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Testimony of Christine Peterson, Enterprise Leasing Company of KS LLCs
Special Committee on Insurance
House Bill 2067
December 7, 2015

Mr. Chairman and members of the Committee,

I appreciate the opportunity to present concerns regarding House Bill 2067, increasing minimum auto insurance requirements. While I appreciate the intentions of the proponents, I believe that passage will have the unintended consequences of more drivers going with less coverage or without any coverage at all. Enterprise Holdings has a fleet of more than 5000 vehicles in Kansas. On behalf of our more than 500 employees who live and work in this state and the tens of thousands of car rental customers in our state, I am urging you to oppose HB 2067.

This proposal would significantly increase the mandated minimum financial responsibility limits for all vehicle owners from 25/50/10 to 50/75/35. The bodily injury for one person would double (200%), the bodily injury for two or more persons would increase by fifty percent (50%) and the property limits would increase three hundred and fifty percent (350%). HB2067 will consequently increase our business operating costs at a time when we are already dealing with rising vehicles costs. If HB 2067 passes, we will have no choice but to pass some of these costs to our customers, a majority of whom are Kansas residents renting to either replace a car that is in the shop for repair, use on business or government travel or simply to fill a special vehicle need.

But the MFR increase in HB2067 affects more than just rental car companies and our customers. These new limits, if passed, will very likely result in more *uninsured* drivers on our roads. Why? Higher MFR leads to higher insurance claims and, therefore, higher insurance premiums for all policy holders in Kansas. With this increase in premiums, insurance will be less affordable for some car owners, especially for those lower-income policy holders electing to only carry MFR today. How many of our current Kansas policy holders will elect to drop their coverage altogether and join the roughly 10% of Kansas vehicles on the road that are already uninsured? How many Kansas policy holders will drop full coverage and only carry MFR as their total insurance premium rises? Will raising the entry level for insurance coverage help bring the current uninsured vehicles into compliance with current laws? That answer is no.

As a resident of Kansas for the last twenty four years and the mother of three young adults, I have a concern with the current number of uninsured vehicles on Kansas roads. Additionally I personally understand the financial responsibility to keep all my vehicles properly insured. However I also

understand that low income families are sometime faced with choosing between insurance and other daily expense for their families, such as rent and food.

By increasing MFR limits, Kansas would rank with some of the highest limits in the country. I have included current limits by state. These are ranked by the highest aggregate bodily limits (attachment). Kansas is highlighted in green and all states higher than Kansas are in yellow. On single bodily injury, Kansas is consistent with most other states. The increase in this category would tie Kansas with only two states for the higher limits (Maine and Alaska). For bodily injury of two or more people, this increase would rank us, again, one of the highest limits in the country. At a limit of 35 for property, Kansas would be the highest limits currently on record, even exceeding Maine and Alaska.

Please keep in mind that under existing law, the consumer has the choice of increasing their own minimum limits, a choice that should remain in the marketplace, not as a mandate of state law. An across-the-board change of this nature will ultimately harm consumers.

I respectfully request that you oppose this legislation. If you have any questions, or need any additional information, please do not hesitate to contact me.

Christine K. Peterson
Group Controller
Enterprise Leasing Company of KS, LLC

MFR Limits

<u>State</u>	<u>Claimant</u>	<u>Aggregate</u>	<u>Property Damage</u>	<u>Change in last 5 years</u>
Alaska	\$50,000	\$100,000	\$25,000	
Maine	\$50,000	\$100,000	\$25,000	2011 - decrease
Maryland	\$30,000	\$60,000	\$15,000	2011
Minnesota	\$30,000	\$60,000	\$10,000	
North Carolina	\$30,000	\$60,000	\$25,000	
Texas	\$30,000	\$60,000	\$25,000	2011
Alabama	\$25,000	\$50,000	\$25,000	
Arkansas	\$25,000	\$50,000	\$25,000	
Colorado	\$25,000	\$50,000	\$15,000	
District of Columbia	\$25,000	\$50,000	\$10,000	
Georgia	\$25,000	\$50,000	\$25,000	
Idaho	\$25,000	\$50,000	\$15,000	
Indiana	\$25,000	\$50,000	\$10,000	
Kansas	\$25,000	\$50,000	\$10,000	
Kentucky	\$25,000	\$50,000	\$10,000	
Mississippi	\$25,000	\$50,000	\$25,000	
Missouri	\$25,000	\$50,000	\$10,000	
Montana	\$25,000	\$50,000	\$20,000	2015
Nebraska	\$25,000	\$50,000	\$25,000	
New Hampshire	\$25,000	\$50,000	\$25,000	
New Mexico	\$25,000	\$50,000	\$10,000	
New York	\$25,000	\$50,000	\$10,000	
North Dakota	\$25,000	\$50,000	\$25,000	
Ohio	\$25,000	\$50,000	\$25,000	2013
Oklahoma	\$25,000	\$50,000	\$25,000	
Oregon	\$25,000	\$50,000	\$10,000	
Rhode Island	\$25,000	\$50,000	\$25,000	
South Carolina	\$25,000	\$50,000	\$25,000	
South Dakota	\$25,000	\$50,000	\$25,000	
Tennessee	\$25,000	\$50,000	\$15,000	
Utah	\$25,000	\$50,000	\$15,000	
Vermont	\$25,000	\$50,000	\$10,000	
Virginia	\$25,000	\$50,000	\$20,000	
Washington	\$25,000	\$50,000	\$10,000	
Wisconsin	\$25,000	\$50,000	\$10,000	
Wyoming	\$25,000	\$50,000	\$20,000	
Illinois	\$25,000	\$50,000	\$25,000	
Connecticut	\$20,000	\$40,000	\$10,000	
Hawaii	\$20,000	\$40,000	\$10,000	
Iowa	\$20,000	\$40,000	\$15,000	
Massachusetts	\$20,000	\$40,000	\$5,000	
Michigan	\$20,000	\$40,000	\$10,000	
West Virginia	\$20,000	\$40,000	\$10,000	
Arizona	\$15,000	\$30,000	\$10,000	
California	\$15,000	\$30,000	\$5,000	
Louisiana	\$15,000	\$30,000	\$25,000	
Nevada	\$15,000	\$30,000	\$10,000	
New Jersey	\$15,000	\$30,000	\$5,000	
Pennsylvania	\$15,000	\$30,000	\$5,000	
Delaware	\$10,000	\$20,000	\$5,000	
Florida	\$10,000	\$20,000	\$10,000	

Motor Vehicle Insurance Requirements

Kansas's current MFR limits are comparable to our neighbors.

- Currently Kansas's minimum financial responsibility (MFR) limits are \$25,000 coverage for a single individual injured, \$50,000 for all persons injured in an accident, and \$10,000 coverage for property damage; 25/50/10 coverage is similar to other states in the region. There are 6 states that have a higher MFR requirement.

Increasing MFR prices lower-income people out of the market & increases the number of uninsured

- Based on a 2013 study of the Consumer Federation of America, roughly 10% of drivers in Kansas are uninsured. Not surprisingly, the study found a strong inverse relationship between household income and households with uninsured vehicles.¹

Higher MFR limits are unnecessary

- Under current law, the consumer has the choice of increasing coverage amounts; requiring a higher minimum insurance would take away the consumer's ability to make this financial decision and requires everyone to pay higher rates for coverage that they may not want or need. This choice should remain in the marketplace, not be mandated by state law.

There are more effective ways to protect against losses than raising MFR

- With most losses occurring at a level below current MFR, the most effective efforts to reduce losses should be focused on addressing the 10% with no insurance at all
- Since raising MFR would only increase the number of uninsured motorists, it should be avoided at all cost
- Instead, Kansas should improve enforcement of the existing MFR requirement - utilizing technology and a more all-encompassing approach.

Christine Peterson
Group Controller
Enterprise Leasing Company of KS, LLC

¹ "Uninsured Drivers: A Societal Dilemma in Need of a Solution." Consumer Federation of America, March 2013. (http://www.consumerfed.org/pdfs/140310_uninsureddriversasocialdilemma_cfa.pdf)