

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
114TH LEGISLATURE  
SECOND REGULAR SESSION

UNINSURED MOTORIST ACCIDENTS

*Final Report  
of the Study Subcommittee*

*Joint Standing Committee on  
Banking & Insurance*

*December 1989*

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Rep. Philip E. Curran*

**Other Members of the Full Committee**

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Sen. Donald F. Collins  
Rep. Richard H. C. Tracy  
Rep. Phyllis R. Erwin  
Rep. Joseph A. Garland  
Rep. Carol M. Allen  
Rep. Harvey C. Donald  
Rep. Harriet A. Ketover  
Rep. Ruth Joseph  
Rep. Anne M. Rand*

## UNINSURED MOTORIST ACCIDENTS

This report is submitted by the Joint Standing Committee on Banking and Insurance to the Maine Legislature as a result of a study authorized by the Legislative Council on the financial burdens of victims who were injured in accidents where an uninsured motorist was at fault. This report is also one step in the continuing efforts of this Committee to carry out its responsibility for legislative oversight over Maine's auto insurance laws.

### Maine's Auto Insurance Law

Prior to 1988 Maine's financial responsibility law required the Secretary of State to suspend the license, registration certificate and plates of any driver involved in an accident which resulted in death, bodily injury, or property damage of \$500 or more, and who failed to provide proof of financial responsibility within 30 days. In addition, that law included discretionary authority for the Secretary of State to require proof of financial responsibility before reinstating the license of a person whose license had been suspended for any other reason (29 MRSA §§781 et seq).

In 1987, legislation was enacted requiring operators or owners of motor vehicles registered in Maine to have liability insurance or other evidence of financial responsibility (PL 1987, c 341, effective January 1, 1988). When an operator was stopped for a moving violation or involved in an accident the officer could require evidence of insurance. If that was not produced, the operator could be cited under the financial responsibility law, but if the operator obtained insurance within 24 hours, the charges were dismissed. In 1989, legislation was enacted repealing the 24-hour grace period and requiring that the law enforcement officer ask for proof of insurance. After a 3-year trial period, the financial responsibility law will be automatically repealed on January 1, 1991, unless the Legislature extends it. (29 MRSA §780, sub-§8)

### Survey of Persons Injured in Uninsured Motorist Accidents

Title 29, section 790 of the Revised Statutes directs the Legislative Council to survey a random sample of those persons, other than the uninsured operator, who received bodily injuries in accidents involving an uninsured operator of a motor vehicle during calendar year 1988.

In order to carry out its responsibility under the Act, the Legislative Council authorized a 3-member Subcommittee of the Joint Standing Committee on Banking & Insurance to provide oversight over the survey and to formulate any policy recommendations. The members of the Legislative Oversight Subcommittee were: Sen. Raynold Theriault, Rep. Charlene B. Rydell, and Rep. Philip E. Curran.

The Office of Policy and Legal Analysis was directed by 29 MRSA §790, sub-§3 to conduct the survey. The Executive Summary is included at the end of this report. The survey made no attempt at policy evaluation, since its sole purpose was to find out some of the relevant facts. In response to the specific questions identified in the statute, it found that from January 1988 through April 1989:

- 599 persons per year were injured in uninsured motorist accidents;
- 484 of those persons incurred medical costs, totalling \$2.2 million per year;
- At least 259 of those persons per year were not fully compensated for medical and hospital costs by the uninsured operator or by any insurance policy; and
- The uncompensated part of the total medical and hospital costs of those persons was at least \$223 thousand per year.

#### Conclusions of the Study

The Subcommittee notes that the trial period for the present law on financial responsibility for motor vehicles is coming to an end and that the Full Committee plans a comprehensive review in 1990 during the 2nd Regular Session of the 114th Legislature to determine the law's effectiveness and efficiency. Based on that review, it is expected that the Committee will recommend legislation to continue or modify the law. The Subcommittee believes that the survey described here is one important source of information for consideration in that review.

In order to provide a convenient legislative vehicle for reviewing the law, the Subcommittee is proposing legislation which would repeal the expiration date of the present law. That recommendation does not represent the final or even a preliminary judgment as to the most prudent course of action; it simply represents a starting point for the discussion. It is expected that the public hearing on that bill will provide further information, analysis and experience with the present law so that the Full Committee may prepare its final recommendations on the future of the State's mandatory motor vehicle insurance law.

Proposed Legislation, Uninsured Motorist Study

SECOND REGULAR SESSION

ONE HUNDRED AND FOURTEENTH LEGISLATURE

Legislative Document

No.

STATE OF MAINE

IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND NINETY

**AN ACT to Amend the Financial Responsibility Law  
Pertaining to Motor Vehicles**

Be it enacted by the People of the State of Maine as follows:

**Sec. 1.** 29 MRSA §780, sub-§8 is repealed.

**Sec. 2.** 29 MRSA §790 is repealed.

**STATEMENT OF FACT**

The law requiring all motor vehicles to be covered by liability insurance or other evidence of financial responsibility went into effect January 1, 1988, for a 3-year trial period. It was then amended in 1989 to remove the "24-hour loophole". This bill would repeal the expiration date and leave the existing law unchanged. This bill is intended to be a vehicle for legislative review of the financial responsibility law as the trial period comes to an end.

This bill also repeals Title 29, section 790, which required a survey of persons injured in uninsured motorist accidents. That survey has been completed.

This bill is presented as a result of a study by a subcommittee of the Joint Standing Committee on Banking and Insurance, pursuant to Legislative Council authorization.

**EXECUTIVE SUMMARY  
SURVEY OF VICTIMS  
OF UNINSURED MOTORIST ACCIDENTS**

Office of Policy & Legal Analysis  
December 1989

Background

In 1987, legislation was enacted for a 3-year trial period, beginning January 1, 1988, requiring operators or owners of motor vehicles registered in Maine to have liability insurance or other evidence of financial responsibility.

In 1989, the law was amended by repealing a 24-hour grace period and requiring a law enforcement officer to ask the operator for proof of insurance in case of a moving violation or a traffic accident. It was still decided to complete the survey in order to assist in review of the financial responsibility law, which will be automatically repealed on January 1, 1991 unless the Legislature extends it.

In order to evaluate the financial problems of victims injured in accidents caused by uninsured motorists, the 1987 law, in 29 MRSA §790, directed the Legislative Council to survey victims who were injured during 1988 in accidents caused by uninsured motorists. The Council authorized a subcommittee of the Joint Standing Committee on Banking & Insurance to oversee the survey and to formulate policy recommendations. Sen. Raynold Theriault, Rep. Charlene B. Rydell, and Rep. Philip E. Curran were appointed to the subcommittee. The oversight subcommittee decided to defer a detailed review of the policy implications until 1990, when the Legislature will be reviewing the financial responsibility law as a whole.

The survey itself was conducted by the Office of Policy & Legal Analysis. It made no attempt at policy evaluation, since its sole purpose was to find out some of the relevant facts..

Survey of Persons Injured in Uninsured Motorist Accidents

The survey was conducted as follows. The Secretary of State, Division of Motor Vehicles, provided a list of all persons, other than the uninsured operator, injured in accidents caused by an uninsured operator from January 1988 through April 1989. That list was based on the "Driver's Report of Traffic Accident" records, and listed 897 victims.

A 31-question mail survey was sent by the Office of Policy & Legal Analysis to the 816 victims for whom complete addresses were available. The survey was developed with the advice of: Suzanne Hart, Acting Director, Research Support Unit, Human Services Development Institute, University of Southern Maine; Lock Kiermaier, Program Analyst, Office of Fiscal & Program Review, Maine State Legislature; and the Oversight Subcommittee. All responses were kept confidential.

There were 338 responses received, of which 301 met the survey criteria. That was sufficient for a sample which would be statistically valid within 5% on typical answers at the 95% confidence level. Annual rates were estimated by scaling from the survey responses. The results are summarized below.

Findings: Medical & Hospital Costs

In response to the specific questions identified in the statute, the survey found that from January 1988 through April 1989:

- 599 persons per year were injured in uninsured motorist accidents;
- 484 of those persons incurred medical and hospital costs, totalling \$2.2 million per year;
- At least 259 of those persons per year were not fully compensated for those costs by the uninsured operator or by any insurance policy;
- The uncompensated part of the total medical and hospital costs of those persons was at least \$223 thousand per year; and
- The 5% of the cases with the highest medical and hospital costs accounted for over half the total medical and hospital costs.

Findings: Non-medical Costs

The survey also obtained information on other kinds of costs. The adjusted annual rates are shown in the following table.

UNINSURED MOTORIST ACCIDENT COSTS  
adjusted annual rates

Item	Total		Uncompensated	
	persons	\$thousand	persons	\$thousand
Medical & Hospital	484	\$2192	259	\$ 223
Property Damage	350	1317	239	316
Lost Work	247	397*	173	288
Homemaker Services	32	31	24	21
Other Direct	167	129	167	129
TOTAL, All Sources		\$3966		\$ 977

\* The survey figure for lost work appears to be an underestimate, as discussed at the end of Chapter III of the survey report. Its total cost was probably about \$600,000.

In summary,

- Property damage affected 350 persons per year, with a total cost of \$1.3 million, of which \$316 thousand was uncompensated;
- Lost time at work affected 247 persons per year, with a total cost of \$400 to \$600 thousand, of which \$288 thousand was uncompensated;
- Replacement homemaker services were purchased by 32 persons per year at a total cost of \$31 thousand, of which \$21 thousand was uncompensated;
- Other uncompensated direct costs affected 167 persons per year with a total cost of \$129 thousand; and
- As previously mentioned, medical and hospital costs affected 484 persons per year at a total cost of \$2.2 million, of which \$223 thousand was uncompensated.

#### Findings: General

About half the victims added written comments. In general, they were irate over the unfairness of the situation, the fact that the uninsured driver got off with a fine of less than \$50, and, in many cases, the fact that the uninsured driver had been drinking.

#### Discussion

When the at-fault driver was uninsured, the victims' insurance policies picked up most of the burden for medical and hospital expenses (\$2 million, or about 90% of the cost). In principle those costs should have been covered by liability insurance, but the at-fault drivers had no insurance. The uninsured at-fault driver directly paid something in only 3% of the cases.

Thus motorists who purchase uninsured motorist coverage are, through their premiums, bearing a significant portion of the cost of health damage caused by uninsured motorists who fail to purchase liability insurance. Likewise, health insurance is bearing a significant portion of the cost of the health damage caused by uninsured motorists.

Although medical and hospital expenses are over half the total expense from all sources, they are less than one-fourth of the expense borne by the victims, and are third behind property damage and lost pay in cost to the victims. This is consistent with the fact that 90% of the medical costs were covered by some kind of insurance and with the comments by the victims, who generally focussed on the damage to their cars more than the medical problems they suffered.



Only about one-fourth of the overall expense was borne by the victims, with the rest borne by insurance, state aid, or some other source. This does not remove the financial problems of the victims, but it does mitigate them.

Additional Notes It was not feasible to obtain information from doctors or hospitals to cross-check the survey results, but the auto insurance companies did provide some figures on Uninsured Motorist coverage. These led to an estimate of 352 claims, totalling \$3.2 million per year under that coverage. That represents only part of the study population, because, as the survey results indicate, that only about 57% of the victims carried uninsured motorist or similar insurance.

The insurance company figures do suggest that the true medical and hospital costs are larger than the survey estimates, and may possibly be considerably larger. The reasons for the difference in figures are not known, but one likely factor is that the survey dealt only with expenditures to date, while the insurance company figures dealt with long term anticipated costs. That could be especially important in view of the survey finding that over 20% of the respondents suffered permanent impairment of some kind.

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