

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

68-West-Statehouse, 300 SW 10th Ave.
Topeka, Kansas 66612-1504
(785) 296-3181 • FAX (785) 296-3824

kslegres@klrd.ks.gov

<http://www.kslegislature.org/klrd>

December 4, 2015

MINIMUM MOTOR VEHICLE LIABILITY INSURANCE POLICY LIMITS

This memorandum provides background information on increases to minimum motor vehicle liability insurance policy limits, a study topic assigned to the Special Committee on Insurance by the Legislative Coordinating Council (LCC). The memorandum provides summary information on 2015 HB 2067 (as specified in the requested topic) and on previously considered state legislation addressing increases to those limits.

Assigned Study Topic

The charge and topic assigned by the LCC follows:

Study the Need to Increase the Minimum Motor Vehicle Liability Insurance Policy Limits and, If Needed, What Limits Would be Indicated. In February, the House Committee on Insurance held a hearing on HB 2067. The bill would have increased the mandatory minimum motor vehicle liability policy limits. After hearing proponent and opponent testimony, no action was taken. The Committee indicated the need to study the matter before action, if any, was taken. Under existing law, KSA 40-3107, the minimum policy coverage limits in any one accident is \$25,000 for bodily injury or death of one person and \$50,000 for two or more persons, and \$10,000 for harm to or destruction of the property of others. The last changes to these limits were made in 1984.

HB 2067—Summary of Contents

HB 2067 would amend KSA 40-3107 to increase the minimum policy coverage limits in any one accident from \$25,000 to \$50,000 for bodily injury to or death of one person and from \$50,000 to \$75,000 for bodily injury to or death of two or more persons, and from \$10,000 to \$35,000 for harm to or destruction of the property of others. Two technical changes related to drafting style also would be made. The bill would take effect on publication in the statute book.

HB 2067—Bill Hearing and Testimony

The bill was introduced by the House Committee on Insurance at the request of Representative Ramon Gonzalez, Jr. The House Committee held a hearing on the bill on February 4, 2015. Proponents of the bill included Representative Gonzalez, two private citizens, and a representative of the Kansas Association for Justice. Written testimony in favor of the bill

was submitted by a representative of the Kansas Association of Insurance Agents. The proponents generally addressed how the existing motor vehicle liability coverage limits result in under-compensation due to the increased cost of vehicles, healthcare, emergency response, and ambulatory transport as a result of inflation since the limits were established. The private citizens shared personal experiences of automobile accidents resulting in loss of life, medical expenses, and property loss and testified as to the lack of adequate compensation under the current coverage limits to cover the losses incurred by the injured parties. The proponents stated the bill would help increase the chances of those faced with medical expenses and property losses beyond the existing limits to receive full and adequate compensation for those injuries and losses. One proponent suggested increasing the coverage limit and adding an index for inflation.

Opponents of the bill appearing before the House Committee were representatives of the American Insurance Association and Allstate Insurance. Written testimony in opposition to the bill was submitted by representatives of American Family, Property Casualty Insurers, and Enterprise Leasing Company of Kansas. The opponents generally stated raising the coverage limits would increase premiums, individuals who could least afford the premium increases would drop their insurance coverage, and the number of uninsured motorists would increase. A chart from the Insurance Information Institute was provided showing automobile financial responsibility limits and enforcements by state. Several conferees noted the increase in the limits proposed by the bill would move Kansas to one of the highest mandated minimums in the nation. Conferees also noted existing minimum automobile insurance liability limits in Kansas are in line with those of most states.

Neutral testimony was presented by a representative of State Farm Insurance Companies. The representative stated the limit changes proposed in the bill might force financially struggling families to not purchase insurance, potentially increasing the uninsured market. The representative also noted the limits are part of a larger set of laws that include benchmarks in the amount of medical cost that must be incurred before an individual can sue, and the bill does not consider the effect increased limits without a change in medical threshold would have on the judicial system. He asked the Committee to move cautiously when looking at changes to the mandatory limits, indicating a strong case should be made demonstrating such a change would benefit all Kansans.

The House Committee questioned how the coverage limit amounts proposed by the bill were determined. The response provided was that higher limits had been proposed in prior legislation without resulting passage, so lower coverage limits were proposed with the hope of obtaining some level of increase needed in the coverage limit. Committee members indicated the need to determine what the appropriate coverage limits should be if an increase was needed.

House Committee members also expressed concern over the impact of uncompensated losses on injured parties with limited financial means and the amount of the resulting premium increase and its impact on the same population. Some House Committee members questioned the level of resulting premium increases implied by conferees and the correlation between an increase in the liability limits and an increase in uninsured drivers.

According to the fiscal note prepared by the Division of the Budget, the Kansas Insurance Department (Department) states enactment of the bill would cause an increase of premiums that consumers would pay for auto insurance; however, the Department indicates the potential increase would be minimal. Additionally, the Department states the bill has the potential to increase taxes collected from insurance companies from higher premiums for auto

insurance from the higher minimum levels of coverage. However, the Department states there also is a potential for a reduction of premiums taxes collected if more individuals would choose not to pay higher premiums and become uninsured. Either way, the fiscal effect on insurance premium taxes collected by the state cannot be estimated. Any fiscal effect associated with the bill is not reflected in *The FY 2016 Governor's Budget Report*.

Enactment and Increases in Minimum Motor Vehicle Liability Insurance Policy Limits

Minimum motor vehicle liability insurance policy limits were first enacted in 1957 with coverage minimum limits in any one accident of \$5,000 for bodily injury to or death of one person and \$10,000 for two or more persons, and \$1,000 for harm to or destruction of the property of others. Coverage limits, when referenced, often are listed to reflect the limits in sequential order and separated by a slash mark; the 1957 limits would be indicated as "\$5,000/\$10,000/\$1,000." In 1973, enacted Sub. for HB 1129 included an increase in the limits, to \$15,000/\$30,000/\$5,000. In 1974, enacted SB 918 codified the requirements, which were not changed, at KSA 40-3107. In 1981, the passage of SB 371 amended those limits upward to \$25,000/\$50,000/\$10,000, the statutory limits that continue in effect to date. HB 2231, also introduced in 1981, proposed the same limits as SB 371. In 1984, technical changes were made to KSA 40-3107; the changes did not affect the policy coverage limits.

Previously Considered State Legislation

No further legislation related to increasing minimum policy coverage limits was introduced until the 1989 Legislative Session, when HB 2482 would have increased the minimum coverage limits to \$50,000/\$100,000/\$20,000. A hearing on the bill took place on March 15, 1989, before the House Committee on Insurance, but no further action was taken.

Minimum policy coverage limit legislation was introduced in 1995, with SB 369 proposing an increase in the limits to \$50,000/\$100,000/\$20,000. The following year, HB 2844 was introduced seeking the same minimum policy coverage limits sought in 1995.

In 1998, SB 634 was introduced by the Senate Committee on Judiciary to address minimum policy coverage limits. The bill proposed limits of \$100,000/\$200,000/\$40,000. The bill was referred to the Senate Committee on Financial Institutions and Insurance, but no hearing was held. The bill died in Committee.

The last attempt to increase the minimum policy limits, prior to the introduction of 2015 HB 2067, occurred in 2012 with the introduction of HB 2679 by the House Committee on Insurance. The bill would have increased the minimum policy coverage limits to \$50,000/\$100,000/\$25,000. The bill was referred to the House Committee on Insurance, but no hearing was held on the bill. The bill died in Committee at the end of the 2012 Session.

For more information on this topic, please contact Iraida Orr, Melissa Calderwood-Renick, or Whitney Howard.

STATES' VEHICLE INSURANCE MINIMUMS

| State | Bodily Injury Liability Limits (\$, in thousands) | | Property Damage Liability Limit (\$, in thousands) | Source(s); Notes |
|----------------------|--|-----------|--|---|
| | per person | per crash | | |
| Alabama | 25 | 50 | 25 | Ala. Code § 32-7-6(c)(1) referenced by Ala. Code § 32-7A-4(b)(1) |
| Alaska | 50 | 100 | 25 | Alaska Stat. Ann. § 28.22.101(d) |
| Arizona | 15 | 30 | 10 | Ariz. Rev. Stat. Ann. § 28-4009(d) |
| Arkansas | 25 | 50 | 25 | Ark. Code Ann. § 27-22-104(b) |
| California | 15 | 30 | 5 | Cal. Veh. Code § 16056(a); Cal. Ins. Code § 11629.7 <i>et seq.</i> and Veh. Code § 16056.1 allow limits of 10/20/3 for those eligible for the California Low-Cost Automobile Insurance Program. |
| Colorado | 25 | 50 | 15 | Colo. Rev. Stat. § 10-4-620 |
| Connecticut | 20 | 40 | 10 | Conn. Gen. Stat. Ann. § 14-112(a) |
| Delaware | 15 | 30 | 10 | Del. Code Ann. tit. 21, § 2118 |
| District of Columbia | 25 | 50 | 10 | D.C. Code § 31-2406 |
| Florida | 10 | 20 | 10 | Fla. Stat. Ann. § 324.021(7) |
| Georgia | 25 | 50 | 25 | Ga. Code Ann. § 33-7-11(a)(1) |
| Hawaii | 20 | 40 | 10 | Haw. Rev. Stat. § 431:10C-301(b) |
| Idaho | 20 | 50 | 15 | Idaho Code Ann. § 49-117(18) |
| Illinois | 25 | 50 | 20 | 625 ILCS 5/7-317(b)(3) [Note: limits increased from 20/40/15 as of 1/1/2015 (P.A. 98-519)] |
| Indiana | 25 | 50 | 10 | Ind. Code Ann. § 9-25-4-5 |
| Iowa | 20 | 40 | 15 | Iowa Code Ann. § 321A.21(2)(b) |
| Kansas | 25 | 50 | 10 | Kan. Stat. Ann. § 40-3107(e) |
| Kentucky | 25 | 50 | 10 | Ky. Rev. Stat. Ann. § 304.39-110(a); the state also allows a single limit policy with a minimum of \$60,000 for 1 crash. |
| Louisiana | 15 | 30 | 25 | La. Rev. Stat. Ann. § 32:900(B)(2) |
| Maine | 50 | 100 | 25 | Me. Rev. Stat. tit. 29-A, § 1611 |
| Maryland | 30 | 60 | 15 | Md. Code Ann., Transp. § 17-103(b) |
| Massachusetts | 20 | 40 | 5 | Bodily Injury (20/40) - Mass. Gen. Laws Ann. ch. 90, § 34A; Property Damage (5) - Mass. Gen. Laws Ann. ch. 90, § 34O |
| Michigan | 20 | 40 | 10 | Mich. Comp. Laws § 500.3009 |
| Minnesota | 30 | 60 | 10 | Minn. Stat. § 65B.49 |
| Mississippi | 25 | 50 | 25 | Miss. Code. § 63-15-43(2)(b) |
| Missouri | 25 | 50 | 10 | Mo. Ann. Stat. § 303.190(2)(2) |
| Montana | 25 | 50 | 10 | Mont. Code Ann. § 61-6-103(1)(b) |
| Nebraska | 25 | 50 | 25 | Neb. Rev. St. § 60-534 |
| Nevada | 15 | 30 | 10 | Nev. Rev. Stat. Ann. § 485.3091(b) |
| New Hampshire | 25 | 50 | 25 | N.H. Rev. Stat. Ann. § 259:61 |
| New Jersey | 15 | 30 | 5 | N.J. Stat. Ann. § 39:6B-1(a); New Jersey also allows a Basic Policy (§ 39:6A-3.1) with bodily injury limits of \$10,000 for all persons, per crash, and \$5,000 in property damage liability. http://www.state.nj.us/dobi/division_consumers/insurance/basicpolicy.shtml |
| New Mexico | 25 | 50 | 10 | N.M. Stat. Ann. § 66-5-208; the state also allows evidence of financial responsibility in the form of a surety bond or a cash deposit of \$60,000. |
| New York | 25 | 50 | 10 | N.Y. Veh. & Traf. Law § 311 (McKinney). New York specifies limits if a crash results in bodily injury (\$25,000 if 1 person, \$50,000 if 2 or more) or death (\$50,000 if 1 person, \$100,000 if 2 or more). |
| North Carolina | 30 | 60 | 25 | N.C. Gen. Stat. Ann. § 20-279.21 |
| North Dakota | 25 | 50 | 25 | N.D. Cent. Code Ann. § 39-16.1-11(2)(b) |
| Ohio | 25 | 50 | 25 | Ohio Rev. Code Ann. § 4509.51(B) |
| Oklahoma | 25 | 50 | 25 | 47 Okl.St. Ann. § 7-324(b)(2) |
| Oregon | 25 | 50 | 20 | Or. Rev. Stat. Ann. § 806.070(2) |
| Pennsylvania | 15 | 30 | 5 | 75 Pa. Cons. Stat. Ann. § 1774 |
| Rhode Island | 25 | 50 | 25 | R.I. Gen. Laws Ann. § 31-31-7 |
| South Carolina | 25 | 50 | 25 | S.C. Code Ann. § 38-77-140(A) |
| South Dakota | 25 | 50 | 25 | S.D. Codified Laws § 32-35-70 |
| Tennessee | 25 | 50 | 15 | Tenn. Code Ann. § 55-12-102(12)(B); the state also allows a single limit policy with a minimum of \$60,000 for 1 crash. |
| Texas | 30 | 60 | 25 | Tex. Transp. Code Ann. § 601.072 |

STATES' VEHICLE INSURANCE MINIMUMS

| State | Bodily Injury Liability Limits (\$, in thousands) | | Property Damage Liability Limit (\$, in thousands) | Source(s); Notes | | | | | | | | | | | | | | | | |
|--|--|-----------|--|--|------------|------------------|-------|---|-------|----|-------|---|-------|----|-------|----|-------|---|--------|---|
| | per person | per crash | | | | | | | | | | | | | | | | | | |
| Utah | 25 | 65 | 15 | Utah Code Ann. § 31A-22-304; the state also allows a single limit policy with a minimum of \$80,000 for 1 crash. | | | | | | | | | | | | | | | | |
| Vermont | 25 | 50 | 10 | Vt. Stat. Ann. Title 23, § 800 | | | | | | | | | | | | | | | | |
| Virginia | 25 | 50 | 20 | Va. Code Ann. § 46.2-472 | | | | | | | | | | | | | | | | |
| Washington | 25 | 50 | 10 | Wash. Rev. Code Ann. § 46.29.490(2)(b) | | | | | | | | | | | | | | | | |
| West Virginia | 20 | 40 | 10 | W. Va. Code Ann. § 17D-4-2; limits increase to 25/50/25 for new or renewed policies as of 1/1/2016. | | | | | | | | | | | | | | | | |
| Wisconsin | 25 | 50 | 10 | Wis. Stat. Ann. § 344.33(2) | | | | | | | | | | | | | | | | |
| Wyoming | 25 | 50 | 20 | Wyo. Stat. Ann. § 31-9-405(b)(ii) | | | | | | | | | | | | | | | | |
| Bodily injury, per person | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <caption>Bodily Injury Liability Limits per person</caption> <thead> <tr> <th>Limit (\$)</th> <th>Number of States</th> </tr> </thead> <tbody> <tr><td>\$10k</td><td>1</td></tr> <tr><td>\$15k</td><td>7</td></tr> <tr><td>\$20k</td><td>7</td></tr> <tr><td>\$25k</td><td>30</td></tr> <tr><td>\$30k</td><td>4</td></tr> <tr><td>\$50k</td><td>2</td></tr> </tbody> </table> | | | | | Limit (\$) | Number of States | \$10k | 1 | \$15k | 7 | \$20k | 7 | \$25k | 30 | \$30k | 4 | \$50k | 2 | | |
| Limit (\$) | Number of States | | | | | | | | | | | | | | | | | | | |
| \$10k | 1 | | | | | | | | | | | | | | | | | | | |
| \$15k | 7 | | | | | | | | | | | | | | | | | | | |
| \$20k | 7 | | | | | | | | | | | | | | | | | | | |
| \$25k | 30 | | | | | | | | | | | | | | | | | | | |
| \$30k | 4 | | | | | | | | | | | | | | | | | | | |
| \$50k | 2 | | | | | | | | | | | | | | | | | | | |
| Bodily injury, per crash | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <caption>Bodily Injury Liability Limits per crash</caption> <thead> <tr> <th>Limit (\$)</th> <th>Number of States</th> </tr> </thead> <tbody> <tr><td>\$20k</td><td>1</td></tr> <tr><td>\$30k</td><td>7</td></tr> <tr><td>\$40k</td><td>6</td></tr> <tr><td>\$50k</td><td>30</td></tr> <tr><td>\$60k</td><td>4</td></tr> <tr><td>\$65k</td><td>1</td></tr> <tr><td>\$100k</td><td>2</td></tr> </tbody> </table> | | | | | Limit (\$) | Number of States | \$20k | 1 | \$30k | 7 | \$40k | 6 | \$50k | 30 | \$60k | 4 | \$65k | 1 | \$100k | 2 |
| Limit (\$) | Number of States | | | | | | | | | | | | | | | | | | | |
| \$20k | 1 | | | | | | | | | | | | | | | | | | | |
| \$30k | 7 | | | | | | | | | | | | | | | | | | | |
| \$40k | 6 | | | | | | | | | | | | | | | | | | | |
| \$50k | 30 | | | | | | | | | | | | | | | | | | | |
| \$60k | 4 | | | | | | | | | | | | | | | | | | | |
| \$65k | 1 | | | | | | | | | | | | | | | | | | | |
| \$100k | 2 | | | | | | | | | | | | | | | | | | | |
| Property | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <caption>Property Damage Liability Limits</caption> <thead> <tr> <th>Limit (\$)</th> <th>Number of States</th> </tr> </thead> <tbody> <tr><td>\$5k</td><td>4</td></tr> <tr><td>\$10k</td><td>20</td></tr> <tr><td>\$15k</td><td>6</td></tr> <tr><td>\$20k</td><td>4</td></tr> <tr><td>\$25k</td><td>17</td></tr> </tbody> </table> | | | | | Limit (\$) | Number of States | \$5k | 4 | \$10k | 20 | \$15k | 6 | \$20k | 4 | \$25k | 17 | | | | |
| Limit (\$) | Number of States | | | | | | | | | | | | | | | | | | | |
| \$5k | 4 | | | | | | | | | | | | | | | | | | | |
| \$10k | 20 | | | | | | | | | | | | | | | | | | | |
| \$15k | 6 | | | | | | | | | | | | | | | | | | | |
| \$20k | 4 | | | | | | | | | | | | | | | | | | | |
| \$25k | 17 | | | | | | | | | | | | | | | | | | | |
| compiled by KLRD, December 2015 | | | | | | | | | | | | | | | | | | | | |