



Statement before the House Insurance and Transportation Committees

**Joint Public Hearing on HB 1258 and SB 928,
Auto Minimum Limits**

Presented by:

Seth A. Mendelsohn, Executive Deputy Insurance Commissioner
Dave Buono, Consumer Liaison
Mike McKenney, Actuarial Supervisor

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Good morning Chairmen and Honorable Members of the House Insurance Committee and the House Transportation Committee. Thank you for the opportunity to appear before you today to discuss the issue of raising Pennsylvania's required auto insurance liability limits.

We appreciate both Committees' commitment to further vetting this important issue. The Pennsylvania Insurance Department is supportive of the Legislature's efforts to explore raising the auto insurance minimum limits, and the Department is committed to serving as a valuable resource for you in the exploration of possible legislative changes to these levels.

Briefly, Pennsylvania law requires that all auto insurance policies provide coverage for bodily injury liability, property damage liability, and basic first-party medical benefits. These are known as mandatory coverages. Many policies also include optional coverages such as additional first-party benefits, uninsured motorists (UM) coverage, underinsured motorists (UIM) coverage, and physical damage, or comprehensive and collision, coverage.

By way of background, Pennsylvania's current auto insurance liability limits for the mandatory coverages are 15/30/5. The "15" indicates that a consumer's auto insurance policy must have a minimum of \$15,000 in coverage for bodily injury (BI) per person. The "30" means the minimum coverage amount of \$30,000 bodily injury per accident, and "5" indicates a minimum coverage amount of \$5,000 for property damage (PD).

Pennsylvania's current limits were established by Act 176 of 1974. After forty-two years, these minimums have not been raised, thereby causing Pennsylvania's limits to be among the lowest of any state in the nation. We are aware that many motorists seek higher levels of coverage; these consumers can receive policies with minimums higher than the state mandate. However, we know that many consumers continue to carry only these minimum amounts which, we suggest, are simply too low in today's economy.

The current printers' numbers for SB 928 and HB 1258 would establish two different new minimum limits, with SB 928 PN 1140 raising the limits to 25/50/15 and HB 1258 PN 1764 doubling the current limits to 30/60/10. It's important to note that a change as significant as doubling the current limits is likely to impact not only consumers who currently have the minimum levels of coverage, but also those at other levels that would be below the new

minimums. For example, we know anecdotally that 25/50 is a common level selected by many consumers.

Part of our job as regulators is to make sure that Pennsylvania has a competitive auto insurance market and we do. We are fortunate to have a very competitive auto insurance market, with over 200 licensed carriers offering this coverage to Pennsylvania residents. As a result, we see many options for consumers, thereby allowing our state to have one of the lowest uninsured motorist rates across the nation. These strengths uniquely position Pennsylvania's market with capacity for higher minimum coverage limits, which we respectfully suggest are in the interests of all Pennsylvanians.

There are three primary reasons why the minimum limits should be increased. First, Pennsylvania's limits, as noted earlier, have fallen out of step with the higher limits imposed by other states. At one time, our minimum limits were similar to other states' limits. This is no longer the case, and Pennsylvania's limits are now among the lowest in the country. Second, these lower limits no longer provide the same amount of protection for the insured driver. We all know that generally prices for products and services are no longer what they were five or ten years ago, much less forty years ago when our current limits were established. Accordingly, it seems imprudent to keep a mandatory minimum insurance limit that was established forty years ago. We know that the costs associated with bodily injury amounts and automobile repairs have increased. Third, we know that we are also making policy for many years to come. Few would have predicted that the rates set in the 1970's would continue to be the minimum rates today. We need to make sure that Pennsylvanians are protected into the future.

We would be remiss if we failed to bring to your attention that increasing the minimum limits for bodily injury could potentially impact the rates for uninsured and underinsured motorist coverage. SB 928 intends to limit the impact of the law to just bodily injury and property damage. However, our current laws found at 75 Pa. C.S.A. §§ 1731(a) and 1734 require uninsured and underinsured motorists coverages to be offered at limits equal to or less than the selected bodily injury limits. Unless a policyholder signs the provided rejection forms when their policy is written, their uninsured and underinsured motorists coverages will be at limits equal to the bodily injury limits, pursuant to 75 Pa. C.S.A. § 1731(c.1).

Given the intricacies of how the current motor vehicle financial responsibility law addresses uninsured and underinsured motorists coverage, the Insurance Department recommends that these issues be specifically addressed in any bill that would raise the minimum limits of financial responsibility.

Finally, while not directly related to the discussion of raising the limits, we also would be remiss if we did not note for the record that, as drafted, one of the bills being discussed here today contains troubling language opposed by the Insurance Department and the Wolf Administration. SB 928 PN 1140 contains a provision that would allow any revised forms and rates filed by insurers with the Department to be “deemed approved” upon filing.

“Deemed approved” means that the Insurance Department would not have the opportunity to review the revised forms and rates before the changes would go into effect. In other words, consumers would see new forms and rates, which could be higher than what they are currently paying, without the Department being able to make sure these changes complied with Pennsylvania law.

Reviewing rates and forms filed by insurers is one of the Insurance Department’s most effective tools to fulfill our consumer protection role. Our review process makes sure that these filings contain all of the protections guaranteed by Pennsylvania law, and that rates requested by an insurer are not inadequate, excessive or unfairly discriminatory. The Insurance Department has an outstanding record of providing prompt review of insurance filings. In 2014, the Department reviewed 6,915 rate, rule and form filings of personal and commercial lines, with an average review time of only 5.17 days (inclusive of weekends and office closings). However, if timing is a concern, we would note that current rate and form review laws allow for a deemed approval if the Department does not complete its review in a timely manner. Thus, the Department’s failure to act on a filing triggers a deemed approval as-is, but because of our strong record of quick reviews, this provision seldom comes into play.

The review process is important not only to make sure consumers are being treated fairly but also to allow the Department to have a conversation with companies who may wish to amend their filing after the Department has identified potential compliance or other issues. This approach proves to be very cost-effective for both the Department and the insurer. Although the Department has only had to disapprove a handful of filings, this low disapproval rate

demonstrates that the current process works, not that it is unnecessary. Many filings that would have been found out of compliance or rejected were able to be amended, corrected, or withdrawn by companies before the Department got to the point of needing to disapprove them.

By way of example, legislation was recently passed that included a similar “deemed approved” provision. In that instance, the law change being made impacted insurers’ form filings rather than rates paid by consumers. The final language for this provision ended up providing the Department with an abridged 10-day review period to evaluate form changes made as a result of the new law.

To date, the Department has received 20 filings pursuant to this law change. Ninety-five percent of the filings or 19 out of 20 did not comply with Pennsylvania law. As you can see, and as recent examples have clearly demonstrated, any provision for a deemed approval immediately upon filing could have a detrimental impact upon consumers and could have an adverse impact on the correct application of the new requirements of a law.

The Insurance Department’s core mission is to protect the insurance consumers of the Commonwealth, a charge that we take very seriously. Because of that, we respectfully request that should legislation to raise the auto insurance minimum limits proceed in this chamber, that language deeming filings approved upon receipt not be included. As we mentioned at the outset, we are willing to participate in any follow-up discussions that may be helpful to you and your staff as you continue to examine this important issue.

Thank you for your consideration.