



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF RISK MANAGEMENT

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GOVERNOR

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COMMISSIONER OF ADMINISTRATION

October 21, 1998

INSURANCE INFORMATION NOTICE NO. 99-6

**SUBJECT: EFFECTS OF ACT 1476 OF 1997 REGULAR SESSION OF LOUISIANA LEGISLATURE
LOSSES INVOLVING UNINSURED AUTOMOBILES**

Effective September 6, 1998, due to the Supreme Court ruling it constitutional, the "No Pay, No Play" Compulsory Motor Vehicle Liability Security Act was implemented. Basically, the law provides that if a motor vehicle operator does **not** have the basic compulsory liability insurance on the vehicle which he is driving, then the law states that there shall be no recovery for the first \$10,000 of bodily injury and no recovery for the first \$10,000 of property damage based on any cause of action which arises out of the operation of the motor vehicle.

If a State vehicle is involved in an accident, this law can affect the outcome of the claim paid by the Office of Risk Management (ORM) on behalf of the State department, agency, board or commission. **It is important that the State agency not authorize any repairs on the other vehicle involved in an accident.**

Examples of losses involving an uninsured vehicle:

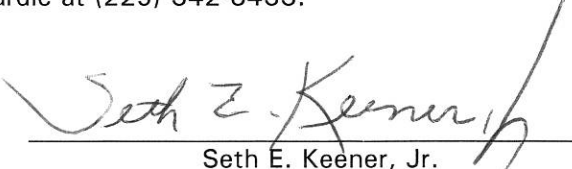
- (1) A, an insured driver, hits B, an uninsured owner, and B sustains property damages of \$20,000. By law, B cannot recover the first \$10,000. So A, or his/her insurance company, is only legally liable for \$10,000.
- (2) An uninsured vehicle hits a pothole on a State road and damages the vehicle causing \$2,000 in physical damage, and \$10,000 in medical expenses due to a broken leg and arm. The State is not legally liable for any payment in this case.
- (3) A State employee is mowing grass and a rock is flung from the lawnmower/tractor which breaks the windshield of a car passing on the nearby highway/street. Since the cost of replacing the windshield on this uninsured vehicle is less than \$10,000, the State does not owe any payment to replace the windshield.

As you can see from the above examples, this new law greatly affects the amount owed by the State when an uninsured vehicle is involved in an accident. Many exceptions and unanswered questions about the new law will ultimately have to be decided by the courts.

The intent of this insurance information notice is to make each agency aware that they **should not authorize any payments** before ORM can investigate the claim.

If you have any questions, please contact Bob McCardle at (225) 342-8433.

TA:mp


Seth E. Keener, Jr.
State Risk Director