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WRITTEN ONLY

Senator Jeff Longbine
Chairman, Special Committee on Insurance
State Capital Building
300 SW 10th Ave. Room: 341-E
Topeka, KS 66612

Re: American Family Insurance's opposition to legislation to increase the minimum automobile insurance limits for liability coverage, uninsured motorist coverage, and underinsured motorist coverage

Mr. Chairman and Members:

American Family Insurance insures approximately thirteen percent of the automobiles in the state. We offer insurance products through some 170 appointed producers who reside throughout the state.

We oppose legislation which is similar to House Bill 2104 (2017). House Bill 2104 would double the minimum limits for bodily injury liability coverage, double the minimum limits for uninsured motorist coverage, double the minimum limits for underinsured motorist coverage, and unnecessarily broaden the scope of underinsured motorist coverage.

While the vast majority of our policyholders choose to purchase coverage which exceeds the current minimum limits, we believe legislation similar to House Bill 2104 would have the unintended consequence of increasing the number of uninsured drivers in Kansas. The cost of requiring higher minimum limits would be borne by folks who can least afford it. Young drivers, low-income drivers, and high-risk drivers may forego purchasing insurance entirely rather than pay increased premiums resulting from the passage of this type of legislation.

When reviewing this legislation, it is important to recognize that, broadly speaking, there are three separate auto insurance markets: the "preferred" market, "standard" market, and "nonstandard" market. The different markets are based on the likelihood consumers will file claims. "Preferred" companies insure the most favorable risks (drivers), "standard" companies insure average risks, and "non-standard" companies insure the least favorable risks.

Policyholders in the non-standard market usually only purchase the minimum levels of coverage required by the state. The General, an American Family company, specializes in the offering coverage in the non-standard market. These are the policyholders who struggle to afford auto insurance at current rates. If House Bill 2104 becomes law, most of The General's minimum limits policyholders would face premium increases of at least 40% for bodily injury liability coverage, uninsured motorist coverage, and underinsured motorist coverage.

For our customers in the preferred and standard markets, most of our minimum limits policyholders would face premium increases over 10% and some customers would face increases up to 24%.

What follows is a basic explanation of the changes called for in House Bill 2104. The bill would modify K.S.A. 40-3107(e), page 3 of the bill, to increase the minimum vehicle liability limits from $25,000/$50,000/$25,000 to $50,000/$100,000/$25,000. (The first number refers to coverage for bodily injury or death to one person in any one accident; the second number is bodily injury or death to two or more persons in any one accident, and the third number refers to damage to the property of others in any one accident).

Although it may not be readily apparent, the bill's provision which increases the minimum liability limits for bodily injury coverage would trigger a similar increase in the minimum limits for uninsured motorist coverage. This is due to language in current law (see lines 18-22 on page 1 of House Bill 2104) that provides every vehicle liability policy must contain uninsured motorist coverage at limits equal to the minimum vehicle liability limits. The current law also provides uninsured motorist coverage must also include an underinsured motorist provision. Page 1, lines 34-35 of House Bill 2104 would amend the law to require underinsured motorist coverage with "coverage limits equal to the limits of liability provided by such uninsured motorist coverage." Accordingly, House Bill 2104 would double the coverage limits for both uninsured motorist coverage and underinsured motorist coverage from $25,000/$50,000 to $50,000/$100,000.

The new language in K.S.A. 40-284(b), page 1-2 of the bill, would prohibit the sale of underinsured motorist products in which the protection is modified based on the other driver's liability limits. If adopted, the bill would in effect require consumers to purchase more protection for accidents with underinsured drivers than uninsured drivers. For example, if House Bill 2104 was adopted, a driver and his/her passengers would have a minimum of $100,000/$200,000 in protection for bodily injury when involved in an accident with an underinsured motorist; i.e., at least $50,000/$100,000 from the other driver's liability coverage plus $50,000/$100,000 of excess coverage from the driver's own underinsured motorist coverage; however, the same driver and her/his passengers would have only a minimum of $50,000/$100,000 in coverage for bodily injury when involved in an accident with an uninsured motorist; i.e., no coverage from the other driver and $50,000/$100,000 in uninsured motorist coverage. Uninsured and underinsured drivers pose the same type of threat to the public and most consumers would likely prefer to obtain the same level of protection for accidents with uninsured and underinsured drivers.

In conclusion, legislation similar to House Bill 2104 would dramatically increase cost of auto insurance for the people who are the least able to afford it. This bill would likely lead to many more uninsured drivers. We urge you to oppose efforts to increase the state's minimum auto insurance requirements.

David Monaghan