to minimal to be statistically credible. Disallow the use of ISO rates for any company which writes more than 1% (or some other percentile) of the private passenger automobile market in South Carolina or which does more than $5,000,000 (or some other dollar figure) of private passenger business in the state. (Chief Insurance Commissioner John Richards stated that the original version of Act 1177 of 1974 contained similar language which was struck in the final version. See also American Bar Association's Commission to Improve the Liability Insurance System Report to the House of Delegates.)

7. PRICE SHOPPER'S GUIDE

The Insurance Department prepares a price shopper's guide for automobile insurance which it periodically updates. The guide lists the premium charged by the top 20 companies in the state. Both the Insurance Department and the Governor's office routinely include the guide when answering constituent mail. This guide should be attached to all vehicle registration renewal notices (or other appropriate form) mailed by the Highway Department. (A bill to this effect was introduced several years ago.)

CONSUMER PROTECTIONS

1. CONSUMER PROTECTIONS

Amend 38-77-110 to require insurance companies to sell minimum limits "financial responsibility only" policies (i.e., a policy which contains no optional coverage or high limits) to prevent insurance companies from "bundling" expensive optional coverages. The section is also amended to provide a procedure for an insurance company to cancel the high limits portion of any policy.

2. BAD FAITH

A federal district judge ruled some years ago that our bad faith statute did not apply in federal courts. The statute should be amended to specifically apply in federal courts.

3. BAD FAITH AND EXCESS JUDGMENTS

Insurance companies would not be reimbursed in the Reinsurance Facility for excess and bad faith judgments nor could they include these amounts in their rate filings except upon petition to the Reinsurance Facility Board of Governors and the Insurance Commissioner.

UNINSURED AND UNDERINSURED MOTORIST BENEFITS

1. UNINSURED MOTORIST BENEFITS

Amend §38-77-150 dealing with Uninsured Motorist benefits to (1) to clarify how insurance companies must offer such coverage; and (2) to create "non-stackable" uninsured motorist policies which must be sold with at least a 10% reduction in cost compared to the current "stackable" policies.

2. UNDERINSURED MOTORIST COVERAGE

Amend §38-77-160, dealing with underinsured motorist coverage, to : (1) clarify the way insurance companies must offer such coverage; (2) clarify what such insurance covers; (3) eliminate double recoveries; (4) prohibit "stacking"; (5) clarify coverage when more than one policy applies; (6) clarifying the handling of such claims; and (7) eliminate subrogation and assignment.

3. OFFER REQUIREMENT FOR UNINSURED AND UNDERINSURED MOTORIST COVERAGE

This section states that insurance companies do not have to make a new offer of uninsured motorist and underinsured motorist coverage as a result of passage of this Act until policy renewal.

4. UMBRELLA POLICIES

The bill makes clear that uninsured motorist and underinsured motorist policies do not have to be included in umbrella policies.

PIP BENEFITS

1. PIP BENEFITS

PIP is South Carolina's version of no-fault benefits. There are three forms of automobile insurance in the United States: traditional liability; no fault/no lawsuit allowed; and no fault/add on, which does not contain any restrictions on suit. South Carolina has no fault/add on system with little of the attributes of a true no-fault system. According to a 1984 U.S. Government study premiums in add on states rose much quicker than in traditional liability states. In addition PIP coverages contribute $11 of the $73 recoupment fee. Several reforms are possible: (1) repealing the mandate to write PIP coverage; (2) requiring liability insurers to offset PIP payments with a consequent reduction in liability premiums; (3) establishing a PIP deductible and/or co-payment clause (which New Jersey recently adopted); or (4) abolishing statutory PIP coverage altogether (companies could continue to voluntarily write it.)

2. PIP BENEFITS

Amend §38-77-250 to clarify how insurance companies must offer PIP benefits by requiring such offer to be made on a form prescribed by the Insurance Commissioner.

3. STACKING OF PIP BENEFITS

Amend §38-77-290(a) to prevent stacking of additional PIP benefits (APIP).

MISCELLANEOUS

1. STRENGTHENING INSURANCE COMMISSIONER'S POWERS

Amend the rating statute to give the Insurance Commissioner the power to order rate reductions when warranted by passage of new legislation or Court decisions.

2. STRENGTHENING CONSUMER ADVOCATE'S POWERS

Amend section 37-6-605 to include "Insurance Department" in the list of agencies required to provide information to the Department of Consumer Affairs; amend section 37-6-604(1) to include "Federal" after "state" to clarify that the Department can participate in Federal Court proceedings. (Recommended by the Department of Consumer Affairs.)

3. ADOPTION OF ISO RATES

Put a time limit in which a company can adopt ISO rates after it joins ISO or other rating organization. (Recommended by the Insurance Commissioner for a number of years.)

4. ARBITRATION

Expand the property damage arbitration statutes to allow non-binding arbitration for claims for personal injuries under $25,000. (Source: Senator Saleeby; Michigan has had considerable success with its program.)

5. RESERVES/IBNR

Establish formal standards for the treatment of IBNRs in rate filings. The American Bar Association's Report to the Commission to Improve the Liability Insurance System at pg. 80 states "The collection of premium reserves to cover future losses requires insurers to establish reserves for such losses. Loss reserves are of two types: claims that have been particularly identified so that only the total payout is unknown, and claims that have not been reported to the insurer. Usually the value of reported but unresolved claims can be reasonably estimated on the basis of past experience. Reserves for incurred but not reported (IBNR) claims sparks most of the controversy." Industry critics have long stated that insurers, for a variety of reasons, are systematically overstating the value of IBNRs. (Rep. Bob Kohn has introduced such a bill in past years.)

6. MVR RECORDS

Amend §56-9-330(1) to reduce the charge from $4.00 to $2.00 for MVR records when ordered in large numbers and to require the Highway Department to sell a monthly listing of persons who receive traffic tickets. South Carolina has one the higher charges for an electronic system in the country. As a result insurance companies are reluctant to order them and many drivers are not being properly surcharged, i.e. some bad drivers are receiving the safe driver discount. One company survey showed that 47% of its insureds with accidents and tickets were not properly surcharged. (Legislative Audit Council recommendation (1979). Once the MVR charge is lowered the companies should be required to order a MVR for every policy ceded to the Reinsurance Facility.

7. INSURANCE FRAUD

Make certain kinds of insurance fraud a felony.

8. FINANCIAL IMPACT STATEMENT

Require every automobile insurance bill introduced in the General Assembly to have a "financial impact to insureds" statement attached.

HIGHWAY SAFETY REFORMS

1. SEAT BELT LEGISLATION

Adopt a "secondary" mandatory seat belt law with a 3.5% roll back in rates- but only as a part of a comprehensive insurance reform effort.

2. PUBLIC SERVICE REQUIREMENT FOR DUI FIRST OFFENDERS

Studies show that mandatory jail sentences are the most effective deterrent for DUI offenses. For various reasons jail sentences are not practical for DUI first offenders. A good alternative would be to *require* 30 hours public service from every DUI first offender. This requirement could not be suspended by the judge or magistrate and would be in addition to any financial or other penalty imposed.

3. YOUTHFUL DRIVERS

Revoke the regular driver's license for any youthful driver convicted of a serious driving offense prior to age 21 and reissue a special driver's license (i.e. day time use only) to the youthful driver until he reaches age 21.

4. BLOOD TESTS

Amend the coroner's statute to take a blood test of the driver(only) anytime a fatality or serious bodily injury occurs; delete the requirement of a blood test of deceased passengers

5. MINIMUM LOSS OF LICENSE FOR DUI FIRST OFFENDERS

Incredibly, under current South Carolina law, DUI offenders, by signing up for ADSAP, are the only drivers who can get their license back immediately after being convicted of an offense which results in the suspension of driving privileges; reform the ADSAP statute to provide for a mandatory license suspension period of 60 days for those who enroll in the ADSAP program

6. VEHICLE CONFISCATION LAW

Our current vehicle confiscation law applies only to 4th offense DUI offenders; amend it to include 4th offense driving under suspension, revocation and uninsured

7. HABITUAL OFFENDERS LAW

Amend the Habitual Offenders Act to include 3d offense driving under suspension, revocation and uninsured

8. SR-22

Under current law those who fail the breathlyzer test are required to file SR-22 but those who refuse to take the test do not; amend the statute to require those who refuse to take the test to also file for SR-22;

9. TRAFFIC TICKET FINES

Under current law all money received from traffic tickets goes to the counties. 5$ of each ticket fine should be transferred to the Highway Department and earmarked for a separate fund to hire additional patrolmen to patrol secondary roads (only). This should not hurt the counties- most of the major fines were greatly increased this year in the Safer Highways Act and we can increase the remaining fines by 5$ so that the counties will not deprived of any income.

10. TRAFFIC TICKET FORM

The form and even the appearance of our traffic ticket in South Carolina is regulated by statute. This produces various difficulties and as a result the form and appearance should be left to the discretion of the Highway Department.

TRENDS AFFECTING THE COST OF AUTOMOBILE INSURANCE IN SOUTH CAROLINA

Governor Carroll Campbell

January 18, 1989

The cost of automobile insurance is a function of three variables: claims severity (the cost to settle a claim); claims frequency (the number of claims); and insurance company overhead.

Claims frequency is a function of the number of accidents and injuries, and to a lesser extent tort reform (since a strong tort reform bill would prevent some claims from ever being filed.) Claims severity is an overwhelming function of medical costs plus the cost of repairing automobiles ("skin and tin" in the jargon of the industry.) Litigation costs are also a factor. The trends nationally as well as state wide are given below. For comparison purposes the yearly cost of living figures are included.

I. Factors Affecting Claims Severity Percentage Change

A. Medical Care
(Nationally)

	Cost of Living (all items)	*Medical Care*	*Hospital Rooms*	*Doctor Fees*
1984	+4.3	+6.2	+8.3	+7.0
1985	+3.6	+6.2	+5.9	+5.8
1986	+1.9	+7.5	+6.0	+7.2
1975-1986 % Change	+80.9	+114.2	+151.5	+107.6

B. Automotive Repair
(Nationally)

	Auto Crash Parts Prices	*Labor Rates, Auto Repairs*	*Automobile Insurance*
1984	+0.7	+4.5	+7.8
1985	-2.5	+7.0	+10.2
1986	-8.8	+3.0	+13.3
1975-1986 % Change	+56.1	(n/a)	+93.4

(Source: 1986-87 Property/Casualty Fact Book.)

C. Number of Civil Lawsuits
(South Carolina)

Year End				
1984	*1985*	*1986*	*1987*	*1988*
41,835	47,466	52,859	54,917	53,219

(Source: Court Administrator's Office.) A recent article, *"Patterns" in Civil Jury Verdicts in the State Circuits of South Carolina: 1976-85*, 38 S.C.L.Rev. 699, 708,727 (1987)(Patrick Hubbard) states that "the number of civil cases filed each year in the Circuit Courts of South Carolina have increased over the last ten years. ... If one discounts for population, the increase is approximately 20%." (The decrease in civil case filings in 1988 was the first decrease since 1983.) The Law Review article goes on to state that "motor vehicle actions comprise 35% to 50% of all verdicts, depending upon the year. ..." In 1979 the Legislative Audit Council reported that while only .32% of North Carolina residents brought legal action on automobile insurance property damage claims, .76% of South Carolina's residents did. The legal suit frequency for bodily injury claims was even more striking: 6.6% in North Carolina versus 22.7% in South Carolina. The South Carolina Insurance Commission conducted its own survey in 1982 and stated that: "One company survey shows for the three companies combined for 1978 through 1981 the number of lawsuits per 100 claims in South Carolina was more than two times higher than in North Carolina. The conclusion to be drawn from these numbers is that South Carolina citizens, when they are involved in automobile accidents, are twice as likely to bring suit." In 1986 the Insurance Commission again surveyed the average bodily injury lawsuit frequency for the three largest companies and discovered that while they were only 1.25 lawsuits per 1,000 cars insured in North Carolina, there were 2.66 such lawsuits in South Carolina.

The size of jury verdicts in South Carolina have consistently been above the national average. Jury Verdict Research, Inc. reported in its 1988 South Carolina edition that our jury verdicts were 7% above the national average in 1983; 9% above in 1984; 4% above in 1985; at the national average in 1986; 2% above the national average in 1987; and 3% above in 1988. (49% of these verdicts arose from vehicular accidents.) The Report stated that "The deviation in award sizes for South Carolina is currently 3% above national verdict expectancies for similar injuries with comparable medical and wage loss specials. ... This indicates that, on average, the size of South Carolina awards currently exceeds verdict expectancies for awards for similar injuries with comparable specials reported nationwide." Furthermore, the article referenced above, *"Patterns" in Civil Jury Verdicts in the State Circuits of South Carolina: 1976-85* states that "[T]he total amounts awarded each year for motor vehicle actions have tended to increase, even when discounted for inflation and population increase." These figures are incredible given what a poor state South Carolina is, being the 47th poorest for many years and the 42nd poorest in 1988.

II. Factors Affecting Claims Frequency

A. Accidents
Comparative Accident Report
January 1 through Dec. 31
(South Carolina)

1986	*1987*
116,529	119,351

B. Injuries
Comparative Injury Report
January 1 through Dec. 31
(South Carolina)

1986	*1987*
34,669	37,301

C. Fatalities
Comparative Fatality Report
(South Carolina)

Year End

1972	*1985*	*1986*	*1987*	*1988*
1099	949	1059	1087	1016

(Source: Highway Department. The 1988 figure is preliminary).

III. Reinsurance Facility Losses

The above trends are secondary in that they illustrate factors which bear on the price of insurance. A good primary trend is the growth in the Reinsurance Facility losses. These losses are directly paid by the insureds in this state through the following year's recoupment. The Private Passenger Reinsurance Facility losses, which are created by the above factors, as amplified by the large size of our Facility, are given below.

PRIVATE PASSENGER REINSURANCE FACILITY LOSSES

Year	*Facility Net Losses*	*% Change from prior year*
FY 77-78	$18,822,420	
FY 78-79	$26,398,287	(+)40.2
FY 79-80	$34,041,487	(+)29.0
FY 80-81	$26,283,750	(-)22.8
FY 81-82	$39,324,133	(+)49.6
FY 82-83	$39,349,533	(+)0.1
FY 83-84	$56,164,460	(+)42.7
FY 84-85	$76,787,598	(+)36.7
FY 85-86	$99,708,901	(+)29.9
FY 86-87	$121,761,727	(+)22.1
FY 87-88	$116,833,227	(-)4.0

1987 was a record Reinsurance Facility loss. 1988 was the first reduction in the Facility loss since 1980. Commencing July 1, 1988, the recoupment fee was $73 per vehicle for good drivers for full coverage. Commencing July 1, 1989 the recoupment fee will drop to $71 per vehicle.

Contrary to popular belief, the Reinsurance Facility losses are rising much faster than the increase in accidents. A comparison between the increase in the private passenger Facility losses, reported accidents and registered vehicles is given below.

Year	*Facility Net Losses*	*Registered Vehicles*	*Licensed Drivers*	*Reported Accidents*	*Reported Injuries*	*Paid BI Claims*	*Arise BI Claims*
1980	$34,041,487	2,070,000	1,953,000	91,000	22,599	11,406	17,635
1981	$26,283,750	2,050,000	1,949,000	88,400	22,355	12,083	18,590
1982	$39,324,133	2,030,000	2,009,000	88,700	23,019	13,058	20,231
1983	$39,349,533	2,120,000	2,068,000	92,200	23,458	15,334	22,484
1984	$56,164,460	2,187,000	2,100,000	102,617	28,135	15,263	26,753
1985	$76,787,598	2,285,000	2,132,000	111,077	32,388	17,046	25,639
1986	$99,708,901	2,366,000	2,169,000	116,533	34,689	17,877	27,513
1987	$121,761,727	2,422,359	2,195,000	119,344	37,287	20,561	29,457
AV. RATE OF INCREASE PER YEAR:	22.62%	2.29%	1.69%	4.04%	7.64%	8.93%	7.8%
TOTAL RATE OF INCREASE FOR 1980-87:	257.69%	17.02%	12.39%	31.15%	64.99%	80.26%	67.04%

(Source: South Carolina Department of Insurance, Highway Department and the Fast Track System.) A summary of claims information for bodily injury coverage ceded by insurance companies to the Reinsurance Facility, dated November 5, 1988, is given below.

	Avg. Claim Payment	*# Paid Closed*	*# Claims Reported*	*Total Amt.* Paid
Percentage Change-				
Qtr. a year ago	+9.39	+17.10	+16.25	+28.08
3 year avg.	+11.96	+25.54	+22.95	+39.28

IV. Accidents and Injuries as a Percentage of Registered Vehicles

The claim is often made that there is little the General Assembly can do to bring down the cost of bodily injury insurance because of the incredible number of poor drivers in this state. Nevertheless statistics show, as stated below, that only a miniscule percentage of our drivers are involved in a accident in which there was a bodily injury or fatality.

Percentage of Registered Vehicles Where Injuries Were Involved

1983	*1984*	*1985*	*1986*	*1987*
1.1%	*1.3%*	*1.4%*	*1.4%*	*1.5%*

Percentage of Registered Vehicles Where Fatalities Were Involved

1983	*1984*	*1985*	*1986*	*1987*
.40%	*.42%*	*.42%*	*.45%*	*.45%*

(Source South Carolina Department of Insurance) In 1987 only 1.7% of our licensed drivers (as opposed to registered vehicles) were involved in a injury or fatality. (37,287 injuries and 1,087 fatalities out of 2,195,348 drivers.) The Highway Department graded these injuries in terms of severity: (1) incapaciting injuries; (2) non-incapacitating; (3) and "possible." 42%, or 15,674, of these injuries fell into the "possible," or least severe catagory of injuries. Furthermore a significant percentage of both the accidents and fatalities were single car collisions for which no automobile insurance was paid.

V. Claims Frequency

The most accurate, primary indicator of where insurance rates are heading is past claims frequency and severity. The insurance industry publishes a up to date, unofficial claims frequency and severity figures in what is called the Fast Track Monitoring System. The big ticket item in claims frequency and severity is bodily injury liability insurance. The trends in this regard for South Carolina are given below:

Year End Qtr.	*Paid Claim Freq. per 100 cars*	*% Change from Qtr. in prior Year*
86 1st	1.51	+9.4%
86 2nd	1.55	+9.9
86 3d	1.56	+8.3
86 4th	1.55	+4.0
87 1st	1.58	+4.6
87 2nd	1.63	+5.2
87 3d	1.66	+6.4
87 4th	1.71	+10.3
88 1st	1.72	+8.9

It is interesting to compare our bodily injury indicators to our neighboring states. (Many of these states have far more insured vehicles, which for comparison purposes is reflected in the "earned [insured car] years" column and for this reason obviously have greater paid losses.) These comparisons for bodily injury coverage are given below. The first table is sorted in descending order by reference to the number of paid claims. The second table is sorted in descending order by reference to paid claim and arise claim frequency. (Arise claim frequency refers to claims filed or asserted but not paid.

State	*Year End Qtr.*	*Earned Years*	*No. of Paid Claims*
VA	88 2nd	2,382,139	25,178
NC	" "	2,159,183	24,406

SC	" "	1,230,174	20,906
FLA	" "	3,569,182	19,772
GA	" "	1,867,612	12,507
TENN	" "	1,215,704	11,306
ALA	" "	1,460,082	10,726
MISS	" "	706,729	7,119
ARK	" "	818,312	6,413
W.VA.	" "	665,806	5,072
KY	" "	1,292,678	4,811

State	*Year End Qtr.*	*Paid Claim Freq.*	*Arise Claim Freq.*
SC	2nd	1.70	2.40
NC	""	1.13	1.81
VA	""	1.06	1.79
MISS	""	1.01	1.43
TENN	""	.93	1.56
ARK	""	.78	1.12
W.VA.	""	.76	1.48
ALA	""	.73	1.20
GA	""	.67	1.41
FLA	""	.55	1.32
KY	""	.37	.56

(Source: Fast Track Monitoring System.) Accordingly, these figures reveal that South Carolina, with roughly the same number of car years as Alabama and Tennessee, has a far higher number of claims frequency and paid losses and incredibly has a higher number of paid claims than both Georgia, which has double the number of insured car years, and Florida, which has triple the number of insured car years. (Georgia and Florida have completely different automobile insurance systems.)

VI. Claims Severity

As stated above the cost of insurance is a function of claims frequency multiplied by claims severity. Trends in the area of claims severity, as taken from insurance industry data, are given below.

Bodily Injury (Liability) Claims Severity

Year	*Avg. Loss*	*Paid Losses*
1980	$2,873	$32,763,763
1981	$3,281	$39,643,973
1982	$3,425	$44,729,720
1983	$3,801	$58,291,143
1984	$4,163	$63,544,166
1985	$4,619	$78,737,068
1986	$4,931	$88,147,338
1987	$4,733	$97,323,561
1988(2nd Qtr)	$5,020	$104,944,658

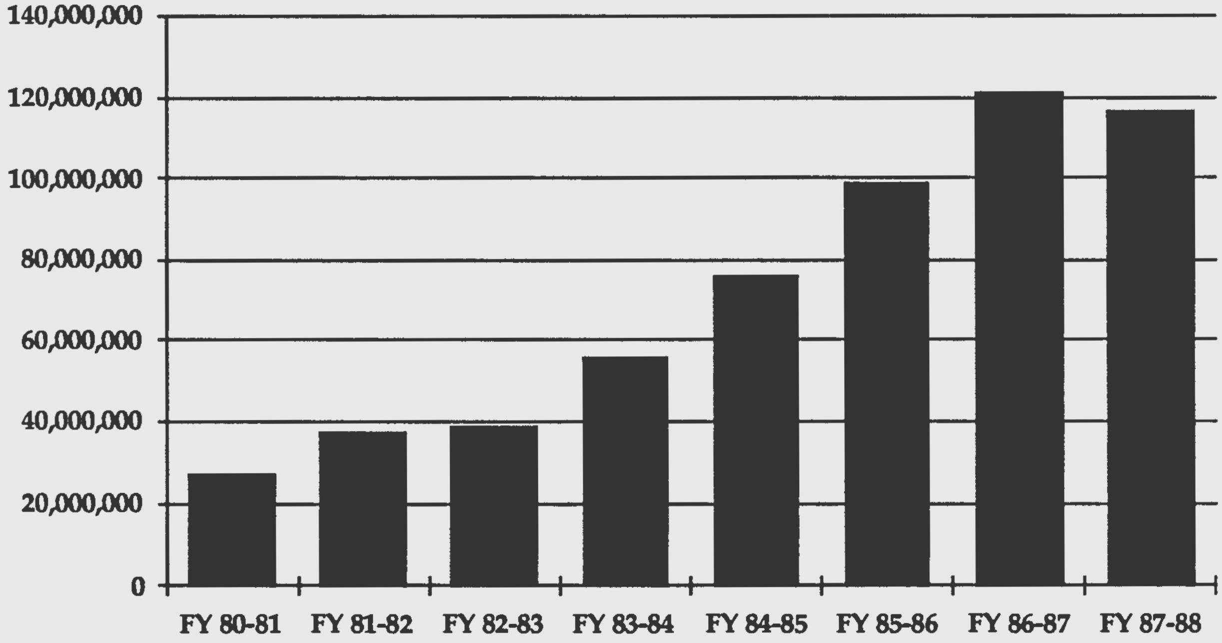
(Source: Fast Track Monitoring System. Losses exclude all loss adjustment expenses.)

1987 Country Wide Average Premium Per Car

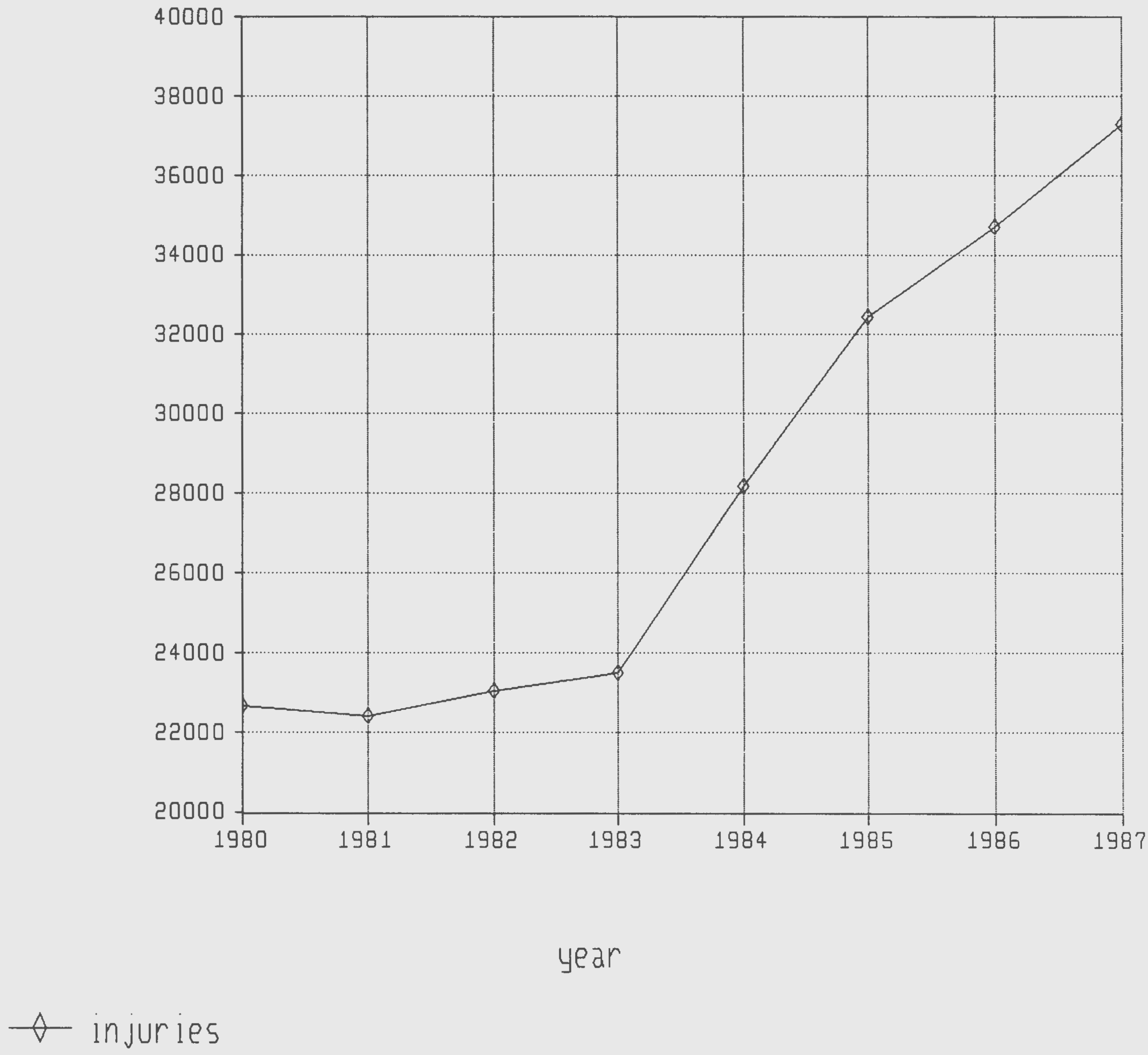
State	Pvt. Pass. Automobile Liability	Pvt. Pass. Automobile Phys. Dmg.	Total Liability & Phys. Dam	Number of Vehicles Insured	Avg. Premium Per Car 1987	Rank
	-----------(000, omitted)----------					
New Jersey	1,942,429	1,172,916	3,115,345	3,962,226	786.26	1
California	6,071,104	3,633,943	9,705,047	13,552,483	716.11	2
Dist. of Cola.	86,439	56,872	143,311	205,411	697.68	3
Massachusetts	1,240,909	975,290	2,216,199	3,226,607	686.85	4
Connecticut	780,939	486,933	1,267,872	2,014,598	629.34	5
Rhode Island	159,257	137,782	297,039	472,810	628.24	6
New York	2,855,524	1,986,209	4,841,733	7,755,483	624.30	7
Maryland	1,099,115	517,692	1,616,807	2,607,634	620.03	8
Florida	2,344,836	1,319,107	3,663,943	5,946,358	616.17	9
Hawaii	214,419	103,215	317,634	519,192	611.79	10
Louisiana	641,071	381,602	1,022,673	1,781,214	574.14	11
Nevada	228,409	119,317	347,726	607,749	572.15	12
Pennsylvania	2,312,841	1,183,160	3,496,001	6,156,600	567.85	13
New Hampshire	176,263	172,054	348,317	622,744	559.33	14
Alaska	77,451	53,713	131,164	241,996	542.01	15
Arizona	666,115	356,017	1,022,132	1,937,029	527.68	16
Texas	2,010,230	1,907,777	3,918,007	7,448,331	526.02	17
Delaware	127,704	75,486	203,190	391,639	518.82	18
Illinois	1,431,829	1,281,637	2,713,466	5,245,747	517.27	19
Georgia	1,049,085	746,489	1,795,574	3,472,050	517.15	20
South Carolina	549,876	364,048	913,924	1,806,481	505.91	21
Michigan	1,195,345	1,575,199	2,770,544	5,953,110	465.39	22
Colorado	576,700	385,492	962,192	2,075,292	463.64	23
Washington	732,942	422,287	1,155,229	2,505,811	461.02	24
Missouri	646,222	579,912	1,226,134	2,700,101	454.11	25
Minnesota	723,592	397,686	1,121,278	2,482,795	451.62	26
Tennessee	509,728	534,501	1,044,229	2,342,693	445.74	27
Virginia	956,224	607,625	1,563,849	3,551,262	440.36	28
Alabama	362,830	440,933	803,763	1,886,219	426.12	29
Mississippi	213,222	229,601	442,823	1,053,478	420.34	30
Vermont	64,509	68,425	132,934	316,493	420.02	31
Arkansas	244,691	214,488	459,179	1,115,757	411.54	32
West Virginia	221,787	184,946	406,733	991,337	410.29	33
Ohio	1,366,231	1,081,040	2,447,271	6,045,231	404.83	34
New Mexico	181,472	147,503	328,975	822,374	400.03	35
Oregon	453,104	260,175	713,279	1,791,543	398.14	36
Maine	125,680	124,016	249,696	632,105	395.02	37
Indiana	621,134	534,696	1,155,830	3,017,507	383.04	38
Oklahoma	371,757	340,048	711,805	1,867,606	381.13	39
Wisconsin	550,430	418,483	968,913	2,543,484	380.94	40
Utah	178,390	143,048	321,438	872,088	368.58	41
Kentucky	411,862	321,404	733,266	2,097,641	349.57	42
North Carolina	790,318	626,305	1,416,623	4,079,804	347.23	43
Kansas	288,343	263,340	551,683	1,606,787	343.35	44
Idaho	113,529	85,080	198,609	616,659	322.07	45
Wyoming	45,300	50,755	96,055	310,753	309.10	46
Montana	98,606	67,810	166,416	542,642	306.68	47
South Dakota	62,431	57,735	120,166	397,735	302.13	48
North Dakota	65,129	59,494	124,623	418,593	297.72	49
Nebraska	157,894	141,262	299,156	1,022,350	292.62	50
Iowa	262,901	229,723	492,624	1,703,337	289.21	51
	38,658,148	27,624,271	66,282,419	127,336,969	520.53	

Source of Data:
  Premiums written from Insurance Facts 1988-89, published by the Insurance Information Institute.
  Number of automobiles insured from, AIPSO Facts 1987/88, published by AIPSO. (Latest year avaliable is 1986)

Private Passenger Reinsurance Facility Losses



INJURIES



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PAID BODILY INJURY LIABILITY CLAIMS

AVG. BODILY INJURY PAYMENT