



Monday, December 4, 2015

Testimony on HB 2067

Submitted by Melanie French on behalf of Key Insurance Company

I would like to thank Chairman Schwab and the members of the special committee for this opportunity to address our concerns arising from the proposal of HB 2067. Key Insurance Company is a Kansas domiciled property and casualty company writing exclusively personal automobile insurance in several states, with a significant percentage of our business attributable to Kansas policyholders.

Key Insurance Company is steadfast in its opposition to the changes to the minimum statutory liability limits proposed under HB 2067. Kansans have benefited from years of stability in the laws and regulations governing the personal automobile insurance marketplace. These benefits are reflected in the relative affordability of Kansas automobile insurance rates through the years. If HB 2067 were enacted, the landscape of the Kansas automobile market could change dramatically with the advent of drastic price increases and tighter underwriting restrictions which most certainly would combine to increase the number of uninsured motorists in the state.

Key writes exclusively statutory limits of bodily injury liability and predominantly statutory limits of property damage liability. We do offer higher limits of property damage liability, but few of our customers select this option due to the sheer cost of the higher limits. We service a segment of the market that few companies choose to participate in. It is this market segment that would be the most drastically affected by higher premiums. The affordability issue is what forces policyholders to look at policies providing only the statutory minimum limits of liability. Increasing these statutory minimum limits could in no way have a positive effect on the insurance buying public and, to the contrary, would likely force more people onto the rolls of the uninsured.

It is important to note that current Kansas law provides a mechanism for everyone to protect themselves against both uninsured and underinsured motorists, and both coverages are mandatory for all personal automobile policies sold in the state. If our statistics hold true for all companies, well over 90% of all claims are settled for less than the current minimum limits of liability. That leaves less than 10% of claims that have the potential of exceeding those limits. So long as those 10% are complying with the current laws of Kansas by carrying the required coverages, they already have that additional mechanism to ensure they will be adequately compensated in the event of a serious incident. Regardless of the limits, there is always a potential that the limits of the at-fault party will not be sufficient to compensate all victims fully. The difference between the current level of limits versus higher limits is simply the number of situations where the limits would be inadequate. We would propose that the rather low number

of situations impacted by low limits would be greatly overshadowed by the expected increase in the number of uninsured motorists that would certainly occur at a higher price point. Kansans are far better served when a higher percentage of motor vehicle operators are covered by liability policies than when fewer are covered by liability policies at higher limits.

While there are a lot of measures that could be considered by this committee to improve the state of automobile insurance in Kansas, increasing the statutory minimum limits is not one of them. We would propose meaningful discussions about and stricter enforcement of the mandatory insurance laws, preventing those who choose not to comply with the law by refusing to wear seatbelts from collecting pain and suffering for injuries resulting from their own poor decisions, and/or putting opportunities in place for insurance companies to deny claims arising from undisclosed youthful operators which are in turn paid by the honest, compliant insureds in the state of Kansas. Personal automobile insurance functions most efficiently and cost effectively when everyone participates and pays the correct amount based on the actual characteristics of their own individual situation. Recognizing we don't live in a world where 100% compliance is possible, the balance of the risk shifts to each and every owner of an automobile to insure they adequately protect themselves from an unforeseen event.