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STATEMENT OF BRAD SMOOT
LEGISLATIVE COUNSEL, THE AMERICAN INSURANCE ASSOCIATION
SPECIAL COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
REGARDING
MINIMUM LIABILITY LIMITS FOR MOTOR VEHICLES (2017 HB 2104)
OCTOBER 11, 2017

Mr. Chairman and Members:

Thank you for this opportunity to comment on behalf of the American Insurance Association regarding Kansas' minimum liability limits for personal passenger auto insurance. AIA is a trade group of more than 300-member insurance companies who write commercial, general liability, auto, home, life and workers compensation insurance in all 50 states. Our members include companies that are household names, employ thousands of Kansans and may even insure your family or business.

The American Insurance Association respectfully urges the Committee not to endorse an increase in current auto minimums as proposed in HB 2104. Kansas law requires all drivers to carry at least minimum levels of liability coverage. The state makes every effort to enforce this requirement by imposing criminal penalties for failure to maintain coverage, requiring drivers to show proof of coverage at annual registration and requiring proof of coverage during a traffic stop. Despite these efforts, the Insurance Information Institute estimates that 9.4% of Kansas drivers fail to maintain the required liability insurance and the Kansas Insurance Department has estimated that number may be as high 13% during a typical year. The state also requires auto insurers to report their lists of insured drivers to the Motor Vehicle Department so that the state can verify coverage and DMV regularly looks at ways to further encourage compliance with the mandated minimum coverage.

In short, the state of Kansas has expended enormous amounts of time and effort to deal with the uninsured motorist. Yet those drivers are still among us. We don't think it takes data or research to understand why there are so many uninsured motorists. It must be, in part, a matter of money. Even with minimums like those in Kansas and most other states, some folks just can't afford to maintain insurance coverage. We think the Legislature would want to avoid exasperating this problem by making minimum coverage even less affordable. Raising coverages as proposed by HB 2104 raises premiums for those folks least able to pay.

As insurance companies, AIA members are more than willing to sell larger insurance coverages and encourage drivers to buy as much coverage as they need and can afford. The law in question is a mandatory minimum. The question posed by this interim and HB 2104, is how much liability coverage are you going to require your constituents to purchase regardless of the cost or their personal ability to pay. HB 2104 would double the minimum coverage, tying Kansas with Alaska for the highest in the country. In addition, the bill removes the underinsured motorist offset thus increasing the UM/UIM portion of the premium.

In addition, the removal of the UIM offset creates the odd anomaly in which a driver with the new minimum limits hit by an underinsured driver would get a greater insurance recovery than a driver hit by an uninsured motorist. That, of course, makes no sense at all.

The Kansas Insurance Department has provided an updated chart containing the private passenger auto minimum liability limits imposed by each state. As you can see, current Kansas law is very much in line with most states. Indeed, with the increase in the property damage limits enacted a couple of years ago, Kansas already mandates one of the highest minimums in the nation. AIA urges the legislature to be cautious about making such a move and to be mindful of the unintended consequences for your constituents. Thank you.