

Report of the Subcommittee on HB 2104 to the House Committee on Insurance

CHAIRPERSON: Daniel Hawkins

OTHER MEMBERS: Representatives Tim Hodge and Jim Kelly

STUDY TOPIC

- Consideration of data and other relevant information (supplemental to prior Committee and Special Committee testimony, discussion, and report).

HB 2104

Conclusions and Recommendations:

Following its discussion and review, the Subcommittee:

- The Subcommittee submits all information presented and its report for inclusion in the February, 15, 2018, minutes of the House Committee on Insurance; and
- The Subcommittee does not recommend HB 2104 favorably for passage.

Proposed Legislation: None.

BACKGROUND

Bill Overview; History of Bodily Injury (BI) Limits. HB 2104 was introduced by the House Committee on Insurance at the request of Representative Hodge. The bill would amend two statutes relating to motor vehicle liability insurance. The bill would amend the law governing uninsured motorist (UM) and underinsured motorist (UIM) coverage (KSA 40-284) to require any automobile liability insurance policy renewed, delivered, or issued for delivery on and after January 1, 2018, contain a provision with coverage limits equal to the limits of liability coverage for bodily injury or death in such policy sold to the named insured for payment of damages from the uninsured owner or operator of a motor vehicle. The bill would provide that any UM coverage must include an UIM provision with coverage limits equal to the limits of liability provided by such UM coverage. The bill also would specify the amount of available UIM coverage shall not be reduced because of any payment by or on behalf of the owner or operator of the other motor vehicle or any third party.

The bill would also amend the Kansas Automobile Injury Reparations Act (KAIRA) (KSA 2016 Supp. 40-3107) to increase the minimum limit on insurance for bodily injury or death of one person from \$25,000 to \$50,000, and the limit for bodily injury or death of two or more persons from \$50,000 to \$100,000, on and after January 1, 2018.

The following summarizes changes to law made to the first two of three limits associated with compulsory minimums established in the KAIRA. Minimum motor vehicle liability insurance policy limits were first enacted in 1957 with coverage minimum limits in any one accident of \$5,000 for bodily injury to or death of one person and \$10,000 for bodily injury to or death of two or more persons, and \$1,000 for harm to or destruction of the property of others. Coverage limits, when referenced, often are listed to reflect the limits in sequential order and separated by a slash mark; the 1957 limits would be indicated as “\$5,000/\$10,000/\$1,000.” In 1973, enacted Sub. for HB 1129 included an increase in the limits to \$15,000/\$30,000/\$5,000. In 1974, enacted SB 918 codified the requirements, which were not changed, at KSA 40-3107. In 1981, the enactment of SB 371 amended those limits upward to \$25,000/\$50,000/\$10,000, the statutory limits that continue in effect to date. HB 2231, also introduced in 1981, proposed the same limits as 1981 SB 371. In 1984, technical changes were made to KSA 40-3107; the changes did not affect the policy coverage limits.

Following introduction of a bill that would have increased the limits to \$50,000/\$75,000/\$35,000, the 2015 Special Committee on Insurance was tasked with, among other things, reviewing the need to increase minimum motor vehicle liability insurance policy limits. The Special Committee recommended one bill for introduction: 2016 HB 2446 addressed

one of the three limits—property damage—by increasing this limit from \$10,000 to \$25,000. HB 2446 was passed and enacted during the 2016 Legislative Session and, in addition to the increase in the property damage limit, the bill specified that beginning with the 2026 Legislative Interim and at least every ten years thereafter, subject to authorization by the Legislative Coordinating Council (LCC), a legislative interim study committee is required to study whether the minimum motor vehicle liability insurance limits for bodily injury (BI) or death of one or more persons and for harm to or destruction of property of others should be adjusted.

Bill Hearing. The House Committee on Insurance held hearings on the bill in 2017 and heard from proponents, who included private citizens, attorneys representing injured persons, and insurance agents, and from opponents, who included representatives of insurance companies and an automobile leasing company. On March 16, 2017, the House Committee approved a study request to be submitted to the LCC.█

Special Committee, 2017 Interim. In August 2017, the Legislative Coordinating Council (LCC) established the Special Committee on Financial Institutions and Insurance and, among assigned topics, directed this committee to review the potential impact associated with amendments to the Insurance Code governing automobile liability insurance policies and consider in its review these factors: insurance policy pricing and the marketplace, including the pricing of auto insurance policies, how policies are sold to Kansas motorists, and how pricing of policies could affect persons who have difficulty affording compulsory coverage; estimates and other available data relating to this topic, including the average premium changes associated with changes to the bodily injury (BI) liability minimum limits for policyholders; and data on individuals with suspended driver’s licenses and other pertinent driver data. The Special Committee met in October 2017 and its conclusions and recommendations were submitted to the 2018 Legislature. Among the conclusions was an interest in receiving more up-to-date information and complete numbers from stakeholders—the report specifically cited uninsured motorist (UM)/uninsured motorist (UIM) setoff provision policy data and cost estimates, health care cost estimates

and the impact of government payors, and the fiscal impact and potential premium changes, for the setoff provisions and for the increased BI limits, on all Kansas motorists.

Following receipt of the Special Committee report on January 18, 2018, Chairperson Vickrey appointed a Subcommittee—Representative Hawkins, Chairperson, and Representatives Hodge and Kelly—to determine if additional data and other relevant information can be provided on the topic of the bill.

COMMITTEE ACTIVITIES

The Subcommittee met on January 25 and February 13, 2018.

At its January 25, 2018, meeting, the Subcommittee discussed the bill and requested relevant data and information from various sources, including the insurance industry, a health insurer and a health care provider association, and Committee staff. The requests and questions included:

- Request to insurance industry representatives (a selected scenario for a motorist with compulsory limits and either a good or poor insurance score compared with the same motorist whose policy has the increased BI injury) (bodily limits established by the bill).
- How many motorists have the “minimum limits” policies in Kansas? Of this number, how many are in the “high risk” pool?
- If the state increases BI limits, will there be a corresponding decrease in the uninsured motorist rate (UMR)? When other states increased BI limits, what were the corresponding changes in UMR?
- Request for information about the cost to other policies (those with limits other than minimum) – determining the actuarial impact of offset.

- Request to a health care provider (Kansas Hospital Association) regarding uncompensated care.
- Request to a health insurer (Blue Cross Blue Shield of Kansas) regarding savings or efficiencies to the insurer if there are higher limits and permissible setoff.
- Is Kansas-specific data available relating to BI limits and the average claim severity and frequency?
- What would the minimum limits of \$25,000/\$50,000 (established in 1981) be in today's dollars? The Subcommittee requests calculations be made using both the Consumer Price Index (CPI) and medical-CPI.

The Subcommittee Chairperson indicated data could be introduced at the next meeting from sources other than those identified in the above questions and requests.

At its February 13, 2018, Subcommittee meeting, the Chairperson provided a reviewed of

the information submitted by representatives of insurance companies, an insurance agent, a health insurer, and a health care provider association to questions previously presented. In addition, a representative of the Kansas Trial Lawyers Association provided an overview of analysis provided by its consultant, AIS Risk Consultants, Inc. The report provided analysis of increasing the two BI limits and for the elimination of setoff provisions as proposed in HB 2104. A representative of the American Insurance Association also was recognized to provide comment. An analyst from the Kansas Legislative Research Department provided a response to questions and requests directed to Committee staff.

CONCLUSIONS AND RECOMMENDATIONS

Following its discussion and review, the Subcommittee:

- Submits all information presented and its report for inclusion in the February, 15, 2018, minutes of the House Committee on Insurance; and
- Does not recommend HB 2014 favorably for passage.

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February 13, 2018

To: Subcommittee on HB 2104

From: Melissa Renick, Assistant Director for Research
Isaac Elyacharshuster, Legislative Fellow

Re: Requested Data and Information

Kansas Legislative Research Department (KLRD) staff reviewed data and other information requests made by the Subcommittee at its meeting on January 25, 2018. Appended to this response is an updated chart outlining data and related information presented to the 2017 Special Committee on Financial Institutions and Insurance. The following analysis identifies comparative information and data made available by insurance companies and state insurance departments and other sources identified in this memorandum.

Q. How many motorists have the “minimum limits” policies in Kansas? Of this number, how many are in the “high risk” pool? What is the relationship to an insurance or other credit score?

KLRD contacted both the Kansas Insurance Department (KID) and the Kansas Automobile Insurance Plan to determine what information is immediately available. KID made available the most recent automobile insurance database report published by the National Association of Insurance Commissioners (NAIC). This report is utilized for information about comparative states’ information on bodily injury (BI) limits and claims data. KLRD also contacted the Kansas Automobile Insurance Plan (KAIP) for supplemental information to current and estimated annual premiums using current and proposed BI limits (by territory) submitted to the Special Committee. KLRD requested information on the number of policies written per year for the five most recent reporting periods and inquired if the KAIP offered policies at rates other than the compulsory minimum limits (part of an effort to determine how many policies written at the compulsory limits are sold each year in Kansas). To date, KLRD has received an updated chart of the rating information KAIP provided to the Special Committee and an estimate of between two-thirds and three-fourths of private passenger automobile applications it received over the most recent three months were written at the \$25,000/\$50,000 coverage.

Minimum limits policies sold in Kansas. As part of its response to KLRD questions, KID representatives provided a 10-question survey, and responses provided to date, that is annually sent to the top 20 insurers writing private passenger automobile insurance in Kansas. The survey poses a series of questions to inform an online KID publication to assist consumers in shopping for automobile insurance coverage. The survey questions include a designated vehicle for rating; deductible amount; comprehensive and collision coverage; 100/300/100 for the coverage amounts; ages, gender, and marital status; cities and counties for rating; insurance rates in effect as of November 1, 2017; whether credit scoring or insurance scoring is

part of rating procedure and what constitutes a “good score”; premium quote (for six-months); and excluding discounts in the rating. The KID survey did not, however, include a limits threshold below 100/300 for BI. KLRD is unable, therefore, to determine which insurance companies write business at the compulsory limits and the related number of policies written at those limits for Kansas motorists.

Insurance score and financial history. Information was requested by the Subcommittee Chairperson regarding insurance score and other ratings that determine ability to pay insurance premiums (and, potentially, afford insurance claims). The Chairperson was to ask companies and agents for this information.

Q. If the state increases BI limits, will there be a corresponding decrease in the uninsured motorist rate (UMR)? When other states increased BI limits, what were the corresponding changes in UMR?

The uninsured motorist rate (UMR) cannot be accurately calculated for many reasons, but there are different ways to estimate it.ⁱ To determine whether states’ legislative changes to BI limits affected the states’ UMRs, it is necessary to use a set of data collected in a standardized manner over a significant period of time. The Insurance Research Council’s (IRC) Uninsured Motorists reports were the only resource KLRD could find that fits all of those measures. KLRD has access to IRC data from 1999 to 2015.ⁱⁱ

The IRC’s Uninsured Motorists report estimates the UMR by using a measure it calls “the UM to BI claim frequency ratio.” This ratio compares the injury portion of uninsured motorist coverage (UM) with the total BI liability coverage, which the IRC claims “represents the chance that someone injured in an auto accident was the victim of an uninsured at-fault driver.”ⁱⁱⁱ IRC’s UMR estimate is limited in a number of ways, including these: (a) the ratio includes claims from hit-and-run accidents; (b) not every BI incident will go through the insurance claim process; (c) it assumes that insured and uninsured drivers get into accidents at the same rate; and (d) IRC’s data are voluntarily self-reported from insurers, the 9 to 14 of which are not named and cover only 50 to “60 percent of the private passenger auto liability insurance premiums within the United States.”^{iv}

The below chart outlines prior and new BI limits (along with Property Damage [PD]), dates of change in the limits, and corresponding UMR. A scatter graph analysis of the below data is also attached to this memorandum.

State	Previous Limit			Date of Change	New Limit			UMR		
	One	All	PD		One	All	PD	2 Years Pre-Change	2 Years Post-Change	Difference
Kansas	15	30	10	1/1/1982	25	50	25	N/A	N/A	N/A
Oklahoma	10	20	10	1/1/2005	25	50	25	14.3 %	23.9 %	9.6 %
Mississippi	10	20	5	1/1/2006	25	50	25	26.5	28.5	2.0
So. Carolina	15	30	10	1/1/2007	25	50	25	10.1	10.7	0.6
Alabama	20	40	10	1/1/2008	25	50	25	26.4	21.6	(4.8)
Texas	20	40	25	4/1/2008	25	50	25	15.2	13.7	(1.5)
Utah	25	50	15	1/1/2009	25	65	15	8.1	5.6	(2.5)
Louisiana	10	20	10	1/1/2010	15	30	25	14.9	12.2	(2.7)
Oregon	25	50	10	1/1/2010	25	50	20	10.9	9.0	(1.9)

State	Previous Limit			Date of Change	New Limit			UMR		
	One	All	PD		One	All	PD	2 Years Pre-Change	2 Years Post-Change	Difference
	Maryland	20	40		15	1/1/2011	30	60	15	13.0
Texas	25	50	25	1/1/2011	30	60	25	14.9	13.7	(1.2)
Ohio	12.5	25	7.5	12/22/2013	25	50	25	13.3	12.4	(0.9)

Q: Is Kansas-specific data available relating to BI limits and the average claim severity and frequency?

Information related to states' BI claims, including incurred losses and claims, and frequency and severity, is published by the NAIC in its Auto Insurance Database Report for 2014/2015 (December 2017). The nationwide average is also provided for comparative purposes and data are reported separately for the voluntary (regular) marketplace and the residual (shared) marketplace, as well as combined (total business). The charts below detail the data separately, rather than combined, for Kansas and the nationwide average (2012-2014).

Methodology comment. The NAIC maintains a database for the purpose of making information about cost factors in each state available to insurance regulators who monitor the market and, more broadly, to the general public. Incurred claims is defined as "the total number of claims associated with insured events/situations occurring during a given time period." Incurred losses is defined as "[t]he total dollar amount of losses associated with insured events/situations occurring during a given time period." It is further noted a portion of insured claims and losses represent insurers' estimates of the final costs of pending claims that remain open, as well as estimates of losses associated with claims that have not yet been reported (e.g., "Incurred But Not Yet Reported"). Calculations are specified for both frequency [(Incurred Claims/Earned Exposures) x 100] and severity [(Incurred Losses/Incurred Claims)].

Note: KLRD previously provided automobile insurance premium expenditures (average premiums by state, nationwide) and data separately detailing those expenditures by liability, collision, and comprehensive coverage to the Special Committee (published in the NAIC report).

**Bodily Injury Liability
2012-2014
Voluntary Business**

	<i>Incurred Losses (\$)</i>			<i>Incurred Claims</i>		
	2014	2013	2012	2014	2013	2012
Kansas	194,994,866	170,034,267	184,006,011	8,009	7,719	8,183
Countrywide Average*	29,950,004,291	29,187,634,192	28,264,500,769	1,732,325	1,715,324	1,713,927

Source: NAIC, Table 6B.

* This reported average includes Texas and Massachusetts. The NAIC notes Texas earned exposures and incurred claims are not available (pure premium and frequency could not be calculated) and Massachusetts earned premiums are not available for medical payments and UM/UIM.

	<i>Frequency</i>			<i>Severity (\$)</i>		
	2014	2013	2012	2014	2013	2012
Kansas	0.41	0.39	0.42	24,346	22,028	22,486
Countrywide Average*	1.00	1.00	1.01	17,289	17,016	16,491

Source: NAIC, Table 6D.

* Average includes Texas and Massachusetts.

**Bodily Injury Liability
2012-2014
Residual Business**

	<i>Incurred Losses (\$)</i>			<i>Incurred Claims</i>		
	2014	2013	2012	2014	2013	2012
Kansas	412,937	211,024	598,533	18	14	18
Countrywide Average*	92,881,659	112,696,143	126,291,191	8,174	9,762	11,182

Source: NAIC, Table 7B

* Average includes Texas and Massachusetts.

	<i>Frequency</i>			<i>Severity (\$)</i>		
	2014	2013	2012	2014	2013	2012
Kansas	1.01	0.84	1.03	22,941	15,073	33,252
Countrywide Average*	4.28	4.36	4.34	11,363	11,544	11,294

Source: NAIC, Table 7D.

* Average includes Texas and Massachusetts.

Comparative information about the relationship between BI and the UMR is published by the IRC and referenced later in this response.

Q: What would the minimum limits of \$25,000/50,000 (established in 1981) be in today's dollars? The Subcommittee requests calculations be made using both the Consumer Price Index (CPI) and medical-CPI.

A: Using the Bureau of Labor Statistics "CPI Inflation Calculator," the limits of \$25,000/ \$50,000 using the month of December in years 1981 and 2017, the limits in today's dollars would be \$65,564.89/ \$131,129.79. Using a medical cost inflation calculator and limits of \$25,000/ \$50,000 in 1981, the present-day amount would be \$143,271.92/ \$286,543.84.

According to the Bureau of Labor Statistics, its calculator uses the CPI for All Urban Consumers (CPI-U) U.S. city average series for all items, not seasonally adjusted. This dataset represents changes in the prices of all goods and services purchased for consumption by urban households.

Note: Information on both CPI and health care cost inflation/medical-CPI also was provided to the Special Committee by proponents Richard James (DeVaughn James Injury Lawyers) and Callie Jill Denton (Kansas Trial Lawyers Association).

Other Requested Information

Other requests or questions presented during the Subcommittee meeting on January 25 are noted below:

- Request to insurance industry (a selected scenario for a motorist with compulsory limits and either a good or poor insurance score compared with the same motorist whose policy has the increased BI limits established by the bill);
- Request to a health care provider (Kansas Hospital Association) regarding uncompensated care;
- Request to a health insurer (Blue Cross Blue Shield of Kansas) regarding savings or efficiencies to the insurer if there are higher limits and permissible setoff; and
- General request for information about the cost to other policies (those with limits other than minimum) – determining the actuarial impact of offset.

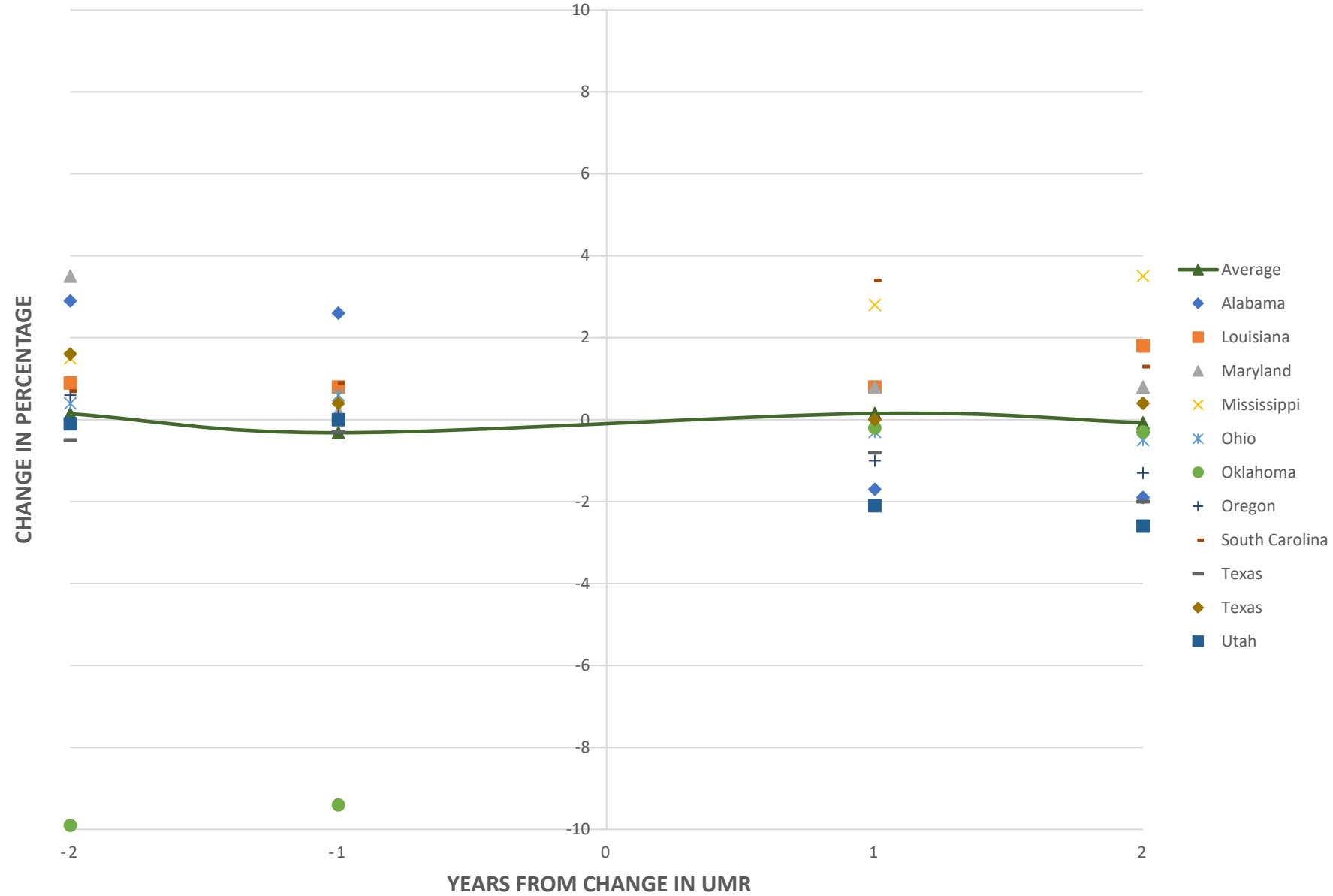
i “Standardizing the Way We Measure the Uninsured Motor Vehicle Rate,” Submitted by: The Members of the AAMVA Uninsured Motor Vehicle Rate Working Group, <http://www.aamva.org/searchresults.htm?q=uninsured%20motorist>.

ii *Uninsured Motorists, 2017 Edition*. Insurance Research Council (a division of the American Institute for Chartered Property Casualty Underwriters), October 2017.

iii *Id.*

iv *Uninsured Motorists, 2011 Edition, 2014 Edition, and 2017 Edition*. Insurance Research Council (a division of the American Institute for Chartered Property Casualty Underwriters), April 2011, August 2014, and October 2017.

UMR: BEFORE AND AFTER CHANGE IN BI LIMITS



Topic	Data Source	Conferee Org.	Summary	File Name/ Location
Auto Liability Insurance - State and National Data	Insurance Information Institute; NAIC, AIPSO data, exported.	KLRD (Renick)	Memo provides tables with published insurance information: Top 10 Most Expensive and Least Expensive States for Auto Insurance, 2014; Average Expenditures for Auto Insurance by State, 2010-2014; Private Passenger Cars Insured the Shared and Voluntary Markets, 2014.	LI/Special Committee (KLRD - personal auto liability memo)
Auto Liability Insurance - State and National Data	Insurance Information Institute; ISO data exported. BI limits, includes claims severity and frequency.	KLRD (Renick)	Staff outlined available data published by the Insurance Information Institute, including the following table, Private Passenger Auto Insurance Losses, 2007-2016. [Provided at time of committee report, 01/2018.]	https://www.iii.org/table-archive/21040
BI Limits - Analysis	Insurance Research Council; vehicle registration data; analysis by company	PCI (Brown)	Testimony attachment analyzes potential impacts if either setoff (termed "offset") is prohibited or BI minimum limits are increased.	LI/Special Committee (HB 2104 Opponent)
Bill Limits - Analysis	Medical consumer price index; CDC - 2012 data; AP article (Feb. 2017); analysis by conferee	Kansas Trial Lawyers Association (Denton)	Testimony makes comparisons between costs and premium dollars (1981 and 2017), including: CPI adjustment - \$25,000 in 2017 has same buying power as \$9,430 in 1981, or \$4,471 when adjusted for medical CPI; and \$25,000 adjusted for inflation since 1981 is \$66,000. Adjusted for medical CPI since 1981, \$25,000 is \$140,000 in 2017. Crash data (2017): Each crash-related hospitalization costs about \$57,000 (75% of the costs occur during the 18 months following the injury) Testimony also cites other reasons insurance premiums may increase (e.g. accident where driver was or was not at fault).	LI/Special Committee (HB 2104 Proponent)

<p>BI Limits - Inflation (Health Care)</p>	<p>Forbes article (June 2015); Inflation Calculator, Bureau of Labor Statistics; Submitted testimony (clients' experience)*</p>	<p>DeVaughn James Injury Lawyers (James)</p>	<p>Testimony indicates the cost of health care has increased more than the cost of vehicles (cites study noting health care costs rose faster than the consumer price index.) Testimony further states, "in order to keep current with standard inflation and have the same buying power as it did in 1981, the new limit would need to go from \$25,000 to \$66,000."</p>	<p>LI/Special Committee (HB 2104 Proponent)</p>
<p>BI Limits - Premiums (\$)</p>	<p>Analysis by conferee</p>	<p>Conrade Insurance Group (Conrade)</p>	<p>Testimony states there would be an "estimated minimal impact on automobile premiums. Based upon my research, the numbers would cost on average \$4 a month..." A scenario was presented for a motorist purchasing a minimum limits policy: a 20-year-old male driver of a motor vehicle and the additional cost to him from three different carriers ranged from \$1.83 a month to \$3.50 a month.</p>	<p>LI/Special Committee (HB 2104 Proponent)</p>
<p>BI Limits-Premiums (\$/%)</p>	<p>Current rates filed and approved with KID; analysis of proposed increase</p>	<p>Kansas Automobile Insurance Plan (Domer); KAPCIC (Carpenter)</p>	<p>Testimony indicates majority of "assigned risk" plan business at 25/50/25; provides current and proposed premiums by territory - examples: Wichita BI base premium would increase from \$252.00 to \$338.00 per year and Topeka BI base would increase from \$225.00 to \$302.00. KAPCIC testimony cites this testimony, notes 34 percent increase.</p>	<p>LI/Special Committee (HB 2104 Opponent); LI/Special Committee (HB 2104 Opponent written-only)</p>
<p>BI Limits - Premiums (%)</p>	<p>Analysis by company</p>	<p>American Family (Monaghan)</p>	<p>Testimony cites premium increases of "at least 40 percent" in non-standard market [BI and UM/UIM coverage] (for the General, an AF company) and a 10-24% range of increase for preferred and standard market customers purchasing at current minimum limits.</p>	<p>LI/Special Committee (HB 2104 Opponent written-only)</p>

BI Limits - Premiums (%)	Analysis by company	The General (Brockman)	Testimony suggests there would be a premium increase of "at least 40-50% for minimum limits bodily injury liability, uninsured and underinsured motorist coverages, which in turn would equal at least a 26-28% increase in overall premium to the minimum limits policyholder."	LI/Special Committee (HB 2104 Opponent written-only)
Minimum Limits - General	Analysis of states' minimum FR laws	Enterprise Leasing LLC (Peterson)	Testimony attachment provides list of states' minimum FR laws by BI (claimant, aggregant) and property damage.	LI/Special Committee (HB 2104 Opponent)
Motorist/ Motor Vehicle Data	Agency's data	Kansas Department of Revenue (Smith)	Testimony includes three tables denoting relevant driver data: traffic convictions for no proof of insurance; suspensions due to missed SR22 filings; and suspension due to accident with no insurance.	LI/Special Committee (HB 2104 written-only testimony)
Motorist/ Motor Vehicle Data	Kansas Department of Transportation	DUI Impact Center (Fields)	On the topic of alcohol-related (impaired) motor vehicle accidents and deaths (2016): 2,211 alcohol-related motor vehicle crashes, 389 of them happened in Sedgwick County, resulting in 34 Kansans killed in alcohol-related crashes. Between 2012-2016, Kansas has had 705 fatalities which impaired driving has been a factor. [Data presented to address costs of health care to injured motorists.]	LI/Special Committee (HB 2104 Proponent)
Setoff - Analysis	NAIC; analysis	PCI (Brown)	Testimony attachment analyzes potential impacts if either setoff (termed "offset") is prohibited or BI minimum limits are increased.	LI/Special Committee (HB 2104 Opponent)
Setoff - State Laws	Insurance Information Institute; Review of laws, case law	KLRD (Howard)	Discusses current law and statutory changes proposed by the bill related to UM and UIM coverage and insurance setoff in Kansas, as well as approaches taken by select states.	LI/Special Committee (HB 2104 Memo)

* **Additional testimony** (attorney/ client presentations on personal experiences) was presented, documented bills and general costs (monetary and other).

Special Committee testimony available at: http://kslegislature.org/li/b2017_18/committees/ctte_spc_2017_special_committee_on_financial_ins_1/

Committee bill information (2017 hearings, House Insurance Committee): http://kslegislature.org/li/b2017_18/measures/hb2104/

Other topics relevant to a more broad discussion: Uninsured Motorist Rate (UMR) referenced by AIA (Smoot), KTLA (Denton) and in oral remarks, Commissioner Selzer.

BI = Bodily Injury	NAIC: National Association of Insurance Commissioners
CPI = Consumer Price Index	PCI: Property Casualty Insurers Association of America
FR = Financial Responsibility	UM/UIM: Uninsured/Underinsured Motorist

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February 12, 2018

The Honorable Dan Hawkins
State Representative
Capitol, Room 186A-N
Topeka, Kansas 66612

Re: 2017 HB 2104

Dear Chairman Hawkins:

I am writing on behalf of the American Insurance Association to assist the House Insurance Subcommittee consider the negative consequences of passing HB 2104, which would unnecessarily mandate higher financial responsibility minimums and change the treatment of UIM coverage. Kansas has some of the lowest auto insurance premiums in the country and people can simply purchase higher limits in the marketplace if they want them. These proposed statutory changes would have an especially negative impact on those who are only capable of affording the financial responsibility minimums. Moreover, changing the treatment of UIM coverage would interfere with and replace a well working, existing system for handling this coverage.

In particular, I write to address certain materials distributed by the Kansas Trial Lawyers Association last week. While there are several statements that the auto insurance industry might take issue with, at least 3 deserve a detailed response because they introduce information that (to my knowledge) was not part of the committee and interim hearings over the last two years.

First, the handout asserts that “77% of Kansans already have bodily injury limits in excess of 25/50 current minimum and HB 2104 wouldn’t affect their liability premiums.” This statement is false. As you know, HB 2104 contains two changes in law. One is changing the treatment of UIM coverage. That change affects all insureds; not just those with minimum limits. PCI estimated in its testimony to the Legislature that this provision alone could affect one million registered vehicles, including those drivers who already purchase more than minimum limits.

Secondly, the KTLA handout asserts that “eight states increased minimum limits between 2007-2014. In five states, the percentage of uninsured motorist went down.” This statement is dated and somewhat misleading. More recently, eight states have increased their minimum limits in 2016-17. Of those, four increased only the property damage minimums (Kansas, Indiana, Nevada and Delaware). The other four increased BI limits as well as property damage but in NO case did these states raise their minimums above the current Kansas law. Other states are following Kansas’ lead by increasing property damage minimums but none are moving bodily injury minimums to the extremes proposed in HB 2104. In accordance with the chart provided by the Kansas Insurance Department, Alaska and Maine remain the outliers and the only other states to adopt minimum limits similar to what is proposed in HB 2104.

Finally, the KTLA handout asserts that “(t)here is no material correlation between the percentage of uninsured motorists and liability premiums.” This statement is unsupported and we believe it to be untrue. The insurance industry has testified that income is a factor in compliance with mandatory auto insurance and that the less fortunate of those among us are the most adversely affected by increased minimums.

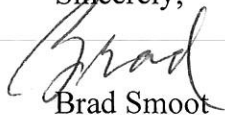
Please see Brobeck, Best & Feltner, Uninsured Drivers: A Societal Dilemma in Need of a Solution, Consumer Federation of America (March 2013) at https://consumerfed.org/pdfs/140310_uninsureddriversasocialdilemma_cfa.pdf. This Consumer Federation of America article states in relevant part, quote:

“(T)here is broad agreement that lower income drivers are much more likely, than higher income drivers, to be uninsured. This conclusion is supported by much research and disputed by no one.” At page 5.

“There is also a strong consensus that financial condition is causally related to lack of auto insurance – the lower a household’s income, the more likely the household will not carry auto insurance because it cannot afford to purchase even the minimum required liability coverage. Studies have found a strong relationship between auto insurance premiums and uninsured rates. And the uninsured largely attribute their lack of insurance to high premiums. A 1999 survey by the IRC [Insurance Research Council] learned that two-fifths of the uninsured said that premiums were too high to afford (while another two-fifths said they didn’t drive cars that were registered).” At page 6 (Citations omitted).

Since the KTLA handouts were distributed widely to lawmakers, we felt it necessary and appropriate to provide the above clarifications and corrections. Please feel free to contact me if you have any questions or concerns about these comments.

Sincerely,



Brad Smoot
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Date: January 12, 2018

To: Kansas Trial Lawyers Association

From: Allan I. Schwartz

Re: Analysis of Increasing Private Passenger Automobile Insurance
Bodily Injury Minimum Statutory Limits From \$25,000 / \$50,000 to \$50,000 / \$100,000
And For Underinsured Motorists Coverage Eliminating the Bodily Injury Limits Offset

As you requested, we have evaluated the impact of the following two items: (i) changing the private passenger automobile insurance minimum limits of bodily injury liability coverage in Kansas from \$25,000/\$50,000 to \$50,000/\$100,000 and (ii) elimination of the offset of underinsured motorists (UIM) limits by bodily injury (BI) limits. A brief summary of the items we examined, and our conclusions follows:

- An evaluation of the impact of inflation from 1981, when the current minimum limits of liability were established, to the present.
 - In order to bring the 25/50¹ bodily injury limits from 1981 to a current price basis, the minimum limits of bodily injury liability would need to be changed to a value in the range from 67/135 to 143/286.² [See Schedule AIS-1 and 2]
- The impact on states that have increased their minimum automobile limits.
 - States that have increased their minimum limits between 2007 and 2014 have had, on average, a change in liability premiums comparable to countrywide changes in premiums.³ [See Schedule AIS-3]
 - Kansas bodily injury claim costs are about 40% higher than the average countrywide value.^{4,5} This is a basis for having higher bodily injury limits in Kansas.

¹ Limits written in this format are in thousands. For example, 25/50 represents \$25,000/\$50,000.

² The 67/135 value is based upon the all items CPI and the 143/286 value is based upon the medical CPI.

³ As discussed later, states that increased minimum limits did not on average have an increase in the percent of uninsured motorists. Also, the percent of uninsured motorists is not materially correlated with the value of liability premiums.

⁴ Based on average claim severity data from 2011 to 2013 from the National Association of Insurance Commissioners (NAIC) Automobile Insurance Database Report 2013/2014, January 2017.

⁵ The higher claim severity for Kansas is more than offset by a lower claim frequency, resulting in a lower bodily injury liability loss cost per car.

- The impact on premiums of increasing the minimum limits of liability coverage.
 - The overall impact of changing the minimum limits of coverage from 25/50 to 50/100 is an increase in the basic and total limits bodily injury written premiums⁶ across all limits of about 5% and 3%, respectively. [See Schedule AIS-4]
 - The impact on overall liability premiums is projected to be about 1% to 1.5%.
 - The impact on total (i.e., liability and physical damage combined) premiums is projected to be about 0.5% to 1%.
- The proportion of Kansas policyholders that will be impacted by such a change.
 - About 13% of Kansas insured automobiles are at the minimum limits of bodily injury liability coverage of 25/50. [See Schedule AIS-5]
- The impact on the number of uninsured drivers due to increasing the minimum limits of liability coverage.
 - States that have increased the minimum liability limits between 2007 and 2014 have on average seen a decrease in the percentage of uninsured motorists. Further, there is no material correlation between the percentage of uninsured motorists and liability premiums. [See Schedule AIS-6]
 - Kansas had an uninsured motorist's percentage during 2015 of 7.2%, which is about 45% lower than the countrywide value of 13.0%.^{7,8} Even if there were a slight increase in the rate of uninsured motorists, Kansas would still have a percentage value significantly lower than countrywide.
- Eliminating the Offset of Underinsured Motorists Limits by Bodily Injury Limits
 - Making the full limits of underinsured motorists (UIM) coverage available, instead of offsetting by the bodily injury liability limits, is estimated to increase overall liability premiums by about 3% and overall total premiums by about 1.5%.

⁶ This includes both bodily injury liability (BI) and uninsured motorist bodily injury liability (UMBI).

⁷ Insurance Research Council News Release dated October 9, 2017.

⁸ Seven states had a lower rate of uninsured motorists, ranging from 4.5% to 6.8%, with an average of 6.2%.

- The projected dollar impact on premiums per automobile is estimated to be an increase of about \$12 per year.

A more detailed discussion of these issues follows.

Impact of Inflation from 1981 to the Present

We examined two different measures of inflation. The first measure was the all items consumer price index. The second measure was the medical care consumer price index (CPI). The medical care CPI measure is relevant because bodily injury liability costs are driven in large part by the cost of medical care.

The all items CPI increased at an average annual rate of about 2.8% between 1981 and October of 2017.⁹ The total increase in the CPI from 1981 to October of 2017 is 169%. That means that \$100 spent on consumer goods and services in 1981 is equivalent to about \$269 spent on consumer goods and services in October of 2017. In order to make 25/50 limits in 1981 equivalent to a corresponding limit in October of 2017, the limit of bodily injury liability coverage would need to be about 67/135.¹⁰ Another way of looking at this is what limit in 1981 would be equivalent to limits of 25/50 in October of 2017. Using the 169% price change, 25/50 limits in October of 2017 would purchase the equivalent of about 7.4/18.6 in 1981.¹¹

The medical care CPI increased at an average annual rate of about 5.0% between 1981 and October of 2017.¹² The total increase in the CPI from 1981 to October of 2017 is 473%. That means that \$100 spent on medical care in 1981 is equivalent to about \$573 spent on medical care in October of 2017. In order to make 25/50 limits in 1981 equivalent to a corresponding limit in October of 2017, the limit of bodily injury liability coverage would need to be about 143/286.¹³ Another way of looking at this is what limit in 1981 would be equivalent to limits of 25/50 in October of 2017. Using the 473% price change we have previously discussed, 25/50 limits in October of 2017 would purchase the equivalent of about 4.4/8.7 in 1981.¹⁴

⁹ See Schedule AIS-1.

¹⁰ $67 \approx 25 \times 2.69$

¹¹ $9.3 \approx 25 / 2.69$

¹² See Schedule AIS-2.

¹³ $143 \approx 25 \times 5.73$

¹⁴ $4.4 \approx 25 / 5.73$

The cost of many items has increased significantly from 1981 to October of 2017. The cost increase for some categories of items is shown in the following table.

<u>Item</u>	<u>Cost Increase from 1981 to October of 2017</u>
Food and Beverages	167%
Housing	178%
Transportation	116%

Source: Bureau of Labor Statistics

Wages have also increased significantly during this time period. During the 35 year period from 1981 to 2016, wages increased on average by about 3.7% a year.¹⁵

Clearly, inflation has significantly eroded the real value of the limits of bodily injury liability coverage of 25/50 since 1981. If the minimum limits of bodily injury liability coverage are increased by 100% from 25/50 to 50/100, that would be equivalent to an average annual increase from 1981 to 2018 of about 1.9%. This is about 70% of the rate of overall inflation as measured by the all items CPI (i.e., 2.8%), about 1/2 of the average annual increase in wages (3.7%), and about 40% of the rate of medical care inflation as measured by the medical care CPI (i.e., 5.0%).

Impact On States That Have Increased The Minimum Automobile Limits

We examined the impact on states that have increased the minimum limits of liability coverage between 2007 and 2014. A total of eight states have increased the limits during this time period. We compared the change in the liability average premiums^{16,17,18} for these states to countrywide.

¹⁵ This is based upon the national average wage indexing series used by Social Security.
<https://www.ssa.gov/OACT/COLA/AWI.html#Series>

¹⁶ The source of the liability average premiums is the Automobile Insurance Database Report published by the National Association of Insurance Commissioners (NAIC). The NAIC is recognized as a common source of insurance industry data.

A summary by state of the annual change during the three years after implementing new limits are shown in the following table.

States That Have Increased Their Minimum Automobile Limits
Between 2007 and 2014

Annual Change in Liability Average Premium During the
First Three Years After Implementing New Limits

<u>State</u>	<u>State Annual Change</u>	<u>Countrywide Annual Change*</u>	<u>Period for Annual Change</u>	<u>State Minus Countrywide</u>
Alabama	0.0%	1.5%	2008 to 2011	-1.5%
Louisiana	2.3%	1.9%	2009 to 2012	0.4%
Maryland	1.0%	2.3%	2010 to 2013	-1.3%
Ohio**	3.8%	2.4%	2013 to 2014	1.4%
Oregon	2.7%	1.9%	2009 to 2012	0.8%
South Carolina	-0.7%	-0.9%	2006 to 2009	0.2%
Texas	1.6%	2.3%	2010 to 2013	-0.7%
Utah	1.7%	1.5%	2008 to 2011	0.2%
Average				-0.1%

Notes:

*The countrywide annual change is over the same three year time period as the state listed. This is why the countrywide annual changes can vary between states.

**Only partial data is available for Ohio after the limit change.

The annual changes of the liability average premiums during the first three years after the implementation of the new limits have increased less than that of countrywide for three of the states. The other five states had increases of about 0.2% to 1.4% more than countrywide.¹⁹

¹⁷ The NAIC defines the liability average premium as the liability written premiums divided by the liability written exposures. Written premium is the total premium amount of all policies issued during a year and written exposures are the total number of cars insured during a given year.

¹⁸ The NAIC states that the liability written premiums include but are not limited to bodily injury, uninsured/underinsured motorist, medical payments and property damage.

¹⁹ See also Schedule AIS-3

Overall, the average premium increases in these states were comparable to the countrywide changes. Hence, the increase in liability limits across these states did not result in a materially different change in the average premiums compared to overall countrywide values.

In addition, a comparison of liability premiums before the implementation of the new limits can be made to liability premiums after the implementation of new limits. A summary by state of the total percent change from the three year average liability premium before the new limits to the three average liability premium after implementing new limits are shown in the following table.²⁰

States That Have Increased Their Minimum Automobile Limits
Between 2007 and 2014

Total Percent Change in the Three Year Average Liability Premium
 Before Implementing New Limits to the Three Year Average
Liability Premium After Implementing New Limits

<u>State</u>	State Percent <u>Change</u>	Countrywide Percent <u>Change*</u>	State Minus <u>Countrywide</u>
Alabama	-3.5%	-0.7%	-2.8%
Louisiana	6.3%	4.0%	2.3%
Maryland	4.9%	5.8%	-0.9%
Ohio**	6.6%	5.2%	1.4%
Oregon	5.2%	4.0%	1.2%
South Carolina	-0.8%	-4.4%	3.5%
Texas	1.5%	5.8%	-4.3%
Utah	6.1%	1.1%	5.0%
Average			0.7%

Notes:

*The countrywide annual change is over the same three year time periods as the state listed. This is why the countrywide percent changes are different for each state. See Schedule AIS-3 for the three year before and after new limits time periods.

**Only partial data is available for Ohio after the limit change.

²⁰ The percent changes in this table are total percent changes. In contrast, the previous table contained annual changes. For this table, annual percent changes would be about 1/3 of the total percent change values shown.

The percent changes of the three year average liability premium before the new limits to the three year average liability premium after the implementation of the new limits were less than that of countrywide for three of the states. The other five states had increases of about 1.2% to 5.0% compared to countrywide.²¹ Overall on average, the increase in liability limits across these states did not result in a material increase in the average premiums relative to the countrywide change.

Impact On Premiums Of Increasing The Minimum Limits Of Bodily Injury Liability Coverage

We analyzed the potential impact of raising the minimum limits of bodily injury liability coverage from 25/50 to 50/100. The overall impact of increasing the minimum limits to 50/100 could increase the basic and total limits bodily injury premiums across all limits by about 5% and 3%, respectively.^{22, 23}

The impact on overall liability premiums is projected to be about 1% to 1.5%.^{24,25,26}

The impact on total (i.e., liability and physical damage combined) premiums is projected to be about 0.5% to 1%.²⁷

²¹ See also Schedule AIS-3

²² Schedule AIS-4

²³ For policyholders moving from 25/50 to 50/100, the increase in BI premiums is estimated to be about 30% to 35%.

²⁴ This is based upon BI & UMBI premiums being about 40% of the total liability premiums on average.

²⁵ For policyholders moving from 25/50 to 50/100, the increase in liability premiums is estimated to be about 12% to 14%. The estimated annual liability premium per automobile for Kansas for 2018 is projected to be about \$385 (this is based upon projecting forward the average liability premium for 2014 of \$354 from the latest NAIC automobile database by about 2.1% a year). A 13% increase on \$385 is about \$50 a year. The actual increase for individual policyholders will depend upon the particular circumstances applicable. For example, liability premiums are higher than average for policyholders in the Kansas assigned risk plan. The proportion of vehicles insured in the assigned risk market is fairly small – about 0.1% of the total. (According to the NAIC, in 2013 there were 1,671 exposures in the residual market and 2,162,521 overall; $1,671 / 2,162,521 = 0.1\%$)

²⁶ The average liability premium in Kansas during 2014 was about 33% lower than the countrywide value. (2014 is the latest year available from the NAIC automobile database report 2013 / 2014; January 2017) Compared to neighboring states, Kansas had a lower average liability premium than Colorado, Missouri and Oklahoma; and was about the same as Nebraska.

²⁷ This is based upon liability premiums being slightly more than 50% of the total liability & physical damage combined premiums.

Proportion Of Kansas Policyholders Impacted By The Change

Not all Kansas policyholders will be impacted by a change in the minimum limits of coverage. Only the policyholders currently purchasing minimum limits, or otherwise purchasing less than the proposed minimum limits of coverage will be impacted.

We estimate that about 13% of insured automobiles are at the minimum limits of bodily injury liability coverage of 25/50.²⁸

Hence, the majority of Kansas policyholders will not be impacted at all by a change in minimum statutory bodily injury limits from 25/50 to 50/100.

Impact on the Number of Uninsured Drivers Due to Increasing The Minimum Limits of Liability Coverage

We examined the impact on the number of uninsured drivers for the states that have increased their minimum limits of liability coverage between 2007 and 2014. We compared the percentage of uninsured motorists before the implementation of the new limits to the percentage of uninsured motorists after the implementation of the new limits. A summary by state of the change in the percentage of uninsured motorists after increasing the liability limits is shown in the following table.

²⁸ More detailed information regarding the distribution of limits is set forth in Schedule AIS-5.

States That Have Increased Their Minimum Automobile Limits
Between 2007 and 2014

Change in the Percentage of Uninsured Motorists
After Implementing New Limits

<u>State</u>	<u>% Uninsured Motorists Before New Limits</u>	<u>% Uninsured Most Current Value After Change</u>	<u>Change in % Uninsured Motorists After Limits Increase</u>
Alabama	26.0%	18.4%	-7.6%
Louisiana	12.9%	13.0%	0.1%
Maryland	14.9%	12.4%	-2.5%
Ohio	13.5%	12.4%	-1.1%
Oregon	10.4%	12.7%	2.3%
South Carolina	10.0%	9.4%	-0.6%
Texas	14.9%	14.1%	-0.8%
Utah	8.0%	8.2%	0.2%
Average			-1.3%

The percentage of uninsured motorists decreased in five states after an increase in the minimum limits of liability coverage, two states stayed about the same and one state had a larger increase.²⁹ Overall on average, the increase in liability limits across these states did not result in an increase in the number of uninsured drivers.

We also examined if there is a correlation between the number of uninsured drivers and the size of liability premiums using the mathematical technique of linear regression analysis. We analyzed the relationship of the percentage of uninsured motorists in 2015 and the liability average premium by state for 2014.^{30, 31} The graph on Schedule AIS-6, Sheet 4 displays the percentage of uninsured motorists and the liability average premium for each state along with the predicted percentage of uninsured motorists based on the liability average premium. The line of data represented by the square shaped data points shows the predicted percentage of uninsured

²⁹ See also Schedule AIS-6, Sheets 1 and 2

³⁰ These are the latest years for which the information by state is available.

³¹ See also Schedule AIS-6, Sheets 3 and 4

motorists based on the average liability premium in each state. The diamond shaped dots show the actual percentage of uninsured motorists for each state. If there was a significant correlation between the size of liability premiums and the percentage of uninsured motorists, the diamond shaped dots would cluster about the squares from the regression analysis. Instead there is a spread out dispersion of diamond shaped dots with no real pattern. Thus, there is not a material correlation between the percentage of uninsured motorists and liability premiums. This is further demonstrated by the very low R-squared value³² from the regression analysis.

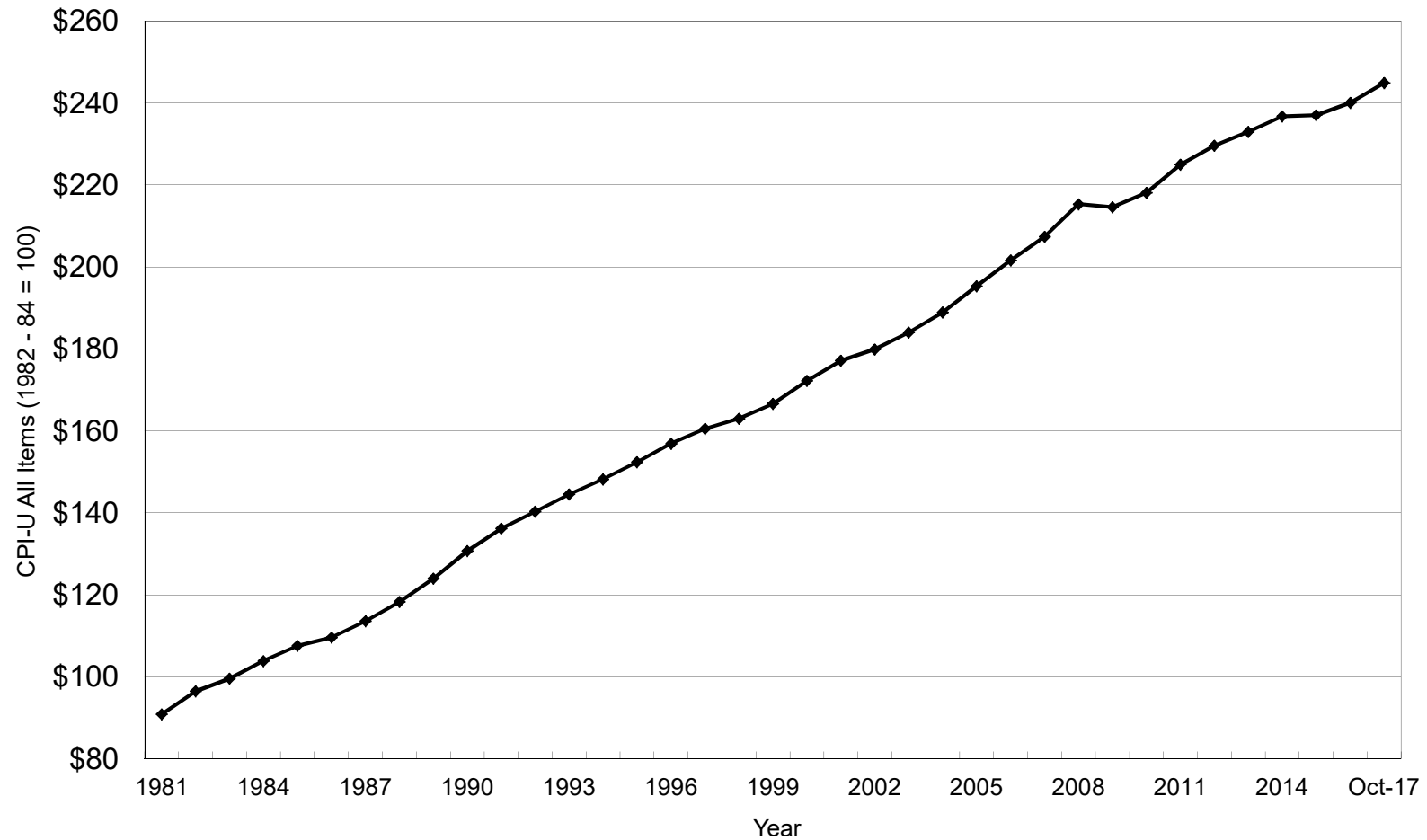
Please feel free to contact me if there is anything you would care to discuss.

Enclosures

³² A low R-squared value means that there is very little correlation (i.e., changes in the liability premium do not explain the variation in uninsured motorist's percentage across states).

Analysis of Increasing Auto Liability Minimum Statutory Limits in Kansas

Consumer Price Index - All Urban Consumers All Items



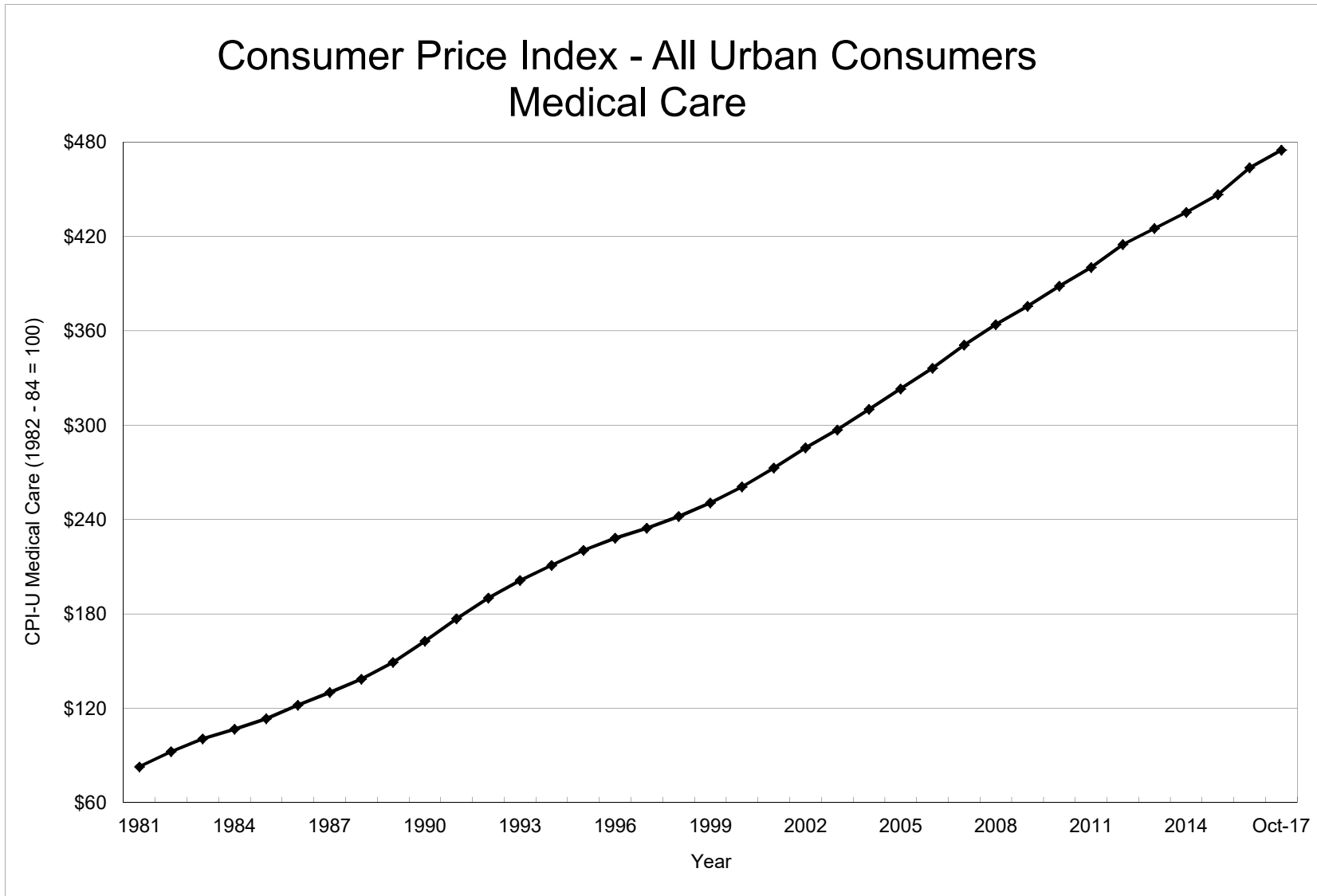
Increase from 1981 through October 2017:

Total = 169%

Annual = 2.8%

\$25,000 / \$50,000 Limits in 1981 is equivalent to Limits in October 2017 of \$67,000 / \$135,000

Analysis of Increasing Auto Liability Minimum Statutory Limits in Kansas



Increase from 1981 through October 2017:	Total = 473%	Annual = 5.0%
\$25,000 / \$50,000 Limits in 1981 is equivalent to Limits in October 2017 of \$143,000 / \$286,000		

Analysis of Increasing Auto Liability Minimum Statutory Limits in Kansas

States That Have Increased Their Minimum Automobile Limits Between 2007 and 2014

Liability Average Premium

Alabama			
Date of Change (Renewals)	11/28/2008		
Date of Change (New Business)	8/30/2008		
Basis of Change	Policies written on or after date of change		
Last Year Before Change	2008		
Old Limit	20/40/10		
New Limit	25/50/25		
	Alabama	Countrywide	
	Liability	Liability	
	Average	Average	
<u>Year Ending 12/31</u>	<u>Premium</u>	<u>Premium</u>	
2005	367.54	497.19	
2006	367.29	488.63	
2007	364.38	475.73	
2008	354.14	471.09	
2009	352.39	475.12	
2010	353.89	483.86	
2011	354.35	492.03	
2005-2007 Average Before Change	366.40	487.18	
2009-2011 Average After Change	353.54	483.67	
	Alabama	Countrywide	State Minus Countrywide
<u>Changes Under Old Limits</u>			
2007 to 2008 Annual Change	-2.8%	-1.0%	-1.8%
2006 to 2008 Annual Change	-1.8%	-1.8%	0.0%
2005 to 2008 Annual Change	-1.2%	-1.8%	0.6%
<u>Changes Under New Limits</u>			
2008 to 2009 Annual Change	-0.5%	0.9%	-1.4%
2008 to 2010 Annual Change	0.0%	1.3%	-1.3%
2008 to 2011 Annual Change	0.0%	1.5%	-1.5%
Percent Change from			
2005-2007 Avg Before Change to			
2009-2011 Avg After Change	-3.5%	-0.7%	-2.8%

Louisiana			
Date of Change (Renewals)	1/1/2010		
Date of Change (New Business)	1/1/2010		
Basis of Change	Policies written on or after date of change		
Last Year Before Change	2009		
Old Limit	10/20/10		
New Limit	15/30/25		
	Louisiana	Countrywide	
	Liability	Liability	
	Average	Average	
<u>Year Ending 12/31</u>	<u>Premium</u>	<u>Premium</u>	
2006	660.25	488.63	
2007	646.30	475.73	
2008	650.78	471.09	
2009	651.49	475.12	
2010	684.89	483.86	
2011	687.56	492.03	
2012	698.21	503.14	
2007-2009 Average Before Change	649.52	473.98	
2010-2012 Average After Change	690.22	493.01	
	Louisiana	Countrywide	State Minus Countrywide
<u>Changes Under Old Limits</u>			
2008 to 2009 Annual Change	0.1%	0.9%	-0.8%
2007 to 2009 Annual Change	0.4%	-0.1%	0.5%
2006 to 2009 Annual Change	-0.4%	-0.9%	0.5%
<u>Changes Under New Limits</u>			
2009 to 2010 Annual Change	5.1%	1.8%	3.3%
2009 to 2011 Annual Change	2.7%	1.8%	0.9%
2009 to 2012 Annual Change	2.3%	1.9%	0.4%
Percent Change from			
2007-2009 Avg Before Change to			
2010-2012 Avg After Change	6.3%	4.0%	2.3%

Maryland			
Date of Change (Renewals)	1/1/2011		
Date of Change (New Business)	1/1/2011		
Basis of Change	Policies written on or after date of change		
Last Year Before Change	2010		
Old Limit	20/40/15		
New Limit	30/60/15		
	Maryland	Countrywide	
	Liability	Liability	
	Average	Average	
<u>Year Ending 12/31</u>	<u>Premium</u>	<u>Premium</u>	
2007	558.09	475.73	
2008	555.12	471.09	
2009	562.95	475.12	
2010	578.85	483.86	
2011	590.02	492.03	
2012	594.28	503.14	
2013	596.17	517.85	
2008-2010 Average Before Change	565.64	476.69	
2011-2013 Average After Change	593.49	504.34	
	Maryland	Countrywide	State Minus Countrywide
<u>Changes Under Old Limits</u>			
2009 to 2010 Annual Change	2.8%	1.8%	1.0%
2008 to 2010 Annual Change	2.1%	1.3%	0.8%
2007 to 2010 Annual Change	1.2%	0.6%	0.6%
<u>Changes Under New Limits</u>			
2010 to 2011 Annual Change	1.9%	1.7%	0.2%
2010 to 2012 Annual Change	1.3%	2.0%	-0.7%
2010 to 2013 Annual Change	1.0%	2.3%	-1.3%
Percent Change from			
2008-2010 Avg Before Change to			
2011-2013 Avg After Change	4.9%	5.8%	-0.9%

Ohio			
Date of Change (Renewals)	12/22/2013		
Date of Change (New Business)	12/22/2013		
Basis of Change	Policies written on or after date of change		
Last Year Before Change	2013		
Old Limit	12.5/25/7.5		
New Limit	25/50/25		
	Ohio	Countrywide	
	Liability	Liability	
	Average	Average	
<u>Year Ending 12/31</u>	<u>Premium</u>	<u>Premium</u>	
2010	357.83	483.86	
2011	357.31	492.03	
2012	362.97	503.14	
2013	374.53	517.85	
2014	388.88	530.51	
2011-2013 Average Before Change	364.94	504.34	
2014 After Change	388.88	530.51	
	Ohio	Countrywide	State Minus Countrywide
<u>Changes Under Old Limits</u>			
2012 to 2013 Annual Change	3.2%	2.9%	0.3%
2011 to 2013 Annual Change	2.4%	2.6%	-0.2%
2010 to 2013 Annual Change	1.5%	2.3%	-0.8%
<u>Changes Under New Limits</u>			
2013 to 2014 Annual Change	3.8%	2.4%	1.4%
NA	NA	NA	NA
NA	NA	NA	NA
Percent Change from			
2011-2013 Avg Before Change to			
2014 After Change	6.6%	5.2%	1.4%

Analysis of Increasing Auto Liability Minimum Statutory Limits in Kansas

States That Have Increased Their Minimum Automobile Limits Between 2007 and 2014

Liability Average Premium

Oregon			
Date of Change (Renewals)	1/1/2010		
Date of Change (New Business)	1/1/2010		
Basis of Change	Policies written on or after date of change		
Last Year Before Change	2009		
Old Limit	25/50/10		
New Limit	25/50/20		
	Oregon	Countrywide	
	Liability	Liability	
	Average	Average	
<u>Year Ending 12/31</u>	<u>Premium</u>	<u>Premium</u>	
2006	482.65	488.63	
2007	484.93	475.73	
2008	485.17	471.09	
2009	487.53	475.12	
2010	499.10	483.86	
2011	507.19	492.03	
2012	527.64	503.14	
2007-2009 Average Before Change	485.88	473.98	
2010-2012 Average After Change	511.31	493.01	
	Oregon	Countrywide	State Minus Countrywide
<u>Changes Under Old Limits</u>			
2008 to 2009 Annual Change	0.5%	0.9%	-0.4%
2007 to 2009 Annual Change	0.3%	-0.1%	0.4%
2006 to 2009 Annual Change	0.3%	-0.9%	1.2%
<u>Changes Under New Limits</u>			
2009 to 2010 Annual Change	2.4%	1.8%	0.6%
2009 to 2011 Annual Change	2.0%	1.8%	0.2%
2009 to 2012 Annual Change	2.7%	1.9%	0.8%
Percent Change from			
2007-2009 Avg Before Change to			
2010-2012 Avg After Change	5.2%	4.0%	1.2%

South Carolina			
Date of Change (Renewals)	1/1/2007		
Date of Change (New Business)	1/1/2007		
Basis of Change	Policies written on or after date of change		
Last Year Before Change	2006		
Old Limit	15/30/10		
New Limit	25/50/25		
	South Carolina	Countrywide	
	Liability	Liability	
	Average	Average	
<u>Year Ending 12/31</u>	<u>Premium</u>	<u>Premium</u>	
2003	451.84	490.19	
2004	471.77	501.07	
2005	471.34	497.19	
2006	470.90	488.63	
2007	474.94	475.73	
2008	466.32	471.09	
2009	461.17	475.12	
2004-2006 Average Before Change	471.34	495.63	
2007-2009 Average After Change	467.48	473.98	
	South Carolina	Countrywide	State Minus Countrywide
<u>Changes Under Old Limits</u>			
2005 to 2006 Annual Change	-0.1%	-1.7%	1.6%
2004 to 2006 Annual Change	-0.1%	-1.2%	1.1%
2003 to 2006 Annual Change	1.4%	-0.1%	1.5%
<u>Changes Under New Limits</u>			
2006 to 2007 Annual Change	0.9%	-2.6%	3.5%
2006 to 2008 Annual Change	-0.5%	-1.8%	1.3%
2006 to 2009 Annual Change	-0.7%	-0.9%	0.2%
Percent Change from			
2004-2006 Avg Before Change to			
2007-2009 Avg After Change	-0.8%	-4.4%	3.5%

Texas			
Date of Change (Renewals)	1/1/2011		
Date of Change (New Business)	1/1/2011		
Basis of Change	Policies written on or after date of change		
Last Year Before Change	2010		
Old Limit	25/50/25		
New Limit	30/60/25		
	Texas	Countrywide	
	Liability	Liability	
	Average	Average	
<u>Year Ending 12/31</u>	<u>Premium</u>	<u>Premium</u>	
2007	450.01	475.73	
2008	471.22	471.09	
2009	481.00	475.12	
2010	473.31	483.86	
2011	473.31	492.03	
2012	477.18	503.14	
2013	496.68	517.85	
2008-2010 Average Before Change	475.18	476.69	
2011-2013 Average After Change	482.39	504.34	
	Texas	Countrywide	State Minus Countrywide
<u>Changes Under Old Limits</u>			
2009 to 2010 Annual Change	-1.6%	1.8%	-3.4%
2008 to 2010 Annual Change	0.2%	1.3%	-1.1%
2007 to 2010 Annual Change	1.7%	0.6%	1.1%
<u>Changes Under New Limits</u>			
2010 to 2011 Annual Change	0.0%	1.7%	-1.7%
2010 to 2012 Annual Change	0.4%	2.0%	-1.6%
2010 to 2013 Annual Change	1.6%	2.3%	-0.7%
Percent Change from			
2008-2010 Avg Before Change to			
2011-2013 Avg After Change	1.5%	5.8%	-4.3%

Utah			
Date of Change (Renewals)	1/1/2009		
Date of Change (New Business)	1/1/2009		
Basis of Change	Policies written on or after date of change		
Last Year Before Change	2008		
Old Limit	25/50/15		
New Limit	25/65/15		
	Utah	Countrywide	
	Liability	Liability	
	Average	Average	
<u>Year Ending 12/31</u>	<u>Premium</u>	<u>Premium</u>	
2005	427.38	497.19	
2006	423.64	488.63	
2007	418.56	475.73	
2008	429.73	471.09	
2009	445.46	475.12	
2010	451.74	483.86	
2011	451.94	492.03	
2006-2008 Average Before Change	423.98	478.48	
2009-2011 Average After Change	449.71	483.67	
	Utah	Countrywide	State Minus Countrywide
<u>Changes Under Old Limits</u>			
2007 to 2008 Annual Change	2.7%	-1.0%	3.7%
2006 to 2008 Annual Change	0.7%	-1.8%	2.5%
2005 to 2008 Annual Change	0.2%	-1.8%	2.0%
<u>Changes Under New Limits</u>			
2008 to 2009 Annual Change	3.7%	0.9%	2.8%
2008 to 2010 Annual Change	2.5%	1.3%	1.2%
2008 to 2011 Annual Change	1.7%	1.5%	0.2%
Percent Change from			
2006-2008 Avg Before Change to			
2009-2011 Avg After Change	6.1%	1.1%	5.0%

Analysis of Increasing Auto Liability Minimum Statutory Limits in Kansas

Estimated Impact on Kansas Bodily Injury Premiums

Bodily Injury Basic Limits				
	(1)	(2)	(3) = (1) x (2)	(4)
	9/30/2016 Basic Limit Written Premium	Factor to Adjust to 50/100 Minimum Limit	Proposed Basic Limit Written Premium	New Law Basic Limit Written Premium *
<u>BI Limit</u>	<u>Premium</u>	<u>Minimum Limit</u>	<u>Premium</u>	<u>Premium *</u>
25/50	1,018,903	1.34	1,365,330	
50/100	1,307,993	1.00	1,307,993	2,673,323
100/200	143,632	1.00	143,632	143,632
100/300	3,033,141	1.00	3,033,141	3,033,141
250/500	1,223,666	1.00	1,223,666	1,223,666
300/300	838,730	1.00	838,730	838,730
500/1000	44,063	1.00	44,063	44,063
1000/1000	26,488	1.00	26,488	26,488
Total	7,636,616		7,983,043	7,983,043
Estimate Impact on BI Basic Limit Premiums = (4) Total / (1) Total				4.5%

Bodily Injury Total Limits						
	(5)	(6)	(7) = (5) x (6)	(8)	(9) = (7) x (8)	(10)
	9/30/2016 Basic Limit Written Premium	Current Increased Limits Factor	Current Total Limits Written Premium	Factor to Adjust to 50/100 Minimum Limit	Proposed Total Limits Written Premium	New Law Total Limits Written Premium *
<u>BI Limit</u>	<u>Premium</u>	<u>Factor</u>	<u>Premium</u>	<u>Minimum Limit</u>	<u>Premium</u>	<u>Premium *</u>
25/50	1,018,903	1.00	1,018,903	1.34	1,365,330	
50/100	1,307,993	1.34	1,752,711	1.00	1,752,711	3,118,041
100/200	143,632	1.74	249,920	1.00	249,920	249,920
100/300	3,033,141	1.75	5,307,997	1.00	5,307,997	5,307,997
250/500	1,223,666	2.28	2,789,958	1.00	2,789,958	2,789,958
300/300	838,730	2.33	1,954,241	1.00	1,954,241	1,954,241
500/1000	44,063	2.60	114,564	1.00	114,564	114,564
1000/1000	26,488	2.85	75,491	1.00	75,491	75,491
Total	7,636,616		13,263,784		13,610,211	13,610,211
Estimate Impact on BI Total Limit Premiums = (10) Total / (7) Total						2.6%

* Assumes all purchasers of 25/50 limits choose 50/100 limits after the law change.

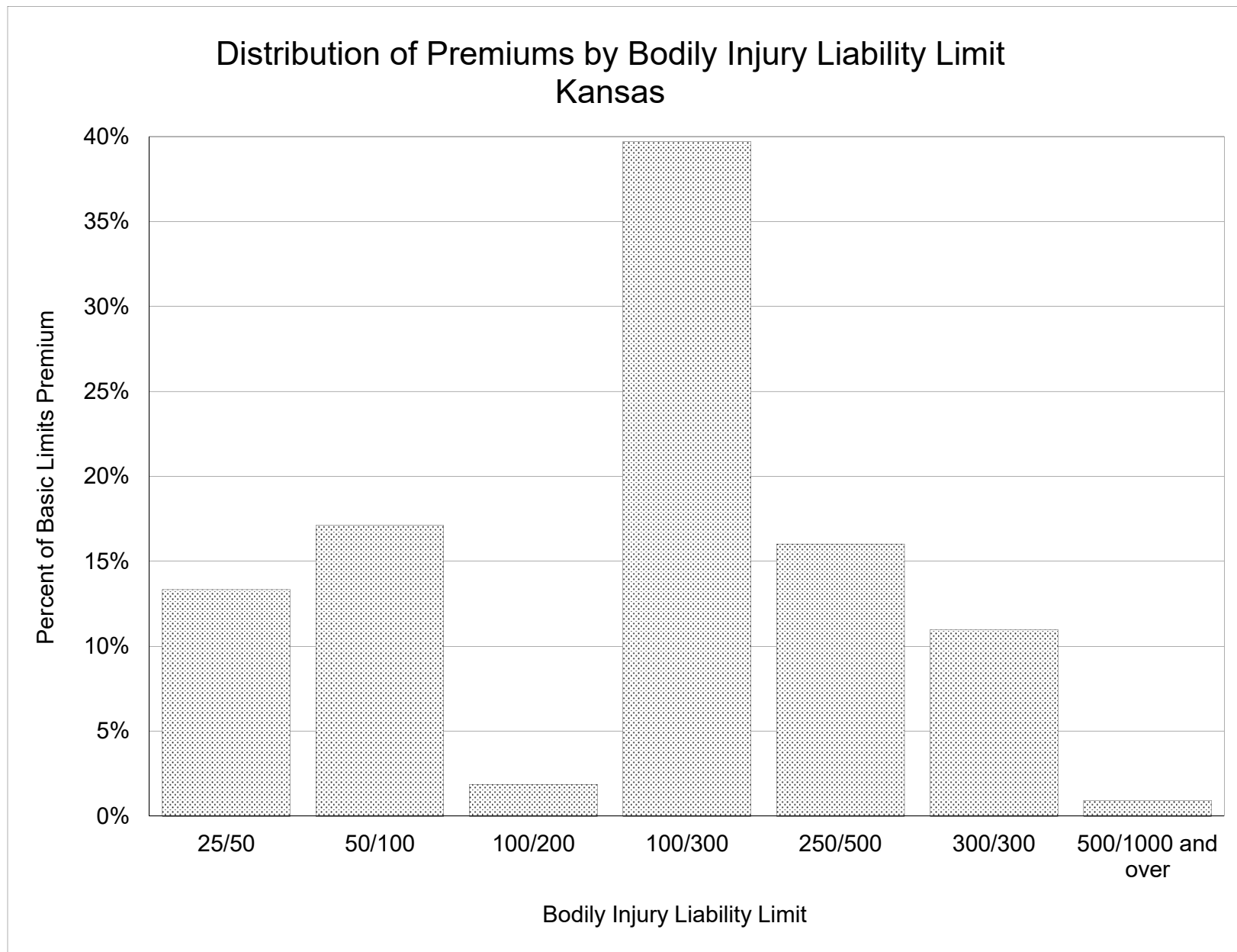
Notes:

- (1) : Based on 2017 KS ISO Personal Auto Lost Cost Filing for Basic Limit Written Premium Total Amount and 2015 KS ISO Increased Limit Factors Filing for BI Premium Distribution by Limit of Insurance
- (2) : Based on Current Increased Limit Factors in (6)
- (4) : 50/100: Sum of Limits in (3) that are 50/100 and lower Other Limits : (3)

Notes:

- (5) : (1)
- (6) : 2015 KS ISO Increased Limit Factors Filing
- (8) : Based on Current Increased Limit Factors in (6)
- (10) : 50/100: Sum of Limits in (9) that are 50/100 and lower Other Limits : (9)

Analysis of Increasing Auto Liability Minimum Statutory Limits in Kansas



Source: ISO Kansas Increased Limit Factors Filing PP-2017-BRLA1

Analysis of Increasing Auto Liability Minimum Statutory Limits in Kansas

Percentage of Uninsured Drivers in States That Have Increased Their Minimum Automobile Limits Between 2007 and 2014

	<u>Alabama</u>	<u>Louisiana</u>	<u>Maryland</u>	<u>Ohio</u>	<u>Oregon</u>	<u>South Carolina</u>	<u>Texas</u>	<u>Utah</u>
Date of Change (Renewals)	11/28/2008	1/1/2010	1/1/2011	12/22/2013	1/1/2010	1/1/2007	1/1/2011	1/1/2009
Date of Change (New Business)	8/30/2008	1/1/2010	1/1/2011	12/22/2013	1/1/2010	1/1/2007	1/1/2011	1/1/2009
Year Change Effective	2009	2010	2011	2014	2010	2007	2011	2009
Old Limit	20/40/10	10/20/10	20/40/15	12.5/25/7.5	25/50/10	15/30/10	25/50/25	25/50/15
New Limit	25/50/25	15/30/25	30/60/15	25/50/25	25/50/20	25/50/25	30/60/25	25/65/15
Percent of Uninsured Drivers Before New Limits	26.0%	12.9%	14.9%	13.5%	10.4%	10.0%	14.9%	8.0%
Percent of Uninsured Drivers Most Current Value After Change	18.4%	13.0%	12.4%	12.4%	12.7%	9.4%	14.1%	8.2%
Change in Uninsured Drivers After Limits Increase	-7.6%	0.1%	-2.5%	-1.1%	2.3%	-0.6%	-0.8%	0.2%

Source: Insurance Research Council, data available through 2015, See Schedule AIS-6, Sheet 2

Analysis of Increasing Auto Liability Minimum Statutory Limits in Kansas

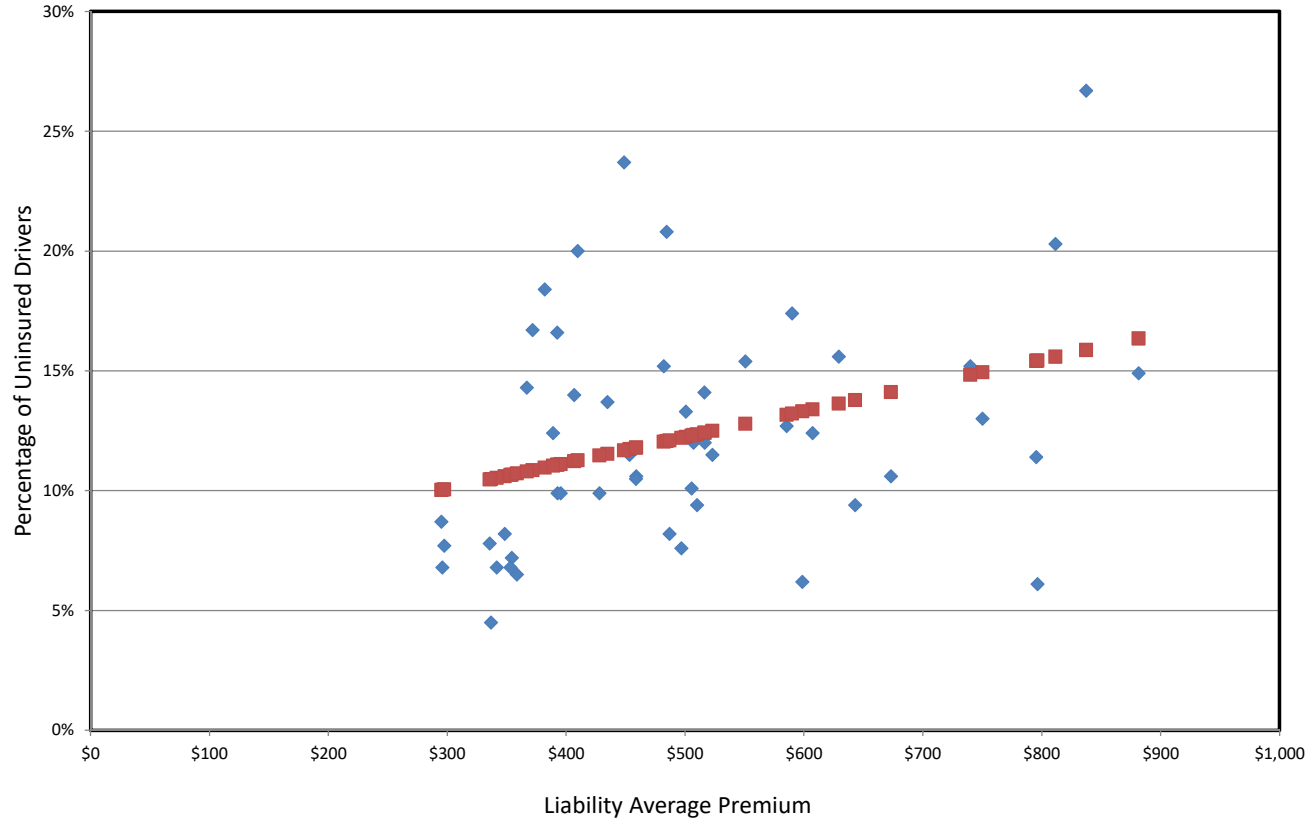
Percentage of Uninsured Drivers by Year for States That Have
Increased Their Minimum Automobile Limits Between 2007 and 2014

<u>State</u>	<u>Percentage of Uninsured Drivers</u>					<u>Year New Limits Effective</u>	<u>% Uninsured Before Limits Increase</u>	<u>% Uninsured Most Current Value After Change</u>
	<u>2004</u>	<u>2007</u>	<u>2009</u>	<u>2012</u>	<u>2015</u>			
Alabama	25.0%	26.0%	21.8%	19.6%	18.4%	2009	26.0%	18.4%
Louisiana	10.0%	12.0%	12.9%	13.9%	13.0%	2010	12.9%	13.0%
Maryland	12.0%	12.0%	14.9%	12.2%	12.4%	2011	14.9%	12.4%
Ohio	15.0%	16.0%	15.7%	13.5%	12.4%	2014	13.5%	12.4%
Oregon	12.0%	11.0%	10.4%	9.0%	12.7%	2010	10.4%	12.7%
South Carolina	10.0%	9.0%	10.7%	7.7%	9.4%	2007	10.0%	9.4%
Texas	16.0%	15.0%	14.9%	13.3%	14.1%	2011	14.9%	14.1%
Utah	9.0%	8.0%	8.2%	5.8%	8.2%	2009	8.0%	8.2%

Source: Insurance Research Council, data available through 2015

Analysis of Increasing Auto Liability Minimum Statutory Limits in Kansas

Relationship Between Percent of Uninsured Motorists in 2015 and Liability Average Premium for All States for 2014*



◆ 2015 Percentage of Uninsured Drivers in Each State ■ Regression Analysis Value of Percentage of Uninsured Drivers in Each State

* Latest available.

R-Squared = 12.05%

Conclusion: There is not a significant correlation between liability premiums and the percentage of uninsured drivers.

Analysis of Increasing Auto Liability Minimum Statutory Limits in Kansas

Relationship Between Percent of Uninsured Motorists in 2015 and Liability Average Premium for 2014

State	2015 Percent of Uninsured Motorists	2014 Liability Average Premium*	Predicted Percent of Uninsured Motorists
Alabama	18.4%	381.98	11.0%
Alaska	15.4%	550.59	12.8%
Arizona	12.0%	507.18	12.3%
Arkansas	16.6%	392.46	11.1%
California	15.2%	482.18	12.0%
Colorado	13.3%	500.72	12.2%
Connecticut	9.4%	642.95	13.8%
Delaware	11.4%	795.35	15.4%
District of Columbia	15.6%	629.25	13.6%
Florida	26.7%	837.24	15.9%
Georgia	12.0%	516.63	12.4%
Hawaii	10.6%	458.92	11.8%
Idaho	8.2%	348.24	10.6%
Illinois	13.7%	434.80	11.5%
Indiana	16.7%	371.69	10.9%
Iowa	8.7%	294.97	10.0%
Kansas	7.2%	354.24	10.7%
Kentucky	11.5%	523.10	12.5%
Louisiana	13.0%	750.23	14.9%
Maine	4.5%	336.70	10.5%
Maryland	12.4%	607.19	13.4%
Massachusetts	6.2%	598.71	13.3%
Michigan	20.3%	811.43	15.6%
Minnesota	11.5%	453.38	11.7%
Mississippi	23.7%	448.60	11.7%
Missouri	14.0%	406.67	11.2%
Montana	9.9%	392.60	11.1%
Nebraska	6.8%	353.26	10.7%
Nevada	10.6%	673.09	14.1%
New Hampshire	9.9%	395.51	11.1%
New Jersey	14.9%	881.58	16.4%
New Mexico	20.8%	484.63	12.1%
New York	6.1%	796.39	15.4%
North Carolina	6.5%	358.56	10.7%
North Dakota	6.8%	295.87	10.0%
Ohio	12.4%	388.88	11.0%
Oklahoma	10.5%	458.73	11.8%
Oregon	12.7%	585.33	13.2%
Pennsylvania	7.6%	496.87	12.2%
Rhode Island	15.2%	739.85	14.8%
South Carolina	9.4%	510.04	12.4%
South Dakota	7.7%	297.38	10.1%
Tennessee	20.0%	409.79	11.3%
Texas	14.1%	516.26	12.4%
Utah	8.2%	486.87	12.1%
Vermont	6.8%	341.60	10.5%
Virginia	9.9%	427.94	11.5%
Washington	17.4%	590.00	13.2%
West Virginia	10.1%	505.40	12.3%
Wisconsin	14.3%	367.00	10.8%
Wyoming	7.8%	335.59	10.5%

Regression Output:

Constant	0.068
Std Err of Y Est	0.045
R-Squared	12.05%
No. of Observations	51
Degrees of Freedom	49
X Coefficient(s)	0.0001
Std Err of Coef.	0.0000

Conclusion: The low R-squared value indicates that there is not a significant relationship between liability premiums and the percentage of uninsured drivers.

Source: Percent of Uninsured Motorists is from the Insurance Research Council and Average Liability Premium is from the NAIC, Automobile Insurance Database Report.
* Latest year available.