



## TESTIMONY REGARDING HOUSE BILL 2067

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Mr. Chairman and Members of the Committee:

The Kansas Association of Insurance Agents (KAIA) is a statewide association of independent insurance agents. We represent more than 500 insurance agencies that employ over 2,500 licensed agents in communities throughout the state. These agents advise their clients daily on both personal and commercial coverage, including auto liability coverage.

### **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, 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 citizens from having the burden of a claim fall to 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.

### **Limits Have Not Kept Pace with Today's Economy**

This statute was last amended in 1984. Two key aspects of the insurance market have changed since that time. First, the advent of online insurance shopping has occurred. Consumers choosing coverage online are often targeted to buy based on price rather than adequate coverage, which encourages more consumers to choose minimum coverages. Second, medical and auto costs have increased significantly over the past 30 years and, 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, 27 other states have adopted higher property damage limits than Kansas.

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

