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To: Representative Scott Schwab, Chairman
Members of the Special Committee on Insurance

From: Callie Jill Denton
Executive Director

Date: December 7, 2015

RE: Topic #2: Increasing minimum motor vehicle liability insurance
policy limits/2015 HB 2067 (SUPPORT)

The Kansas Association for Justice (KsAJ) is a nonprofit professional organization of Kansas trial attorneys. KsAJ testified in support of 2015 HB 2067, which updates Kansas' compulsory automobile insurance law by increasing the minimum amount of liability insurance a person is required to maintain when operating a motor vehicle in Kansas.

The purpose of Kansas' mandatory auto insurance law is "...to provide a means of compensating persons promptly..." (K.S.A. 40-3102). But too often Kansans are not fully or adequately compensated when they are seriously injured in accidents with drivers that have purchased only the minimum coverage required under the law.

KsAJ supports increasing the minimum amount of mandatory auto liability insurance for three reasons:

1. The last time the minimum coverage requirements were updated was 1981. The current minimums (\$25,000 for bodily injury per person, per accident; \$50,000 for bodily injury to two or more people; and \$10,000 for property damage) do not realistically cover the costs of physical injuries and property damage in 2015-16.

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2. Increasing the minimum coverage requirements prevents drivers and their insurance companies from shifting costs and shifting responsibility. It protects Kansans who are injured or killed and increases the chances they will be fully and adequately compensated for their injuries and losses.
3. Increasing the minimum coverage requirements reduces the possibility that bills will go unpaid. With an increased minimum limit, hospitals and doctors have a greater pool of recovery from which to be reimbursed. The likelihood of an injured person needing to rely upon the state through Medicaid or federal government through Medicare to pay medical bills is also decreased. Increased liability coverage for property damage will also assure that damage to vehicles is fully and fairly compensated.

I will now provide more background on each reason for KsAJ's support for increasing the auto liability minimums:

First, Kansas' auto insurance liability laws are badly in need of an update because the current minimum coverage requirement is no longer adequate. The Kansas Auto Injury Reparations Act was enacted in 1974. At that time, the mandatory minimum was \$15,000 per person, \$30,000 per accident, and \$5,000 property damage. Less than 10 years later, in 1981, the Legislature increased the minimum coverage to \$25,000 per person, \$50,000 per accident, and \$10,000 for property damage, which is where the minimums remain today, 34 years later.

Kansas has not updated its compulsory insurance minimums since 1981 when Ronald Reagan was President, the average income per year was \$21,050.00, the median price of an existing home was \$66,400.00, and a loaf of bread cost \$.53. But in 34 years, consumer costs have more than doubled. One hundred dollars (\$100.00) in 1981 is equivalent to \$262.22 in 2014, according to the American Institute for Economic Research. Simply to keep pace with inflation – and to assure that compulsory insurance actually guarantees that drivers on Kansas roads have reasonable financial security in the event of an accident – it is time for the Legislature to update minimum insurance coverage requirements.

Second, increasing the minimum coverage requirements prevents drivers from shifting the costs for the damage and injuries they cause. The current liability limits are so out-of-step with costs in 2015 that injuries and property loss can easily exceed minimum liability insurance coverage limits, as demonstrated by the following cases handled by KsAJ members:

A Miami County woman was hit at 70 miles per hour on Highway 69 by a driver going the wrong way. She sustained a severed aorta and shattered her pelvis. Her medical bills were in excess of \$600,000; even after contractual adjustments, her bills are approximately \$250,000. She will never walk the same. The driver that hit her had a \$25,000.00 policy.

A 42 year old Overland Park woman was hit on her motorcycle by a 19 year old drunk driver. She sustained broken bones to every extremity of her body and lives with extreme pain due to the trauma of the accident. She was hospitalized for three weeks following the accident, and then moved to a nursing facility for another 3 weeks before starting rehabilitation therapy. She faces months of physical and occupational therapy and will likely be permanently disabled. She is missing work and losing income during her recovery period. The drunk driver that hit her has a \$25,000.00 policy.

Increasing the minimum liability limits increases the chances that drivers will be fully responsible for paying for the injuries they cause, and that the people they harm will not be left holding the bag. It reduces the opportunity for drivers and insurance companies to shift the costs of medical care and property damage to injured people, taxpayers, and doctors and hospitals.

Third, increasing the minimum coverage requirements reduces the possibility that an injured person's bills will go unpaid. Medical costs that aren't covered by a driver's minimum liability insurance may ultimately be passed on to doctors and hospitals. According to a 2015 report by the Kansas Hospital Association, Kansas hospitals provide more than *\$1 billion in uncompensated care annually*. By increasing the minimum liability limits, the likelihood that medical costs will be passed on to taxpayers through increased Medicaid costs or the federal government through Medicare costs is also decreased.

The loss of a dependable working vehicle can be devastating to a small business or to a family. Increasing the minimum liability coverage for property damage assures that damage to vehicles is fairly compensated so cars may be repaired or if necessary, replaced.

The purpose of Kansas' mandatory insurance coverage law is to provide prompt compensation to people injured in auto accidents. To be effective, the minimum liability coverage requirements must be *reasonably adequate* to cover injuries and loss. The current minimum requirements are no longer reasonably adequate.

On behalf of KsAJ members and their clients, I respectfully request the committee's support for updating Kansas' insurance automobile law and updating the minimum amount of liability insurance a person is required to maintain when operating a motor vehicle in Kansas.