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October 4, 2017

Senator Jeff Longbine, Chairman

Interim Insurance Committee

RE: HB 2104 - Motor Vehicle Liability Insurance  
Underinsured Motorist Coverage  
Minimum Limits - (Support)

My name is Chris Conrade. I am Vice President of Conrade Insurance Group an independent agency that traces its Kansas roots to 1896. Our agency assists our customers with all types of insurance including automobile insurance, homeowner's insurance and commercial insurance.

Automobile liability insurance has two different types of coverages property damage and bodily injury. Property damage covers the cost of the damaged automobile and other tangible pieces of property such as damaged road signs, fences and buildings. The bodily injury portion covers personal injuries suffered in the collision. When listing numbers of coverage there are three numbers listed. The first number is the per person bodily injury limit a company will pay which our state minimum is currently \$25,000. The second number is the bodily injury per collision limit meaning the amount all members injured in a collision can collect in aggregate. The current Kansas limit is \$50,000. The final number is the property damage limit which is the total amount a company will pay for property damage in a collision currently \$25,000. (25/50/25 is the designation that represents our current limits).

**Minimum Limits Should Protect Kansans – The Current Limits Do Not.**

Each state sets minimum limits for automobile coverage to protect its citizens. These limits are designed to protect both the injured person and the driver who caused the collision. Unfortunately, our limits are outdated and need to be adjusted. There have been a lot of economic changes in Kansas in the last 35 years and our limits have not kept pace.

Agents all across Kansas see the impact of outdated auto limits every day. My agency refuses to write insurance with minimum limits because we know the tragic financial consequences of buying minimum limits where a relatively minor automobile collision can bring financial ruin. However, individuals who have minimum limits believe that since they have insurance “as required by law” erroneously believe they have adequate protection.

This is especially true of those operating through online selling who prey on the most vulnerable of our society, the elderly, the poor and the uneducated. These online sellers do not explain to their clients the risks of the \$25,000 bodily injury limit. They simply advise this is the insurance that is required by Kansas Law. Thus, more consumers than ever before are choosing inadequate minimum coverage.

Last year the legislature recognized the increased cost of automobiles since the early 1980's and increased the property damage limits to \$25,000. However, medical costs since the 1980's have risen at a higher level than automobile costs.

Responsible Kansans pay the price for outdated minimum limits through their own automobile premium. Under the current limits, costs for the auto market are shifted to the drivers who carry appropriate limits through Underinsured motorist coverage.

### **Minimum Limits Should Protect the Kansas Budget – The Current Limits Do Not.**

The cost aspect to the Kansas budget is often overlooked in discussions on minimum limits.

When medical expenses are not covered by the automobile insurance of the at-fault driver they are shifted to government financed programs like Medicaid and Medicare. These costs should not be passed on to the Kansas taxpayers.

### **Lower Limits Does Not Reduce the Number of Uninsured.**

Opponents of increased limits argue that raising the minimum limits will increase the number of uninsured drivers. The Insurance Resource Council conducted a study on the percentage of Uninsured Motorists.<sup>1</sup> The state of Florida has the nation's lowest limits at (10/20/10), however, it had the second highest number of uninsured motorists.

### **The Cost?**

Increasing the minimum limits as outlined in HB 2104 would better protect Kansans while having an estimated minimal impact on automobile premiums. Based upon my research, the numbers would cost on average \$4 a month and protect them and all other drivers from financial ruin. In return, Kansas drivers and those around them would be better protected. Further, other drivers would not have to pick up the tab through Underinsured Motorist provisions. The cost should be borne by the individual who causes the collision, not the injured party and their Underinsured motorist limits.

In the past, the opponents of the bill have erroneously argued that those with minimum limits would feel the impact of the rate increase the most. Thus, I analyzed the 20-year-old male driver of a motor vehicle and the additional cost to him from three different carriers ranged from \$1.83 a month to \$3.50 a month. However, keep in mind insurance rates are set to cause those at highest risk to pay the highest premiums and those individuals that engage in risky behaviors such as drink and drive or have multiple moving violations should pay the highest premiums as they often cause the most damage.

If the minimum limits are moved to where they should be the insurance market will adjust and competition will provide reasonable rates just as it did when the property damage limits were properly updated from \$10,000 to \$25,000.

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<sup>1</sup> Insurance Research Council, *New Study Reveals a Declining Trend in the Percentage of Uninsured Motorists*, August 5, 2014.

### **Underinsured Motorist Limits**

The current offset system in Kansas does not help the Kansas consumer. When my clients purchase a \$100,000 worth of UIM coverage, they should receive \$100,000 worth of coverage from their own carrier not \$75,000, \$50,000 or nothing. Under current law my injured clients get a reduced amount as the carrier gets a credit for the insurance of the bad driver. This seems unfair to me and my clients often do not understand this portion of Kansas Law.

The biggest inequalities come when a person purchases minimum limits, usually on-line, believing they have \$25,000 of “underinsured” motorist coverage. However, when the at-fault driver has \$25,000 in limits they have “no” underinsured coverage because of the credit or “setoff”.

### **Conclusion**

The minimum limits of bodily injury policies in Kansas should be modernized to better reflect the realities of today’s economy and better protect Kansans from financial ruin of underinsured motorists.

A handwritten signature in black ink, appearing to read "Chris Conrade". The signature is written in a cursive, flowing style.

Chris Conrade

Vice President, Conrade Insurance Group