

Approved March 21, 1989
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Dale Sprague at
Chairperson

3:30 ~~xx~~ a.m./p.m. on March 15, 89 in room 531-n of the Capitol.

All members were present except:
Representative Rex Hoy, absent

Committee staff present: Chris Courtwright, Research Department
Bill Edds, Revisor of Statutes
Patti Kruggel, Committee Secretary

Conferees appearing before the committee:

Others present: see attached list

The Vice-Chairman called the meeting to order at 3:30 p.m. and the Committee began hearings on HB 2482.

HB 2482 -- An Act relating to motor vehicle liability insurance; increasing the minimum coverage required for bodily injury, death and property damage; amending K.S.A. 40-3107 and repealing the existing section.

Chris Courtwright, Legislative Research Department gave a brief overview of HB 2482. Mr. Courtwright explained that the bill amends K.S.A. 40-3107 to raise the minimum mandatory automobile limits from 25/50/10 to 50/100/200 for injuries, death or destruction of property resulting from a motor vehicle accident.

Tim Alvarez, Kansas Trial Lawyers Association, testified in support to HB 2482 and stated that due to medical inflation, the present limits do not meet the realistic amounts needed to cover the risks. (Attachment 1.)

Appearing in opposition to HB 2482 was Rick Wilborn, Alliance Insurance Company. Mr. Wilborn testified that he is opposed to mandating coverage increases and/or premium increases and feels that this bill will force individuals who can barely afford their current premiums to go uninsured. (Attachment 2.)

Dave Hanson, Kansas Association Property and Casualty Insurance, testified in opposition to HB 2482 stating that it would result in an increase of 14 to 17 percent to Kansas consumers, resulting in a hardship and causing increased numbers of uninsured.

Lee Wright, Farmers Insurance Group, briefly appeared before the Committee in opposition to HB 2482 with the same concerns discussed here today.

There were no other conferees wishing to testify and the hearings on HB 2482 were closed.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance
room 531-N, Statehouse, at 3:30 ~~a~~^xm./p.m. on March 15, 89

The Vice-Chairman opened hearings on SB 106.

SB 106 -- An Act relating to insurance; authorizing the commissioner of insurance to impose administrative penalties on certain persons engaged in the business of insurance for certain acts; amending K.S.A. 40-242 and repealing the existing section.

Chris Courtwright, Legislative Research Department gave an overview of SB 106 and explained that the bill is one of the Insurance Departments proposals. SB 106 in its original form, closely paralleled Senate Bill No. 548 enacted by the 1988 Kansas Legislature as an amendment to the Kansas Securities Act. The Senate Committee amendments greatly reduces the similarities to the 1988 legislation and recognizes the distinction between insurance companies and insurance agents, separating administrative actions for insurers and for agents and brokers and creating different penalties for the two groups.

Dick Brock, Insurance Department, proposed an amendment (Attachment 3) to SB 106 which would include employees of licensed agents or brokers from violation of insurance laws, rules and regulations of the commissioner. Mr. Brock provided testimony in support of SB 106 as conceptually amended and explained that the bill would provide the Commissioner a badly needed tool that would do absolutely nothing to insurers and agents who comply with the insurance laws but would provide an intermediate sanction that would serve as both a deterrent and a penalty to those who engage in inappropriate, improper illegal activity. (Attachment 4.)

Next appearing before the Committee in opposition to SB 106 was Dick Scott, State Farm Insurance. Mr. Scott testified that increasing the required limits, and the consequential increase in the insurance premium, will adversely impact on the present and continuing problem of keeping auto insurance premiums within acceptable limits for those drivers in the lower levels of the economic structure. (Attachment 5.)

Dave Hanson, Kansas Association of Property and Casualty Insurance, stated his opposition to SB 106 in its present form because it addressed only agents. Mr. Hanson asked the Committee to consider including insurance agency employees.

There were no other conferees wishing to testify on SB 106 and the hearings were concluded.

The meeting adjourned at 4:30 p.m.

TO: House Insurance Committee

FROM: Kansas Trial Lawyers Association

RE: House Bill 2482

DATE: March 15, 1989

The Kansas Trial Lawyers Association strongly supports House Bill 2482 which raises the minimum mandatory automobile limits from 25/50/10 to 50/100/20.

In 1981 the Kansas Legislature raised the minimum mandatory automobile limits from 15/30/5 to 25/50/10. The current minimum mandatory automobile limits are only adequate to cover rear-end type injuries that result in soft tissue injuries. Our justice system is supposed to place responsibility on the wrongdoer and not on the victim or his insurance company. Yet with insurance limits of 25/50/10 we are placing the responsibility on the victim and his insurance company when the negligent driver only has 25/50/10 coverage in a serious accident. Under Kansas law a victim can make an underinsured motorist claim with his own insurance company when he suffers injuries that are in excess of the tortfeasor's insurance coverage. If the victim does not have underinsured motorist coverage and the tortfeasor only has \$25,000 worth of coverage then the people of Kansas will have to pay for the victim's medical bills through SRS payments.

Between 1981 and 1987 the medical consumer price index rose risen by 57.7% yet the minimum mandatory automobile limits have remained the same in Kansas. In 1987 the Kansas Legislature amended the no fault statute (K.S.A. 40-3117) and thus today a person cannot bring a tort action regarding a vehicular accident unless his medical bills are \$2,000 or more or unless his injury consists in whole or in part of a permanent disfigurement, a fracture to a weight bearing bone, a compound, comminuted, displaced, or compressed fracture, loss of body member, permanent injury within reasonable medical probability, permanent loss of bodily function, or death. Prior to 1987 a person could bring a tort action if his medical bills exceeded \$500. Since the legislature increased the tort threshold by 400% we feel to increase the minimum mandatory automobile limits by 100% is reasonable.

The attached average automobile insurance premiums by state report shows that Kansas ranked 40th in the country in 1987 for automobile insurance premiums paid by Kansas citizens. My insurance agent told me that it would cost approximately \$8 to \$10 per year to raise the mandatory automobile limits from 25/50/10 to 50/100/20. I have also been told by a representative of one of the largest automobile insurance writers in Kansas that at least 70% of their insureds already have higher limits than 25/50/10.

Since most new automobiles cost more than \$10,000 this bill will also help the consumers of Kansas who sustain major damage to their vehicles in an accident.

I currently represent a 36 year old man who sustained a severe head injury and is now blind because of a car/motorcycle accident. This husband and father of three young children earned approximately \$30,000 per year but because of this tragic accident he is not able to work. The driver that caused this accident only has automobile limits of 25/50/10 which means my client will only be able to receive \$25,000 from the defendant because of this tragic accident.

For the reasons stated in this letter the Kansas Trial Lawyers strongly urge the House Insurance Committee to support House Bill 2482.

TIM ALVAREZ AND
DAN LYKINS

HOUSE BILL 2482

PROJECTED COSTS

The I.S.O., the insurance industry's rate making body, has provided the following information regarding the impact of HB 2482 on premiums. On the average, an increase in bodily injury protection from \$25,000/\$50,000 to \$50,000/\$100,000 would increase the bodily injury portion of the automobile premium by 26 percent. An increase of the property damage coverage from \$10,000 to \$20,000 would increase the property damage portion of the automobile insurance premium by approximately 2 percent. Below are the estimated rates for certain geographic areas in our state:

1. McPherson

Bodily injury would increase by \$15.08 from \$58 to \$73.08.
Property damage would increase by \$2.20 from \$60 to \$62.20.

2. Wichita

Bodily injury would increase by \$20.54 from \$79 to \$99.54.
Property damage would increase by \$1.70 from \$85 to \$86.70.

3. Topeka

Bodily injury would increase by \$18.46 from \$71 to \$89.46.
Property damage would increase by \$1.50 from \$75 to \$76.50.

4. Kansas City Metro Area

Bodily injury would increase by \$35.10 from \$135 to \$170.10.
Property damage would increase by \$1.98 from \$99 to \$100.98.

Average Automobile Insurance Premiums by State Ranked by 1987 Premiums per Passenger Vehicle

1987 Rank	State	1987 Average Premium (1)	1986 Rank	1986 Average Premium	1985 Rank	1985 Average Premium	1984 Rank	1984 Average Premium	1983 Rank	1983 Average Premium
1	Massachusetts	\$655.72	4	\$555.55	3	\$521.40	2	\$488.00	3	\$416.58
2	New Jersey	634.84	1	603.55	2	580.12	1	565.77	1	521.21
3	California	623.44	3	568.20	4	503.65	6	423.49	8	373.83
4	Arizona	601.96	5	553.84	7	471.38	5	423.65	12	354.35
5	Nevada	600.04	6	549.49	5	498.75	7	418.99	5	387.92
6	Maryland	597.08	10	506.34	11	423.53	11	374.20	10	356.44
7	Alaska	588.88	2	602.45	1	595.44	4	447.34	4	396.11
8	New York	583.69	7	522.06	6	485.07	3	453.26	2	421.70
9	Washington, D.C.	579.82	15	463.13	19	385.27	20	339.10	21	301.96
10	Pennsylvania	568.97	9	512.09	8	465.03	8	418.76	6	384.61
11	Rhode Island	549.00	12	476.60	15	405.93	17	350.29	17	325.12
12	Delaware	536.96	13	469.15	14	408.04	16	350.70	18	323.29
13	Hawaii	530.13	17	453.60	12	417.59	19	349.57	9	360.90
14	Louisiana	529.68	8	515.39	9	443.24	10	401.86	7	383.72
15	Connecticut	519.93	14	466.09	13	412.52	12	373.01	14	336.05
16	South Carolina	514.93	20	449.74	17	398.86	14	365.38	15	334.93
17	Michigan	509.28	11	481.07	16	404.63	15	359.04	16	328.24
18	New Hampshire	508.85	18	453.10	37	312.34	32	304.55	29	291.00
19	West Virginia	506.81	16	454.65	10	426.56	9	404.97	11	356.41
20	Georgia	501.14	19	450.23	22	372.06	30	305.48	30	287.18
21	Arkansas	494.29	22	433.75	18	392.27	18	349.73	23	294.67
National Average		486.50		442.22		390.04		351.44		322.20
22	Texas	474.33	23	426.09	20	383.76	13	372.48	13	343.32
23	Missouri	460.88	26	403.49	26	354.36	28	309.81	27	291.11
24	Minnesota	456.48	25	416.98	34	318.29	23	326.69	25	292.30
25	Illinois	439.46	24	418.51	25	356.00	27	312.69	19	307.75
26	Virginia	436.20	31	381.82	32	325.15	38	281.17	33	268.85
27	Oregon	435.09	28	396.36	28	349.68	29	306.65	20	302.22
28	Colorado	434.97	21	444.11	21	379.16	22	329.91	22	301.36
29	Florida	433.91	30	390.50	29	344.98	31	304.58	26	291.55
30	Utah	431.01	27	396.78	31	329.96	36	284.22	34	265.58
31	Washington	430.20	29	393.86	27	351.53	25	315.99	24	293.52
32	Indiana	423.13	39	360.89	42	298.08	42	268.56	35	259.19
33	New Mexico	415.57	32	378.17	23	368.43	24	325.97	42	246.97
34	Kentucky	409.43	35	369.37	33	321.83	43	268.25	44	241.44
35	Wisconsin	409.29	34	372.76	39	308.85	40	279.96	43	245.93
36	North Carolina	408.42	38	362.36	35	315.75	35	285.78	46	239.36
37	Vermont	405.36	37	363.97	38	310.66	33	291.12	36	258.85
38	Montana	405.22	33	372.96	24	360.36	26	314.46	40	248.41
39	Oklahoma	370.28	36	368.85	30	342.47	21	332.78	28	291.09
40	Kansas	369.14	41	345.19	36	312.50	34	296.14	31	281.70
41	Maine	364.59	43	332.83	43	296.71	37	283.48	37	258.68
42	Ohio	350.84	44	327.01	45	279.39	44	260.60	47	237.31
43	Nebraska	348.27	45	323.96	44	288.02	41	269.25	38	257.63
44	Idaho	345.66	42	344.30	41	300.43	45	256.61	39	248.71
45	Wyoming	345.02	40	347.91	40	307.51	39	281.05	32	277.50
46	Mississippi	331.16	47	297.25	47	271.02	46	250.53	45	240.34
47	Tennessee	328.38	48	292.49	48	261.15	48	235.82	49	215.07
48	North Dakota	328.23	46	307.13	46	278.07	47	243.00	41	247.64
49	Alabama	306.73	49	278.46	49	260.63	50	224.10	51	200.24
50	South Dakota	295.08	50	255.77	50	231.24	51	213.47	50	208.66
51	Iowa	255.61	51	243.95	51	214.84	49	229.89	48	222.18

* Indicates states which did not have compulsory auto insurance laws in 1987, according to the Insurance Information Institute.
Note: Various factors may skew results, see text for explanation of how figures are calculated.

BEST'S INSURANCE MANAGEMENT REPORTS

About This Information

This annual A. M. Best Company report on average private passenger auto insurance premiums by state has been expanded to provide more information. Five years of rankings now are shown, as well as the number of insurers writing in each state.

Although this report is being revised nearly a month earlier than last year's study, the basic approach remains unchanged. We divide private passenger auto direct premiums writ-

ten for each state by the number of each state's registered vehicles, as reported by the Federal Highway Administration. Premiums for 1987 have been available since May from Best's Executive Data Service, but auto registration tallies are not available until December.

Results of this study can be distorted by several factors. The Federal Highway Administration's figures include government-owned and

commercial passenger vehicles (but not trucks, buses and motorcycles).

Also skewing the averages is the unknown number of registered, but not insured, vehicles. Several states still do not mandate coverage, and others have varying degrees of registered, but illegally operated uninsured cars. Also affecting the averages are different states' requirements for minimum amounts of coverage.

It should be noted that each year the A. M. Best Company and the Federal Highway Administration both adjust figures published in prior reports to ensure that the best current available information is reported. These adjustments could change rankings reported in prior years' reports.

March 15, 1989

Mr. Chairman and Members of this Committee:

Thank you for allowing me to make a few brief comments about H.B. 2482. I am Rick Wilborn, Vice President of Government Affairs with the Alliance Insurance Companies. We insure more than 45,000 vehicles in Kansas. Approximately 6,000 of these vehicles carry financial responsibility limits of 25/50/10. We are philosophically opposed to mandating coverage increases and/or premium increases. I did not work up a complete analyses. However in Salina, Kansas, a 1987 Chevrolet Celebrity would be:

	<u>BI/PD</u>	<u>25/50/10</u>	<u>BI/PD</u>	<u>50/100/20</u>
19 yr. old male	\$90/93	\$183.00	\$114/97	\$211.00
40 yr. old married	26/27	53.00	33/28	61.00

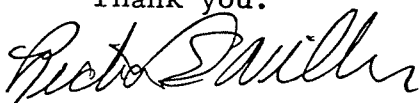
These are six month premiums.

This is a 26% increase for Bodily Injury (BI) and a 3% increase for Property Damage (PD). In addition uninsured rates will increase.

It will only force some people who can barely afford the premiums to go uninsured. We are ranked 40th in the nation, one (1) being highest in auto insurance premiums. We are adding to affordability problems by mandating increased limits. Increased limits are available as an option and those who need the coverage and can afford the coverage, can purchase the coverage through the voluntary market from no less than 200 auto insurers in the state of Kansas.

Because of these reasons, we oppose H.B. 2482.

Thank you.



Richard E. Wilborn

TABLE OF LIMITS

Financial Responsibility and Compulsory Insurance Laws

The table that follows displays the minimum financial responsibility or compulsory liability insurance limits for all states, the District of Columbia, Puerto Rico, and the Canadian provinces.

The laws of all states express the requirement in terms of *split limits*. For example, if the chart shows "25/50/10," the law requires that the policy provide at least \$25,000 for bodily injury to each person, \$50,000 for all bodily injury, and \$10,000 for property damage, each accident.

The insurance laws of some states also state the requirement in terms of a *combined single limit*. For example, if the chart shows "15/30/10 or 40," the law provides that a policy with a combined single limit of at least \$40,000 will also satisfy the requirement. A combined single limit of \$40,000 means that the insurance will pay up to \$40,000 for all bodily injury and property damage arising out of each accident. The required limits for the Canadian provinces are expressed as combined single limits only.

Alabama.....	20/40/10 or 50	New Brunswick.....	200
Alaska.....	50/100/25 or 125	Newfoundland.....	200
Alberta.....	200	New Hampshire.....	25/50/25
Arizona.....	15/30/10	New Jersey.....	15/30/5
Arkansas.....	25/50/15	New Mexico.....	25/50/10
British Columbia.....	200	New York.....	10/20/5*
California.....	15/30/5	Northwest Territories.....	50
Colorado.....	25/50/15	North Carolina.....	25/50/10
Connecticut.....	20/40/10	North Dakota.....	25/50/25
Delaware.....	15/30/10 or 40	Nova Scotia.....	200
District of Columbia.....	25/50/10	Ohio.....	12.5/25/7.5
Florida.....	10/20/5	Oklahoma.....	10/20/10
Georgia.....	15/30/10	Ontario.....	200
Hawaii.....	35/Unlimited/10	Oregon.....	25/50/10
Idaho.....	25/50/15	Pennsylvania.....	15/30/5
★Illinois.....	20/40/15	Prince Edward Island.....	100
Indiana.....	25/50/10	Puerto Rico.....	5/10/5
Iowa.....	20/40/15	Quebec.....	50†
Kansas.....	25/50/10	Rhode Island.....	25/50/10
Kentucky.....	25/50/10 or 60	Saskatchewan.....	200
Louisiana.....	10/20/10	South Carolina.....	15/30/5
Maine.....	20/40/10	South Dakota.....	25/50/25
Manitoba.....	200	Tennessee.....	15/30/10 or 40
Maryland.....	20/40/10	Texas.....	20/40/15
Massachusetts.....	10/20/5	Utah.....	20/40/10 or 30
Michigan.....	20/40/10	Vermont.....	20/40/10
Minnesota.....	30/60/10	Virginia.....	25/50/10
Mississippi.....	10/20/5	Washington.....	25/50/10
Missouri.....	25/50/10	West Virginia.....	20/40/10
Montana.....	25/50/5	Wisconsin.....	25/50/10
Nebraska.....	25/50/25	Wyoming.....	25/50/20
Nevada.....	15/30/10	Yukon.....	200

*50/100 for wrongful death.

†Because Quebec has a complete no-fault system for bodily injury, the minimum limit applies only to property damage within Quebec and combined bodily injury and property damage outside Quebec.

Attachment

45 the matter will be set for a hearing which shall be conducted in
 46 accordance with the provisions of the Kansas administrative proce-
 47 dure act. If no hearing is requested and none is ordered by the
 48 commissioner, the order will remain in effect until it is modified or
 49 vacated by the commissioner. If a hearing is requested or ordered,
 50 the commissioner, after notice of and opportunity for hearing to the
 51 person subject to the order, shall by written findings of fact and
 52 conclusions of law vacate, modify or make permanent the order.

53 (c) If, after notice and an opportunity for hearing, the commis-
 54 sioner finds that a person has violated the insurance laws of this
 55 state or a rule and regulation of the commissioner, the commissioner,
 56 in addition to any specific power applicable to such violation, may:

57 (1) Censure the person; or

58 (2) issue an order against any person who violates the insurance
 59 laws of this state, or a rule and regulation, or order of the com-
 60 missioner, imposing an administrative penalty up to a maximum of
 61 \$5,000 for each violation *but not to exceed \$25,000 for the same*
 62 *violation occurring within any six consecutive calendar months unless*
 63 *such person knew or reasonably should have known the act was a*
 64 *violation of the insurance laws, rules and regulations or order of*
 65 *the commissioner. If the person knew or reasonably should have*
 66 *known the act was a violation as aforementioned, the commissioner*
 67 *may impose a penalty up to a maximum of \$10,000 for each violation*
 68 *but not to exceed \$50,000 for the same violation occurring within*
 69 *any six consecutive calendar months.*

70 (d) For purposes of this ~~aet~~ section:

71 (1) "Person" means any individual, corporation, association, part-
 72 nership, reciprocal exchange, inter-insurer, Lloyd's insurer, fraternal
 73 benefit society and any other legal entity engaged in the business
 74 of insurance, ~~including agents, brokers and adjusters~~ *but shall*
 75 *not include insurance agents licensed pursuant to K.S.A. 40-241 or*
 76 *40-246, and amendments thereto, ~~or insurance brokers licensed pur-~~*
 77 *suant to K.S.A. 40-4701 et seq., and amendments thereto;* Person
 78 also means mutual nonprofit hospital service organizations, nonprofit
 79 medical service corporations, nonprofit medical and hospital service
 80 corporations, as defined in articles 18, 19 and 19c of chapter 40 of
 81 the Kansas Statutes Annotated and amendments thereto; adminis-

Delete.

_____, or employees of licensed agents or brokers.

TESTIMONY BY

DICK BROCK
- ADMINISTRATIVE ASSISTANT
KANSAS INSURANCE DEPARTMENT

BEFORE THE

HOUSE INSURANCE COMMITTEE

SENATE BILL NO. 106

MARCH 15, 1989

Senate Bill No. 106 is one of the Insurance Department's proposals and, in its original form, closely paralleled Senate Bill No. 548 enacted by the 1988 Kansas Legislature as an amendment to the Kansas Securities Act. The Senate Committee amendments greatly reduced the similarities to the 1988 legislation but the amendments improve the bill by recognizing the distinction that should be made between insurance companies and insurance agents. Therefore, we support the bill as amended.

Senate Bill No. 106, as amended, would authorize the Commissioner of Insurance to impose administrative penalties on persons in violation of the Kansas insurance laws or administrative rules and regulations. Upon a finding of such violation, Senate Bill No. 106 would allow the Commissioner to censure the person or impose an administrative penalty up to a maximum of \$5,000 for each violation, not to exceed \$25,000 for the same violation occurring within six consecutive months. If the person knew or should have known that the act was in violation of a law or regulation, however, the penalty could be a maximum of \$10,000 for each violation, not to exceed \$50,000 for the same violation occurring within six consecutive months.

As distinguished from the administrative penalties imposed on insurers, Senate Bill No. 106, as amended, would amend K.S.A. 40-242 regarding actions against brokers and agents in violation of the Kansas insurance laws or administrative rules and regulations. Upon a finding of such violation, Senate Bill No. 106 would allow the Commissioner to censure the agent or broker or impose an administrative penalty up to a \$500 maximum for each violation, not to exceed \$2,500 for the same violation occurring within six consecutive months. If the agent or broker knew or should have known that the act could give rise to disciplinary action, however, the penalty could be a maximum of \$1,000 not to exceed \$5,000 for the same violation occurring within six consecutive months. Censure or an administrative penalty against an agent or broker may be imposed in lieu of or in addition to revoking or suspending the license of an agent or broker.

Kansas insurance laws include penalty provisions for certain specified violations and there is a general penalty provision in K.S.A. 40-254 which subjects persons violating insurance laws to a penalty which may not exceed \$500 per violation or imprisonment not to exceed 6 months in the county jail. In addition, the Commissioner has relatively broad statutory authority to revoke the certificate of authority or license of insurance entities, agents and brokers doing business in Kansas. Neither of these alternatives is an effective deterrent to illegal acts because both alternatives are impractical actions in the vast majority of cases. We can't send people to jail so to formally invoke the penalty provided by K.S.A. 40-254 requires the acquiescence and assistance of the county or district attorney and the revocation or suspension of a license or certificate is often not a practical or reasonable penalty for the particular violation. For example, if the violation occurs because a person transacting business in Kansas is not licensed, there is no license to suspend or revoke and unless the person is actually involved in some kind of fraudulent scheme, a few isolated or supposedly unintentional situations are probably not going to warrant some kind of formal prosecution. In addition, there are a number of restrictions and prohibitions in the statutes which are reasonable, beneficial to the public and generally accepted by insurers that do not include any penalty or other restriction that would encourage insurers to emphasize compliance or deter violations. Two prominent examples are the limitations on nonrenewal and cancellation of private passenger automobile insurance policies.

A general administrative penalty such as that incorporated in Senate Bill No. 106 would provide the Commissioner a badly needed tool that would do absolutely nothing to insurers and agents who comply with the insurance laws but would provide an intermediate sanction that would serve as both a deterrent and a penalty to those who engage in inappropriate, improper and illegal activity.

State Farm Mutual Automobile Insurance Company



March 16, 1989

State Farm Insurance Claim Office
P.O. Box 4028
1080 S.W. Wanamaker Road
Topeka, Kansas 66604

Kansas House Insurance Committee
Attn: Chairman Dale Sprague
and Vice Chairman Barbara Allen

The following is a summary of my oral testimony before your committee on Wednesday, March 15, 1989:

I appear on behalf of State Farm Mutual Automobile Insurance Company to oppose House Bill 2482. We fully support the information and testimony just provided to you by Rick Wilborn, of the Alliance Insurance Companies.

"Affordability" is the number one automobile insurance issue across these United States. Increasing the required limits, and the consequential increase in the insurance premium, will adversely impact on the present and continuing problem of keeping auto insurance premiums within acceptable limits for those drivers in the lower levels of the economic structure. In short, the increased limits requirement produces a financial hardship on those who can least afford it. There will be a greater tendency for these citizens to drive without insurance and allocate their limited resources to other necessities of life.

13.6% of State Farm Mutual auto policies are at the 25/50 level of coverage. To bring those policies to the 25/100/20 level will cause an increase in premium of 17.3%, or an average of \$16.59 per year. The financial impact is approximately \$5,000,000 in additional premium for the citizen drivers of Kansas who are presently carrying the minimum limits.

I refer you to the list of states and the required limits of those states, which has been provided to you by Mr. Wilborn. It is interesting to note that 27 states have required limits below the present requirements of Kansas. Many of those states have much greater concentration of population and much more inner city areas of dense population than does Kansas. Note that California and Florida have only 15/30 limit requirements.

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March 16, 1989

Compulsory auto insurance and higher liability limits are a product of our social conscious for providing compensation to accident victims. That social conscious needs to be weighed against, and balanced, with the traditional reason for a driver to carry liability insurance, that is to protect that driver's assets against claims made by others. The "affordability" issue that has evolved in the last two years has brought this balancing problem into focus for all of us with concerns about the auto insurance industry.

A handwritten signature in black ink, appearing to read 'Richard Scott', written in a cursive style.

Richard Scott
Divisional Claim Superintendent
State Farm Insurance Companies

RS/r27tj