SESSION OF 2016

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2446

As Amended by Senate Committee on Financial Institutions and Insurance

Brief*

HB 2446 would amend the Kansas Automobile Injury Reparations Act to increase the minimum motor vehicle liability insurance policy limit for property damage from not less than $10,000 to not less than $25,000 for policies issued or renewed on or after January 1, 2017. Under the bill, the existing limits for bodily injury ($25,000 bodily injury to or death of one person in any one accident and $50,000 bodily injury to, or death of, two or more persons in any one accident) are unchanged.

The bill would be effective from and after January 1, 2017, and publication in the statute book.

Background

The bill was introduced by the 2015 Special Committee on Insurance. At the hearing in the House Committee on Insurance and Financial Institutions, representatives of the Kansas Association of Insurance Agents (KAIA) and the National Association of Insurance and Financial Advisors of Kansas (NAIFA-Kansas) and a licensed insurance agent testified in favor of the bill. The proponents generally stated the Kansas minimum motor vehicle liability insurance policy limits for property damage no longer adequately protect the consumer, placing the consumer at financial risk. [*Note:* The last changes to the minimum limit amounts were made in 1981, with technical changes not affecting the limit amounts

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org made in 1984.] Written testimony in favor of the bill was provided by representatives of the Kansas Association for Justice (KsAJ), two personal injury attorneys, and four licensed insurance agents.

Written testimony in opposition to the bill was provided by representatives of Allstate Insurance and the Property Casualty Insurers Association of America (PCI). The opponents' testimony indicated premium increases associated with the bill that, though negligible to most drivers, may be seen as unaffordable to low-income households and could result in an increase in uninsured motorists. The written testimony provided by PCI indicated an increase is unnecessary because the average property damage liability claim cost in Kansas is less than the current minimum liability limit.

Neutral testimony was provided by representatives of the American Insurance Association (AIA) and Enterprise Leasing Company of Kansas, LLC (Enterprise). The conferees testified increasing the mandatory auto insurance minimums makes the purchase of state-required auto liability insurance more difficult for many lower income drivers, Kansas law provides drivers with the opportunity to purchase higher levels of coverage, and the Kansas motor vehicle liability insurance coverage requirements currently are in line with those of most other states. Written neutral testimony was submitted by representatives of the Kansas Insurance Department (Department) and the State Farm Insurance Companies (State Farm).

The House Committee amended the bill by clarifying the increase in the minimum motor vehicle liability insurance policy limits would apply to insurance policies issued or renewed on or after January 1, 2017; clarifying the effective date of the bill; and requiring future legislative review of whether adjustments are needed to the minimum motor vehicle liability limits for bodily injury or death or property damage.

At the hearing in the Senate Committee on Financial Institutions, representatives of State Farm, the KAIA, and two personal injury attorneys appeared in support of the bill. Written proponent testimony was submitted by representatives of Enterprise, the KsAJ, NAIFA-Kansas, and four licensed insurance agents.

Written opposition testimony was submitted by a representative for PCI.

Neutral testimony was provided by representatives of the AIA and the Department.

The Senate Committee amended the bill to delete a provision requiring future legislative review.

According to the fiscal note prepared by the Division of the Budget on the original bill, the Department stated enactment would likely result in increased insurance premiums paid by consumers from the increased minimum coverage of property damage or loss, along with higher insurance premium taxes deposited by the Department in the State General Fund. However, the Department could not estimate the increased revenue. Any fiscal effect associated with the bill is not reflected in *The FY 2017 Governor's Budget Report*.