



DATE: December 7, 2015

TO: The Honorable Scott Schwab  
Members of the 2015 Interim Insurance Committee

FROM: Will Larson, Attorney  
Kansas Association of Insurance Agents

RE: Support for House Bill 2067

Thank you for the opportunity to speak in support of increased minimum auto limits.

The Kansas Association of Insurance Agents (KAIA) is a statewide association of independent insurance agents. We represent more than 2,500 licensed professional agents throughout the state of Kansas. Our members advise and advocate for their clients daily regarding their personal and commercial auto coverage decisions.

### **There are Three Components of Auto Liability Coverage**

Auto liability insurance is comprised of two types of coverage: bodily injury and property damage. If an auto accident occurs, the driver who is at fault can turn to the bodily injury component of their auto policy to pay for injuries suffered by the other person(s) involved in the accident. Likewise, the driver at fault can turn to the property damage component in their policy to pay for damage to the other person's vehicle or property. It is important to note that liability insurance only pays for bodily injury and property damage suffered by others, not injuries or damages suffered by the insured.

### **States Set Minimum Liability Limits as a Consumer Protection**

As a consumer protection, each state sets minimum limits for auto coverage. These are the minimum amounts insureds must carry for bodily injury and property damage on their auto liability policy. Minimums are intended to protect consumers in two ways: (1) to protect the insured from carrying too little coverage and thereby finding themselves underinsured in an accident; and (2) to protect others from having to bear the cost of a claim through their own insurance policy if they are injured or damaged by someone who is underinsured.

There are three numbers associated with minimum limits. Current minimums in Kansas are 25/50/10. The first number - \$25,000 - refers to the maximum amount an insurance company will pay for bodily injury per person in an accident. The second number - \$50,000 - is the total amount a company will pay for bodily injury if two or more people are injured. The third number - \$10,000 - is the total amount a company will pay for property damage in an accident.

### **Kansas Limits Are No Longer Adequately Protecting Consumers**

This statute was last amended in 1984. Two key aspects of the insurance market have changed since that time.

- 1) First, the advent of online insurance shopping has occurred. Consumers choosing their coverage online are often targeted to buy based on the lowest price rather than adequate coverage. This encourages more consumers to choose inadequate minimum coverages, often without fully understanding the financial risk they are undertaking.

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- 2) Second, medical and auto costs have increased significantly over the past 30 years. In today's economy, Kansas minimums no longer adequately cover the damages incurred in a typical accident. Take for instance the state's \$10,000 property damage limit. With an increased number of SUVs and other more expensive vehicles on the road today, \$10,000 rarely covers repair or replacement costs for the auto owner. Recognizing this, 28 other states have adopted higher property damage limits than Kansas.

### **Available Data Does Not Prove a Correlation Between Minimum Limits and Uninsured Rates**

In an analysis of minimum limits compared with average auto premiums and uninsured rates on a state-by-state basis, the data does not prove a direct correlation between minimum limits and uninsured motorist rates. The following should be noted:

- Florida has one the nation's lowest minimum auto limits (10/20/10), yet the second highest number of uninsured motorists (23.8%);
- New Jersey has much lower minimum limits than Kansas (15/30/5), yet they have highest average auto premiums in the country (average \$1,219 per year in New Jersey compared to \$632 per year in Kansas);
- Our neighbors in Nebraska have higher property damage limits than Kansas (\$25,000 vs \$10,000), but they have lower premiums and fewer uninsured motorists (6.7% uninsured in Nebraska vs. 9.4% uninsured in Kansas)
- Arkansas also has higher property damage limits than Kansas (\$25,000 vs. \$10,000), but on average they pay less for better coverage (average \$616 per year in Nebraska compared to \$632 per year in Kansas).

### **There's Merit in Modeling Minimum Limits After New Uber Limits**

KAIA and its member agents believe modernizing the minimum limits in Kansas, particularly increasing the property damage limits, would better reflect the realities of today's economy and better protect Kansans from the undue financial impact of underinsured motorists.

We support the concept of modeling minimum limits after the ride-sharing legislation passed by this Legislature earlier in the year. This move would streamline minimum limits within the personal auto market and provide all Kansans with the same level of consumer protection.

Thank you for your consideration of HB 2067.