

TRANSPORTATION AND THE ELDERLY: PROBLEMS AND PROGRESS

HEARING
BEFORE THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
NINETY-FIFTH CONGRESS
FIRST SESSION

PART 6—WASHINGTON, D.C.

The Insurance Issue

JULY 12, 1977



Printed for the use of the Special Committee on Aging

U.S. GOVERNMENT PRINTING OFFICE

95-827

WASHINGTON : 1977

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402 -

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- Part 3. Washington, D.C., February 28, 1974.
- Part 4. Washington, D.C., April 9, 1974.
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TRANSPORTATION AND THE ELDERLY: PROBLEMS AND PROGRESS

TUESDAY, JULY 12, 1977

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to call, at 9:30 a.m. in room 6226, Dirksen Senate Office Building, Hon. Frank Church, chairman, presiding.

Present: Senator Church.

Also present: William E. Oriol, staff director; David A. Affeldt, chief counsel; Philip S. Corwin, professional staff member; Margaret S. Fayé and David A. Rust, minority professional staff members; Patricia G. Oriol, chief clerk; Alison Case, assistant chief clerk; Marjorie Finney and Theresa Forster, assistant clerks; and Eugene R. Cummings, printing assistant.

OPENING STATEMENT BY SENATOR FRANK CHURCH, CHAIRMAN

Senator CHURCH. The hearing will please come to order.

Today the Senate Committee on Aging continues to look into transportation issues affecting older Americans.

Our subject today—high insurance rates and even unavailability of insurance coverage for vehicles transporting the elderly and handicapped—is of intense urgency.

We are told, in fact, that the future of such transportation programs, together with related social service programs, could be endangered by what appears to be a growing insurance crisis.

There is an irony here. Congress has recognized that adequate mobility is required if older persons are to continue lives of independence and dignity within their own homes and their own communities. At a time when everyone is talking about the high cost of institutional care, Congress has helped assure independence by authorizing transit fare discounts and by authorizing specialized transportation programs through the Older Americans Act and the Urban Mass Transportation Act.

This special transportation, usually in small vans or buses, is the lifeline to the outside world for many persons who might otherwise be isolated, whether they live in rural areas or in the heart of metropolitan areas. With transportation, the elderly can get to the doctor, go shopping, participate in group meals, visit senior centers, and in general, break patterns of loneliness and even neglect. Without transportation they stand a good chance of becoming candidates for illness which could lead to institutionalization.

INSURANCE ISSUE ENDANGERS PROGRESS

The irony is that the Congress—after recognizing mobility needs of the elderly, even in these limited and fragmented ways that we know today—is now apparently unaware that progress thus made now stands in imminent danger because of the insurance issue. But the matter has been forcefully brought to my attention by the Idaho Office on Aging and by participants at a recent State conference on aging in Idaho.

I was startled when I heard that insurance premiums for coverage have gone up in some cases by hundreds of dollars—in one case more than \$1,000—per vehicle. In some cases, insurance companies are denying coverage because drivers are 65 years or older, even though their safety records are better than those of younger drivers.

I asked for examples of similar problems outside of Idaho, and they have not been slow in coming. Here are a few dollars-and-cents examples of what has aroused my concern:

The Southwest Iowa Community Action Organization lost its policy after a single accident. They were not able to obtain new coverage until they agreed to fire every one of their drivers, all of whom were over 65.

One witness today, from Virginia, has reported that the sharp increase in insurance rates is costing his nutrition programs 2,000 meals a year.

Volunteer drivers had, until recently, been covered for supplementary personal liability under a low-cost plan offered by the Volunteer Insurance Service. But the underwriter of that program, the Hartford Insurance Co., has just withdrawn. Unless a substitute underwriter is located, all of the transportation provided by volunteers throughout the Nation may be jeopardized.

The Western Idaho Commission on Aging has had its premium raised over \$14,000 for 13 vans in a single year. Not only that, the premium will be raised for any van which goes more than 50 miles to reach isolated rural persons.

Those are a few of the grievances we have received. The National Association of State Units on Aging, individual area agencies on aging, and the U.S. Administration on Aging are providing other examples.

Today, I will ask the Administration on Aging and the Department of Transportation for suggested solutions, and I will welcome proposals from other witnesses.

I had hoped to have representatives of the insurance industry this morning, as well. But the American Insurance Association and the American Mutual Insurance Alliance declined to testify at this time; I understand they have observers in the audience. The National Association of Independent Insurers did wish to send a representative but was unable to locate one knowledgeable on our subject in time for this hearing. The Insurance Services Office, the clearinghouse for the industry, has helped the committee examine its complex vehicle rating system. It has reported that vehicles used in older person transportation programs may soon have a new status which could be good news for program sponsors, but we need more information on that subject. If necessary, we will call upon ISO and other insurance representatives at a later date.

Senator Pete V. Domenici, the ranking minority member of our committee, is unable to be with us today. He has, however, submitted a statement, which I will now insert into the record.

[The statement of Senator Domenici follows:]

STATEMENT OF SENATOR PETE V. DOMENICI

Mr. Chairman, I have just a short statement. I am appalled at the information which has recently come to our attention as to the increase in insurance costs for vehicles which serve the elderly. I am also dismayed at the apparent evidence of age discrimination in the practices of certain insurance companies.

We know that older Americans are severely hampered in getting to and from places to which they need to travel. In many rural areas there is no public transportation at all. This has led to the development of alternative services provided by titles III and VII of the Older Americans Act. Furthermore, much-needed help is given by RSVP volunteers. Many volunteers will be forced to drop out of the program if these insurance problems are not promptly resolved.

We also know that transportation is given by social workers in public and private agencies, sometimes by public health nurses. It would be interesting to know how many agencies in large cities and in rural areas provide some kind of transportation for the elderly. What are the regulations required by each agency for use of the van or bus? Is there a means test? An age test? A handicapped test? A family with many problems would have to travel in separate buses to the proper place for care.

It seems to me that coordination for our various specialized transportation systems would make it possible for insurance coverage on a group basis. We seem to have the same problems in transportation, of fragmentation and restrictive regulations, as we do with delivery of home care services. I sincerely hope that today's witnesses can give us some ideas as to how we can solve this problem of insurance.

Senator CHURCH. And now our first witnesses, who will constitute a panel of service providers who are struggling day in and day out with high cost of insurance. The panel consists of Bessie Lotze who is the director of region II, North Central Idaho Area Agency on Aging, located in Lewiston, Idaho; Wallace Clair, the executive director of the Central Virginia Commission on Aging, located in Lynchburg, Va.; Magan Pathik, who is the director of the Prince Georges County Area Agency on Aging, located in Capitol Heights, Md.; and finally Jane Kennedy, the director of the Southern Mississippi Area Agency on Aging, located at Gulfport, Miss.

Now I would invite those panelists to come forward to the witness table. While you are doing that, let me explain that owing to circumstances outside my control, I am floor manager for legislation that is now pending in the Senate, and at 10 o'clock it will be necessary for me to go to the floor. However, we anticipate that other members of the committee will be attending the hearings throughout the morning, and if at any time it happens that no Senator is present, then I will ask members of the staff to continue the questioning so that our record can be complete.

Now with that I think we might begin with Bessie Lotze.

**STATEMENT OF BESSIE LOTZE, R.N., LEWISTON, IDAHO, DIRECTOR,
AREA II, NORTH CENTRAL IDAHO AREA AGENCY ON AGING**

Ms. LOTZE. Thank you, Senator Church.

Senator CHURCH. We are happy to welcome you here to the committee this morning.

Ms. LOTZE. As a representative of the State office on aging, the area agencies on aging, and the senior citizens of Idaho, I would like to express my appreciation to you, Senator Church, and to the Committee on Aging for your efforts on behalf of the elderly.

I would like to speak first about the transportation program in north central Idaho. The area covers five counties and 13,452 square miles. There is no public transportation, only two taxi services, limited Greyhound service on the major highways, which necessitates staying overnight, and one local senior citizen transportation program.

Our transportation program consists of three parts—schoolbuses, minivans, and volunteer transportation—but the basis of the system, providing contact with the largest number of small towns, is the use of schoolbuses. We feel this is also a good example of the utilization of existing resources in providing service.

At present, we have contracts with five school districts and between these three systems we cover approximately 50 percent of our area.

SUCCESS WITH SCHOOLBUSES

Senator CHURCH. May I just say that over and over again I have tried to stress the utility of schoolbuses. If we take them, they belong to all of the people really, and should be put to the service of the people. Most of those schoolbuses just sit idle during parts of the day when they are unneeded for transporting students, and no one else gets any benefit from them. I am delighted to know that you have been able to tap that resource in setting up your own transportation facility.

Ms. LOTZE. As near as I know, we are one of the very few areas who are using schoolbuses to this extent. Our longest route, believe it or not, for senior citizens, covers 225 miles round trip. It takes 11½ hours and travels through four counties over secondary roads—uphill, downhill, around about—in order to reach the senior citizens of the area.

A lot of planning went into this program in order to make it happen. There were meetings with school boards, with superintendents, with senior citizens. We did surveys, researched the problem, instituted letter writing campaigns, and legislation had to come about because our main obstacle was a State schoolbus law that restricted the use of schoolbuses to within a county. In order to be able to cross county lines, which you can see was important, we did have to get an amendment to that schoolbus law, and we achieved that in 1976. The senior citizens were marvelous and were very helpful in achieving this purpose.

There has been a lot said about the use of schoolbuses. Many studies have been made. In our area the need was great and we have not had any complaints on access or comfort. In 1976, we transported, by schoolbus, 1,386 persons 8,556 miles, and so far this year, 617 people 3,863 miles.

Where the insurance companies allowed a rider on the policy to cover the elderly, the insurance was no problem and the cost was very

small. Most districts even absorbed this additional cost. One district didn't have this type of insurance and we had to purchase coverage, and the 1975 cost for that one schoolbus was \$479. In 1976, the proposed cost was \$1,012, so we looked for a second bid and the second bid was \$878.

This was only one trip a month that we were insuring. So we can understand that as the costs for insurance increases, the school districts will also be looking for reasonable rates. We are faced with the possibility of insuring all five of the schoolbuses if we are going to maintain our transportation under that method.

By the time we received these last bids we had four minibuses operating in the outlying areas in addition to the schoolbuses, so we decided to ask for bids from seven agencies, and we received only one answer. Up until this time, the cost for the minivans had been \$479 and had been quoted at \$819 for the following year, but the bid that we received was \$306 for each minivan and \$29 for the schoolbus, based on the prorated cost of one trip per month. So you can see we were in a unique position. Our costs were lower for 1976 and 1977 than at any time they had been since we started. The unique thing about this is that we were the first ones to receive the indication of the high increase and now have one of the best rates in the State, but we anticipate that this will increase when we renew our insurance.

We understand that the reason for this is that occasionally an agent who has been writing some good insurance and who has had a good record is given the privilege of writing a high risk policy at a lower cost. This courtesy was not extended to the local senior citizens operating the system in Lewiston and their cost jumped from \$1,028 in 1975-76 to \$6,445 in 1977-78.

Senator CHURCH. That is fantastic, a 600-percent increase in 1 year.

Ms. LOTZE. In 2 years.

Senator CHURCH. In 2 years.

Ms. LOTZE. The aging network in Idaho had, as we said, first felt this indication in 1975 and at that time the Director of the Office on Aging did make contact with Senator Church and with Commissioner Flemming, and in working with it's sister States, did try to come up with some alternatives, but these were only band-aid measures and meant putting many of our vehicles under the auspices of city and county officials. We knew that this was not going to suffice and at the present time we have finally seen the realization of those expected costs.

Just briefly, in area 1, for instance, their vehicles have gone up from \$550 to \$1,100, one of the areas you addressed in your opening remarks were asking \$18,000 for 13 vehicles this year.

I have submitted the rest of the material¹ to you, so I won't go into the figures, but they are all increasing.

Some transportation systems are idling buses which limits needed services. But for the rural areas in Idaho this is a special problem and much more serious. As the buses are so scattered, sometimes one to a county or one to several counties, cutting out one bus deprives the whole area of transportation.

¹ See appendix 2, item 2, p. 450.

INSURANCE FOR VOLUNTEER DRIVERS

Another area of concern is the accident insurance for volunteer drivers. You mentioned this in your opening remarks, so I won't go into that further. We just received a notice that the Hartford Co. had canceled the excess liability for our volunteer drivers. One of the reasons most often given for the high cost of insurance is that the elderly are more easily injured, slower to heal, and, especially the lower income, quicker to sue. I keep asking for statistics to support this claim, and as yet I have been unable to find any.

Another question that I have as I have looked over the figures from throughout the State is the inconsistency in the increases. In one area, for instance, there will be in one town a \$100 increase, and in another town in the same area, a \$300 increase. I don't understand the inconsistencies of the rating system.

I would also like to mention that while this is not the subject for today, we are facing the same problem when it comes to insurance liability, insurance for senior centers and nutrition programs. We have one small center in Pierce, Idaho, where a few older people were afraid they were going to have to close their center this year because they could not meet the liability insurance. Our nutrition sites are increasing tremendously and if this continues we are going to have to discontinue some of our sites. We feel that if we are to continue providing priority services, something must be done to prevent the spiraling insurance costs that will make it impossible for us to continue.

Thank you.

Senator CHURCH. As you point out, transportation is absolutely vital to these programs for the elderly in the rural areas; otherwise, there is no way for people to get to senior citizen centers or to get into the city for doctor calls or shopping or whatever they need to do. We have no proper transportation that can meet the need and unless we can maintain this special transportation arrangement all the other programs are likely to simply collapse.

Ms. LOTZE. They certainly will in our area because we have a tremendous problem in our rural areas and about 50 percent of our best participants now are using it primarily for medical service, medical problems.

Senator CHURCH. Yes, I would think that medical services would rank very high.

What reason is given for such staggering increases in the premiums? Have you had a high accident rate in connection with your program?

Ms. LOTZE. I am sorry, we didn't mention this. In the State of Idaho there has not been a claim for any injury.

Senator CHURCH. In the entire State?

Ms. LOTZE. In the entire State. There have been a few claims for vandalism, drivers backing into an obstacle, but absolutely no claims for any injuries.

Senator CHURCH. No serious accident of any kind that would have entailed a large payout?

Ms. LOTZE. Absolutely not. This is one of the reasons we find it difficult to understand.

Senator CHURCH. Let's move along and hear from some of our other panelists on the problems in this field encountered in other States.

Our second panelist is Wallace Clair.

**STATEMENT OF WALLACE CLAIR, LYNCHBURG, VA., EXECUTIVE
DIRECTOR, CENTRAL VIRGINIA COMMISSION ON AGING**

Mr. CLAIR. Thank you, Senator Church. Our problems are the same.

I say to the chairman of the Special Committee on Aging that I very much appreciate your allowing me time to read a short prepared statement and then provide an opportunity for questions in reference to insurance problems relative to area agencies on aging in the State of Virginia.

I wish to call attention to minibus insurance—12 to 15 passengers—as related to nutrition programs, title VII of the Older Americans Act; recreation transportation for the frail elderly and handicapped; discrimination against senior drivers; and transportation of frail elderly to nutrition and senior centers.

As to volunteer insurance, on our Dial-a-Ride program the last 6 months, we traveled some 30,000 miles and carried over 1,200 persons to hospitals, dentists, and in some cases—in the city of Lynchburg we do not have cobalt treatment—we took them to Charlottesville 65 miles away. The Meals-on-Wheels and the elderly homebound visitation is all volunteer personnel.

Under rural and urban transportation are chore service, doctors and dentists appointments, clinical appointments, and so forth.

During 1976-77, our insurance coverage cost us \$2,130 for public liability and property damage on our minibuses. These buses carry 12 to 15 passengers. For 1978, for no apparent reason, the insurance coverage for the same public liability and property damage on the same number of vehicles increased to \$4,365, an increase of \$2,235.

Senator CHURCH. More than double.

Mr. CLAIR. That is correct. To date, not one claim for damages of any kind has been submitted for consideration and no real reason given for the increased cost. I will allude to that a little bit later.

COMPANIES REFUSE PRICE QUOTATIONS

This area agency on aging, at the inception of their programs, has and had requested several insurance companies to submit insurance quotations on our vehicles. In all cases but one they refused to quote us rates even though we agreed to place all our other insurance with them. Their usual comment is, "Elderly are high risk and we do not wish to quote." This in my mind, gentlemen, is a disgrace. This is a disaster.

The additional cost of our minibus insurance of \$2,235 for this fiscal year eliminates approximately 2,000 nutrition meals for the elderly that are now participating in our nutrition program. The elderly that are denied this service are also denied all the other services that are provided at the nutrition centers, which are nutrition education, socialization, and various other programs.

The insurance coverage that we now have does not allow us to use seniors over 65 even though they have a chauffeurs license, have had a medical, and screened through the State department of motor vehicles.

Senator CHURCH. So you can't use any older driver?

Mr. CLAIR. No, sir. I allude to some other area agencies in Virginia here. I did have sufficient time to contact about 40 percent of our other area agencies and I do have some backup information that I presented to the committee for future reference.¹

Senator CHURCH. Well, what I would understand is even if this assumption, which I don't believe can be backed up with accident data that would prove it, but this assumption that older drivers are higher risks does not apply in the situation or could not apply in the situation where you are not permitted to use drivers over 65 and even then your premiums double. What sense does that make?

Mr. CLAIR. Well, for every dollar more that it does cost us in insurance it deprives the rest of the program of its initial intent; that is, to help people to help people.

They had their insurance canceled for their project here although they were accident free and had not filed one claim. The reason that the insurance company gave was that they were fully free since the beginning of the program but that it was time for an accident. That is documented.

Senator CHURCH. They had run out their string.

Mr. CLAIR. The general tone was one of not wanting to insure persons over 60 since they were thought to be higher risk. I wonder how they got to be 60.

Senator CHURCH. Good point.

Mr. CLAIR. Another agency on the east coast in Newport News has been on assigned risk—again totally accident free since their programs were started.

Another area agency in the State at Martinsville indicated to me yesterday that the dial-a-ride program for the elderly is being held up for the next 2 months because of the inability of the agency to get insurance for the 50 volunteers that are standing by and willing and able to perform their duties. These are people that are 55 and older and are willing to do something, but they can't because of a lack of insurance.

DISCRIMINATION EVIDENT

There are 22 area agencies in the State of Virginia, most of which have experienced great difficulty in obtaining insurance for vehicles as well as for volunteers. The reason given over and over again is that "old people are too much of a risk to insure." It is obvious to me, gentlemen, that older people are being discriminated against and that our programs are put in a very precarious position due to age bias. I feel that if the Congress and the Senate authorize operating aging programs, then they must assure that insurance companies will offer the necessary insurance coverage required and at a price that is not prohibitive.

The only other alternative to insurance company participants that I can suggest at this time is that the Federal Government provide the coverages required on all the mandated programs as outlined in the Older Americans Act as amended in 1975.

¹ See appendix 3, p. 460.

In conclusion, Mr. Chairman and gentlemen, I thank you for the opportunity to present our views on this most important issue concerning the elderly. I will be pleased to assist your committee in whatever way I can in future deliberations.

Thank you.

Senator CHURCH. Thank you very much for your testimony.

I think it might be well to present the printed record of this hearing, once all of the testimony is in, to the various insurance commissioners throughout the country. It seems to me that insurance companies must be required to base their rates upon actual experience and only where that experience demonstrates a higher risk should they be permitted to raise rates. But to do so on the basis of the capricious assumption that older people represent higher risk, when it is not borne out by facts, it seems to me that is intolerable. That is one avenue I think we should explore.

Mr. CLAIR. Another point—

Senator CHURCH. That bell signals the commencement of the session and I am going to have to go to the floor of the Senate. I am sorry but there is nothing I can do about that. I hope that other Senators will be in attendance as the morning progresses but I am going to ask our staff here to proceed with the hearing because I want a very complete written record on which we can base our further inquiry and see if we cannot find some solution to this problem. All at once it has become very acute, so with my apologies.

Mr. CORWIN (presiding). My name is Philip Corwin and I am on the committee staff. To my right is William Oriol, the committee staff director.

Our next witness will be Magan Pathik.

STATEMENT OF MAGAN PATHIK, CAPITOL HEIGHTS, MD., DIRECTOR, PRINCE GEORGES COUNTY, MD., AREA AGENCY ON AGING

Mr. PATHIK. With 60,000 seniors, Prince Georges County has one of the largest transportation programs in the country. So far, we are very fortunate that we have not made any claims. The county has provided the insurance for the program, which is funded by the county. However, at present we are paying \$1,400 for one minivEHICLE—16-passenger—transportation program funded under UMTA, which cannot be operated by the county.

Mr. ORIOL. Excuse me. Is that the present rate, \$1,400 for one 16-passenger van?

Mr. PATHIK. Yes; that is the annual rate.

Mr. ORIOL. Is that an increase over last year or is that what you have been paying?

Mr. PATHIK. No; it is not an increase. In essence, I am saying that to find an economically feasible and desired coverage is just a matter of luck. You have to do so much searching to find anything.

The other difficulty we are faced with has to do with the coverage; we really don't have the necessary national requirements—policy—for the coverage. Presently, they are too small and too limited. Some of the coverage is so little that if we had an accident in a bus carrying 36 passengers we may be able to cover only 10 persons in the bus.

I am saying that the general insurance for \$1 million for a van carrying 36 passengers provides \$100,000 coverage for each passenger, but the maximum total limit is \$300,000 for all passengers. If we have 36 passengers involved in an accident, we have a serious problem.

The other area that concerns us relates to the use of volunteers. We are not sure about the definitions of volunteers and insurance companies. If it is using the vehicle for seniors more than 3 days a week, it constitutes, in many instances, business use, which would require a higher premium.

SMALL CLAIM RAISES RATE 16 PERCENT

We had one small incident where we had to claim reimbursement which was very small and dealt only with the vehicle. The rate went up 16 percent.

We are not sure what is being covered. You only know what is covered or what is not covered when you make a claim.

The cost of providing insurance—\$1,400—by nonprofit or small agencies without any subsidies is a serious problem and thus we recommend that either the Federal Government or State provide operating subsidies to cover the cost, if not for all transportation, at least those funded under Federal programs such as UMTA.

We also feel that there should be minimum requirements for coverage for each passenger. There is so much variation and uncertainty that we need a national policy for minimum requirements. Many of the jurisdictions provide very minimum coverage. Obviously the \$300,000 maximum is not sufficient.

I think there is enough documentation of all these problems since 1960. The White House conferences and the Senate committees have had sufficient documentation and evidence on this issue. Not only auto liability insurance, but health, housing, and all other insurances. We find it is a problem in general. We have a large program, but we cannot implement those programs without taking a great deal of risk, and we are taking a great deal of risk when running programs without proper insurance coverage.

Thank you very much.

Mr. ORIOL. I have some questions.

Mr. Pathik, all of the vans you mentioned, are their operating expenses paid through title III of the Older Americans Act or do you have 16(b)(2) funds from the Department of Transportation?

Mr. PATHIK. We have three sources of funding for paying the operating costs. One, of course, is the county government itself. Others are the RSVP/nutrition projects, the CDBG—block grant—and private.

Mr. ORIOL. How much does the county pay?

Mr. PATHIK. The county government provides us approximately \$190,000. We also use CETA and title IX senior aides for drivers.

Mr. ORIOL. How many vans do you have?

Mr. PATHIK. Under the county program we have 17. We have six UMTA-funded transportation vehicles, all of which are 16-passenger vehicles.

Mr. ORIOL. So you have 17 vehicles on which you are paying \$1,400 each?

Mr. PATHIK. No, we are paying \$1,400 for UMTA vehicles.

Mr. ORIOL. Where does that \$1,400 for six vehicles come from? What fund does that come from?

Mr. PATHIK. We have used private fundings, donations, the town corporations, and the county grants for the program.

Mr. ORIOL. People may think here is Prince Georges County just very close to Washington, D.C., and it is probably all suburban but I believe Prince Georges was one of the first transportation programs—anyhow it was a pioneer in the field. What are some of the special needs that you have in Prince Georges and how much distance do you cover?

ADDITIONAL TRANSPORTATION NEEDED

Mr. PATHIK. It is about 460 square miles. To go to the hospital from the southern section is about 67 miles round trip. Our main transportation service is taking seniors to group activities, recreation programs, nutrition sites, and a very large amount of transportation is required to fulfill this need. We are also very short of transportation for taking individuals to doctors, hospitals, clinics, and social service agencies.

Mr. ORIOL. About how much of the travel is for medical purposes?

Mr. PATHIK. I really can't say what percentage is for medical purposes because I don't have sufficient records with me. However, we have, on average, some 300 seniors who are provided with individualized transportation every month on a steady basis. The requirement is much higher.

Mr. ORIOL. How do you know that it is much higher?

Mr. PATHIK. Seniors have to call 3 days in advance to make a reservation and all the calls received at different stations in the county are recorded. I don't have the actual number but we have a tally of the people who have requested transportation.

Mr. ORIOL. Do you have any estimate about how many older people in your service area do not drive automobiles?

Mr. PATHIK. Sixty percent do not drive. Forty percent use friends and relatives, or drive their own car.

Mr. ORIOL. Forty percent depend on friends or relatives.

Mr. PATHIK. No, that includes those who drive as well. There are 16 point some percent, I don't remember the exact number, that have their own transportation.

Mr. ORIOL. Your area was pretty much designed for automobile travel; it is the suburbs and has supermarkets and even drive-in doctors' offices and so forth.

Mr. PATHIK. Yes. However, we need more than one type of transportation. Transportation is not only to take people to doctors and medical clinics, it is also to provide an opportunity for socializing. It is very difficult to find a parking place at an institution site for all the members who participate. The idea of picking up seniors in a vehicle has much more meaning than just providing them transportation. The Metro System has not yet given us sufficient support—the kind of transportation we need.

Mr. ORIOL. Will Metro make a big difference for the older people in your area?

Mr. PATHIK. No, sir.

Mr. ORIOL. Why not?

Mr. PATHIK. First of all, the fare seniors have to pay, and then they must walk at least 4, 5, 6 blocks to get to the Metro, and the only place it takes them is downtown. Most of the activities are not downtown, they are in the suburbs or the rural areas of the county where we don't have Metro or the public bus.

Mr. ORIOL. Do you know of any cases where people have actually had a worsening of a physical ailment because of lack of transportation?

Mr. PATHIK. Repeat that.

Mr. ORIOL. Has someone who is ill become more ill simply because they were isolated and could not get to a physician or other form of help?

“SENIORS ARE RESPONDING”

Mr. PATHIK. We can provide you tons of data on that. For example, our whole rural section represents a very small part, but it has 1,600 senior citizens. We have done some studies on health problems. The percentage of people who have visited doctors and dentists for a general checkup is small, but the majority of people have health problems. Many of them have simple problems like pains and aches that cannot be included. Major health problems. We have studies by this committee, and we can provide more data and statistics. A timely care can be made available if we could provide needed transportation. Seniors are responding to health clinics, day service/care center and service-related transportation.

Mr. ORIOL. A day service center.

Mr. PATHIK. Yes.

Mr. ORIOL. About how many people are attending now?

Mr. PATHIK. We have opened two centers with a capacity of 50 and we have requests from 300.

Mr. ORIOL. Is it mainly health care you give, or is it more social, or both?

Mr. PATHIK. It is a combination. We are not meeting the need, due to the lack of program funds, but mainly because of lack of transportation.

Mr. ORIOL. Any one of those 300 people are candidates for an institution unless they have this kind of attention?

Mr. PATHIK. That is right. We have at this time 1,500 people and more waiting for nursing homes. If we had appropriate transportation, we could take care of at least 40 percent of the people.

Mr. ORIOL. Just one final question. I believe you said that private donations or private sources pay this \$1,400 premium.

Mr. PATHIK. Part of it.

Mr. ORIOL. Part of it. How long will your program be endangered by this kind of premium or can you continue to cover it?

Mr. PATHIK. I think we can cover the cost. We can find the sources of money. However, \$1,400 is an extremely high amount to pay for the service.

Mr. ORIOL. You think it is much too high?

Mr. PATHIK. We are almost like a beggar. We go around the county officials and the cities and ask for money to pay for simple services.

Mr. ORIOL. Thank you very much.

Mr. CORWIN. Mr. Pathik, two questions before I introduce Peg Fayé of the minority staff.

Mr. Pathik, your average cost for a vehicle is running \$1,400 a year liability.

Mr. PATHIK. Yes.

Mr. CORWIN. Do you feel that you are getting adequate coverage in case you should have a major accident?

Mr. PATHIK. That is one of the questions I have. I really don't know what is really provided in the coverage. What it says on the document is not what is provided. You have to spend money to have a lawyer to find out.

Mr. CORWIN. Have you made any attempt to convey this information to your State insurance commissioner and have you gotten any response?

Mr. PATHIK. The State office on aging has had a number of meetings with some major insurance companies. We didn't know the results. We are asking the insurance company to provide some better coverage at cheaper cost.

Mr. CORWIN. Peg, do you have any questions?

Mrs. FAYÉ. Not right now.

Mr. CORWIN. Our next witness then will be Mrs. Jane Kennedy.

STATEMENT OF JANE KENNEDY, GULFPORT, MISS., DEPUTY DIRECTOR, SOUTHERN MISSISSIPPI AREA AGENCY ON AGING

Mrs. KENNEDY. Thank you, Philip. May I please express my appreciation for the opportunity to be in attendance before the committee today.

I would also like to add that here with me is the State director of our State office on aging, Mr. Norman Harris. Although he is not presenting testimony as a witness, he has indicated to me that the problems I have to relate are very similar across the State of Mississippi.

Within the designated Southern Mississippi Area Agency on Aging, a planning and service area which encompasses 15 counties and more than 69,000 elderly residents, the most highly identified need has emerged as that of transportation. There are two public transit systems available in the three major cities where less than one-third of the total elderly population resides. The services of cab companies are existent in less than one-half of the remaining 31 municipalities.

Based on the existing need, a system for the provision of escort services has been developed utilizing privately owned vehicles. These vehicles are owned and operated by manpower recruited from various resources, including titles IX and X and CETA title VI. Therefore, the majority are employees 55 years of age and older. Many are over 65 years old.

Included among the recipients of escort services are more than 400 day care and multipurpose center clients. A high percentage of these are moderately frail, have limited physical mobility, and are unable to ride buses. In addition, 13 section 16(b)(2) vehicles and 4 title III vehicles, which will be replaced by 4 section 16(b)(2) vehicles expected to arrive in August 1977. The title III vehicles have been utilized for more than 130,000 miles.

One title VI vehicle provides transportation services to and from the 5 day care and multipurpose centers and 27 congregate nutrition sites where 1,400 meals are served daily. All of this is in addition to the scheduled bus point deviation routes.

Liability insurance coverage in the amount of \$25,000 property damage, \$100,000 bodily injury, and \$300,000 per accident, is purchasable at \$550 per vehicle annual fleet cost. A fleet, by this particular insurer, is termed five vehicles or more. Based on the safe driver record of these 18 drivers, all of whom are over 55 years of age, annual cost per vehicle was reduced from \$600 to \$550 per vehicle. A State statute requires these drivers to hold a commercial license at an annual cost of \$9. The test includes a 48-question written examination as well as a road test.

FLEET DECLARED UNINSURABLE

The major problem lies in the fact that our insurance company has now declared the private vehicles uninsurable by the area agency and can only be insured by the individual owner at the prohibitive personal cost of a class B classification, which is the same as that necessary for taxicabs.

When contacted, more than 20 insurers have refused these older drivers the privilege of obtaining a class B insurance classification, terming them in the high-risk category. These same insurers refused to bid on the fleet policy. As a result, escort transportation services are being denied hundreds of older persons, contributing to their further isolation and inability to maintain self-sufficiency.

I would like to share with you a letter from an older American addressed to the Governor of the State of Tennessee:

Please help me. I am a prisoner. My surroundings are clean and neat and orderly, for I am a prisoner of my own home.

My children are grown and live far from this small town where they were raised. The grocery store is only three blocks away, but I am 77 years old and my legs won't carry me there and back again. Each day I see people pass by and sometimes they wave. Other times they seem too busy.

I know there is work to be done and I could help. There are small hands that would fit in mine—babies that need holding and faces I could touch with my eyes.

Instead, I sit on my porch and watch the darkness come and the lights go on in your world. I'm not in a hurry because when I get up, I will only go back inside.

I feel the answer to her letter lies here in this committee, which is our prime source of advocacy for all older Americans. Her letter was written 3 years ago. Are we too late?

Mr. ORIOL. That kind of message we always want to hear and I am glad you read it.

Mr. CORWIN. Mrs. Kennedy, I believe you said you had also been in touch with your State insurance commissioner.

Mrs. KENNEDY. Realizing that the emergence of our particular problem with our insurance company is very recent, it has been related to our State director and he has indicated the possibility of this kind of channel for further communication.

Mr. CORWIN. But he has been made aware of other problems.

Mrs. KENNEDY. Right.

Mr. CORWIN. I think what we have here is a situation where a Government program is enabling people to be neighborly, in a sense, to

help others in their community who need that help, and these restrictions which are coming down from the insurance company are preventing that. Do you agree with that?

Mrs. KENNEDY. I would agree, yes.

Mr. ORIOL. I am not quite sure I understand the situation as far as the drivers are concerned. Now these 18 drivers you mentioned, do they drive the 16(b) (2) vehicles?

Mrs. KENNEDY. Yes; they do.

Mr. ORIOL. And one title VII vehicle?

Mrs. KENNEDY. Right.

Mr. ORIOL. Are there also some drivers involved in using their own private automobiles to provide escort services?

MORE DRIVERS SOUGHT

Mrs. KENNEDY. Right, realizing that 16(b) (2) vehicles are not available in those rural counties. The majority of those counties are rural. We have 34 municipalities and less than one-half of those have even cab companies. The 16(b) (2) is not the answer right now to those particular problems, as you know, in those kinds of geographical areas. The only alternative was to see a local system utilizing private vehicles and finding manpower in whatever direction we could to operate their own vehicles in order to provide any kind of transportation. Now our insurance company is saying they cannot insure those vehicles except as a class B classification, which is the same as that required for taxicabs.

Mr. ORIOL. As a result of this you say that escort transportation services—the use of private vehicles—is now suspended?

Mrs. KENNEDY. Well, we are doing it anyway, Bill. There is no other answer right now. All of these drivers carry their own personal liability, but our greatest fear—and this only occurred 10 days ago—the insurance company has made us aware that they no longer consider them covered under the area agency policy so there is no alternative at this point except to encourage those people to continue to utilize their private automobiles based on the fact that they carry limited liability coverage.

Mr. ORIOL. So, they are taking a personal risk.

Mrs. KENNEDY. Yes.

Mr. ORIOL. Why are they willing to do this? What is their spirit about it?

Mrs. KENNEDY. Well, their spirit is that they need us, the need is so desperate. These are the lucky few older people who have transportation through utilization of their own vehicles so they are just not willing to give that up. I will say, however, that paid staff in the day care centers were faced with the same situation. The insurance company will no longer cover private vehicles owned by staff members; they are rather reluctant to do this. They are confined to the center and working with people that are clientele of the center and have not been able to encourage them to continue under those particular auspices.

Mr. ORIOL. Now, you say that without the escort transportation service hundreds of older people, their isolation is further intensified, their inability to maintain self-sufficiency. Could you give us some examples of the type of situation that you are referring to?

Mrs. KENNEDY. In many of those little counties, Bill, there are no health facilities; they have to be transported to surrounding areas to even obtain limited health care. Some of the counties have only one physician in that area and there are no specialists, there are no dentists, there are no clinics available to these people so the primary function of escort service is to get these people health care aside from shopping assistance and the kinds of things they need to simply maintain themselves in an independent home environment. Many of them are terminal disease patients who have to be taken for cobalt treatment several times a week; in many instances that is a 100-mile round trip for these people—there and back—and the same for eye clinics and this type of medical service.

Mr. ORIOL. You have some good-sized cities in your area, too.

Mrs. KENNEDY. We have three major cities and all three of those cities are served by public transportation systems.

Mr. ORIOL. Adequately?

PUBLIC TRANSPORTATION INADEQUATE

Mrs. KENNEDY. Well, it is not a point deviation system; it is not a door-to-door system. It travels the main arteries of those three cities, so therefore it is not accessible to older people. Other than that, only about one-third of the elderly reside in those three major cities, so it is not reaching the people who have the greatest need.

Mr. ORIOL. I see. Thank you.

Mrs. KENNEDY. Thank you.

Mr. CORWIN. Thank you.

Peg, do you have any questions?

Mrs. FAYÉ. In cases where the vehicles are being driven by persons paid by the project funds, usually under the umbrella of the government, whether it might be the county or the State, could there not be a blanket governmental policy, and doesn't the State provide that?

Mrs. KENNEDY. Yes, that is a very good possibility. It would require a State statute, some Mississippi legislative act, to acquire that kind of coverage for these people.

Mrs. FAYÉ. But it would be a possibility.

Mrs. KENNEDY. Yes.

Mrs. FAYÉ. I don't quite know how volunteers would fit into this unless they were given a nominal sum as wages; but if they were, then they would come under the county or the State. In my home State, I know that was the situation, and they were covered. I hope that this can be looked into as one solution.

Thank you.

Mr. CORWIN. I have one last question. I was wondering, in your contact with some of the older people, have any of them indicated to you that they no longer drive their own automobiles because they feel they encountered age discrimination in terms of getting their own personal automobile insurance?

Mrs. KENNEDY. Yes, I have seen that happen many times, particularly under the title IX senior aid program where they are encouraged to acquire excess liability above the normal amount carried. In many instances when they apply for this even though it is subsidized by the Federal grant at no cost to them, it is just unpurchasable. Many

times they refuse to allow them that additional coverage and sometimes they come back and drop that policy upon its expiration date.

Mr. CORWIN. So, in fact, we have a situation where part of the reason older people need these special services is because they cannot afford to own their own cars because of the insurance costs.

Mrs. KENNEDY. Well, 85 percent of our total elderly population in the State are below the poverty level, so it is very difficult to afford private transportation.

Mr. CORWIN. I see. Thank you very much, Mrs. Kennedy.

Mrs. KENNEDY. Thank you.

Mr. CORWIN. Ms. Lotze.

50-MILE LIMIT CRITICIZED

Ms. LOTZE. I would just like to make one comment on the problem of distance in our area. If we had to limit our transportation to 50 miles, we have only three routes of our minibuses that could operate because all of our areas have to go farther than that and the new trend to limit insurance to that particular distance.

Mr. CORWIN. I know that in some Western States 50 miles may not even be the distance between the two closest towns.

Mr. ORIOL. Ms. Lotze, on the senior citizens transportation service in Lewiston which has had an increase from \$1,000 to more than \$6,000 for premiums for their vehicles within 1 year:—

Ms. LOTZE. Within 2 years.

Mr. ORIOL. Within 2 years. Can they meet that premium increase and, if not, what happens?

Ms. LOTZE. They are having a great deal of difficulty and are doing a lot of planning. One thing that is going to happen immediately is to idle one vehicle.

Mr. ORIOL. One vehicle is no longer in use?

Ms. LOTZE. Will no longer be in use. At this point if they cannot raise some local funding to help, it may be more. They are having a very definite problem because of a limited budget which simply does not allow for it.

Mr. ORIOL. Now, I know that in Idaho some people say that the real answer lies in no-fault insurance at the State level, reform of the tort laws, and so forth, but they acknowledge that will take some years. In the meantime you are attempting to get some sort of group action involving not only senior transportation service but even taxi services, bus companies, small bus companies, and so forth, in the State; is that right. If that is right, how is it coming along?

Ms. LOTZE. Yes. We just filled out a survey that had been sent out by the department of transportation and that information is now going back into the State department. Once they receive it, then we will go ahead to the next step and see if we can come up with some sort of a State insurance policy. The information they were gathering was on the number of vehicles, the kinds of claims, how many claims—this kind of information. I am afraid that in Idaho no-fault insurance is still a ways ahead of us. No-fault is not moving very fact in the State of Idaho so I don't know that that is going to be an answer; we are working on some sort of State insurance plan, but we are just beginning.

Mr. ORIOL. One of the reasons you are gathering information that can be used for underwriting purposes I think is to demonstrate a very low accident rate, a very low claim rate in your transportation services for older people throughout the State, as I understand it.

Ms. LOTZE. That is right, to try to come up with some of the facts that we have been asking for and have not been able to receive from any of the companies. The preliminary surveys have shown very good service without any claims and they are asking for the surveys from youth programs, Head Start, and commercial transportation companies. As a matter of fact, one of the buses that did give once a day service in our area did go out of business because of the insurance problem.

Mr. ORIOL. You described some of the purposes of small specialized transportation services. Head Start, RSVP in many States, has its own. What are some of the other very specialized small transportation services that you are aware of?

BUSES STAND IDLE

Ms. LOTZE. Girls' programs, boys' programs, handicapped programs. For instance, in our particular area the boys' club has a bus and they have insurance on it. The girls' club cannot borrow that bus and use it, even though it is standing idle, because the insurance carrier won't cover it for any other participants except that particular group. So for all of the people, the opportunity is limited. The handicapped people are also having problems. The Head Start bus this year nearly tripled over last year in insurance rates. So all of them are having difficulty.

Mr. ORIOL. So insurance could become the key to help encourage greater coordination among all these specialized services.

Ms. LOTZE. That has been our feeling, and we did a study in the interagency council 2 years ago that indicated if it were possible to have some plan where all of these agencies could come in together, there could be a sharing of the equipment and it could certainly be used to meet the needs of the people because we really are limited in our area without any public transportation, without any assistance in any way, except the vehicles that are owned by the various agencies.

Mr. ORIOL. Are other members of the panel concerned about this question?

Mr. CLAIR. Thank you, Mr. Oriol.

We have had a similar problem in our insurance company. They would not allow us to use our vehicles, for instance, for a CAP agency—a community action agency—unless we had one of our drivers working that vehicle. Even though they had a vehicle that was broken down and they had a chauffeur and in many cases could not afford to pay a driver and pay for the gas and oil for another vehicle, we were not allowed to use our vehicles for that program unless one of our drivers was on board. So in many cases they just could not afford to use our vehicles. The alcoholic section is one; the CAP agency is another. I could go on and on with all the agencies that we have in our area.

Our vehicles work only 5 hours a day on our nutrition program and they are available from 7 to 10 in the morning and from 4 until 10 or

11 at night. So, they sit there; they do nothing. We cannot utilize these 10 \$5,000 vehicles for other purposes, really, for what they were designed for—to help people go places and do things. We hope this may change.

Our State government, the State of Virginia, does not really participate to a large extent in our aging programs. Our average from the State is approximately 7 cents per senior per year. They are not involved in transportation. We have contacted our commissioner of transportation several times. There is nothing that he can do about it. He has given us some suggestions, they are in the works. I am not so sure they are going to work.

“VOLUNTEER DRIVERS JUST QUITTING”

Our situation is similar to the situation in Idaho. The same with our volunteer drivers. We have volunteer drivers just quitting the program. A month ago we had 62 volunteer drivers on our Dial-a-Ride program. This program is specifically designed to carry people to clinics, to doctors, to dentists, to the speech and hearing programs, to the optometrist, et cetera. A month ago we had 62 drivers; we now have 18 on our Dial-a-Ride program.

As I indicated before, in the last 6 months we traveled 30,000 miles and carried 1,200 people. The next 6 months, God only knows how many people we are going to carry. We are not going to be able to get volunteers and we cannot afford it under our title III of the Older Americans Act. Under title VII it does not allow us to do this, but we have the vehicles; the people are out there and they are willing to work, providing we can get some insurance for them.

I don't blame these people for not driving their cars. These people are in most cases seniors from 55 years of age and older. They have worked hard their whole life. They do have some transportation, but if they had an accident on their insurance policy and they were sued for a half a million dollars, it would break these people and we don't want to be part of it. In addition to that, we also, as the area agency on aging, are leaving ourselves liable as an additional party to the volunteer, you might say, if there was an accident.

Mr. ORiol. Mrs. Kennedy noted that Norman Harris of the Mississippi Office of Aging is here. I wonder if you might care to talk about the perspective from the State level and whether you see any ways of coordinating or getting these transportation providers to work together or any other aspect of the transportation issues we are discussing here this morning. If you want to come forward, that will be fine.

STATEMENT OF NORMAN HARRIS, JACKSON, MISS., DIRECTOR, MISSISSIPPI OFFICE OF AGING

Mr. HARRIS. Bill, I think one of the solutions to the problem is that if we had one or two or maybe a couple other insurance companies study the loss ratios of these drivers that are driving the units that have been discussed here this morning, they would find that the loss ratio is not what they thought when they first reviewed them. The simple reason is that the drivers that we are selecting to drive these units have been selected as safe drivers, active drivers, and you will

get a completely different loss ratio at the end of 12 months when you study such ratios than you will on the basis of the way they are studied. This is one of the solutions to the problem as I see it.

Mr. ORIOL. And the problem described in Mrs. Kennedy's area, you find that similar to what is happening throughout the State of Mississippi?

Mr. HARRIS. Yes, I do. We have 10 planning development districts, as Mrs. Kennedy has in hers, and this is a general problem in Mississippi.

Mr. ORIOL. I believe you were present when this issue was discussed here and it seemed like every hand in the room went up—that this insurance problem exists, at least in the States represented.

Mr. HARRIS. Yes, Bill. It was interesting to see they had the same problem we have in Mississippi generally.

Mr. ORIOL. Miss Nell Ryan is here. She is working in cooperation with this committee to develop information for other States. We have a clear-cut impression that this is not limited to the States represented here but extends throughout the country. That is why I asked that question.

COMPANIES RELUCTANT ON LIABILITY COVERAGE

Mr. CLAIR. Mr. Oriol, there is one question that has not come up this morning. This also impinges greatly on the insurance and this is what I am about to mention, because these older persons are riding in these vehicles and they are reluctant to cover the liability insurance. It is the people who are riding in the vehicle, not only the driver, who are involved and they are reluctant to give insurance coverage for that reason to the frail elderly, and so on.

Mr. ORIOL. What do you think of that reason?

Mr. CLAIR. I think it is ridiculous because they are escorted onto the vehicle; they are escorted out of the vehicle.

Mr. ORIOL. This is so important. In every transportation program that I have known of involving older persons, the driver will help, or someone else will help, the person get on and off and you find that on many municipal transit systems or taxicabs or other places. You might argue that those other vehicles are more dangerous than that. At any rate, on the panel here, what is the ratio of passenger injury?

Mr. CLAIR. In our area it has been zero.

Mr. ORIOL. Zero.

Mr. CLAIR. Because our drivers help every person that gets on that bus or minibus and helps that person get off that bus. The result is we have not had any casualties whatsoever as far as the elderly, the frail elderly, and the handicapped are concerned.

Mr. ORIOL. Is that for Virginia or your area?

Mr. CLAIR. I am just talking about our areas.

Ms. LOTZE. Bill, I might say that this has been our experience. We have had people with canes, even one wheelchair person, riding on the schoolbuses and an outreach worker accompanies each bus and assists them. We have not had a single injury in 3 years.

Mr. ORIOL. I think that says a lot.

Mr. CORWIN. I think that what you are saying is very important in that it can provide evidence to present to the insurance industry that these very good safety records are not simply a matter of an extended

bit of luck but are the result of careful screening of the drivers and their training, and also, I would imagine, good maintenance of the vehicles you are using. Would I be correct in that?

Ms. LOTZE. They talk about the drivers over 65 not being qualified. In our area, and as I understand in many of the other areas, these older, 65-year-old drivers are retired schoolbus drivers, retired Greyhound bus drivers, people who have been carrying chauffeurs' drivers licenses for years. They have an annual physical and are well qualified and well trained.

Mr. ORIOL. Mr. Corwin is just checking on some general questions here.

Mrs. Kennedy, we didn't mean to make you go away from the table.

Mrs. KENNEDY. No. I wanted to add one further point in relation to 16(b)(2) vehicles. While we have been able to acquire the fleet rate in our particular area, please be aware that in many of the areas we have small nonprofit agencies that have applied for and been awarded 16(b)(2) vehicles. They cannot acquire that fleet rate because they have only one or much less than five vehicles on the road.

ONLY ONE ACCIDENT IN 5 YEARS

I wanted to add also that we have been in the transportation business now for 5 years based on the fact that we were formerly an area-wide model project for older Americans, so we are entering our 6th year of service to older people. While we have not utilized manpower in the field in rural areas to the extent that we are doing so today, we have an absolutely safe driver record with those vehicles. One accident, other than minor things like vandalism, et cetera.

That particular accident was not the fault of the older driver who, as a driver, had 31 years of experience in public transportation. The accident was caused by another vehicle—turned the vehicle over. There were 11 older people aboard. They received emergency treatment and returned home. So that higher vulnerability is not true, nor is the longer healing time for these kinds of accidents. They may stay overnight in the hospital.

Thank you.

Mr. ORIOL. Thank you.

On behalf of Senator Church and the staff, I would like to thank this panel for coming on short notice, but I think we all agree that the urgent nature of the problem required this kind of action. Thank you very much.

Mr. CORWIN. I would like to call our next witness, Mr. Harry F. Custis. We thank you for coming down this morning. You may proceed.

STATEMENT OF HARRY F. CUSTIS, PRESIDENT, CORPORATE INSURANCE MANAGEMENT (CIMA), WASHINGTON, D.C.

Mr. CUSTIS. I have no prepared statement. I have here specific questions which I will attempt to answer and I would also be perfectly willing to try to assist the committee in answering any other questions you may have regarding subjects that have been previously discussed this morning in terms of the general approach to some of the problems.

I can't speak for the insurance industry or for any particular insurance company and I can't speak for the Hartford Insurance group, the particular insurance company that I was asked to elaborate on as far as their reasons for withdrawing their coverage under the VIS insurance program.

The VIS association offers to volunteer organizations three specific coverages—accident medical insurance, to protect the volunteer in the event of an accident occurring while participating in their volunteer activities for their medical expenses, death, or dismemberment.

The second coverage offered under the VIS program is personal liability insurance which is intended to protect the volunteer for personal liability claims, again arising out of their volunteer duties and activities.

The third coverage was the excess automobile liability insurance which was discontinued effective July 1, 1977.

The reasons, as we understand them, for Hartford withdrawing from this particular coverage was a general change in their underwriting guidelines. They no longer felt that that particular type of coverage—the nature of the coverage—was one that met with their corporate objectives from an underwriting point of view.

I might point out that the VIS program is not a program for senior citizens or older volunteers; it is a program for any volunteer agency. I don't know for certain how many of the volunteers covered were in fact senior citizens. I would suspect that a great many of them were. I might also point out that there were only approximately 9,000 volunteers insured under the excess automobile portion of the VIS program.

One should recognize that that particular coverage was in fact excess—"excess" simply meaning that it would come into play only in the event the volunteer's personal automobile insurance limits were exhausted in the event of a claim. The volunteers were required to carry minimum limits of liability equal to at least the State financial responsibility law. An overall minimum limit was also required.

SUBSTITUTE CARRIER SOUGHT

We feel that the possibility of securing a substitute underwriter is very good. I would hope, and I can give no assurance to that—in fact, this substitute carrier will be secured in the next 2 or 3 months. I would hope that within the next 2 or 3 months, however, that a substitute carrier would be found. I believe that the only changes that will take place might involve the volunteer being asked or required to carry higher limits of liability under their personal automobile policies and perhaps a change in the rate. The rate at the present time I believe is \$2 per volunteer per year.

We are in the process now of attempting to secure a better program. I might also add that the Hartford's withdrawal from the VIS program does not involve various other volunteer programs which we currently administer, for example, the older Americans volunteer program.

That concludes the answers to the specific questions the committee asked and, as I said, I would be more than happy to elaborate or to answer any other questions that might be of help to the committee.

Mr. CORWIN. Thank you very much, Mr. Custis. I have several questions.

These other programs which still can obtain insurance including the Older American Volunteer Service—is the Hartford providing any of that coverage for that program?

Mr. CUSTIS. The Hartford is providing excess automobile liability insurance for the older Americans sponsored programs for volunteers, yes, sir.

Mr. CORWIN. Do you have any idea why they were unwilling to provide that for one service but will provide it for an identical service under a different program?

Mr. CUSTIS. I don't know that they viewed the two as identical services or "accounts" in their terminology. I believe that with respect to the OAVP, it is a controlled group in a sense that all volunteers are required to follow certain established guidelines set forth by ACTION, and there is consistency throughout the country in the scope of coverage required. The volunteer agencies are required to follow certain requirements as to the screening of volunteers and obtaining evidence of their personal automobile insurance.

There is some element of control therefore that I think the Hartford feels more comfortable with, whereas VIS was limited in the control aspect in terms of not knowing for sure who was covered. I am not certain, but I would speculate that the Hartford will probably ask to be relieved of their involvement with respect to OAVP as well in the near future. I think it consistent with their general statement that the particular type of coverage that is excess, the fact that it is not available in certain States, the fact that it is not the type of coverage that the Hartford is any longer interested in providing, supports this contention that the Hartford will not provide this coverage in the future.

NO "SPECIFIC" DISCRIMINATION

Mr. CORWIN. We have been told by a representative of the American Insurance Association that he agreed with your conclusion that this was not a specific discrimination by the Hartford against a program involving older people but was part of the general corporate strategy of removing themselves from certain areas of liability, particularly the auto insurance business. I know that you are not here to speak for the insurance industry, but I wonder what your response, as someone who is involved in that business, is to those outside the industry who increasingly charge that insurance companies—which are supposedly in the business of taking risks and spreading them—are increasingly less willing to take on any risks at all except those which carry the least exposure to potential payoffs.

Mr. CUSTIS. Well, I could speak on that subject for the next 3 weeks and probably not give you a good answer, but I do have some comments that perhaps will be helpful. Obviously, one should recognize that the problem we have been discussing this morning with respect to older or senior citizens is not limited to that category; young drivers cannot get insurance at favorable rates, so there is a problem there at both ends of the spectrum, for the senior citizen as well as the youthful driver.

I understand in the past 2 or 3 years that insurers have experienced some difficult times in that there was not overall profitability. They have had difficulty meeting State premium writing and surplus requirements. Their stock portfolio and equity investments have not been favorable in the past couple of years. They have, according to their statistics, incurred record underwriting losses and the result of this is that many of the insurance carriers have tightened up, for the lack of a better term, on their underwriting requirements and are taking a closer look at the types of businesses that they feel they can underwrite on a profitable basis.

We have had some experience with organizations who have the need to obtain insurance on buses. We are aware of the problems that have been expressed here and I have no really good suggestion. I know we have been successful in situations with our clients where we have taken the time to demonstrate to the insurance company that this particular organization is very concerned about its overall risk management program, that is, they recognize that there is a need to reduce and prevent losses.

INSURANCE RATES SKYROCKETING

An organization that can demonstrate this type of attitude to the insurance carrier will be more successful than if they merely pick up the phone and call an agent or a company and say that they have a bus that they need to insure for transporting volunteers. It will take more time—it will take perhaps a more competent insurance agent, but I believe the coverage is available. Granted that the costs and rates are skyrocketing—that is true in many lines of insurance: malpractice liability insurance, automobile insurance for youthful drivers, workers compensation, whatever the case may be.

Mr. CORWIN. Getting back to the VIS excess liability program which was just canceled, what was the claim record for that program? Did it justify the Hartford feeling that this was a high-risk activity?

Mr. CURTIS. I don't believe that the Hartford action, as I said earlier, had anything to do with the program's claimed experience. I do know that there have occurred in the past few months a couple of claims that, in fact, occurred after the Hartford had already made the decisions to discontinue that program. One involved a volunteer who was being led into a vehicle from a wheelchair. The volunteer fell. The extent of the injuries is not known at this time, but I am aware that an attorney has been retained and the damages will probably result in the excess auto policy coming into play for the excess coverage. In other words, the lawsuit or the claim will probably exceed the limits of liability carried by the volunteer.

With respect to other volunteer programs that we have under similar liability insurance programs, there have been claims and these numbers are increasing. Quite often the programs that we have all been discussing are worthwhile programs—very necessary programs. That does not change the attitude of any of the attorneys—no disrespect intended—when there is an accident, but often you find that no matter how good or worthwhile the program is, the lawsuits that may arise are quite substantial.

In answer to your question, I believe the experience under VIS has been favorable. Under other programs that we are familiar with, it has not been so favorable.

Mr. CORWIN. You say that one of the reasons the Hartford was uneasy about this was their feeling that there was not adequate control to establish guidelines over who will be getting coverage. Do you think that the establishment of those guidelines—certain minimums which could be sent out, say, by the Administration on Aging for all area agencies to follow in choosing volunteers—would make it easier to get a new underwriter who would provide this kind of reasonable coverage?

Mr. CUSTIS. I don't think there is any question about it that it would help convince an insurer. It would make it much easier to obtain an insurer; yes, sir.

Mr. CORWIN. My final question is, as someone who is expert in this field of setting up this type of national nonprofit program for providing insurance services, do you think that vehicle liability insurance could be made available to all area agencies on aging throughout the country through such a nationwide program? Could such a program be set up?

Mr. CUSTIS. With respect to insuring the volunteers in excess of their personal automobile liability insurance?

Mr. CORWIN. No. This would be in answer to the other problem that we looked at this morning, that of not being able to obtain reasonably priced vehicle insurance—liability insurance. Would it be possible to set up a policy that would be available to area agencies throughout the Nation to obtain their vehicle liability insurance, and through that nationwide pooling to qualify for lower, fleet-type rates?

NATIONAL INSURANCE PROGRAM DIFFICULT

Mr. CUSTIS. Of course the other problem that has been discussed this morning is the availability of and cost of insurance on specific vehicles that are used or owned by the volunteer organization versus the discussion as far as excess insurance for the individual volunteer. I think it would be very difficult to establish any national type program whereby all vehicles, vans, buses, et cetera, could be insured at standard rates.

I think that you would have the problem from State to State and the control over insurance matters within each State. I think no-fault legislation in various States would make it impossible, perhaps, to uniformly develop any national type of coverage. I think it is contrary to the way insurance contracts are issued that various organizations that have no relationship in any way in a legal sense, other than the fact that they are working with volunteers, could combine for insurance purposes the insurance on these vans and buses.

I think there would be many, many obstacles and I would think that within each State the possibilities would be far better if we were able to develop some common relationship from among the organizations that have the need for this insurance. Then they could collectively bargain for or attempt to market their insurance needs, but from a national basis, I would think it would be difficult.

Mr. CORWIN. So, in other words, as a matter of legislation, the regulation and rate-setting of the industry is completely within the con-

trol of the States right now and that would prove a barrier to any nationwide availability of liability insurance.

Mr. CUSTIS. That is correct, and the volunteer programs have no legal relationships to one another and that generally is the problem in combining insurance with respect to various organizations.

Mrs. FAYÉ. Mr. Custis, could I ask you, for the record, to explain the role of your company, the Corporate Insurance Management? Are you an intermediary between one who wants insurance and the insurance provider, or do you provide insurance yourself?

Mr. CUSTIS. We serve in various capacities but in no situation are we the risk bearer. We serve as the consultant. We serve as an administrator in certain instances, as an insurance agent or broker in many instances, but we are not the risk bearer or the underwriter. With respect to insurance on a van, we would be the so-called middleman. We would attempt to secure the coverage for the volunteer organization from an insurance company.

Mrs. FAYÉ. Then there is a need for this kind of intermediary between one who wants insurance and the insurance company, when you can't get an insurance company to give you what you want?

Mr. CUSTIS. Well, the insurance industry basically offers two concepts; where one needing to buy insurance can deal directly with the insurance company, there are insurance companies designed to operate on this basis. The other approach is those companies that offer coverages through independent agents and do not deal directly with the buyer of insurance.

I would suspect that in most cases the concerns that I have heard this morning would dictate that the organization who has a need for the insurance on their vehicles should deal through an agency who has various insurance companies that they can go to, to secure the necessary coverage. I think everyone who spoke here this morning is aware of the need to try to combine all of the insurance needs of a particular organization and negotiate insurance within one insurance carrier.

Mrs. FAYÉ. Are there other companies such as yours throughout the United States?

Mr. CUSTIS. Oh, yes, ma'am.

Mrs. FAYÉ. That had not been brought to my attention before. It reminds me of the necessity for State consultants in order to get a Federal grant. You have the matter of a middleman in this situation also.

ORGANIZATION MUST BE SINCERE

Mr. CUSTIS. The point I was trying to make earlier, it is not a solution to the problem, but the insurance companies today have to be sold on the risk; they have to be convinced, not necessarily that they are not having losses or that the drivers are good drivers, but that the organization is attempting to secure insurance and is very sincere in wanting to establish a good working relationship with that insurance carrier. It is a selling job on the insurance company to convince them that the particular volunteer organization is concerned about its operations and it is concerned about losses and is attempting to prevent accidents. This does not always necessarily result in the rates that the organization feels they should have, but it is the first step. Currently it is the best approach they can be taking.

Mrs. FAYÉ. Thank you very much.

Mr. AFFELDT. Mr. Custis, I have one general question which you may not be able to respond to. I would like your judgment on it or perhaps a written reply after the hearing.

This deals with insurance rates in general for elderly drivers. Less than half of all persons 65 or older are now licensed to drive. There are a number of factors that account for this. I think one reason is because of the high insurance rates. There was a recent study done for the Administration on Aging—I should say perhaps a few years ago—that indicated that elderly persons have fewer accidents than younger drivers. However, we have also been informed that the older driver has more accidents per mile driven than younger persons.

However, the insurance rates for elderly drivers seems to be rather high from my limited contact with people whom I have just checked out insurance rates on. For example, one of our committee's consultants has a husband who drives and he is in his seventies. He told me he was paying \$600 a year for his auto insurance. Now, my own personal case, and I drive considerably more than he does—perhaps about 20,000 miles a year—I think I pay \$450 on two cars. He pays one-third more than I do driving one car and perhaps 12,000 miles less than I do. Do you have any comments on this, whether the insurance rates may be tilted a little bit unfavorably toward older persons?

Mr. CUSTIS. Sir, I really don't know. Our organization does not deal that much in the area of insurance for individuals. As best I can recall the rates are higher for older individuals as are the rates higher for a younger individual. There is quite often no rhyme or reason for the rating systems that are used by the insurance industry.

Mr. ORIOL. I can't resist that; no rhyme or reason for the rating systems used by the insurance industry?

Mr. CUSTIS. Yes.

Mr. ORIOL. Could you expand?

RATES DETERMINED BY MANY FACTORS

Mr. CUSTIS. Quite often it depends on where the individual lives, for example. Rates will depend and the insured will pay a rate based upon the garaging of the vehicle. It has nothing to do with the age of the individual; it is just the fact that they happen to reside in a particular State where the rates are lower. An individual who lives in Virginia may drive to Baltimore every day and return, commuting to work, but he or she will pay a rate based upon the garaging of their vehicle, where another individual who lives in the District of Columbia may not drive his car at all or just drives it 1 mile across town and pay higher rates. That does not mean that the rate base for the person in the District of Columbia could not be supported actuarially, but this is an example of there not always being, again, any rhyme or reason to the rating structure. I am just not that aware, for we do not deal in that area of insurance. Others are better equipped to answer the question that you raise.

Mr. AFFELDT. I know that there are many factors that enter into it—such as the driver's record, the place where the car is located, whether the person commutes—but it does seem to me that perhaps elderly persons may be paying an excess of premiums.

Mr. CUSTIS. I might add that the problems that come about sometimes, that appear to be automobile related, insurance problems may in fact be other insurance problems. For example, an insurance carrier may appear to not be willing to underwrite the automobile insurance for a particular organization when in fact they may be saying to that organization, "We are not interested in writing any of your insurance." Their concern might not be so much the automobile exposure but, for example, might be the worker's compensation statutes in that particular State. So, there may be other related insurance problems that are not being disclosed by the insurance company that may have some effect on automobile insurance.

Mr. ORIOL. I have no questions, but I would like to note that Senator Church indicated before he left that we believe there are representatives of the insurance industry here. If any of them have a point of information or clarification they wish to give at this point, we would certainly welcome it.

That is all I have.

Mr. CORWIN. Thank you very much, Mr. Custis.

Just for the record, the gentleman to my right who was doing the questioning was David Affeldt, chief counsel for the committee.

Our final panel will be two witnesses, Mr. Donald F. Reilly, Deputy Commissioner on Aging in the Administration on Aging, and Mr. Richard F. Walsh, Director of the Office of Transportation Economic Analysis, Department of Transportation.

Mr. ORIOL. May I ask the witnesses' indulgence?

Mr. Leon Harper, who is the president of the National Association of Area Agencies on Aging, has come into the hearing room. This is all very informal. I wonder whether he might join you. I think it might lead to dialog later on.

Mr. Harper is also director of the Los Angeles County Area Agency on Aging.

Mr. CORWIN. Mr. Reilly, if you would care to proceed.

STATEMENT OF DONALD F. REILLY, DEPUTY COMMISSIONER, ADMINISTRATION ON AGING

Mr. REILLY. The Administration on Aging has been mandated under the Older Americans Act of 1965, as amended, to insure that the elderly receive the services they need to maintain their independence and to remain in their homes and communities for as long as possible. Adequate, affordable transportation is one service to which the Older Americans Act assigns priority and which can contribute significantly to the independence of the Nation's older citizens.

Accordingly, much attention has been given to the transportation needs of older persons in recent years. Throughout our Nation, increased efforts are being made to meet those needs.

In fiscal year 1976, over \$8 million of title III funds were used to provide transportation for almost 1,800,000 older persons. Moreover, a recent letter to the Administration on Aging from Secretary Adams of the Department of Transportation indicates that since 1975 almost \$30 million has been awarded through the section 16(b)(2) capital assistance program that was authorized by the Urban Mass Trans-

portation Act of 1964 to assist in providing transportation to the elderly and handicapped.

Mr. CORWIN. Can you give us a breakdown on how much went to the elderly and how much to the handicapped?

Mr. REILLY. That is a single figure that was given to us.

According to Secretary Adams, 1,400 private nonprofit organizations have been able to purchase almost 3,000 vehicles to be used in specialized services for the elderly and the handicapped through the section 16(b)(2) program. The Administration on Aging continues to encourage State agencies on aging to assist the designated 16(b)(2) agencies in identifying the priority transportation needs of the elderly and in responding to those needs.

BARRIERS REMAIN

Despite these significant accomplishments, however, some barriers to the provision of effective transportation services for the elderly remain. Insurance coverage for transportation projects serving the elderly is one problem that has been increasingly evident.

Many State and area agencies on aging must now address a variety of pressing concerns about transportation insurance. These concerns include the willingness of insurance agencies to provide coverage at manageable cost for project vehicles and/or drivers. Coverage for drivers in all categories, paid and unpaid, as well as elderly and non-elderly, is a major part of this overall problem.

While not all State and area agencies are experiencing transportation insurance difficulties, the problem has increased to such an extent that several regional offices of aging have indicated concern about this problem. The problem seems to be spreading over wider areas. For example, region V, which is our Chicago office, reported that in Ohio a title III project in Dayton was notified that insurance coverage for its vehicles would be terminated. No reason was given. The project finally obtained insurance from an assigned risk pool. The premium, however, increased from \$300 to \$900 per vehicle. Also from region V comes the report that throughout the State of Wisconsin insurance companies are inconsistent with premium rates for transportation projects which serve the elderly. These rates range from \$200 per vehicle per year to \$1,500 per vehicle per year.

Mr. ORIOL. Is all of that in Wisconsin?

Mr. REILLY. Yes; that is the range in that one State.

In Indiana, insurance coverage for one title III vehicle increased from \$800 to \$3,000 over a period of 1 year.

In Minnesota, volunteer drivers in the title VII program have been approached by insurance agents and advised that their own liability insurance will either be increased or discontinued because of their volunteer service to elderly passengers.

Region VII reports that in southeast Nebraska two area agencies on aging operating buses in a three-county area are now required to pay \$1,200 per vehicle per year for coverage. Incidentally, the insurance company involved was the only company that would bid for coverage. The two area agencies on aging in southeast Nebraska have now joined forces in an attempt to resolve the problem by registering

the vehicles as county equipment to obtain less costly coverage through the county's insurance policy.

There are indications that the problem is becoming more widespread, threatening the successful implementation of special transportation projects due in part to difficulty in finding sufficient funds to cover increased insurance expenses.

PROBLEMS AND SOLUTIONS CITED

What then is being done about the problems that are being brought to our attention? At the Federal level, in March 1977, the Administration on Aging prepared a memorandum to the network which addressed several issues including those concerning insurance for volunteer drivers, insurance for older drivers who operate vehicles transporting older persons, and vehicular insurance for the projects themselves. Not only were examples of insurance difficulties confronting States throughout the network cited, but also the solutions that some States have reached were included in that issuance.

Some solutions cited in the memorandum include the following:

In Alabama and Missouri, meetings were arranged with the State insurance commissioners by the State agencies on aging. In both States, the commissioners have been sympathetic to the problems confronting programs which serve elderly persons and have taken steps to intercede on their behalf with insurance carriers.

I am particularly impressed with steps that have been taken in Oregon and Idaho. In Oregon, the State agency on aging has taken lead responsibility in organizing a group to develop a data base relating to the driving records of older persons. This data will be used in persuading the insurance agencies and organizations to limit premium increases for transportation projects serving the elderly.

In the agreement signed this year between the Idaho Office on Aging and the State of Idaho Department of Transportation, the two organizations pledged to develop strategies for resolving insurance problems. In that connection, the State agency on aging and the State department of transportation have joined in developing a base of information on this subject. Area agencies have been asked to supply data on the experiences of transportation projects with respect to accidents involving project vehicles.

In California, the State general accounting office has launched a statewide investigation of insurance costs. This investigation comes in response to continued complaints by organizations serving senior citizens.

Mr. ORIOL. Mr. Reilly, can you tell me exactly what they are investigating and what the complaints were?

Mr. REILLY. The study was conducted to assess the extent to which insurance rate increases were affecting the transportation services being provided to the elderly and the handicapped.

The complaints concerned the rapid increases in insurance coverage rates despite no, or very low, incidence of accidents.

Mr. ORIOL. Is it felt that these sharp increases are merely objectionable and logical, or do they think it might be illegal?

Mr. REILLY. The question of illegality is one that we don't have any fix on. The State has gone into it on the basis of looking at reasonableness in terms of these raises in rates.

The Administration on Aging memorandum to the network on aging also suggested additional solutions such as:

(1) Shopping the insurance market aggressively to obtain the most cost-effective policy.

(2) Coordinating information throughout a State or region to learn of alternatives to high-cost insurance.

(3) Setting high standards for drivers and requiring completion of defensive driving courses so that the drivers will appear as better "risks" to prospective insurers.

(4) Gathering statistics or case histories for presentation to potential insurance providers to alter false or misleading impressions about older drivers.

JOINT INVESTIGATION UNDERWAY

The Administration on Aging/Department of Transportation agreement, which is currently being revised, offers another mechanism for developing solutions to insurance-related problems; that is, a joint investigation of the problems that providers of special transportation for elderly and handicapped persons are experiencing in obtaining adequate insurance coverage is being considered. Also being considered as a joint activity in connection with the agreement is the development of an insurance shopping guide.

These are some of the problems that have been brought to the attention of the Administration on Aging as well as some of what is being done to alleviate or diminish those problems.

There are also complexities in terms of the amount of coverage in relation to the cost of coverage. One of the previous witnesses made a comment in response to your question in terms of his not really being sure as to whether he had really good coverage or not. This is one of the problems in dealing with cost alone, because coverage may be altered at the same time cost is being altered.

As was indicated in the Administration on Aging document entitled "Transportation for the Elderly: The State of the Art," the experience of insurance companies in covering special transportation for the elderly is limited. This can result in unusually high rates, and gives the appearance of age discrimination, whether it is or not. This committee can provide leadership toward assembling the data from across the Nation so that the question of risk is not based on guesswork. In the interim period, penalty rates should not be imposed. The State insurance commissions are our best hope in preventing such penalty rates.

That concludes my prepared statement and I would be happy to answer questions.

Mr. ORIOL. I would like to mention that the Administration on Aging/Department of Transportation agreement being revised is offering another mechanism, a joint investigation of the problems that providers of special transportation to the elderly and handicapped persons are obtaining in experience and adequate insurance coverage. What is the timetable for that study?

Mr. REILLY. We hope to have completed that study by June 1978.

Mr. ORIOL. I get the impression that some programs may be out of business by then unless some of these problems are resolved. Are not most of the problems known? Don't we need now just a few other points of information—perhaps more information about the actual accident rate, the kind of information that is being gathered in Idaho and Oregon? Can't that be accelerated? Why does it have to take so much time?

Mr. REILLY. Well, we would be glad to take a hard look at that and see whether it can be accelerated.

Mr. ORIOL. Thank you.

Mr. CORWIN. In terms of the other question of how long will it take, we are aware that comprehensive solutions may take some time to put into effect. What would the Administration on Aging suggest for the interim? The Western Idaho Regional County Council on Aging must, right this month, come up with the money to pay for the \$14,000 annual increase in their insurance bill. What would you suggest they do?

TWO APPROACHES SUGGESTED

Mr. REILLY. Two possible approaches come to mind, and these are rather iffy solutions I will concede. One is aggregating together the State agency on aging, the area agency on aging, and the nutrition project insurance problems so that they are dealt with as a total, and seek a way of relief through the State insurance commission in each State. If that does not work, then aggregate at the State level in terms of the purchase of insurance so that it becomes practical to seek fleet rates on the equipment. At the moment those look like the two most feasible approaches we see.

I would hope that the insurance industry itself and the rating bureaus would enter into efforts to resolve this problem. It clearly is a problem which is disadvantaging older people and handicapped people across the country, and it appears to be an accelerating problem. In that context I would hope that the industry, as a part of its social responsibility, would take a leadership role in aggregating this information nationwide. The State agencies can aggregate it within their States and submit it.

I think that the individual operators, or even individual States trying to convince individual insurers, one by one, that they have a good case, are going about it the hard, slow way. If the industry as a whole would join in the effort, then changes through the rating bureaus and individual insurance companies across the spectrum can be achieved much more quickly.

Mr. CORWIN. Would you keep us advised of your contacts with State insurance commissioners and the type of response that you get?

Mr. REILLY. We would be glad to share with you the experiences of the State agencies on aging as they are reported to us.

Mr. CORWIN. Thank you. You concluded by stating that the only real solution is to coordinate the efforts of the aging network. How coordinated can those efforts be when we have had a witness who just testified that it is difficult to go beyond the barriers of State regulation? Do you see any way for coordination on a regional and national basis?

Mr. REILLY. The previous witness said that most insurance laws are State laws in nature. Therefore, in terms of seeking individual policies, the aggregation is probably going to have to be at the State level. As to regional cooperation, I think that the exchange of information in terms of both frequency and overall number of accidents, in dealing with State insurance commissioners and also in finding cooperative insurers, would be possible.

Mr. CORWIN. Of the \$8 million which was expended on title III transportation in fiscal 1976, do you have any estimate of what proportion of that \$8 million went to pay insurance premiums?

Mr. REILLY. No, I don't. We have not sought that information. This issue is a late bloomer in terms of our perspective. It has come on very fast and it is coming on very hard, but we were not focused on it a year or two ago, so we have not gathered that information.

Mr. CORWIN. My final question would be, does the Administration on Aging have any information or would it be capable of developing information about age discrimination in the insurance industry?

"AN EXPENSIVE AND DIFFICULT OPERATION"

Mr. REILLY. That is a very large order. First of all, the answer is that we do not have any such information. If we were charged by the committee with trying to get such information, we could fund a project to go out after it. It sounds like an expensive and difficult operation, so we would have to explore the feasibility first if such a request was made.

Mrs. FAYÉ. It has been stated this morning that some organizations who have the need for insurance are not linked with each other, and that is probably true as far as all of the programs regarding the elderly are concerned. Bill has suggested an insurance company could be a catalyst which would bring these agencies together in terms of insurance. My concern is the different sets of regulations that cover the various programs for the elderly. Some action is going to have to be taken for a family with a multiple problem: One for a young child, one for a middle aged person, and one for an elderly person, in order that they may ride on the same bus.

How many different sets of regulations do you suppose we have, even within services for the elderly?

Mr. REILLY. Within services to the elderly, the ones that come immediately to mind are the Older Americans Act, title XX of the Social Security Act, and the older Americans volunteer programs of the ACTION agency. Then there are other programs that also serve the elderly, such as community action.

As you know, we have been pressing interagency agreements in order to bring the State agencies on aging and area agencies on aging together with counterparts in other areas, such as transportation. This is something that I think we can emphasize at this point and will continue to emphasize in terms of talking with the title XX people, the ACTION people, and our own staff in trying to identify any crossover problems that exist.

The main problem is probably a bookkeeping one to account for the program funds from each agency. Our title III is very broad in terms of flexibility. Title XX is generally very broad in its flexibility. You

do run into the means test in some programs versus the no means test in ours and other programs, which complicates the accounting. We could go at that rather promptly in terms of identifying problems. If you wish, we can report back on what we found.

Mrs. FAYÉ. I think it would certainly be a great help because we know we face this problem of differing sets of regulations under different programs across the board, from home care services, for instance, which is one area, and now it turns out that transportation is another area.

PROGRAM COORDINATION DIFFICULT

Mr. REILLY. The 1975 amendments to the Older Americans Act inserted some language specifically authorizing the Administration on Aging to participate in the joint planning and funding of transportation projects with programs under the Rehabilitation Act and titles VI, XIX, and XX of the Social Security Act. We support that idea, trying to get at this very problem of vehicles utilized by several programs operating separately in a community. The problem is that while the Older Americans Act allows us to participate, the legislation for other programs, in some cases, precludes them from doing so. I would think that the committee could very well look into the need for specific authorizations in the legislation of other programs to resolve these conflicts which hamper coordination efforts.

Mrs. FAYÉ. I certainly would like to see that done because its linkage is very necessary in order to ease the problem.

Mr. REILLY. Agreed.

Mr. ORIOL. I just would like to note, as Senator Church did in his opening statement, that the Administration on Aging has cooperated very much in the preparations for this hearing, and we very much appreciate the response that you personally gave and the response that the staff gave.

Mr. REILLY. Thank you.

Mr. ORIOL. I also would like to ask, going back to the \$8 million title III money used for transportation, do you have any official or unofficial feeling as to how much of title III funding should be used for transportation and how much should be sought from other sources such as 16(b)(2) from the Department of Transportation?

Mr. REILLY. I will go to the second part of the question first. We have tried to persuade State and area agencies on aging and nutrition projects that they should not use title III and title VII funds for investing in capital equipment because 16(b)(2) funds were available, and that therefore they should use title III and title VII funds for meeting operational costs that 16(b)(2) will not meet. A number of transportation projects have floundered upon getting the vehicles and then finding out that the maintenance and operational costs are much higher than they had originally projected.

As to the amount of title III money that should go for transportation, we don't have a fixed amount in mind on that. The principle of the title III program is bottom-up planning. Each area agency on aging is to look at the individual setting that it is in—the socio-economic mix, the demography, existing problems, and existing services—rank the needs within that area in priority order and the services

needed to meet the needs, and use its funds accordingly. I think the fact that transportation ranks relatively high in current expenditures shows that most area agencies have already identified this as a significant need. The Congress has also identified it as a priority within title III. However, there are other priority services which compete with transportation for funds, such as homemaker services, protective services, day care for impaired older persons, home repair, and legal services. Title III funds can be used to fund any priority need over the whole spectrum of social services. However, the services needed outstrip the funds available, which really don't go very far. Transportation, which is clearly a critical linkage service, sometimes loses out, not because the area agencies don't think it is terribly important, but because they weigh their judgments on dollars for transportation versus, for example, homemakers, who go in and help impaired older people who literally cannot get out of their homes at all. When you get those kinds of tradeoffs, things get very difficult.

TRANSPORTATION STILL A PRIORITY

I would just conclude that comment by saying that the 1971 White House Conference on Aging identified transportation as a major need of the elderly, which came as somewhat of a surprise to most of the experts on the elderly who had not identified it as such before the conference. If anything, the need has grown since 1971. I think that transportation is clearly a priority service need of older persons.

Mr. ORIOL. Do you have any suggestions, possibly of new legislation or something else, that can counter this tendency to proliferation of small individual transportation services as we were discussing before?

Mr. REILLY. Some of us have wondered about whether there could be a single legislative provision that would cut across all of the other pieces of legislation and provide a sort of blanket approval for the pooling of funds for special transportation projects so that the same vehicles could serve the elderly, the handicapped, Head Start children, or whatever cluster of clients were appropriate for the particular area. My impression is that there are some problems of committee jurisdiction in terms of generating that kind of legislation. I think it is highly desirable if it can be generated.

Mr. ORIOL. Well, that is one of our functions, to cut across jurisdictions in pursuit of the subject and ideas, so we would be glad to work with you in the development of something like that.

Mr. REILLY. Indeed.

Mr. ORIOL. Do you think that insurance could be used as sort of an incentive or availability of insurance as an incentive to lead to the kind of joint effort for the cutting down of proliferation?

Mr. REILLY. I would think that there is a potential incentive. The testimony you have gotten here today, the kinds of information that we have gotten back out of State agencies and our regional offices indicate that what is showing up as a local or regional problem is essentially the cutting edge of what is going to be a national problem very shortly. I would hope that this insurance problem will result in the kind of pooling of funds and joint operation of equipment that has been discussed here.

Mr. ORIOL. Thank you.

Mr. CORWIN. Thank you very much, Mr. Reilly.
 Our next witness is Richard F. Walsh, Director of the Office of Transportation Economic Analysis, Department of Transportation.
 Mr. Walsh.

STATEMENT OF RICHARD F. WALSH, DIRECTOR, OFFICE OF TRANSPORTATION ECONOMIC ANALYSIS, DEPARTMENT OF TRANSPORTATION

Mr. WALSH. Thank you very much. I am pleased to be here today to discuss some of the problems being encountered in providing adequate transportation services to the elderly, particularly the problems of insuring vehicles used for such services.

Because of impaired mobility or limited income, elderly persons frequently have transportation problems. Taxis are often beyond the financial reach of many elderly Americans and buses or other public transportation facilities are frequently difficult to reach or board. As a result, many clients of senior citizens or nutrition centers, many elderly patients who must visit their doctors, and many potential elderly patrons of recreation centers and stores have limited or no access to these facilities or services.

Nonprofit organizations which specialize in care for such individuals provide valuable assistance to public agencies in insuring that lack of transportation does not prevent the elderly from satisfying their basic needs for food, clothing, medicine, and recreation. But the task is difficult, and we know that many individuals who need such assistance are never reached.

Section 16(a) of the Urban Mass Transportation Act of 1964 establishes a national policy that elderly and handicapped persons have the same right as other persons to use mass transportation facilities and services. The policy requires that special efforts be made in planning and design of such facilities and services and that all Federal mass transportation assistance programs contain provisions implementing the policy.

GRANTS PROVIDED BY UMTA

Among the efforts made by the Department's Urban Mass Transportation Administration—UMTA—to facilitate the improvement of transportation services for the elderly are those taken pursuant to the section 16(b)(2) program. That program provides capital assistance grants to private nonprofit organizations to assist them in providing transportation services for elderly and handicapped persons where urban mass transportation services otherwise provided by State and local agencies are unavailable, insufficient, or inappropriate. Of particular importance in this regard is Secretary Adams' recent trans-bus decision which would require that all buses purchased with Federal assistance after September 30, 1979, be equipped with a floor height of not more than 22 inches capable of "kneeling" to 18 inches above the ground and be equipped with a ramp for boarding.

We are aware that special transportation systems such as those established with the assistance of section 16(b)(2) funds and with funds provided under titles III and VII of the Older Americans Act

of 1965, as amended, are experiencing problems both in acquiring liability insurance and in paying for needed coverage.

In the 16(b)(2) program, for example, the Department has seen great unevenness in the way private nonprofit organizations are affected by the insurance requirement. Almost without exception, rates have risen in recent years all over the country. However, the rate increases have ranged from moderate to astronomical, with no discernible pattern emerging as, for example, between urban and rural areas. Increases of 100 percent to 200 percent or more are common and increasingly, in widely scattered areas, some organizations are resorting to the assigned risk programs in order to obtain coverage at all. At the extreme, a few organizations reluctantly have had to refuse Government grants for vehicles because they could not obtain any insurance or could not afford to pay the premiums required—which sometimes amounted to more, per year, than the local share of the capital grant in the first place.

The Department is aware that insurance is becoming more and more of a problem, but the 16(b)(2) program is designed to help pay for capital costs only and cannot provide funding for insurance. The Urban Mass Transportation Administration does attempt to assist organizations, working through the States, by informing them of possible additional funding sources, both Federal and local. UMTA also attempts, through informal channels, to disseminate to others information about how some organizations have successfully dealt with their insurance problems.

In this vein, one of the most interesting ventures which has come to our attention has been that of Oregon's State Department of Transportation which is actively investigating the possibility of group action by the private nonprofit operators to obtain a blanket statewide insurance policy which would be administered by a capable broker. Other States are investigating different possibilities, all with the purpose of stabilizing or even lowering premiums and insuring the continued availability of insurance, thus making it possible for otherwise eligible organizations to receive and operate 16(b)(2) vehicles.

These insurance problems are by no means unique to group transportation of the elderly, rather they are shared by most high occupancy vehicles; that is, carpools, vanpools, buses and limousines, as well as social service vehicles.

INSURANCE ALTERNATIVES SOUGHT

The Department of Transportation is very much concerned with these insurance problems. However, most of our currently available information on the subject is anecdotal in nature and, therefore, not very useful for purposes of analyzing the problems and developing solutions. Therefore, we have recently entered into a contract with the transportation center at the University of Tennessee for a study which will systematically explore and develop alternatives for insuring operators of high occupancy vehicles.

Mr. ORIOL. Is this the same study to which Mr. Reilly referred?

Mr. WALSH. No. I think this grew out of our university research program. We have a very attractive proposal.

Mr. ORIOL. I see your deadline is the summer.

Mr. WALSH. Yes.

Mr. ORIOL. The other one was spring.

Mr. WALSH. Yes. I think that is somewhat broader than the concern simply with transportation for the elderly. We are looking at all kinds of high occupancy vehicle insurance problems and at least a large part of that is concerned with our desire to move more people into multiple occupancy vehicles from the energy standpoint and, to the extent that they are deterred from doing that because of insurance problems, we want to see how they can be removed or mitigated.

Mr. ORIOL. Thank you.

Mr. WALSH. The University of Tennessee investigators will be examining the relationships between insurance claims, settlements, and premiums for high occupancy vehicles; identifying the nature and the causes of problems relating to obtaining adequate insurance at rates commensurate with the risk for such vehicles; and considering and evaluating what measures might be taken by the insurance industry, by vehicle operators, and by State and Federal governments to deal with the various problems.

This study is just now getting underway with a target date of next summer. We will, of course, insure that this committee promptly receives copies of both the interim results and the final report.

We also are engaged in a cooperative arrangement with the United Bus Operators Association who surveyed their insurance problems. This is the trade association of the small and medium sized bus operators, about 70 percent of whose business is in scheduled service and who, in rural areas and other parts of the United States, do, in fact, provide a form of intercity mass transportation service upon which the elderly are very dependent, as they are on many other parts of the transportation industry and motor vehicle transportation business in the United States.

"PROBLEMS HAVE BEEN COMPOUNDED"

During the last year they have been encountering terrible problems in obtaining insurance, especially at rates they felt they could afford. Many of these problems have been compounded by the same action that was described to you here earlier this morning; that is, the Hartford withdrawing from this kind of business. Many of those kinds of bus companies had insurance with the Hartford. Nevertheless, our information about past claims, past premiums, past exposures for this particular segment of the transportation industry is very limited and has never been systematically examined. So we very shortly will be undertaking a survey of all of the members of UBOA with a prospect of obtaining a much better understanding of the problem so they will be able to cooperatively go to the insurance industry and help solve their insurance problems.

Mr. Chairman, that completes my prepared remarks. Thank you.

Mr. ORIOL. Thank you.

Mr. CORWIN. Mr. Walsh, you stated that the Department is aware of the problems concerning the high occupancy vehicles and their effect on these 16(b)(2) programs. How and when did the Department first become aware of this difficulty?

Mr. WALSH. I think we have been aware of the insurance problems associated with the high occupancy vehicles for a long time. Certainly my own experience goes back to the time I joined the Department in 1968. I joined the Department to become the director of an auto insurance study and so a lot of insurance problems that didn't directly relate to that particular study nevertheless were directed to me. I remember back in that period that there were questions of discrimination against the elderly in connection with their personal insurance problems as well as the insurance problems of using public service vehicles and volunteer programs for the elderly. Clearly, the problems of that era, however, are of an order of magnitude different from the ones that are being encountered today.

Mr. CORWIN. I was wondering when the Department specifically became aware that that was becoming a substantial problem for section 16(b)(2).

Mr. WALSH. I am going to have to defer on that to perhaps one of my colleagues here. Ms. Catherine Regan is in the audience. She manages the section 16(b)(2) program, and I wonder if you could have her come up and answer that.

Mr. CORWIN. We will be delighted. Ms. Regan.

**STATEMENT OF CATHERINE A. REGAN, PROGRAM SPECIALIST,
URBAN MASS TRANSPORTATION ADMINISTRATION**

Ms. REGAN. I am Catherine Regan, program specialist on the section 16(b)(2) program, UMTA.

I have been involved with the program for about 2 years since the first grants were made. We didn't realize that insurance would be a problem in the beginning. It has only come to my attention since we have gotten vehicles on the road which has been about, I would say, the last 18 months, and it has become increasingly a problem during that time.

Mr. CORWIN. So, in other words, the program has been operating for a rather short time and it has become increasingly severe within that short time?

Ms. REGAN. Yes. We made the first grants in June 1975, but because of problems in procurement the organizations didn't get their vehicles on the road for about a year. So, it has been over the past year that I have seen it as a growing problem.

Mr. CORWIN. I realize that the Department, of course, cannot fund insurance costs through the 16(b)(2) program and I don't think that we would want them to do so, but I want to make sure that such drastic action—what sort of action could the Department of Transportation take that would be more effective than just spreading information? I am thinking particularly of UMTA's active cooperation with the Public Service Administration, where they got together with the Insurance Service Office, that has succeeded in getting the industry to adopt a rating procedure for the van pool operation which will be able to provide much more and much better actuarial information, and puts them into a category which more nearly suits their type of operation. Would that be possible for these programs?

Mr. WALSH. I think the Department is always interested in using its good offices for getting people having problems and people capable of solving them together under the Department's auspices. At the moment I wonder whether we really have the information in order to do that.

Mr. CORWIN. Of course, the van pool effort shows that one must first work with the industry and get them to set up some specific rating categories to obtain rates that are based more on over-the-road experience rather than just a particular company's estimates of what the risk might be.

RATEMAKING PROCEDURE EXPLAINED

Mr. WALSH. Yes. That is always helpful to have, but it is frequently more expensive to collect that information. I note from the discussion here this morning there has been a whole new misunderstanding about how the insurance rates are made. Insurance rates always look forward; the only thing they use the past for is as a predictor of what will happen in the future. There is, under current insurance regulatory philosophy, no right for an insurance company to go back and collect for losses that it had not collected for previously in their premiums. So, when you are under a prospective ratemaking philosophy, when you have a very thin exposure, as you have in the kinds of programs we are dealing with here, actually prudent insurance management frequently argues that there be what we might think to be discriminately higher rates attached to certain kinds of unfamiliar risks.

Now, unfortunately, those are going to be judgment calls, and there is very little factual basis on which we can argue in the present that they were wrong. What we can try to do, I think, is to help develop mechanisms so that there can be a larger pooling of information and a larger pooling of risk for these kinds of particular insurance exposures. And that is why the concept of statewide pools is so attractive; it lets insurance really do what it is supposed to do in that it spreads the risk broadly. But when you ask an individual insurance company to take one elderly transportation service which is a unique insurance exposure, and to rate it on the basis of its risk experience alone, you are asking insurance to do something that it is really not equipped to do.

Mr. CORWIN. I noted that the new ISO rate categories, which were initiated as a result of this van pool project, do help the type of transportation programs we are talking about to a limited extent in that, prior to October 1, 1977, they were a completely nonrated class where the insurance companies had to go completely by their own particular judgment on the risk. They are now at least put into a class for which ISO will keep some sort of actuarial records.

This new class will be called "public automobile, not otherwise classified," and it includes, aside from charitable and welfare organization buses, which I imagine will be the classification for these vehicles—that class also includes apartment and hotel buses, country club buses, cemetery buses, civic buses, club livery and limited passenger service buses.

Now I am wondering, is that category still too broad for actuarial data on this specific charitable and welfare organization transportation when you lump it in with the country clubs and the hotels?

Mr. WALSH. I am not going to try to give you an answer as to whether that is too broad a classification or not. I will only comment that the Federal Government itself will be acquiring a very important self-interest in having accurate insurance ratings if we go to a van pool program for Federal employees.

Mr. CORWIN. My final question. You mentioned something about looking into the possibility of pooling all these types of programs into a fleet operation for an insurance rate. We have contacted Oregon and it does look promising. It is still in the preliminary stages. As an expert in this field, what would be your judgment if another approach would be suggested, which is that of having special transportation programs joining with the local or State government to come in with their insurance policies?

PLANS VARY WIDELY

Mr. WALSH. One would have to be an expert on the State insurance laws and on the particular tort claims acts of those 50 States: I don't qualify as that kind of expert so I am not going to try to give you an answer to that. I don't think they are the same plans. One of the previous witnesses commented that there is very considerable diversity among the States with respect to the rules of how government is treated in terms of recovering in motor vehicle accidents, both from the insurance viewpoint and from a legal viewpoint. It is very difficult.

Mr. CORWIN. So in other words, there would be 50 different answers to that question?

Mr. WALSH. Well, maybe not. I don't want to flog my favorite cause here, but I certainly don't have the same doubt about the widespread adoption of the no-fault epic as a means of not only dealing with the larger problem in compensating automobile accident victims but, indeed, in dealing with particular problems of groups like the elderly. It would be an exceptionally good solution to solving especially the availability problems for insurance for those kinds of vehicles. I would say no more.

Mr. CORWIN. Since you bring up no-fault, there is a bill before the Senate—I don't know whether it will be adopted or whether, if adopted, it will be in its present form—but it would pose some mandatory minimum standards for all States that enact no-fault. Would the same effect occur for these programs because, as I understand no-fault, all passengers in a vehicle who do not carry their own privately owned insurance would have to be covered by the liability of that vehicle. Of course, in these cases you are going to have the vehicle-carrying 15 people who don't have their own automobile and consequently don't have their own policy; they all have to come under the vehicle's policy.

Mr. WALSH. That is true, but they are covered on a first-party basis, and the vehicle operator would not be liable for the very large tort liability exposures as he is today. In addition, the elderly would present a much smaller potential claim on the insurer because, if retired, he would have income from the retirement plans, social security, or other sources. In addition, the elderly have access to medicaid, medicare, social security disability, and so forth. All of those benefits are usually primary over no-fault and so we would expect no-fault to be very advantageous to this kind of program.

Mr. CORWIN. Thank you.

Mrs. FAYÉ. I would like to go back to this matter of coordination because I think it is so important. Over the years Congress, of course, reacted to legitimate needs and enacted legislation for categorical programs to solve these needs without sufficient regard as to how they will interact and coordinate. As we have seen already, we have a variety of programs for children, the handicapped, the elderly, and others.

Has the Department of Transportation reviewed this overall situation in regard to coordinating the programs and cutting redtape between them?

Mr. WALSH. For the third time, at least this morning, I hope to say I am not the expert. But I can tell you that Secretary Adams is enormously interested in streamlining the Department's programs that deliver services to the communities and groups. Again, I will defer to my colleague here as to whether she knows whether the section 16(b)(2) or similar programs are under consideration in this regard. I am not in the program streamlining business, but I know Secretary Adams is very much so.

DUPLICATION OF SERVICES SHOULD BE AVOIDED

Ms. REGAN. It is true that the current procedures for applying for 16(b)(2) grants require that the applicant organization look to see what kinds of transportation already exist within the community which is serving the elderly—or other kinds of people—and only after they have looked there and perhaps found nothing, or found restrictions, will we then make a grant. We are looking toward coordination as a means to prevent the proliferation of services.

Mrs. FAYÉ. Do you monitor? How long do you follow a program after money is given to see how it is operating?

Ms. REGAN. Through the useful life of the vehicle which we presently define as 5 years, or until an organization can provide maintenance and repair information to show us that useful life should be terminated prior to that time.

Mrs. FAYÉ. If they were to find out they could not operate the vehicle because of lack of insurance, then it would just be put into a garage?

Ms. REGAN. No. I personally see my role as kind of providing a forum at the Federal level to disseminate information on all aspects of project management, including insurance, which I gather from talking to the different State program managers. If we find that a vehicle cannot be used for one reason or another, and perhaps one of those reasons is the lack of insurance, we try to provide assistance which would include possible sources of insurance discovered by other organizations. If we cannot find anything, then we place that vehicle with another 16(b)(2) organization in that State so that it is used for elderly and handicapped transportation.

Mrs. FAYÉ. But if they cannot get insurance, it might have to go to another program.

Ms. REGAN. That is true.

Mr. ORIOL. As Mr. Corwin has said, Oregon has been mentioned as an example of trying to get a pooled statewide approach. Idaho is

also mentioned. I happened to be at a meeting in Idaho where they were discussing the next steps just to get the information, they believe, to try to make a case before underwriters. I have the definite impression that people who are already overworked with other duties on aging and so forth would be very hard pressed to take the time to compile this information and then get it moving along the chain.

What I am leading up to is I think that the State by State technical assistance is needed to make that thing happen and I wonder whether the Administration on Aging and the Department of Transportation can organize a technical assistance group to go to any State that requests that kind of help on a rather crash basis to see what can be done. Mr. Reilly, within the Administration on Aging, do you think that with the present staff you could manage such an effort?

Mr. REILLY. Well, our staffing as you know, I think, is really extremely thin. On the other hand, this is a priority area and if indeed projects are threatened with having to fold up because they cannot operate, we would certainly put staff into such an effort.

Mr. ORIOL. We appreciate that.

PROJECTS FUNDED FOR STUDIES

Mr. REILLY. In terms of real expertise, the AoA staff itself is not only thin in numbers but thin in the technical assistance capacity in this area. We have, however, funded the Institute of Public Administration which deals both with the Department of Transportation and with us in the special transportation area to do a series of combined case studies and technical assistance projects.

We sent out a notice to our network saying that IPA was available for assistance across the whole range of transportation problems, and that we were soliciting letters from agencies that want technical assistance which state the nature of the problems to be solved. We will pick the ones to be worked with in terms of the commonality of the problem and the likelihood of generating technical assistance material which would then be sent to all agencies. We could follow up with an additional notice pointing out that this hearing has focused on the emerging insurance problem, it is getting worse by the minute, so to speak, and that we would particularly solicit technical assistance applications for a statewide effort of that kind.

Mr. ORIOL. And once they submit the application there is hope then that a team could actually get into it.

Mr. REILLY. Yes. IPA is prepared to provide hands-on technical assistance in response to these requests. Now that is something that the Administration on Aging did, looking toward generating immediate help for selected projects and then generating from that help written materials which could be sent out nationwide so that all operators can learn from the solutions that are produced. We would be very pleased if DOT had resources that they could put in to supplement this effort if the response is overwhelming.

Mr. ORIOL. Mr. Walsh, we know you are not the expert on that.

Mr. WALSH. You are right; I am not.

Mr. ORIOL. Could you transmit the request?

Mr. WALSH. I will, indeed.

Mr. ORIOL. I also wanted to ask here—we are encouraging a state-wide effort to get the kind of information that should be persuasive to the insurance industry, but I have also heard it angrily suggested that perhaps the insurance industry simply does not want this kind of business no matter how many facts are presented to it. Do you have any comment on that?

Mr. WALSH. Something was said by one of the earlier witnesses about the business climate of the industry for the last year and the fact that their investment portfolios have been eroded by falling security values. It is also true that their price-setting mechanism has been outpaced by that of inflation, and that they fell upon bad financial times. We have one of the largest insurers in the District of Columbia that came right up to the edge of financial failure and only now is coming back. There was a terrible capacity crunch and the insurance companies in those situations become very conservative; what they do in those circumstances is that they back away from business that is in any way uncertain. Indeed, they have a fiduciary responsibility to their owners to do exactly that.

Mr. ORIOL. Do they have any obligation to the public?

Mr. WALSH. They do indeed. Their obligation to the public is reflected in the Government's rules laid down for regulation of solvency. When their underwriting volumes in terms of capital surplus ratios come perilously near the edge, the public regulatory officials ordered them to curb their writings. Clearly in this situation there were not going to be any winners and, unfortunately, some of the most prominent losers are the people who are here represented today, along with the whole host of other people who needed insurance. It was a very large problem and it is only now easing off somewhat.

Mr. ORIOL. Mr. Walsh and Mr. Reilly, I know you have been here for almost 3 hours now and it has been very productive. Mr. Harper, I think, has very unusual information and perhaps if you can spare some more time I think it is good conversation.

**STATEMENT OF LEON HARPER, LOS ANGELES, CALIF., PRESIDENT,
NATIONAL ASSOCIATION OF AREA AGENCIES ON AGING**

Mr. HARPER. Thank you, Mr. Chairman.

I just would like to make one very brief comment. First, I would like to support the comments that have been made by the previous speakers, and I commend them for an outstanding job of outlining the problem. We go on record as saying that the National Association of Area Agencies on Aging is in support of your efforts in this hearing, and would like to assure you that we are very interested in assisting in any way possible.

We are in touch with and working with area agencies on aging and State units on aging. Through our national headquarters, offices, we have had many inquiries—and the facts have pointed out very vividly that this is a national problem—that the trend is upward and it is going to require some leadership, in terms of coordinated efforts, by all the groups involved, in addition to the legislative and executive branch.

I would like to point out one instance in California where we did have to close down a transportation project because the insurance in-

creased from \$2,000 to \$6,000. We negotiated the added amount of money to prevent the project from having to discontinue or cut back on the basic program content and quality of the program. After approving the additional money for insurance, they were not able to get an insurance carrier to cover them.

The insurance company that had quoted \$6,000 refused to accept it and they were not able to get anyone to cover the insurance. We had to close down the project for 3 weeks while they went out and looked for a carrier. The question was to find someone who would insure them. This particular project found some insurance with Lloyds of London after nearly 3 weeks of searching. There was nobody else around who was willing to carry their policy.

Mr. ORIOL. Do you know what kinds of rates were charged?

Mr. HARPER. No; I don't remember the exact amount.

INSURANCE EXPENDITURES QUESTIONED

One member of the AAA advisory council, during a discussion on the high cost of insurance, raised a question as to whether or not we really should be spending this much of the title III allocation money on insurance, and made the statement, "Why should the title III program subsidize the insurance companies?"

Mr. ORIOL. What was the percentage, would you say, of the local title III being used for insurance?

Mr. HARPER. I would estimate it to be 15 percent for the transportation projects insurance. The increased insurance rate sprang up on us very quickly. The first year the insurance rate was approximately \$1,500 to a maximum of \$2,000 on some of the projects. They jumped the next year to between \$4,500 and in one instance \$6,000. It went from about \$1,600 to \$4,000 in 1 premium year, and we had to make these kinds of adjustments in the project to avoid loss in program quality.

I would like to keep my comments at a minimum and respond to questions, if possible. I realize time is running short. We are looking toward the results of this hearing enabling the Senate to make some decisions. I would like to assure you that the national association is very willing and anxious to participate in the solution, in any way possible, to help alleviate this problem.

With that I would like to thank you very, very much for the opportunity of making this presentation.

Mr. ORIOL. I would just like to thank you for coming on the spur of the moment like this. I also ask you whether you think that we can arrange to have a questionnaire sent to all your members. I know you get lots of questionnaires and I don't want to add to the paperwork, but this is such an urgent question that perhaps we should work with you on such a project.

Mr. HARPER. I assure you that the insurance problem is of such great concern at this moment that this is a priority. All the indications I have show that the AAA's throughout the Nation would be more than willing to participate in this on the spur of the moment and get back as fast as possible in order to hasten a solution to this problem.

Mr. ORIOL. I will ask Mr. Corwin, then, to work with you to design a brief questionnaire which we can readily summarize and use in this record.¹

I would also like to comment that I remember a cost-of-living hearing we had in Los Angeles and one of the most vivid points made. Los Angeles County also includes, I think, Antelope Valley, so we have rural testimony in Los Angeles. Within the city of Los Angeles, as everybody knows, you cannot function without an automobile.

What would you say the need is in the heart of the city as well as in the rural areas served, if you can make that kind of distinction?

TRANSPORTATION NEEDS MUST BE MET

Mr. HARPER. We have been trying to make both of them. Sixty-five people in the valley cannot get to the doctors. We consider them as important as 12,000 people within the heart of the city who can't get to the nutrition site or to a doctor or who don't feel safe in walking the streets. Los Angeles is without the mass transportation system that they have in other cities.

We depend on bus transportation and if it is not available I feel we have to fund projects like we have funded. We are kind of a captive funding agency in a priority area. We have to address ourselves to these needs and have no other alternative except to pay the cost. Of necessity, we have to address ourselves to the need and the high premium cost; we have no choice. The choice is to do nothing and to drop the transportation projects or pay the premium. We feel we are caught in a trap in this particular instance, especially in Los Angeles County where we don't have readily available and accessible transportation.

Mr. ORIOL. Do you have any questions, Peg?

Mrs. FAYÉ. No, thank you.

Mr. ORIOL. Thanks again.

I am going to ask Phil to meet with you and as many area directors as have time, and perhaps design that questionnaire right now if you have a few more minutes.

Mr. HARPER. Yes.

Mr. ORIOL. Thank you. We don't have the date for the continuation of this hearing, but it looks as if we may need one.

Thank you.

Mr. CORWIN. The committee will recess subject to call.

[Whereupon, at 12:28 p.m., the committee adjourned, subject to call of the chair.]

¹ Responses to questionnaire were not fully analyzed at time of publication.

APPENDIXES

Appendix 1

MATERIAL FROM NATIONAL ORGANIZATIONS

ITEM 1. STATEMENT OF JOHN R. LEWIS, ASSOCIATE DIRECTOR, DOMESTIC OPERATIONS, ACTION, WASHINGTON, D.C.

Thank you for the opportunity to submit this testimony about our experiences in arranging insurance coverage for our three OAVP (older Americans volunteer programs). These programs provide service opportunities for 230,000 part-time volunteers 60 years and older.

ACTION is pleased to help dispel the myth that older drivers are high-risk drivers. Of the 50,000 volunteers who enrolled in the agency's 1976-77 CIMA's (Corporation Insurance Management Agency) excess automobile liability insurance plan for volunteers who drive privately owned vehicles, only four claims were filed. Two involved minor damage to other vehicles. The insurer has reserved \$100 for the settlement of a third case involving an injured driver. The final case, unsettled, concerns the injury of two volunteer car passengers who received superficial bruises.

Apart from the excellent driving record of these older volunteers, ACTION retains the types of controls insurance carriers like to see. Volunteer drivers must be insured for use of their private vehicles. They are required to provide their own primary liability insurance. Sponsors are required to provide the excess liability insurance, the cost of which may be procured with ACTION funds. Eligibility requirements for the agency's two low-income programs, serving 17,000 persons, require that volunteers have an annual physical examination, which may also be provided by ACTION funding.

Despite ACTION's record and procedures to reduce exposure to risk, from July 1974 to July 1976 annual premium rates for ACTION's CIMA insured drivers' coverage have gone from \$1.65 to \$2, which is the rate the State insurance commissioners and Hartford Insurance Co. consider an appropriate premium.

The Hartford Insurance Co., which gives ACTION the \$2 rate on excess liability coverage, will review its continuance of this program when the current premium year expires July 1978.

Although not all OAVP projects are experiencing transportation insurance difficulties, reports from a large number of projects indicate there is a growing problem regarding the willingness of insurance agencies to provide coverage at manageable costs for project vehicles and older drivers. There are widespread examples of escalating premiums which are threatening volunteer service in a number of projects.

The sponsor of the RSVP in Snohomish County, Wash., which operates a fleet of minibuses, is faced with a 500 percent increase in excess liability insurance costs. In December, their carrier said the 1976 fleet rate of \$800 would be dropped, and they would have to pay a new rate of \$1,200 per vehicle if they wanted the insurance renewed. The agency has been unable to absorb the cost and has not renewed the policy.

As a result, the four buses used by the 200 RSVP volunteers have been idle 5 months. There have been a number of meetings with the State insurance commissioners office, the State agency on aging, and others to find a substitute carrier at reduced rates, but none has yet been found. Meanwhile, volunteers have been forced to rely on poorly scheduled public transportation and rides from friends to get to and from their assignments. Many have dropped out of the program until transportation can be provided again.

An RSVP bus in Mitchell, S. Dak., was idle 2 weeks when the project director learned excess insurance on the vehicle could only be renewed at the high-risk rate established for ambulances. The idling of the bus affected 200 volunteers who rode it from their homes to 13 volunteer sites. Of these 200 volunteers, 169 were unable to serve during this period. This situation affected an additional 444 elderly people who relied on the bus to provide them with transportation to the senior center program, to church, and to shopping centers where volunteers assisted them with their shopping needs.

In June, the Mitchell insurance carrier said the 1976 rate of \$304 would increase to \$900, provided the project sponsor purchased an oxygen unit and hired an orderly to ride with the bus. Service stopped when efforts to attach an insurance rider to the sponsor's (Dakota Wesleyan University) fleet coverage and a search for insurance through other channels failed. The situation was resolved after project representatives met with the State insurance commissioner. In mid-July, the company which had insured the bus in the past came up with a new annual rate of \$508.

The FGP/RSVP project in Houston, Tex., continues to operate its fleet of five buses, despite an inability to obtain adequate passenger hazard insurance. The project sponsors were able to obtain the State minimum passenger liability coverage of \$600 (\$10,000 per individual, \$20,000 per accident) but found they would have to spend an additional \$1, to adequately protect the project against injury and property loss claims. The executive director of the sponsoring organization says one major accident could close down the project.

Another area of concern reported by the Houston project is the possibility that some insurance companies may impose higher rates on drivers who use their own vehicles to escort elderly persons to places where they receive needed services.

The senior companion program in Yakima, Wash., which emphasizes escort services for homebound seniors, reports \$300 to \$650 liability insurance increases for 1976-77 for some drivers who use their own cars to take clients to doctors' offices and community service centers.

Because these complex issues are not easily resolved, ACTION has been meeting with the Administration on Aging (AoA) regarding combining resources, including AoA's and ACTION's networks, to address common insurance problems.

A proposed memorandum of understanding relating to cooperation on insurance matters is also being discussed. Such a formal understanding would be implemented locally through the 47 interagency agreements signed by State ACTION offices with State agencies on aging. The following activities are under consideration as joint efforts between ACTION/OAVP and AoA:

- Gather statistics or case histories for presentation to potential insurance providers or State insurance commissioners to alter false or misleading impressions about older drivers.
- Provide technical assistance to projects on shopping the insurance market aggressively to obtain the most cost-effective policies.
- Make available to OAVP projects AoA technical assistance materials to assist communities in planning and implementing coordinated transportation and insurance services.

ACTION is joining with other Federal agencies with aging programs in forming an Interagency Committee on Transportation for the Elderly. This will be an extension of the present interdepartmental transportation agreement between DOT and AoA. One of the goals would be removal of barriers to obtain insurance at a reasonable rate for providers of transportation services for older Americans.

We believe that this coordinated approach can do much to institute reasonable insurance rates and enable our volunteers to continue to provide assistance to their communities.

ITEM 2. LETTER FROM JOHN W. RIGGLE, BOARD MEMBER, REGION V, NATIONAL ASSOCIATION OF AREA AGENCIES ON AGING, INC., TO PHILIP CORWIN, STAFF MEMBER, SENATE COMMITTEE ON AGING, DATED JULY 9, 1977

DEAR MR. CORWIN: On behalf of the National Association of Area Agencies on Aging, we would like to thank you very much for contacting our office regarding the hearing that is tentatively scheduled for July 12 concerning the insurance problems associated with transportation services for the elderly, and for inviting our comment upon the same.

In its annual business meeting on June 17, 1977, the membership of the National Association of Area Agencies on Aging (N4A) adopted the following resolution:

"Whereas the delivery of services to the elderly is being jeopardized by increasing insurance costs; and

"Whereas the issue is reaching a crisis point in many areas;

"Therefore, be it resolved that Congress provide for the availability of low-cost insurance."

The adoption of the resolution above evidences the problems confronting the aging network because of the difficulty in securing adequate insurance—at any cost, not to mention securing low-cost insurance.

Per your request of this week, our office has contacted several area agencies in different parts of the country to ascertain whether or not they have experienced problems in securing insurance for transportation services. What follows is a summary of the comments received and the names, addresses, and phone numbers of the persons contacted. Should you wish to contact them for further details, please feel free to do so.

(1) Mr. Robert Gonia, Director, Area Agency on Aging, Top of Alabama Regional Council of Governments, Huntsville, Ala. 35801. Phone: 205-533-3330.

Mr. Gonia reported that the cost of insuring vehicles is very high, ranging from \$600 to \$700 per vehicle. His agency has not yet experienced the high costs experienced in other parts of Alabama. He is, however, aware that other area agencies are having serious problems. He suggested that we contact the area agency director in Camden, Ala., for more specific details.

(2) Mr. Fleet Hollinger, Director, Area Agency on Aging, Alabama Tombigbee Regional Commission, POB 269, Camden, Ala. 36726. Phone: 205-682-4234.

Mr. Hollinger reported that his agency operates 18 vans in 10 rural counties covering 9,600 square miles. Insurance costs have more than tripled in the last couple years. The agency now can afford only liability insurance; it cannot afford comprehensive and collision coverage.

In seeking an insurer, Mr. Hollinger had difficulty. No company wanted to insure his vehicles. It took Mr. Hollinger 5 months to get coverage, but only after his agency agreed to operate the vehicles within a 50-mile radius—that is, in practical terms, within each county. Mr. Hollinger said this restriction presents problems, given the fact that his is a rural area and that the elderly need to go to other countries for services, such as health services.

Mr. Hollinger said that some form of national insurance coverage is very much needed.

(3) Ms. Sandra K. Reminga, Director, AAA 1-B, 29508 Southfield Road, No. 100, Southfield, Mich. 48076. Phone: 313-569-0333.

Ms. Reminga said that her agency has experienced a substantial increase in liability coverage, both for transportation and for in-home support services. Very substantial increases have been experienced in Port Huron County, where premiums for liability coverage have gone from \$2,000 to \$6,000 to \$11,000 over the past 3 years. Her agent has informed her that next year's premium will be around \$15,000. Insurance costs will represent a substantial part of her social service budget. She recommended that at the very least major insurers should get together with representatives in the field of aging to develop a rates manual for insuring programs affecting older persons.

(4) Mr. Chris Harshbarger, Director, Hawkeye Valley AAA, 210 E. 5th Street, POB 2576, Waterloo, Iowa 50705. Phone: 319-233-5214.

Mr. Harshbarger reported that his agency has experienced serious problems with insurance coverage. His agency operates a two-part transportation system. The first part is a 9-county volunteer system, with 150 volunteers who use their own vehicles and are reimbursed at 15 cents per mile in rural areas and 20 cents per mile in urban areas. Because the volunteers are reimbursed for mileage, it is contended by insurers that the Iowa guest statute does not apply. Therefore, insurance agents have advised Mr. Harshbarger to stop running the volunteer system or face the nonrenewal of his liability coverage. Twelve volunteers have already resigned because of the uncertainty of coverage. The area agency is having difficulty finding new volunteers. This is regrettable because the unit cost under the volunteer system is \$1.26, an extremely low unit cost, particularly if one considers the large distances covered in the rural counties.

In Blackhawk County, an urban area with over 20,000 seniors, the agency operates several vehicles. The insurance agent was in last week and has been trying to find coverage. A high-risk policy will probably be the answer, with the

premium being increased by 15 percent over present coverage. Also, a \$500 deductible will be required.

Ms. Reminga suggested that we contact Ms. Roxanna O'Connor, area agency director, in Lansing, Mich. (phone: 517-487-1066), who apparently has experienced serious problems with insurance coverage. Likewise, Mr. Harshbarger suggested that we contact Mr. William Holvoet, area agency director, in Burlington, Iowa (phone: 319-753-2191). We were not able to reach either person prior to the typing of this letter. You may wish to contact both for further evidence of the problems being experienced by the aging network in transporting older persons.

We would like to offer one final observation before closing. It appears that the agencies mentioned above have not had accident patterns that would warrant the insurance problems that they are encountering. Both Messrs. Hollinger and Harshbarger said that they have had only a couple minor accidents in the last 2 or 3 years, and these were not the fault of their drivers. Mr. Harshbarger said that his agency has had no personal injury accidents. In none of the cases above did the insurers give statistical data that would support the proposition that transportation services to the elderly are those of a high-risk nature. Nor have they demonstrated that older drivers, very often used in transportation services to the elderly in order to keep operating costs low and to provide employment, are a greater risk than other age groups in the population. Yet, the use of older persons as drivers has been cited as one of the reasons for the increased premiums.

The N4A welcomes very much your investigation of the insurance problems confronting transportation services to the elderly and hopes that some form of national legislation will be adopted so that rising insurance costs do not drive providers out of the driving business. N4A stands ready to assist you in any way toward this end.

With best wishes and many thanks for contacting N4A, I am,

Yours sincerely,

JOHN W. RIGGLE.

Appendix 2

LETTERS FROM STATE ORGANIZATIONS

ITEM 1. LETTER FROM LINDA SCHMALJOHN, FISCAL OFFICER, WESTERN IDAHO REGIONAL COUNTY COUNCIL ON AGING, EMMETT, IDAHO, TO STAFF DIRECTOR, SENATE COMMITTEE ON AGING, DATED JULY 1, 1977

DEAR MR. ORIOL: It is my understanding because of meetings that you attended in Rexberg on problems about senior bus insurance that you will be working with Senator Church, trying to find a solution to our insurance problem.

I would like to let you and Senator Church know of the problem our agency is facing in meeting the insurance premium on our fleet of buses.

Our agency is the Western Idaho Regional County Council on Aging. We have transportation programs in six counties. We have 13 buses in operation at the present time.

The insurance premium on the fleet of buses came due June 1, 1977. For the entire fleet the cost was \$18,000; this is approximately \$1,385 per bus. Last year the amount was around \$325 per bus.

In addition to the increased cost of insurance, there was another stipulation concerning the age of the drivers. The driver of a senior vehicle must be between the age of 25-65. This poses another problem as most of our drivers are beyond the 65 age bracket. On June 29 we received a call from our insurance agent telling us that our senior vans could not go beyond a 50-mile radius without notifying the insurance company. When a trip is planned beyond a 50-mile radius, there is a great possibility of additional cost for a temporary insurance coverage. As we are located in a rural area, it is impossible to meet the needs of our elderly without going beyond a 50-mile radius.

We have tried to locate insurance on a local basis for each site. Only two of our locations were able to obtain insurance at a cheaper rate. These two locations were able to do this because of insurance premium in existence for other coverage. The rest of our locations had no success in obtaining insurance.

So at this point in time, we are faced with a large premium due and no funds available to pay it.

Our driving record as far as accidents is very good. Our buses have not been involved in any car-bus accidents. Any claims, which have been very few, are because of accidents in loading or unloading of buses. These have been very minor in cost.

Our options at this time are very few. It's pay the high premium or bring our fleet of buses to a standstill. The buses in our area meet a number of important needs of our elderly. It provides transportation to meals, shopping, doctor appointments, and social trips. It would be a grave injustice to the elderly for these services to come to an end because of the high cost of insurance.

The elderly in our area are well aware of Senator Church's concern for their well-being, and we are sure that he will do all that can be done within his power, to help us with this problem.

Sincerely,

LINDA SCHMALJOHN.

ITEM 2. LETTERS AND ENCLOSURES FROM BESSIE LOTZE,¹ R.N.,
DIRECTOR, AREA II, NORTH CENTRAL IDAHO AREA AGENCY ON
AGING, LEWISTON, IDAHO, TO STAFF DIRECTOR, SENATE COM-
MITTEE ON AGING

JULY 5, 1977.

DEAR MR. ORIOL: In response to your request for information on our insurance increases, I am enclosing costs for the area agency on aging and the local senior citizen activated transportation (SCAT).

The Banana Belt Senior Citizens will only insure four of the five vehicles this year. This will curtail much extra activity but will allow them to meet the basic needs for essential service.

The area agencies on aging, in Idaho, face different problems as buses are scattered, sometimes one in two counties, and it is difficult to eliminate one vehicle.

As we reported in Rexburg, we were fortunate in getting one of those special rates sometimes extended to a particular salesman, and it appears as though we will continue to benefit this year although we have not yet received a statement.

Schoolbuses are also having trouble with increased costs and are buying insurance that does not allow rides covering the elderly. We are currently insuring one schoolbus with the possibility of others in the future. In our area these buses are essential for the long distance, once-a-month service they provide.

I would also like to call attention to the technical assistance memorandum AOA-TA-77-6, page 11, in which information was given on supplemental insurance for volunteer drivers under the volunteers in service plan.

We have volunteer insurance with VIS, but on June 1, received notice they can no longer insure volunteers for excess automobile liability. This insurance has been provided by the Hartford Insurance Co.

As you know, insurance has become quite a problem, not only in expense but also in finding companies willing to write it. I hope this information will help in the July hearing and I will be interested in the results.

Sincerely,

BESSIE LOTZE.

[Enclosures]

AREA AGENCY INSURANCE

1975-76—Schoolbus (50-mile radius):
1960 International, one trip per month..... \$479
Minibuses, Dodge B300 Maxiwagon, 14-passenger (2 buses at \$450) --- 900
1976-77—Schoolbus quotes, one trip per month:
First quote, \$1,012, by American Insurance.
Second quote, \$878, by Guilfoyl Insurance.
Minibus quote, \$819, by American Insurance.
Ask for bids at seven agencies, one answered: Dodge B300 Maxiwagon, 14-passenger, 1 bus at \$388; 3 buses at \$306. Schoolbus, one trip per month, 1975-Dodge Superior, 60-passenger, \$29.
1977-78:
Minibuses estimated at \$400 for each.

SENIOR CITIZENS ACTIVATED TRANSPORTATION (SCAT)

INSURANCE

1975-76:
1967 Pontiac..... \$224
1965 Chevrolet..... 224
1973 Dodge..... 289
1974 Plymouth..... 291
Total..... 1028

¹ See statement, p. 402.

1976-77:

1965 Chevrolet.....	487
1973 Dodge.....	655
1974 Plymouth.....	730
2 Dodge buses (1974).....	1158
1967 Pontiac	487
Total.....	<u>3517</u>

1977-78:

1965 Chevrolet.....	1083
1973 Dodge.....	1595
1974 Plymouth.....	525
1976 Dodge bus.....	1621
1976 Dodge bus.....	1621
Total.....	<u>6445</u>

Since 1975, two claims, 1976 new Dodge bus, \$194 and \$193, backup damage.

The aging network in Idaho first felt, on a selective basis, the effects of increased insurance costs for transportation in 1975. At that time, the Idaho Office on Aging, working with its sister State agencies in insurance, recommended several courses of action which could keep the costs down. However, the office also cautioned the network that the measures recommended were only band-aid treatments and that a dramatic increase could be expected within the near future. As it turns out, the "near future" is here. Each area agency and/or nutrition project has or will experience dramatic increases in insurance costs primarily because of liability coverage in 1977. Also, in some areas several restrictive measures have been added as a requirement of coverage.

Let me cite some examples from other areas in Idaho:

Area I.—Rate increases: Rates for four minibuses, 1975, \$550 per bus per year; 1977, \$1,100 per bus per year.

In addition, buses leased on a periodic basis from school districts have experienced rate increases from \$2.50 per person in 1976 to \$4.75 per person in 1977. You have already noted increases occurring in area III.

Area IV.—Minibuses rate examples: Buhl, Idaho, 1976, \$644.50; 1977, \$1,006. Gooding, Idaho, 1976, \$291; 1977, \$629.

Twin Falls, Idaho, 1976, \$350; 1977, \$450.

Area V.—Minibus rate example: Caribou County, 1975, \$174; 1977, \$775.

Blackfoot, Idaho, 1975, \$328; 1977, \$411.

Area VI.—Group policy on vans operated by agency: 1976, \$2,383; 1977, \$6,756.

Specific restrictions on policies issued for some of the agencies include: No coverage for drivers over 65 years of age; and most recently, the 50-mile restrictions imposed on the WIRCOA nutrition project. This restriction, if implemented in my area, would almost eliminate transportation services in rural areas.

I might add that none of the agencies noted above have experienced any personal injury claims during this same period.

JULY 21, 1977.

DEAR MR. ORIOL: I would like to express my appreciation for the opportunity to be a witness at the hearing on insurance costs as related to transportation for the elderly. The contact with committee personnel and other witnesses help dispel the feeling of isolation we sometimes feel as we struggle with the various problems of delivering services to the senior citizens of our area.

At the risk of being repetitive I would also like to make some comments on the testimony of Mr. Reilly and Mr. Walsh as it relates to our problem.

The AOA memorandum identified issues of which we were already aware, offered suggestions that were out of date or already tried, and talked about studies or investigations that will be time-consuming in identifying a problem already identified by most area agencies.

It appears that the time for investigations or guides has passed, and that effort should be expended in seeking solutions even though I know there are no easy answers.

By way of making suggestions toward a solution, would it be possible to include senior citizen transportation vehicles under the present Community Service Act insurance coverage?

Our problem is what to do today. In some of our areas with access to several buses, one or two can be eliminated and still give minimum service, but for most of Idaho, eliminating one vehicle means whole counties could be without transportation. In that kind of situation the only solution is to cut on other needed services in order to provide transportation.

Part of finding solutions to the problem seem to be based on the criteria set concerning the high risk factor of elderly transportation, the rapid and uneven increase of coverage (in some areas of Idaho, differences range from \$100 to \$1,060 per bus), and restrictions on distance and drivers.

So once again I urge emphasis be directed toward trying to find solutions, hard though they be, rather than months spent in studies and investigations of an already identified problem.

Thanks for listening to me, and I am enclosing a list of all insurance increases for the area agencies in Idaho.

Sincerely,

BESSIE LOTZE.

[Enclosure]

INSURANCE INCREASES IN IDAHO

Area I.—Rate increases: Rates for 4 minibuses, 1975, \$550 per bus per year; 1977, \$1,100 per bus per year.

In addition, buses leased on a periodic basis from school districts have experienced rate increases from \$2.50 per person in 1976 to \$4.75 per person in 1977.

Area II.—Area agency insurance: 1975-76, schoolbus (50-mile radius), 1960 International, one trip per month, \$479; minibus, Dodge B300 Maxiwagon, 14 passenger, 2 buses at \$450, \$900. 1976-77, schoolbus quotes, one trip per month: 1st quote, \$1,012 by American Insurance, \$878 by Guilfooy Insurance; minibus, 1st quote, \$819 by American Insurance; 2d quote, ask for bids at seven agencies, one reply, Martin Lipps, Dodge B300 Maxiwagon, 14 passenger, 1 bus at \$388; schoolbus, one trip per month, 1976 Dodge Superior, 60 passenger, \$29. 1977-78, schoolbus, \$32; minibus, 4 buses at \$539, \$2,156.

Senior Citizens Activated Transportation (SCAT):

1975-76:

1967 Pontiac	\$224
1965 Chevrolet	224
1973 Dodge	289
1974 Plymouth	291
Total	1,028

1976-77:

1965 Chevrolet	487
1973 Dodge	655
1974 Plymouth	730
2 Dodge buses (1974)	1,158
1967 Pontiac	487
Total	3,517

1977-78:

1965 Chevrolet	1,083
1973 Dodge	1,595
1974 Plymouth	525
1976 Dodge bus	1,621
1976 Dodge bus	1,621
Total	6,445

Since 1975, two claims, 1976 new Dodge bus, \$194 and \$193, backup damage.

Areas III.—1976-77, \$325 per bus; 1977-78, 13 buses at \$1,385, \$18,000—insurance limited to 50-mile radius, restrictions on age, must be between age of 25-65.

Area IV.—Minibus rate examples: Buhl, Idaho, 1976, \$644.50; 1977, \$1,006. Gooding, Idaho, 1976, \$291; 1977, \$629. Twin Falls, Idaho, 1976, \$350; 1977, \$450.

Area V.—Minibus rate examples: Caribou County, 1975, \$174; 1977, \$775. Blackfoot, Idaho, 1975, \$328; 1977, \$411.

Area VI.—Group policy on vans operated by agency: 1976, \$2,383; 1977, \$6,756. Restrictions—no coverage for drivers over 65 years of age; limited to 50-mile radius.

None of the agencies noted above have experienced any personal injury claims this same period.

ITEM 3. LETTER FROM SHIRLEY KACZMARSKI, DIRECTOR, RETIRED SENIOR VOLUNTEER PROGRAM, DECATUR, ILL., TO SENATOR FRANK CHURCH, DATED JULY 5, 1977

DEAR SENATOR CHURCH: It has come to our attention that on July 12, 1977, you will be holding hearings on the matter of insurance premiums for vehicles transporting senior citizens.

I would like to submit the following evidence for your consideration:

(1) The retired senior volunteer program, as you may know, is funded through "ACTION." Our program operates on an extremely tight budget. Early in the project, we recognized the need for the transportation as the overriding concern. By cutting staff salaries and office expenses, and by securing a noninterest loan from a local industry, we were able to accumulate enough to purchase a 12-passenger van.

(2) Prior to purchasing the vehicle, we contacted an independent insurance agent who was able to obtain a verbal commitment from an insurance firm in Michigan for a premium of \$380 per year.

(3) On the day we took delivery of the new van, we called the insurance agent to put the policy into force. Exactly 1 hour later, the firm in Michigan cancelled the policy with no letter of explanation.

(4) After spending 2 full working days in search of insurance, we located an agent who secured a policy through Continental Insurance Co. for an annual premium of \$479. We wrote the premium check immediately. One week later, this policy was cancelled.

(5) The other avenues of search have revealed that (a) Insurance to transport senior citizens is virtually impossible to obtain at any reasonable fee. The lowest quotation we have is a \$1,500 annual premium. This is for a van which transports about 15 citizens per week; (b) The State assigned risk pool will only insure us if we opt not to take medical coverage for passengers. This we cannot ethically consider.

(6) We now have a new van, at the cost of \$6,200, which sits in my garage. We are repaying a loan on it and are unable to use it for transportation. The financial loss to our project is immeasurable!

Senior citizens cannot get to and from their volunteer work and we are pressed into transporting them in our own personal automobiles, thus taking our time away from administrative tasks and program development.

(7) The solution seems to be either (a) A risk pool for all senior transport vehicles which will charge reasonable premiums, or (b) A federally subsidized insurance program, or (c) A Federal medical coverage plan so that individual transporters may purchase only liability and collision coverage from private insurance companies.

Please forward to me the results of these hearings and any recommendations forthcoming. It is extremely important to us as we need to decide whether to hold this vehicle or sell it.

Thank you.

Sincerely,

SHIRLEY KACZMARSKI.

ITEM 4. LETTER FROM WILLIAM F. HOLVOET, DIRECTOR, SOUTHEAST IOWA COMMUNITY ACTION ORGANIZATION, INC., BURLINGTON, IOWA, TO STAFF DIRECTOR, SENATE COMMITTEE ON AGING, DATED JUNE 28, 1977

DEAR MR. ORIOL: After the National Association of Area Agency Directors' meeting and with the information that you gave us concerning Senator Church holding hearings on transportation needs and problems of the elderly, I would like to share our experience dealing with insurance problems.

In June of 1976, we (Southeast Iowa Area Agency on Aging) were negotiating for vehicle insurance coverage for our five vans that are used for the elderly. We did negotiate insurance for \$5,000 and when the policy went to the company they were aware of the names, ages, and addresses of all drivers.

In September 1976, one of the drivers was involved in an accident that wasn't his fault and the other party involved insurance paid for our claim. In October 1976, another van was involved in an accident and it was our fault. On November 10 our agency was notified by the carrier that effective November 10 at 12:01 our insurance was cancelled.

Being quite shocked, I pursued the matter further. I found the reason for termination was that all of our drivers were over the age of 65 and this could be a potential hazard on the road. However, when the insurance company was asked if they were age discriminating they stated, "indeed not."

From November 1 to November 10 our agency tried to secure insurance coverage across the Nation and no insurance company would insure a total package of drivers all over 65.

At 12:01 a.m., November 10, as the director of the area agency, I had to terminate all the drivers and suspend the transportation program for the elderly in my area. Approximately 600 senior citizens used the bus service each week but we could not operate without insurance.

I then had to advertise for new drivers and we were out of operation for 2 weeks. The agency received national coverage that a program for the elderly had to fire the elderly. After securing new drivers who had to be over 25 years of age but not over 64, the agency was able to obtain insurance with the younger drivers.

Insurance cost is a major factor in the success or defeat of a rural transit program and I would encourage the Congress to pass some type of national insurance coverage to continue the operation of rural and urban services for the elderly across the Nation.

Please feel free to contact me concerning this problem and I hope Congress can do something to insure transportation for the elderly.

Sincerely,

WILLIAM F. HOLVOET.

ITEM 5. LETTER FROM RONALD KUHL, TRANSPORTATION COORDINATOR, UPPER SHORE AGING, INC., CENTREVILLE, MD., TO PHILIP CORWIN, STAFF MEMBER, SENATE COMMITTEE ON AGING, DATED JULY 12, 1977

DEAR MR. CORWIN: Here are my thoughts on vehicle insurance as relates to senior citizen transportation.

(1) Is the cost of basic vehicle insurance to senior citizen transportation providers too high?

We have a system comprised of 10 vans serving five counties. Using approximate figures, each month we cover 24,000 miles, and provide 5,000 one-way trips to 300 individuals.

Some insurance companies have stated that they wouldn't think of providing us coverage at any price. However, another, Selected Risks, is currently (April 1977-78) providing us the following coverage for \$2552 annually: Liability; \$100/300,000; medical, \$1,000 per person; personal injury, \$2,500 per person; uninsured motorist protection, \$1,000 medical per person; comprehensive, full value, no deductible for fire, hail, wind, vandalism, theft, and animal damage or loss, collision, full value, \$100 deductible.

We are in the process of getting a \$1,000,000 excess liability umbrella policy which will cost us approximately \$800/annually.

Our current per vehicle cost is \$255.20 which we consider reasonable. It will be approximately \$335.20 per vehicle when we get the excess liability umbrella coverage, and that too we consider reasonable.

(2) Is it proper that insurance companies charge much higher rates when transportation providers employ senior citizens as drivers?

It has been my experience that senior citizens lack the alertness and reflexes to be safe drivers. Because we are in the business of providing services to the elderly, I welcomed the opportunity to employ older persons as drivers and did employ quite a few as substitute drivers. In almost every case I received complaints from passengers (themselves elderly) that the driver was not safe.

Because of this experience I have now adopted the policy of taking a very hard look at the physical suitability (particularly alertness and reflexes) of senior citizens who wish to drive.

On this issue I would urge those groups and persons trying to help senior citizens not to over-react. As a practical matter, it is very difficult to determine when a senior citizen is a safe driver and when he is not. One that is one year; may not be another. From the safety standpoint, and hence for the most good for the most senior citizens, it would be better to err in favor of safety, which would have the effect of excluding some eligible senior citizen drivers.

(3) Is it proper that insurance companies charge much higher rates because the passengers are senior citizens?

Although, as I have related in No. 1 above, we are able to get insurance at the present time for a reasonable amount, I have been told by more than one other insurance company that they will not even consider providing us insurance because we are transporting senior citizens. They do seem to be unreasonable in this regard and I do not know the reason why unless it is that the elderly do become hurt more readily and require more time and expense to get well. I will have to admit that our passengers get hurt very easily. Great care must be taken in simply discharging and boarding them and they tend to be hurt if the van must brake quickly (such as to avoid a vehicle that pulls out in front of it), because their reflexes are too slow to enable them to catch themselves before they are thrown from their seats. From this standpoint, I do feel that insurance companies are justified in charging higher rates than would be necessary for middle aged persons.

(4) To what extent should a volunteer be able to transport elderly persons in his/her private auto without paying higher insurance rates or worrying about being denied coverage in the future?

Many potential volunteer transporters are discouraged from doing so for fear of having their insurance rates increased. As such, insurance companies have been able to greatly lessen the neighborliness that Americans are willing to display. I think that this is a matter of serious consequences having far reaching effects. Much of this could be alleviated if policies had clauses more clearly spelling out that a certain amount of volunteer transportation is permitted without fear of loss of coverage or financial penalties. Insurance companies should be encouraged to avoid discouraging neighborliness.

Sincerely,

RONALD KUEHL.

ITEM 6. LETTER FROM A. D. FARRELL, DIRECTOR, RETIRED SENIOR VOLUNTEER PROGRAM, ELKO, NEV., TO PHILIP CORWIN, STAFF MEMBER, SENATE COMMITTEE ON AGING, DATED JULY 8, 1977

DEAR SIR: With reference to your hearing on escalating insurance costs for transportation projects for older persons,

Our project, the retired senior volunteer program, sponsored locally by the Elko Jaycees, operates two Volkswagen 7-passenger buses within the confines of the city limits of Elko, Nev., having a population of about 9,000 persons.

It is now becoming an impossibility to insure these vehicles for senior citizens' transportation purposes; even though we use qualified licensed drivers with excellent driving records and who are between the ages of 30 and 45.

During the year 1974-75, our insurance cost was \$224; during 1975-76, our cost was \$118. During the year 1976 until August 1977, our insurance cost was \$478.

Now we are advised by Transport Indemnity Co. that our cost for 1 year from August 21, 1977, will be \$552 which must be paid in advance by August 8, 1977, or face cancellation.

The buses are operated between 8:30 a.m. and 4 p.m., 5 days per week. The units are kept in excellent condition through the assistance of our local dealer.

We are under contract with State welfare who administers title XX funds for transportation. The equipment is approved by them, but funds are not available from this source and cannot be used for insurance purposes.

We are attempting at this time to locate funding to pay insurance costs through the city administration, but this is a doubtful source.

We cannot operate without insurance, but if we cannot provide coverage, we would of necessity have to eliminate transportation for local senior citizens for nutrition programs, medical visits, shopping, and other needs in a city where there is no public transportation.

We seek relief in lower insurance rates in an area where the hazards are below average.

Yours very truly,

A. D. FARRELL.

ITEM 7. MAILGRAM FROM DAVID HOGGART, EXECUTIVE DIRECTOR, ECONOMIC OPPORTUNITY BOARD OF CLARK COUNTY, NEV., TO PHILIP CORWIN, STAFF MEMBER, SENATE COMMITTEE ON AGING, DATED JULY 11, 1977

Insurance costs for each minibus transporting older persons in the Las Vegas, Nev., area increased from \$811 to \$1,878 annual premium between January 1976 and September 1976. Previous carriers cancelled and we were forced to accept this high premium coverage in order to continue service. In addition, new carriers would not accept drivers over 65 years old; this caused five competent older workers to lose their jobs and the project director to be hampered in meeting this responsibility since he was not able to drive in emergency cases as before. Drivers were never denied insurance on their personal policies due to age; all had good driving records. Exclusion was based solely on age which we consider to be discriminatory practice.

DAVID HOGGART.

ITEM 8. LETTER FROM NANCY TAYLOR, DIRECTOR, WHITE PINE NUTRITION PROGRAM, ELY, NEV., TO PHILIP CORWIN, STAFF MEMBER, SENATE COMMITTEE ON AGING, DATED JULY 11, 1977

DEAR MR. CORWIN: We operate a title III and title VII program 5 days each week in a rural area. There is no public transportation. Our project vehicle and the transportation it affords the elderly are a real necessity.

Rising insurance costs have almost made providing this service impossible. In 1976, our basic liability and physical damage coverage cost us \$476. In 1977, the same coverage on the same vehicle cost \$865, a raise of \$389, or almost double.

Our drivers are all between 30 and 50 years of age with perfect driving records and at present—class 2 licenses. We are unable to use older drivers because I have been advised by my insurance company their use would raise my insurance rates still higher.

If insurance coverage continues to escalate at this rate, our transportation services to our elderly will soon come to an end. This would be most unfortunate because in our area and many others like ours, this would mean no transportation to the doctor, pharmacist, food stamp office, social security offices, post offices, etc., for a great number of people who are physically disabled due to advancing age.

Sincerely,

NANCY TAYLOR.

ITEM 9. LETTER AND ENCLOSURE FROM MRS. LOU GLASSE, DIRECTOR, NEW YORK STATE OFFICE FOR THE AGING, ALBANY, N.Y., TO STAFF DIRECTOR, SENATE COMMITTEE ON AGING, DATED JULY 7, 1977

DEAR MR. ORIOL: The following is a brief summary of problems encountered by area agencies on aging concerning insurance coverage. I have categorized them into title VII, volunteers, and transportation. While these three categories seem to be the main concern, there are problems in other areas having similar difficulties.

TITLE VII

The State Office for the Aging has been receiving inquiries concerning insurance coverage and costs for title VII programs. The problems appear to be more acute for private nonprofit sponsors, while the public sponsors, for the most part, have been absorbed by existing governmental insurance policies.

The most prevalent problem appears to be cost of insurance. Other problems are either directly or indirectly related. Projects which appear to have similar coverage and programs often pay disproportionate premiums. The reasons for this is the lack of experience within the insurance industry with these types of programs. Each policy written is judgment rated by the insurer for products liability insurance. Insurers have been classifying projects as "restaurants," "volunteer catering group," "caterer," "nonprofit agency," etc. The variety of classification is again attributable to lack of experience within the field by insurers.

A standard classification for all title VII nutrition projects is needed. Once this has been established, insurance can be standardized and premiums can be set at a consistent rate.

Another problem with title VII insurance appears to be type and amount of coverage needed. There are no guidelines available to the program sponsors, thus the projects must rely on the insurer for such information. Some projects have inadequate limits of liability, some are not covered for products liability (food poisoning), while some may be over insured. Standards are needed to insure that adequate protection is purchased at the lowest cost possible.

VOLUNTEERS

Area agencies on aging utilizing volunteer programs are often finding it difficult to secure adequate insurance coverage. Volunteers should have liability coverage in amounts necessary to protect themselves and the agency adequately.

If the insurance costs are prohibitive, many of the projects will be able to operate. Programs such as the nursing home ombudsman project and the 16(b) (2) transportation program (see below) rely heavily on volunteer support. Unless reasonable insurance coverage for these volunteers can be obtained the programs will lose their effectiveness.

TRANSPORTATION

Since its inception, the Urban Mass Transportation 16(b) (2) capital assistance grant program, a program designed to provide limited funding to project applicants to provide transportation services to meet the special needs of the elderly and/or handicapped, has met with several stumbling blocks which have curtailed its effective and efficient operation.

One leading factor that has caused a great deal of hardship in the smooth operation of the 16(b) (2) grant purchased vehicles is the inability of the project applicants to obtain the required vehicle insurance at reasonable rates. Please note enclosure.

Because of the high rates being asked and levied by insurance companies to insure these vehicles; the start up, continued, and/or expanded operation of the 16(b) (2) purchased vehicles is in serious jeopardy. The inability of the project applicant(s) to purchase the required insurance has not only impeded the efficient and the most cost effective use of the purchased vehicles, but will also curtail substantially, and in some instances totally disallow the delivery of service, the delivery of a clearly defined and documented need for service to the elderly and/or handicapped.

The Department of Transportation, 16(b) (2) Interagency Review Committee, State Insurance Department, Insurance Services Office, State Office for the Aging, and other agencies are working on plans to reduce the premium rates for 16(b) (2).

The State insurance department has requested the Insurance Service Office, which is the advisory insurance rating organization in New York State, to recommend to insurance agents/carriers statewide the adoption of lower insurance rates for operators of 16(b) (2) vehicles. This rate reduction would come about as a result of the carrier classifying 16(b) (2) vehicles in one of the two following areas: (1) "Civic, charity, religious organization," or (2) NOC—not one of the other classifications. To date a large number of carriers have chosen to classify 16(b) (2) vehicles in the high risk category, which in all cases increases the premium rate for these operators.

In speaking to a representative of the State insurance department, he stated that the Insurance Service Office should be sending out notification of their recommendation to have all 16(b) (2) purchased vehicles classified in one of the two above-mentioned categories by the second week in July.

However, it must be emphasized that the Insurance Service Office and State insurance department can only advise insurance carriers to adopt their recommendations. They have no authority or mechanism to enforce their recommendations.

If the individual carrier feels that in classifying a 16(b) (2) purchased vehicle in one of the Insurance Service Office's suggested categories, it would cause him undue loss of profit (revenue) and/or is in contradiction to his examination of facts regarding the case, he has the option of rejecting the recommendation. Therefore, he again can classify the 16(b) (2) purchased vehicle as being high risk or another category that would be in accordance with the use of the vehicle.

It will be difficult to determine the success of this recommendation for single classification of 16(b) (2) vehicles by Insurance Service Office and the State insurance department until we are able to gather feedback from the various carriers of vehicle insurance. Within a month's time after the carriers receive the Insurance Service Office's notification, we should have a reading on the level of acceptance of the proposal.

Sincerely,

MRS. LOU GLASSE.

[Enclosure]

Please note the following excerpts taken from a technical assistance memorandum from the Administration on Aging, dated March 15, 1977, subject: "Insurance Coverage for Volunteers and Older Employees Who Provide Transportation for Older Persons":

(1) "New York City's implementation of the Department of Transportation UMTA 16(b) (2) transit for the elderly and handicapped program has had difficulty locating reasonable insurance. While a rate of \$4,000 per vehicle is not unreasonable in that city, the 16(b) (2) program will have to bear an annual per bus cost of \$6,000. The city views this to be excessive and has raised the issue with the State Department of Transportation."

(2) "On occasion, as noted in the sampling of the regions, the vans, cars, or buses used to transport older persons are immediately categorized as high risks based on the use of the vehicle. This tends to increase the per vehicle rates."

(3) "The experience of insurance companies in covering mass transportation vehicles for the elderly is limited. Only with better actuarial data, which in part can be supplied by the insured person or organization, will insurance companies be more likely to drop the automatic high risk status into which such vehicles are placed. The above recommendations can do much to lower costs in particular cases, but only through the coordinated efforts of the network can insurance rates be lowered in other than a piecemeal fashion."

ITEM 10. LETTER FROM G. D. SHAW, ADMINISTRATOR, AGING SERVICES, BISMARCK, N. DAK., TO SENATOR FRANK CHURCH, DATED JULY 8, 1977

DEAR SENATOR CHURCH: North Dakota Aging Services is asking that you accept this letter as a response to the hearing held in Washington, D.C., relative to problems encountered by senior citizen groups implementing programs designed to meet the transportation needs of the elderly.

There are two principal problems experienced by transportation projects. They are: the unavailability of insurance at any price, and the rate of premium once a company has been found that will insure project buses.

Countywide transportation programs in North Dakota were paying \$400 per year for comprehensive, medical; and liability insurance 3 years ago. The same policy is now costing almost \$1,500 per year. This increase is causing an extreme financial hardship to the transportation projects.

Funded projects in North Dakota would not complain about the rates if there was a logical explanation for the escalating cost of insurance. In the last 5 years there have been no liability claims and only one minor medical claim on buses in North Dakota owned by senior citizen organizations.

Some senior citizen groups have countered the problem of high insurance by titling their buses to a political subdivision such as a city or county. If the subdivision public liability policy has not been filled to its basic limit, the bus may be written in for a minimal fee. However, it should be pointed out that this is not a universal solution. Some of the insurance companies have refused to allow project buses to be written into the political subdivision's basic liability policy.

Any help the Senate Special Committee can give in resolving this problem will most assuredly be a major benefit to the senior citizens of this country.

Thank you for this opportunity to respond.

Sincerely yours,

G. D. SHAW.

ITEM 11. LETTER AND ENCLOSURE FROM GEORGE TULLI, JR., DIRECTOR OF PROGRAMS, MOUNT ROGERS GOVERNMENTAL CO-OPERATIVE, MARION, VA., TO DON DAVIS, VIRGINIA OFFICE ON AGING, RICHMOND, VA., DATED JULY 1, 1977

DEAR DON: The financial assistant wrote up this information enclosed concerning the insurance information you requested. I hope that it assists you in identifying the concerns of rising insurance rates.

If I can be of any additional assistance, please contact me.

Sincerely,

GEORGE TULLI, Jr.

[Enclosure]

INSURANCE ON VEHICLES

In 1975 insurance on two vans was \$490 with Ewald Lester Insurance of Wytheville.

In 1976 their insurance increased to \$848 for two vans, or \$2,585 for six vans.

After taking bids with other companies we found the same coverage with Nationwide Insurance Co., whose underwriter was Southeastern Fidelity of Atlanta, Ga., for \$205 per vehicle. In May of 1977, this company canceled due to the fact there were too many payoff claims with vehicles and also they were not writing any more insurance for the State of Virginia.

Insurance with United States Fidelity and Guaranty Co. wrote us a policy for 10 vehicles, total \$4,486 per year.

ITEM 12. LETTER FROM ALAN D. FAIRFIELD, TRANSPORTATION CO-ORDINATOR, VALLEY PROGRAM FOR AGING SERVICES, INC., WAYNESBORO, VA., TO EUGENE DOMENICI, FIELD REPRESENTATIVE, VIRGINIA OFFICE ON AGING, DATED JULY 5, 1977

DEAR GENE: Our major insurance problem is a recent increase in premium rather than not being able to find adequate coverage or service. VPAS has just received its annual renewal policy with a premium increase of over 30 percent.

The reasons given for this rise in cost were that we have added three new vehicles during the past year, and that the price of repairs had risen due to inflation. The fact there three of our drivers are over 60 was not given as a cause for increased premiums but the insurance company asked us for a list of all drivers and specifically requested that ages be included. In the past year, we have made seven claims but only one of these was for more than \$200, so I doubt if this caused a serious jump in price.

We have always felt that Valley Program for Aging Services, Inc., was adequately insured but we are alarmed over the sudden increase in the price. Beginning this week, I will attempt to find another insurance company which will extend the same type of coverage but for a more reasonable price.

Sincerely yours,

ALAN D. FAIRFIELD.

Appendix 3

LETTERS TO WALLACE CLAIR¹ EXECUTIVE DIRECTOR, CENTRAL VIRGINIA COMMISSION ON AGING, LYNCH- BURG, VA.

ITEM 1. LETTER FROM BETTY J. REAMS, EXECUTIVE DIRECTOR, PENINSULA AGENCY ON AGING, INC., NEWPORT NEWS, VA., DATED JULY 5, 1977

DEAR WALLY: Most of the PAA vehicles are assigned for operation to various cities and counties in our district and insurance is provided through their local governing bodies.

Insurance for the few—three only which we operate directly—could only be obtained under an assigned risk coverage. The cost per year per vehicle is \$665.33 for a total cost of \$1,996 for three.

Good luck on your testimony of insurance needs to provide transportation for our elderly population.

With warmest regards,

BETTY J. REAMS.

ITEM 2. LETTER FROM MARILYN C. PACE, EXECUTIVE DIRECTOR, MOUNTAIN EMPIRE OLDER CITIZENS, INC., WISE, VA., DATED JULY 6, 1977

DEAR WALLY: During this project year, we have paid \$3,761.50 for insurance on vehicles. This includes five vans for transporting older people, one paneled van, and one donated car. Liability at our title VII sites costs \$787.50.

Our insurance company canceled our policy prior to this project year even though we had never filed any claim whatsoever. The reason given was that we were accident free since the beginning of the program but that it was about time for an accident. Also, if older people suffered an accident, it would take longer for them to recover. The general tone was one of not wanting to insure people over 60 since they were thought to be a high risk.

It was quite a problem for us to get insured by another company. The insurance agency that canceled us handled most of the major companies. We called every agency in the area and were denied coverage due to the age of the participants. We contacted the Virginia Office on Aging for leads as to a company willing to cover our type operation. They suggested that we contact other agencies on aging which we were already in the process of doing.

Even though I did not keep records, I would estimate that we contacted 20 different insurance agencies trying to get coverage. In fact, we had to cancel program operations including all title VII operations for a 1-week period. The reason given over and over was that old people are too much of a risk to insure. During that time it became obvious to me that older people were being discriminated against and that our program was put in a very precarious position due to age bias. I feel that if Congress authorizes operating aging programs then it must assure that insurance companies will offer the necessary coverage.

I hope this information is of some value to you. Best of luck in presenting the problems to the Special Committee on Aging. Thanks for contacting me about our agency's insurance problems. It has been quite an ordeal. Our costs are outrageous now and will probably increase since we are classified as a high security risk. I look forward to seeing you.

Sincerely,

MARILYN C. PACE.

¹ See statement, p. 405.

ITEM 3. LETTER AND ENCLOSURE FROM MICHAEL A. TOHT, EXECUTIVE DIRECTOR, SHENANDOAH AREA AGENCY ON AGING, INC., WINCHESTER, VA., DATED JULY 7, 1977

DEAR WALLY: The Shenandoah Area Agency has had some difficulties with insurance as I mentioned to you at previous meetings. My greatest concern is coverage for our minibus fleet. Our original carrier did not have this type of coverage available so we were forced to another carrier and very well may end up on assigned risk. My general feeling is that there should be some type of central Federal coverage for minibuses to simplify and bring down the costs. I am sure there are hundreds of senior citizen minibuses operating around the country that would benefit greatly by a central insurance coverage.

As with other agencies, our excess auto liability insurance for volunteers was dropped by the insurance company. CIMA, our agent (ACTION agency's also), is seeking a new carrier which they hope to have by the end of August. This insurance is a prime recruitment tool and we are feeling the effects of its loss already. I have attached a copy of the letter I sent to the volunteers concerning this.

I also experienced a great deal of difficulty in getting general agency liability insurance. No one understood what we were, or what we were attempting to accomplish even after explanations. I spent over 2 months talking to many insurance agents before locating a carrier.

I hope the above is of assistance when you appear before the Senate.

Sincerely,

MICHAEL A. TOHT.

[Enclosure]

SHENANDOAH AREA AGENCY ON AGING, INC.,
Winchester, Va., July 7, 1977.

DEAR VOLUNTEER: I regret to inform you that as of July 1, 1977, our volunteer excess auto liability insurance coverage has been canceled for RSVP and the nutrition program for the elderly. The accident and personal liability insurance is still in effect for all volunteers.

The cancellation of the volunteer excess auto liability insurance affects not only us but over 1,000 volunteer programs throughout the Nation. Our agent is actively seeking another insurance company that will write this coverage for us. I will keep you informed as to developments.

Sincerely,

MICHAEL A. TOHT,
Executive Director.

ITEM 4. LETTER FROM JUNE GAY, EXECUTIVE DIRECTOR, PIEDMONT SENIORS OF VIRGINIA, INC., MARTINSVILLE, VA., DATED JULY 7, 1977

DEAR MR. CLAIR: This is with reference to your inquiry concerning insurance problems which Piedmont Seniors of Virginia has experienced. We have found insurance for our title VII vehicles to be quite expensive considering the number of vehicles which are on the same policy. Also, the companies have denied permission to drive to persons over 65.

Our major concern, however, has been insurance for volunteers who provide transportation. Transportation has been identified as the outstanding need of most senior citizens. Due to the magnitude of the need and the limited public resources available to meet the need, we rely on volunteers, in some instances, for all transportation.

We have found that volunteer insurance policies which were advertised no longer exist and we have had to settle for general liability coverage for our volunteers. The start of our volunteer transportation program was delayed several months due to the time required in searching for some type of insurance coverage.

If you have additional questions concerning this, please do not hesitate to call.

Sincerely,

JUNE GAY.

ITEM 5. LETTER FROM MARY ELYN LAUTH, EXECUTIVE DIRECTOR,
NEW RIVER VALLEY AGENCY ON AGING, PULASKI, VA., DATED
JULY 8, 1977

DEAR MR. CLAIR: As a director of an area agency on aging with a transportation program consisting of several 12-passenger vans and two larger buses, I have found serious problems with insurance to cover these vehicles.

Before the arrival of the vans, I called five nationally known insurance companies to inquire about full coverage insurance. Four of the five companies contacted would not discuss insuring the vans as soon as they found out the age of the passengers and drivers (over 55 years old). When the fifth company was contacted, I was informed that the premiums would be approximately \$675 per van with the entire coverage being on a sign risk policy where the policy on all of the vans could be cancelled at any time. Although it was explained to these companies that all drivers that would be hired to drive the vans would have to have a chauffeur's license, a physical, and a clean driving record, it made no difference due to the age bracket that most of the drivers fell into.

After seeking several other alternatives, I have finally reconciled the problem of insuring all of the vehicles operated for the nutrition program and other transportation services offered to the elderly of this district through a general fleet insurance policy with drivers from a variety of age groups. The inclusion of other age persons besides persons 55 years old or older was a must in solving our insurance problem. I very strongly feel that the discrimination manifested toward elderly in this situation is reprehensible.

I feel that after talking to other aging professionals regarding this problem, that this is a concern of area agencies on aging nationally. If I can provide any further information concerning the insuring difficulties that this agency has encountered due to the age bracket that we are serving, please feel free to call.

Sincerely,

MARY ELYN LAUTH.