

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Rep. Rex B. Hoy at
Chairperson

3:30 ~~am~~ p.m. on Tuesday, March 5, 1985 in room 521-S of the Capitol.

All members were present except:

Rep. Graeber - Excused

Committee staff present:

Melinda Hanson - Legislative Research
Gordon Self - Revisor's Office
Helen Carlson - Secretary

Conferees appearing before the committee:

Mr. Ron Smith - Legislative Counsel, Kansas Bar Association
Ms. Kathleen Sebelius - Kansas Trial Lawyers Association
Mr. Randy Forbes - Trial Lawyer, Topeka
Mr. Wayne Morris - Security Benefit Life Insurance Company
Ms. Jane Tedder - Security Benefit Group.

Mr. Ron Smith spoke in opposition to HB 2422 as drafted. He said the KBA strongly supports the No-Fault concept enacted in 1974 and thought the law had been doing what it was intended to do. A copy of Mr. Smith's testimony is attached hereto. (Attachment I)

Kathleen Sebelius spoke in opposition to HB 2422, saying she does not feel the Kansas law is out of step with other states as the \$500 threshold and verbal language falls in the middle compared to other states. Ms. Sebelius passed out a Handout containing testimony of the Kansas Trial Lawyers Assn., a Table of State "No-Fault" laws, and a printout on Automobile Injuries and their Compensation in the United States which are attached hereto. (Attachment II)

Randy Forbes spoke in opposition to HB 2422, saying a great deal of time was given to this subject in 1984 by the Interim Committee and they decided there should be a change in Pip benefits but recommended no change in the tort threshold. He further stated that he feels it is an unfair indictment to say trial lawyers are taking unfair advantage of people as many consumers receive more dollars, after attorney fees, than they would get from their insurance company. Mr. Forbes does not feel people should be denied their constitutional rights and should be able to take their case to court if they so desire.

Rep. Hoy said he thought if we could work out a way to get the money to the injured person first without their going to Court and without being denied or turned down on average claim, that we would be doing them a favor. He further stated that everyone gets money up front with No-Fault insurance, plus getting money for pain and suffering.

Rep. Blumenthal said he would like to have time to digest the material presented.

Rep. Sprague said he had requested an amendment to HB 2422 and had had staff prepare a balloon copy of bill with amendment, which he passed out for members to look at and discuss. The proposed amendment would amend the "general benefits" provision to provide an allowance of \$500 if medical benefits exceed \$1,250, and then \$1.00 for each dollar of medical benefits paid out above \$1,250 to a limit of \$2,250. The proposed amendment would also increase the tort threshold amount from \$500 to \$3,000. The verbal threshold would be retained.

Rep. Blumenthal again said he would like time to digest impact of this amendment and made a motion that it be tabled until Friday, March 8.
Rep. Gjerstad seconded the motion. Motion failed.

Rep. Sprague said he would like to adopt the amendment and vote on the bill as amended, Friday morning.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance,
room 521S, Statehouse, at 3:30 ~~a.m.~~/p.m. on Tuesday, March 5, 1985

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Rep. Neufeld asked what the passage of HB 2422 would cost the policyholder, and Rep. Hoy said the cost would be \$54.80 a year with an additional \$1.80 for the amendment.

Rep. Lacey asked if under this bill anyone would be denied access to Court and the answer was "yes" if medical bill goes over \$3,000 or there is permanent disability.

Chairman Hoy announced action would be delayed on the amendment until Thursday, March 7, 1985.

HB 2464 - Mr. Wayne Morris explained the bill which deals with investments by insurance companies and presented written testimony which is attached hereto. (Attachment III)

Ms. Jane Teddar briefly explained the difference between "ordinary" mutual funds and money market mutual funds. Her testimony is attached hereto. (Attachment IV).

Meeting adjourned at 5 PM.

Ray B Hoy

RON SMITH
Legislative Counsel



KANSAS BAR
ASSOCIATION

HB 2011 & HB 2422
House Insurance Committee
March 5, 1985

Mr. Chairman. Members of the Insurance Committee. I am Ron Smith, Legislative Counsel for the Kansas Bar Association. I can quickly dispose of the basic positions KBA has on both these bills:

1. KBA strongly supports the no-fault concept enacted in 1974. It was true compromise, we feel, since both sides had to give up something. In the end, neither side was very happy. Perhaps that is a good recommendation of the virtues of the 1974 bill.
2. HB 2422, as drafted, creates verbal thresholds rather than monetary thresholds, and as such represents a major departure from the spirit of the 1974 compromise. KBA is opposed to HB 2422 as drafted.
3. HB 2422, as recommended for amendment, contains an interesting new philosophy of award automatic pain and suffering denominated as general damages. However, since that language is not yet ready, and we don't know the costs of such language when compared to a simple increase in the medical expense tort threshold, I cannot yet comment on the legislation until my Executive Council has had a chance to see the new language.
4. HB 2011 is the interim proposal. Our Executive Council has reviewed this bill. While KBA approves of the increase in PIP benefits to adjust for inflation, and while we do not oppose HB 2011, we also do not believe HB 2011 is going to be the realistic work-product of this legislature.
5. The Kansas Bar Association was on record last year, and is on record this year, supporting a reasonable, equitable, inflationary adjustment to PIP benefits and the tort threshold, not to exceed \$1,000. While there is nothing magic about doubling PIP benefits and the medical expense tort threshold together, we believe this course (a) maintains the spirit of the 1974 compromise that we think should be of overriding concern to Kansas legislators, and (b) makes the appropriate inflationary adjustment.

Attachment I
3-5-85

No-Fault
March 5, 1985

I'll try to simplify our position on this complex issue.

The primary public policy question for legislators is two-fold:

- (1) Do you provide Kansans with higher PIP benefits because of inflationary erosion of 1974 benefits?
- (2) If so, how do you fund those added benefits?

There are three choices for funding:

(a) Generate expense-side savings and use those savings to offset expected insurance increases in the PIP premiums. The insurance industry advocates this method through higher medical expense tort thresholds, or the use of verbal thresholds. This is done by adopting legislation similar to HB 2422, if left unamended.

(b) The additional benefits can be funded by having the public pay slightly higher PIP premium benefits. Out of the ordinary \$150/six months premium, testimony last summer indicated this might cost an additional \$6 to \$9. This concept is the rationale of HB 2011.

(c) A third alternative is to do neither, and let consumers supplement their current PIP benefits by purchasing "add-on" PIP coverage through premium riders, or other forms of health and accident insurance. This can be done by keeping the status quo.

I submit your choice of policy questions is answered when you determine who is to be protected by no-fault insurance? Is it the person who caused the accident? The injured consumer? Lawyers? Or Insurance companies?

Proponents of HB 2422 said yesterday that the \$500 medical expense threshold has become both a "target" for the unscrupulous, and that the \$500 amount was inadequate from Day One of that 1974 no-fault bill. While I'm sure that "unscrupulous" is how some insurance people view the claimants who are seeking financial compensation from the company, I imagine that the same word is used by those claimants who have a hard time collecting what they feel is due them from those companies.

No-Fault
March 5, 1985

Further, while admittedly the industry does not like the \$500 level, evidence presented this summer indicate that even with inflation, the \$500 level still cuts out 70% of the smaller lawsuits from the pain and suffering category of compensation.

Other statistics presented this summer, and which I believe were included in the handouts, indicate that of the cases in Kansas which are currently allowed to sue for pain and suffering, only 4 of every 10 such cases involve medical expense exceeding the \$500 threshold.

Several times yesterday, and in the summer, the industry has indicated that never was an intended benefit of no-fault to be lower premiums. But it seems to me that for the industry to now argue that we need to change thresholds in order to lower or keep premiums the same is in fact using no-fault to adjust premiums. This is another reason why KBA believes you should keep the balance in political theories found in the 1974 compromise bill.

Finally, there remains the practical question: which philosophy will Governor Carlin sign. He vetoed a bill that doubled PIP benefits but tripled the medical expense threshold. He said:

"There is little evidence to indicate that our courts are unduly burdened with automobile lawsuits. I am reluctant to restrict rights of all the citizens of this state unless there is compelling evidence that the benefits received outweigh any potential harm."
(emphasis added)

The Governor was a first-term legislator when this issue first began to be discussed in 1971-72. He has participated in every major no-fault decision since 1974. I don't presume to speak for him, but he did not write that veto message lightly, without consideration of all the arguments. I believe the Governor supports the spirit of the 1974 compromise just as KBA does. The legislation you send him should be something that keeps the spirit of that compromise.

Mr. Chairman, KBA believes the 1974 law has acted to reduce court congestion and promptly and adequately compensate injured traffic victims. In so doing, fewer people find it necessary to resort to expensive litigation. We believe that any changes in the basic no-fault law should incorporate and maintain the spirit of the 1974 compromises.

TESTIMONY OF THE
KANSAS TRIAL LAWYERS ASSOCIATION

H.B. 2011 and H.B. 2422
March 4 and 5, 1985

HISTORY OF NO FAULT

Between 1971 and 1975 twenty-six states passed bills enacting No Fault Auto Insurance. One state, Nevada, has repealed the legislation. In two others, New Mexico and Illinois, the bills never became law. No state has passed a no fault bill since 1975.

The only recent statute became effective in the District of Columbia in 1983. In December 1984, the \$5,000 threshold in D.C. was struck down as unconstitutional by the U.S. District Court for the District of Columbia.

The Kansas Automobile Injury Reparations Act (no fault law) was enacted in 1973. The purpose of the Act, according to K.S.A. 40-3102, is "to provide a means of compensating persons promptly for accidental bodily injury arising out of the ownership, operation, maintenance or use of motor vehicles in lieu of liability for damages to the extent provided herein."

The Kansas law provides for mandatory insurance with liability limits of \$25,000/\$50,000 per accident; Personal Injury Protection (PIP) benefits for disability, survivor's benefits, medical expenses, funeral benefits, rehabilitation expenses and substitute service expenses. The PIP benefits provide "first

party coverage" and pay expenses for persons injured in accidents.

There is a two-part "threshold" in the no fault law. Although the term is deceptive, the threshold is a bar or prohibition from court unless the injured person meets the statutory test. In the Kansas law the threshold is \$500 in medical expenses or "permanent disfigurement, fracture of a weight bearing bone; a compound, comminuted, displaced or compressed fracture; loss of a body member; permanent injury or loss of a body function or death."

As the handout indicates, the current Kansas law has, by comparison, extremely low PIP benefits and an average threshold.

Since the enactment of the Kansas no fault law in 1973, the insurance industry has pushed for alterations. Almost yearly there have been bills introduced proposing raises in the PIP benefits and raises in the tort threshold. A bill finally was passed by both Houses of the Legislature in 1983, but was vetoed by Governor John Carlin. The subject was referred to an interim study.

1984 INTERIM STUDY

The Special Committee on Judiciary was directed to study the no fault law and "determine whether changes are needed in the tort threshold, the level of personal injury protection benefits, and other aspects of the law." For the first time in

this lengthy debate, the industry was asked to submit data on the Kansas no fault experience. (A copy of the questionnaire is enclosed). The Committee heard extensive testimony from the insurance industry and the legal community and made the recommendations included in H.B. 2011.

They are to enact the increases in PIP benefits proposed in 1984 H.B. 2833 as summarized below:

<u>PIP Benefits</u>	<u>Current</u>	<u>Proposed</u>
Disability (loss of earnings)	\$650/person/month	\$1,200/person/month
Survivor's benefit	\$650/person/month	\$1,200/person/month
Medical expense	\$2,000/person	\$5,000/person
Funeral expense	\$1,000/person	\$2,500/person
Rehabilitation expense	\$2,000/person	\$5,000/person
Substitute service expense	\$12/day/person	\$22/day/person

The Committee also unanimously rejected the concept of "indexing", a feature which appeared in the 1983 and 1984 proposals. The index would automatically adjust PIP benefits and the threshold according to the Consumer Price Index. The Judiciary Committee felt that any changes should remain within legislative discretion.

After lengthy debate, the Judiciary Committee recommended no change be made in the tort threshold. A significant factor in the Committee's decision was the testimony of two major

insurers on the premium increases which would result from a raise in PIP benefits without an increase in the threshold.

State Farm Insurance told the Committee that premiums would increase \$3.10 per six-month period and Western Insurance quoted a \$2.50 per six-month increase. The majority of the Committee felt that the increase was negligible considering the overall premium costs and was justified to insure those who experience pain and suffering as a result of an automobile accident. (Page 388 "Report on Legislative Interim Studies to the 1985 Legislature").

KANSAS TRIAL LAWYERS POSITION ON H.B. 2011, H.B. 2422.

KTLA wholeheartedly supports the recommendation of the Interim Committee on the tort threshold. The Association opposed the imposition of the initial \$500 bar to the courts and strongly objects to raising or making more restrictive the threshold provision.

Eight of the states with no fault laws (Oregon, South Dakota, Delaware, Maryland, Arkansas, Texas, South Carolina and Pennsylvania) have no restrictions to an injured victims right to full recovery of damages. The no fault system provides for payment of various tangible expenses, but no compensation for "pain and suffering". It is not difficult to comprehend that the medical bills may not fully demonstrate the injuries received in an auto collision.

Citizens can spend the rest of their lives in pain or with a limited lifestyle due to a crash. The PIP benefits pay for only tangible expenses and do not compensate for other real injuries.

Currently, many Kansas citizens have coverage which duplicates PIP benefits. They have health insurance, disability insurance, workers compensation and a variety of insurance coverages which would pay bills. Raising PIP benefits, even to the relatively modest level suggested in H.B. 2011, forces all Kansans to purchase extra coverage which may duplicate their current insurance.

Although the data submitted by insurance companies this summer was incomplete and somewhat incomprehensible, the responses indicate that more than half of Kansas drivers currently voluntarily purchase increased PIP benefits. The increased benefits, far in excess of H.B. 2011, are very inexpensive (from \$2.00 to \$6.00 per year). These drivers would receive no direct benefit from H.B. 2011 and would be required to share the costs of mandatory increased coverage for other Kansas drivers.

KTLA feels that it is an appropriate public policy choice for the Legislature to weigh the merits of increased benefits. Even though the costs are relatively modest (approximately \$.50 per month), it may be too expensive for some citizens. Since many Kansans already carry higher PIP benefits, and have other

insurance which duplicates the benefits, it might be better to leave the existing system in place. If more citizens were driven out of the insurance market because of minor increases, the net effect would be negative.

H.B. 2422 is one more demonstration of the insurance industry's attempt to convince the Legislature that it is good public policy for people to be forced to buy insurance, to be forced to purchase increased protection and to suggest that they pay for the coverage by releasing their legal rights to adequate compensation if they are injured.

For the first time, we have some specific insurance data about no fault. According to their responses, approximately 71% of the auto claims fall under the existing \$500 threshold. Consequently, the threshold is effective in keeping small claims and the vast majority of claims out of the court system.

The bill vetoed last year by the Governor had a \$1,500 medical threshold and no change in the "verbal" language. In his message the Governor said "H.B. 2833 would eliminate access to the courts for certain Kansas citizens. There is little evidence to indicate that our courts are unduly burdened by automobile law suits. I am reluctant to restrict rights of all citizens of this state unless there is compelling evidence that the benefits received outweigh any potential harm. There is no demonstration that H.B. 2833 would enhance protection for Kansas drivers."

H.B. 2422 suggests that PIP benefits be increased by the same level suggested in H.B. 2011 (about 2.5 times the existing level) and that the threshold be drastically altered. There would be no dollar amount which could qualify a Kansas citizen to have access to the courts. Instead all victims' injuries would have to meet a restricted or arbitrary test.

0174 Sec. 2. K.S.A. 40-3117 is hereby amended to read as follows:
0175 40-3117. In any action for tort brought against the owner, opera-
0176 tor or occupant of a motor vehicle or against any person legally
0177 responsible for the acts or omissions of such owner, operator or
0178 occupant, a plaintiff may recover damages in tort for pain, suf-
0179 fering, mental anguish, inconvenience and other nonpecuniary
0180 loss because of injury only in the event the injury requires
0181 medical treatment of a kind described in this act as medical
0182 benefits, having a reasonable value of five hundred dollars
0183 (\$500) or more, or the injury consists in whole or in part of
0184 permanent disfigurement, a fracture to a weightbearing bone, a
0185 compound, comminuted, displaced or compressed fracture, loss
0186 of a body member, permanent injury within reasonable medical
0187 probability, permanent loss of a bodily function or death. Any
0188 person who is entitled to receive free medical and surgical
0189 benefits shall be deemed in compliance with the requirements
0190 of this section upon a showing that the medical treatment re-
0191 ceived has an equivalent value of at least five hundred dollars
0192 (\$500). Any person receiving ordinary and necessary services,
0193 normally performed by a nurse, from a relative or a member of

The removed language, including fractures to various bones, is intended to further eliminate awards for pain and suffering in these injuries. Anyone who has ever suffered a break of a bone fitting into this definition can readily understand that pain and suffering are an enormous part of these injuries."

The "verbal threshold" is the most restrictive and harsh test for access to the courts. Only three states, Florida, Michigan and New York have this system. In all three, the benefit package is exceedingly more generous than the new levels suggested for Kansas.

Not only would this system guarantee more litigation to determine which injuries fit the new formula, but undeniably victims would be barred from full compensation. If an innocent driver was injured by a drunk driver, regardless of the dollar amount of the medical bills, the victim would have no access to the courts unless the injuries fit this new narrow definition. What about the pregnant woman who loses her baby? The young whose legs are broken; should he be prevented from full compensation?

Is \$.50 per month too much to pay to allow citizens their full legal rights? If it is, isn't the better choice to leave the law alone and not force people to buy more coverage in exchange for giving up access to the courts?

No one has to hire a lawyer; victims seek legal counsel when they feel that they are not being treated fairly by insurance companies. A new law penalizing delay in settling cases, and awarding costs and expense to victims when companies resist paying property damage claims would provide constituents with reasonable consumer protection.

The two tables from a 1979 national study by the All-Industry (insurance) Research Advisory Committee shows that only 12.5% of PIP claimants are eligible for a tort claim under the existing Kansas law (far smaller than the 23.2% national average). Table 8-12.

Table 8-15 indicates that of the very small number of injured citizens in Kansas who now have access to the courts, 10.5% meet the "fracture" definition and 39.5 meet the "medical expenses" threshold to qualify for court. These two groups, approximately 51% of those citizens who are now able to seek full recovery for their injuries, would be barred from court by H.B. 2422.

CONCLUSION.

The Kansas Trial Lawyers Association urges the Legislature to reject this blatant special interest legislation by the insurance industry. If it is desirable to mandate that more Kansas drivers have increased PIP benefits, we urge your favorable consideration of H.B. 2011, the recommendation of the Special Judiciary Interim Committee.

Please do not trade citizens rights for 50 cents. There is no compelling public policy to require that additional victims should lose their rights to full recoveries. The monetary costs of increased protection are extremely low, either mandated as PIP benefits or voluntarily purchased on the open market. We urge the Legislature to resist the argument that

the only way to purchase more protection for Kansas drivers is to restrict their access to the courts. Please vote to defeat H.B. 2422.

AUTOMOBILE INJURIES
AND THEIR
COMPENSATION
IN THE
UNITED STATES

VOLUME I

March, 1979

Insurance Industry Studies
by the

All-Industry Research Advisory Committee

Attachment II
3-5-85

The study procedure followed in the auto injury closed claim study was to have each of the participating companies complete the detailed questionnaire (Appendix A) for each bodily injury liability, uninsured motorist liability, medical payments and personal injury protection claim closed during 10 consecutive work days between October 2 and November 20, 1977.

Table 8-11 reveals the effect of such thresholds on the distribution of BI claims in the no-fault states, where only 37.8 percent of the BI claims arose from injuries involving economic losses of \$500 or less. By contrast, these small claims accounted for 67.4 percent of BI claims in the tort states and 70.1 percent in add-on states, neither of which have thresholds.

Another way of measuring the impact of tort thresholds is presented in Table 8-12. It shows, for each no-fault state, the percentage of PIP claimants judged by file reviewers to be eligible for a tort claim in addition to their PIP payments. The question was posed in two dif-

TABLE 8-11
Distribution of Claimants By Size of Economic Loss

BI COVERAGE							
Size of Economic Loss	Tort States		No-Fault States		Add-On States		
	Number	%	Number	%	Number	%	
\$ 0- 500	9,028	67.4%	1,601	37.8%	2,997	70.1%	
501-1,000	1,713	12.8	697	16.4	500	11.7	
Over 1,000	2,652	19.8	1,941	45.8	777	18.2	
Total Valid Responses	13,393	100.0%	4,239	100.0%	4,274	100.0%	

TABLE 8-12
Percentages of PIP Claims Eligible for Tort Claim and
Estimated Effect of No-Fault Thresholds

State	Total Number of Claimants	% of PIP Claimants Judged Eligible For Tort Claim Under Prior Tort Law	Total Number of Claimants	% of PIP Claimants Judged Eligible For Tort Claim Under No-Fault Law	% of PIP Claimants Made Ineligible For Tort Claim By Threshold
Colorado	469	54.6%	463	15.8%	38.8%
Connecticut	640	65.3	636	18.7	46.6
Florida	1,984	68.5	1,912	30.9	37.6
Georgia	953	56.0	947	24.1	31.9
Hawaii	220	58.6	216	3.2	55.4
Kansas	325	52.9	321	12.5	40.4
Kentucky	451	52.8	443	10.4	42.4
Massachusetts	680	65.6	670	26.3	39.3
Michigan	1,053	56.1	994	6.0	50.1
Minnesota	577	62.9	556	10.1	52.8
Nevada	95	70.5	92	21.7	48.8
New Jersey	2,070	68.7	2,058	35.2	33.5
New York	3,115	71.5	3,084	27.2	44.3
North Dakota	89	53.9	89	3.4	50.5
Pennsylvania	2,101	64.3	2,079	19.1	45.2
Utah	156	44.9	155	19.4	25.5
	14,978	64.7%	14,715	23.2%	41.5%

TABLE 8-15
HOW THRESHOLD OVERCOME
Two-Week BI

State	Effective Date of Law	Medical Threshold Limitation	Death	Permanent Dismemberment	Permanent Injury	Loss of Bodily Function	Disability Period	Fracture	Medical Expense	Other
			% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total
New Jersey (467)*	1/1/73	\$ 200	.6%	6.2%	6.0%	—	.4%	8.8%	74.7%	3.2%
Connecticut (118)	1/1/73	400	6.8	11.9	11.0	—	.8	12.7	53.4	3.4
Colorado (66)	4/1/74	500	7.6	12.1	10.6	3.0%	1.5	—	57.6	7.6
Georgia (179)	10/1/74	500	4.5	10.1	5.0	—	39.7	9.5	19.0	12.3
Kansas (38)	1/1/74	500	5.3	18.4	13.2	—	2.6	10.5	39.5	10.5
Massachusetts (162)	1/1/71	500	6.2	16.7	6.2	.6	1.2	32.7	30.9	5.6
New York (564)	2/1/74**	500	3.0	10.5	7.4	1.1	3.5	11.3	61.0	2.1
Utah (32)	1/1/74	500	6.2	12.5	6.2	3.1	3.1	12.5	40.6	15.6
Nevada (26)	2/1/74	750	7.7	3.8	3.8	3.8	—	7.7	57.7	15.4
Pennsylvania (142)	7/19/75	750	3.5	4.2	7.7	.7	6.3	11.3	64.1	2.1
Florida (552)	1/1/72**	1,000	3.8	12.5	38.6	2.4	8.3	3.3	26.3	4.9
Kentucky (22)	7/1/75	1,000	9.1	4.5	13.6	—	—	27.3	40.9	4.5
North Dakota (3)	1/1/76	1,000	—	—	—	—	66.7	—	33.3	—
Hawaii (6)	9/1/74	1,500	—	16.7	16.7	—	—	—	66.7	—
Minnesota (27)	1/1/75	2,000	3.7	29.6	25.9	—	18.5	—	14.8	7.4
Michigan (57)	10/1/73	—	19.3	24.6	14.0	24.6	1.8	7.0	—	8.8

* Figures in parentheses show the number of BI claimants subject to the no-fault law. The claim count is less than in some other tables, in part because some BI claims in this study were filed prior to the effective dates of the various no-fault laws, and therefore were not subject to the tort thresholds.
** On 7/5/77 Florida changed to a days-of-disability threshold and on 6/20/78 changed to a verbal threshold. New York changed to a days-of-disability threshold on 8/11/78.

Table 8-16 shows the average payment received per \$1 of economic loss by PIP claimants in no-fault states and by MP claimants in tort states. Most injured persons had these coverages available whether or not they were eligible for a tort recovery. The table shows that the PIP coverage provided substantially higher reimbursement than the MP coverage, particularly for injuries involving large economic losses. Extent of reimbursement declined as economic losses increased in size, in part because of coverage limits (see Tables 4-21 and 8-25).

An adjusted indication of the extent of reimbursement provided by MP is found in column three, which shows the average payment per \$1 of economic loss for MP claimants after taking into account estimated wage losses. Since MP does not cover wage loss, the claims presented to MP insurers generally do not include this element of loss, and as a result the reimbursement ratios shown in column two are not comparable to those shown for PIP. The missing wage loss was estimated from comparable data collected on PIP claims in no-fault states.

The reimbursement received by individuals collecting BI payments also differed by state

Public Relations Department, State Farm
Insurance Companies

TABLE OF STATE "NO-FAULT" LAWS

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Attachment II
3-5-85

PROVISIONS OF STATE "NO-FAULT" LAWS

State	No-Fault Benefits	Limitation on Damages For Pain and Suffering	Vehicle Damage	Effective Date
Massachusetts	\$2,000 in benefits for medical, funeral, wage loss, and substitute service expenses. Wage loss and substitute service benefits are limited to 75% of actual loss.	Can recover only if medical costs exceed \$500, or in case of death, loss of all or part of body member, permanent and serious disfigurement, loss of sight or hearing, or a fracture.	Stays under tort system after Jan. 1, 1977. Prior to then, no tort liability for vehicle damage.	Jan. 1, 1971.
Delaware	\$15,000 per person and \$30,000 per accident. Covers medical costs, loss of income, loss of services, and funeral expenses (limited to \$3,000).	None. But amount of no-fault benefits received can't be used as evidence in suits for general damages.	Stays under tort system.	Jan. 1, 1972.
Florida	\$10,000 per person. Pays 80% of medical costs; 60% of lost income; replacement services; and funeral costs (limited to \$1,750). Deductibles of \$250, \$500, \$1,000, and \$2,000 available.	Cannot recover unless injury results in significant, permanent loss of important body function; permanent injury; significant and permanent scarring or disfigurement; or death.	Stays under tort system.	Jan. 1, 1972, for original law. Provisions at left effective Oct. 1, 1982.
Oregon	\$5,000 medical benefits. 70% of wage loss up to \$750 month. \$18 a day substitute services. Wage loss and substitute services paid from first day if disability lasts 14 days; are limited to 52 weeks.	None.	Stays under tort system.	Jan. 1, 1972. Jan. 1, 1974, for benefits at left.
South Dakota	Purchase is optional. \$2,000 in medical expense. \$60 week for wage loss, starting 14 days after injury, for up to 52 weeks. \$10,000 death benefit.	None.	Stays under tort system.	Jan. 1, 1972.

State	No-Fault Benefits	Limitation on Damages Pain and Suffering	Vehicle Damage	Effective Date
Virginia	Purchase is optional. \$2,000 for medical and funeral costs. \$100 week for wage loss with limit of 52 weeks.	None	Stays under tort system.	July 1, 1972.
Connecticut	\$5,000 benefits for medical, hospital, funeral (limit \$2,000), lost wages, survivors' loss, and substitute service expenses. Wage loss, substitute service, and survivors' benefits limited to 85% of actual loss.	Cannot recover unless economic loss exceeds \$400, or there is permanent injury, bone fracture, disfigurement, dismemberment, or death.	Stays under tort system.	Jan. 1, 1973.
Maryland	\$2,500 in benefits for medical, hospital, funeral, wage loss, and substitute service expenses.	None.	Stays under tort system.	Jan. 1, 1973.
New Jersey	Unlimited benefits for medical and hospital costs. Wage loss up to \$100 a week for one year. Substitute services up to \$12 a day for maximum of \$4,380 per person. Funeral expenses of \$1,000. Survivors' benefits equal to amount victim would have received if he had not died. Motorist may exclude all benefits except medical and hospital. Medical coverage may be bought with deductibles of \$500, \$1,000, or \$2,500.	Motorist selects one of two optional limitations. Option 1: Cannot recover if injuries are confined to soft tissue and medical costs, exclusive of hospital, x-ray and other diagnostic expenses, are less than \$200; unless injury causes death, permanent disability, permanent significant disfigurement, permanent loss of a bodily function, or loss of a body member. Option 2: Cannot recover if medical expenses, excluding hospital, x-ray and other diagnostic costs, are less than \$1,500 (adjusted annually to reflect inflation); unless injuries cause death, permanent disability, permanent significant disfigurement, permanent loss of a body function, or loss of body member.	Stays under tort system.	Jan. 1, 1973, for original law. July 1, 1984, for this version.
Michigan	Unlimited medical and hospital benefits. Funeral benefits up to \$1,000. Lost wages up to \$1,475 per month, adjusted annually to keep up with cost of living, and substitute services of \$20 a day payable to victim or survivor.	Cannot recover unless injuries result in death, serious impairment of body function, or permanent serious disfigurement.	Tort liability abolished, except in cases where damage is not over \$400.	Oct. 1, 1973.
New York	Aggregate limit of \$50,000 for medical, wage loss, and substitute service benefits. Wage loss: 80% of actual loss with benefit limited to \$1,000 per month. Substitute services benefits: \$25 a day for one year. In fatal cases, estate gets \$2,000 in addition to above benefits.	Cannot recover unless disabled for 90 of the 180 days after accident, or injury causes dismemberment; significant disfigurement; fracture; loss of a fetus; permanent loss of use of body organ, member, function, or system; permanent consequential limitation of use of body organ or member; significant limitation of use of body function or system; or death.	Stays under tort system.	Feb. 1, 1974, for original law.

State	No-Fault Benefits	Limitation on Damages For Pain and Suffering	Vehicle Damage	Effective Date
Arkansas	Purchase is optional. \$5,000 per person for medical and hospital expenses. Wage loss: 70% of lost wages up to \$140 a week, beginning 8 days after accident, for up to 52 weeks. Essential services: up to \$70 a week for up to 52 weeks, subject to 8-day waiting period. Death benefit: \$5,000.	None.	Stays under tort system.	July 1, 1974.
Utah	\$2,000 per person for medical and hospital expenses. 85% of gross income loss, up to \$150 a week, for up to 52 weeks. \$12 a day for loss of services for up to 365 days. Both wage loss and service loss coverages subject to 3-day waiting periods that disappear if disability lasts longer than two weeks. \$1,000 funeral benefit. \$2,000 survivor's benefit.	Cannot recover unless medical expenses exceed \$500, or injury results in dismemberment or fracture, permanent disfigurement, permanent disability, or death.	Stays under tort system.	Jan. 1, 1974.
Kansas	\$2,000 per person for medical expenses. Wage loss: up to \$650 a month for one year. \$2,000 for rehabilitation costs. Substitute service benefits of \$12 a day for 365 days. Survivor's benefits: Up to \$650 a month for lost income, \$12 a day for substitution benefits, for not over one year after death, minus any disability benefits victim received before death. Funeral benefit: \$1,000.	Cannot recover unless medical costs exceed \$500, or injury results in permanent disfigurement, fracture to a weight-bearing bone, a compound, comminuted, displaced or compressed fracture, loss of a body member, permanent injury, permanent loss of a body function, or death.	Stays under tort system.	Jan. 1, 1974.
Texas	\$2,500 per person overall limit. Covers medical and funeral expenses, lost income, and loss of services. Purchase optional.	None.	Stays under tort system.	90 days after adjournment of 1973 regular session.

State	No-Fault Benefits	Limitation on Damages For Pain and Suffering	Vehicle Damage	Effective Date
Nevada	Aggregate limit was \$10,000. Paid for medical and rehabilitation expenses; up to \$175 a week for loss of income; up to \$18 a day for 104 weeks for replacement services; survivor's benefits of not less than \$5,000 and not more than victim would have gotten in disability benefits for 1 year; and \$1,000 for death.	Could not recover unless medical benefits exceeded \$750 or injury caused chronic or permanent injury, permanent partial or permanent total disability, disfigurement, more than 180 days of inability to work at occupation, fracture of a major bone, dismemberment, permanent loss of a body function, or death.	Stayed under tort system.	Feb. 1, 1974. Repeal effective Jan. 1, 1980
Colorado	\$25,000 for medical expenses. \$25,000 for rehabilitation. Lost income: up to \$125 a week for up to 52 weeks. Services: up to \$15 a day for up to 52 weeks. Death benefit: \$1,000.	Cannot recover unless medical and rehabilitation services have reasonable value of more than \$500, or injury causes permanent disfigurement, permanent disability, dismemberment, loss of earnings for more than 52 weeks, or death.	Stays under tort system.	April 1, 1974.
Hawaii	Aggregate limit of \$15,000. Pays for medical and hospital services; rehabilitation; occupational, psychiatric, and physical therapy; up to \$800 monthly for income loss, substitute services and survivors' loss; and up to \$1,500 for funeral expenses.	Cannot recover from 9-1-74, to 8-31-76, unless medical and rehabilitation expenses exceed \$1,500. Thereafter, must exceed a floating threshold established annually by the insurance commissioner. Can also recover if injury results in death; significant, permanent loss of use of body part or function; or permanent and serious disfigurement that subjects injured person to mental or emotional suffering.	Stays under tort system.	Sept. 1, 1974.
Georgia	Aggregate limit of \$5,000. Up to \$2,500 for medical costs. 85% of lost income with maximum \$200 week. \$20 day for necessary services. Survivors' benefits same as lost income benefits had victim lived. \$1,500 funeral benefit.	Cannot recover unless medical costs exceed \$500, disability lasts 10 days, or injury results in death, fractured bone, permanent disfigurement, dismemberment, permanent loss of body function, permanent, partial or total loss of sight or hearing.	Stays under tort system.	Mar. 1, 1975.

State	No-Fault Benefits	Limitation on Damages For Pain and Suffering	Vehicle Damage	Effective Date
Kentucky	Aggregate limit of \$10,000. Covers medical expense; funeral expense up to \$1,000; income loss up to \$200 weekly, with as much as 15% deducted for income tax savings; up to \$200 a week each for replacement services loss, survivors economic loss, and survivors replacement services loss. Motorist has right to reject no-fault.	Cannot recover unless medical expenses exceed \$1,000, or injury results in permanent disfigurement; fracture of weight-bearing bone; a compound, comminuted, displaced or compressed fracture; loss of a body member; permanent injury; permanent loss of a body function; or death. But limitation does not apply to those who reject no-fault system or to those injured by driver who has rejected it.	Stays under tort system.	July 1, 1975.
Minnesota	\$20,000 for medical expense. \$10,000 for other benefits, including 85% of lost income up to \$200 weekly; \$200 a week for replacement services, with 8-day waiting period; up to \$200 weekly in survivors economic loss benefits; up to \$200 weekly for survivors replacement service loss; and \$1,250 for funeral benefits.	Cannot recover unless medical expenses (not including X-rays and rehabilitation) exceed \$4,000; or disability exceeds 60 days; or the injury results in permanent disfigurement; permanent injury; or death.	Stays under tort system.	Jan. 1, 1975.
South Carolina	Aggregate limit of \$1,000. Covers medical and funeral costs, loss of earnings (if desired), loss of essential services. Purchase is optional.	None.	Stays under tort system.	Oct. 1, 1974.
Pennsylvania	Up to \$10,000 for medical and rehabilitation costs. Up to \$5,000 for income loss, limited to \$1,000 per month and 80 percent of actual lost income; includes benefits for hiring substitute to perform self-employment services and hiring special help to enable victim to work. A funeral benefit of \$1,500. Motorists can buy optional coverages with aggregate limit up to \$277,500. The Pennsylvania Catastrophic Loss Trust Fund provides up to \$1 million of coverage for medical and rehabilitation expenses exceeding \$100,000.	None.	Stays under tort system.	Oct. 1, 1984.

State	No-Fault Benefits	Limitation on Damages For Pain and Suffering	Vehicle Damage	Effective Date
North Dakota	Overall limit of \$15,000 per person. Covers medical and rehabilitation costs, up to \$150 a week for income loss, up to \$15 a day for replacement services, up to \$150 a week for survivors income loss, up to \$15 a day for survivors replacement services loss, and up to \$1,000 for funeral expenses.	Cannot recover from insured person unless injury results in more than \$1,000 in medical expenses, more than 60 days of disability, serious and permanent disfigurement, dismemberment, or death.	Stays under tort system.	Jan. 1, 1976.
District of Columbia	Medical and rehabilitation benefits up to \$100,000. Up to \$2,000 per month for work loss, maximum \$24,000. Up to \$50 per day, limited to three years, for replacement services (maximum of \$24,000). Funeral benefits up to \$2,000.	Cannot recover unless medical expenses exceed \$5,000 (to be adjusted annually to reflect cost-of-living changes); medically demonstrable impairment disables victim for more than 180 continuous days; victim has substantial permanent scarring or disfigurement; victim has medically demonstrable permanent impairment that disables him; or injury is fatal.	Stays under tort system.	Oct. 1, 1983.



Security Benefit Life Insurance Company

A Member of The Security Benefit Group of Companies

Date: March 5, 1985

To: The Honorable Rex Hoy, Chairman, and
Honorable Members, House Committee on Insurance

From: Wayne Morris, Assistant Counsel

Re: H.B. 2464 -- Money Market Mutual Funds

H.B. 2464 is one of the two bills dealing with investments by insurance companies that were introduced at the request of the entire domestic insurance industry.

As you know, the type of investments that may be made by insurance companies are regulated by the terms of each state's insurance code. In 1983 the Kansas Legislature amended the investment statutes by enacting KSA 40-2a22 and 40-2b24, which allow insurance companies to invest up to ten percent of their admitted assets in "open-end regulated investment companies" or mutual funds. H.B. 2464 would amend these two sections to permit companies to invest an unlimited amount in certain money market mutual funds, with no more than 20 percent of assets in any one money market mutual fund. These investments could be made in any money market mutual fund that invests only in investments authorized under: 1) 40-2a01 and 2b01 (U.S. bonds); 2) 40-2a02 and 2b02 (state or local bonds); 3) 40-2a03 and 2b03 (Canadian bonds); 4) 40-2a04 and 2b04 (foreign government bonds, limited to 5 percent); 40-2a05 and 2b05 (certain corporate bonds); and the fund must have assets of at least \$25 million.

I have asked Jane Tedder, Portfolio Manager for Security Benefit, to briefly explain the difference between "ordinary" mutual funds and money market mutual funds, the safe nature of investments in money market mutual funds, and the reasons why this investment authority is necessary.

Thank you for the opportunity to explain this bill, we will be happy to answer any questions you may have.

WM/chb

Attachment III

3-5-85

Memo

Date: March 5, 1985

To: The Honorable Rex Hoy, Chairman, and Honorable Members,
House Committee on Insurance

From: Jane Tedder, Portfolio Manager, Security Benefit Group of
Companies

Re: H.B. 2464 -- Money Market Mutual Funds

I. Definition of terms

- A. Mutual Funds: professionally managed, diversified portfolios of securities assembled to meet specific investment objectives such as growth or income.
- B. Money Market Mutual Funds: mutual funds that invest in short-term money market securities (such as U.S. Treasury bills, Federal agency securities, or corporate debt obligations maturing in less than one year) in order to provide relatively risk-free investments that give a daily payment of competitive short-term interest rates.

II. Twofold purpose of the amended section

- A. To clarify the status of money market mutual funds as investment vehicles in a separate category because of:
 - 1. their short term nature.
 - 2. their liquidity.
 - 3. their freedom from market risk (the net asset value remains constant)
- B. To allow for unlimited investment in money market mutual funds when prudent, such as:
 - 1. when economic conditions warrant holding short-term liquid investments.
 - 2. when cash inflows must be invested temporarily while a suitable, more permanent investment is found.

NB/adi

Attachment IV

3-5-85