

HOUSE AD HOC COMMITTEE ON MANDATORY AUTO LIABILITY INSURANCE

Report of Ad Hoc Meeting
Tuesday, July 19, 2016
House Hearing Room 3 -- 10:00 a.m.

Convened 10:01 a.m.

Recessed

Reconvened

Adjourned 11:46 a.m.

Members Present

Rep. Bob Robson, Chairman
Rep. Eric Meyer
Ms. Sue Diaz
Mr. John Meza
Mr. J. Tyrrell Taber

Members Absent

Rep. David Livingston
Mr. Kenneth Silverman

Agenda

Original Agenda – Attachment 1

Request to Speak

Report – Attachment 2

Discussion & Overview

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
Paul Benny	House Analyst, Background Information	3
Jim Gill	League of Cities & Towns	
Ted Howard	AZ Department of Transportation	4
Erin Klug	AZ Department of Insurance	5, 6, 7
Lanny Hair	Independent Insurance Agents/Brokers	8
David Childers	Property & Casualty Insurance	
Geoff Trachtenberg	Attorney – Personal Injury	9
<u>Committee Attendance</u>		10



Iris McMahon, Chairman Assistant
July 20, 2016

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

CONVENED: 10:01 a.m.
ADJOURNED: 11:46 a.m.

Interim agendas can be obtained via the Internet at <http://www.azleg.state.az.us/InterimCommittees.asp>

ARIZONA HOUSE OF REPRESENTATIVES

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

HOUSE AD HOC COMMITTEE ON MANDATORY AUTO LIABILITY INSURANCE

Date: Tuesday, July 19, 2016

Time: 10:00 A.M.

Place: HHR 3

AGENDA

1. Call to Order
2. Introduction of Committee Members
3. Review of Committee Charge
4. Discussion and Overview of Mandatory Auto Liability Insurance
5. Public Testimony
6. Adjourn

Members:

Representative Bob Robson, Chairman
Representative David Livingston
Representative Eric Meyer
Sue Diaz

John Meza
Kenneth Silverman
J. Tyrrell Taber

7/12/16
JY

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032, TDD (602) 926-3241.

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on Adhoc Mandatory Auto Bill Number N/A

Date 7/19/16 Support Oppose Neutral

Name Erin Kleg Need to Speak? Yes No

Representing AZ Dept of Ins Are you a registered lobbyist? No

Complete Address _____

E-mail Address ekleg@~~az~~azinsurance.gov Phone Number 602 364 3762

Comments: _____

FIVE-MINUTE SPEAKING LIMIT

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on _____ Bill Number _____

Date 7/19/16 Support Oppose Neutral

Name JIM GILL Need to Speak? Yes No

Representing AMRRP-SOUTHWEST RISK LEAGUE OF AZ CITIES Are you a registered lobbyist? ND

Complete Address _____

E-mail Address _____ Phone Number _____

Comments: _____

FIVE-MINUTE SPEAKING LIMIT

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on Mandatory Auto Liability Ins. Bill Number N/A
Date 7/19/16 Support Oppose Neutral
Name LEOFF TRACHTENBERG Need to Speak? Yes No
Representing self Are you a registered lobbyist? Not sure
Complete Address 362 N. 3rd Ave
E-mail Address gt@LTinjurylaw.com Phone Number 480 540 1341
Comments: _____

FIVE-MINUTE SPEAKING LIMIT



Arizona House of Representatives House Majority Research MEMORANDUM

Paul Benny

Legislative Research Analyst

Committee on Banking and Financial Services

Committee on Insurance

(602) 926-4587

pbenny@azleg.gov

To: Members of the Ad Hoc Mandatory Auto Liability Insurance Committee

Re: Background Information related to Auto Liability Insurance

Date: July 19, 2016

Members,

The following is background research and information on the following topics: state law on auto insurance, list of states with 'no-fault' auto insurance laws, list of states minimum liability limits, information on costs associated with auto accidents, and proposed legislation.

Please let me know if you have questions or would like further information.

Mandatory Auto Liability Insurance Committee

Purpose:

To a) review the state laws dealing with mandatory auto liability insurance; b) to review similar laws in other states and accident costs; c) to review options regarding insurance coverage amounts; d) to determine if the current limits work, should be modified or if the requirement for mandatory liability insurance should be repealed.

Current AZ Laws on Auto Liability Insurance:

A.R.S. § 28-4135

Requires motor vehicles operating on highways to be covered by one of the following:

1. An auto liability policy pursuant to § 28-4009.
2. An alternate method of coverage pursuant to § 28-4076.
3. A certificate of self-insurance pursuant to § 28-4007.
4. A policy that satisfies the financial responsibility requirements as prescribed by statute.

A.R.S. § 28-4009

Prescribes the minimum liability limits:

\$15,000 for bodily injury to or death of one person

\$30,000 for bodily injury to or death of two or more persons, subject to the limit for one person

\$10,000 for injury to or destruction of property of others

Previous Limits:

1951 5/10/1

1961 10/20/5

1972 15/30/10

A.R.S. § 28-4076

Allows a certificate of insurance (§§ 28-4077, 28-4078) or a certificate of deposit (§ 28-4084) as an alternate method of proof of financial responsibility.

A.R.S. § 28-4007

Allows a person to obtain a certificate of self-insurance as proof of financial responsibility as issued and determined by the director of ADOT that the person is financially able and will continue to be able to pay judgments obtained against the person.

According to ADOT there are 116 active certificates of self-insurance (18 commercial / 98 non-commercials).

A.R.S § 28-4077

Allows a person to obtain a certificate of insurance as proof of financial responsibility certifying that there is in effect a motor vehicle liability policy for the benefit of the person required to furnish proof of financial responsibility.

A.R.S. § 28-4084

Allows a person to obtain a certificate of deposit as proof of financial responsibility certifying that the person has deposited \$40,000 with the treasurer.

According to the Treasurer's Office, there are 94 individuals that have obtained a certificate of deposit.

A.R.S. § 28-4036

A person who operates a vehicle without meeting statutory financial responsibility requirements is guilty of a Class 3 misdemeanor (30 days jail / \$500 fine), or Class 1 misdemeanor (6 months jail/ \$2,500 fine) if the vehicle is involved in an accident.

A.R.S. § 20-263

Prohibits an insurer from increasing the premium of an insured who was not the cause of or significantly contribute to an accident. Insurers found in violation must refund the amount attributable to such premium increase and pay a civil penalty of up to \$300.

No-Fault Auto Insurance

According to the Insurance Information Institute, as of February 2014, there are 12 states that have 'no-fault' laws: Florida, Hawaii, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Dakota, Pennsylvania, and Utah.

More information can be found at the following [link](#).

Auto Financial Responsibility Limits

The following is a list of auto financial responsibility limits by state (includes DC):

AL	25/50/25	AK	50/100/25
AZ	15/30/10	AR	25/50/25
CA	15/30/5	CO	25/50/15
CT	20/40/10	DE	15/30/10
DC	25/50/10	FL	10/20/10
GA	25/50/25	HI	20/40/10
ID	25/50/15	IL	25/50/20
IN	25/50/25	IA	20/40/15
KS	25/50/25	KY	25/50/10
LA	15/30/25	ME	50/100/25
MD	30/60/15	MA	20/40/5
MI	20/40/10	MN	30/60/10
MS	25/50/25	MO	25/50/10
MT	25/50/20	NE	25/50/25
NV	15/30/10	NH	25/50/25
NJ	15/30/5	NM	25/50/10
NY	25/50/10	NC	30/60/25
ND	25/50/25	OH	25/50/25
OK	25/50/25	OR	25/50/20
PA	15/30/5	RI	25/50/25
SC	25/50/25	SD	25/50/25

TN	25/50/15	TX	30/60/25
UT	25/65/15	VT	25/50/10
VA	25/50/20	WA	25/50/10
WV	25/50/25	WI	25/50/10
WY	25/50/20		

More information can be found at the following [link](#).

Statewide Economic Loss Due to Motor Vehicle Crashes

Fatalities	\$1,380,304,800
Incapacitating Injuries	\$371,641,590
Non-Incapacitating Injuries	\$491,767,296
Possible Injuries	\$655,537,680
Property Damage Only	\$918,149,634
TOTAL	\$3,817,401,000

Estimated Economic Loss by County

County	Fatalities	Injuries	PDO	Total
Apache	\$ 72,485,280	\$ 9,378,900	\$ 2,916,078	\$ 84,780,258
Cochise	\$ 26,218,080	\$ 15,308,772	\$ 11,353,110	\$ 52,879,962
Coconino	\$ 90,992,160	\$ 38,567,322	\$ 31,673,448	\$ 161,232,930
Gila	\$ 47,809,440	\$ 12,906,162	\$ 6,466,086	\$ 67,181,688
Graham	\$ 7,711,200	\$ 4,943,532	\$ 2,305,200	\$ 14,959,932
Greenlee	\$ 0	\$ 1,195,236	\$ 610,878	\$ 1,806,114
La Paz	\$ 29,302,560	\$ 6,799,014	\$ 2,939,130	\$ 39,040,704
Maricopa	\$ 630,776,160	\$ 1,067,621,046	\$ 679,515,330	\$ 2,377,912,536
Mohave	\$ 74,027,520	\$ 44,707,518	\$ 22,037,712	\$ 140,772,750
Navajo	\$ 63,231,840	\$ 14,117,004	\$ 7,999,044	\$ 85,347,888
Pima	\$ 140,343,840	\$ 166,118,526	\$ 68,937,006	\$ 375,399,372
Pinal	\$ 87,907,680	\$ 52,310,088	\$ 30,889,680	\$ 171,107,448
Santa Cruz	\$ 9,253,440	\$ 5,871,528	\$ 4,829,394	\$ 19,954,362
Yavapai	\$ 75,569,760	\$ 45,447,324	\$ 25,795,188	\$ 146,812,272

July 19, 2016

Yuma	\$ 24,675,840	\$ 33,654,594	\$ 19,882,350	\$ 78,212,784
TOTALS	\$ 1,380,304,800	\$ 1,518,946,566	\$ 918,149,634	\$ 3,817,401,000

Average Economic Cost per Incident

Fatality	\$1,542,240
Incapacitating Injury	\$90,270
Non-Incapacitating Injury	\$26,112
Possible Injury	\$21,420
Property Damage Only	\$11,526

More information can be found in ADOT's 2015 Motor Vehicle Crash Facts ([link](#))

Previously Proposed Legislation Relating to Auto Liability Limits

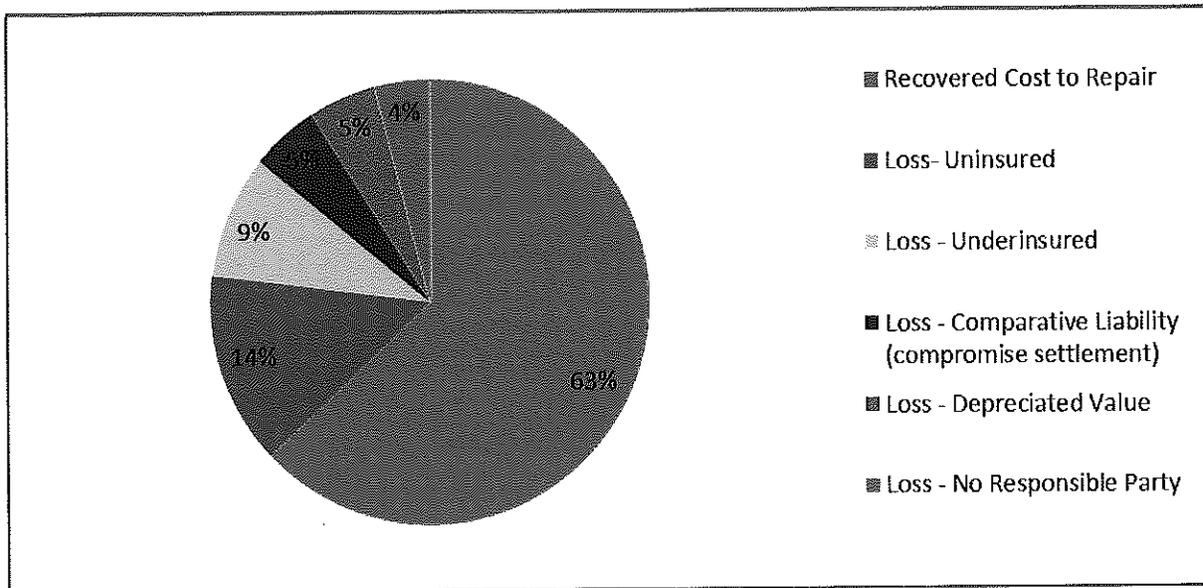
In 2015, the legislature proposed House Bill 2172 (Brophy McGee) which increased the limits to 25/50/25. According to public testimony, 20% of insureds carry the minimum limits and an estimated 12% of the population does not have auto insurance.

Fact Sheet - ADOT Insurance Recovery Unit

For background, the Insurance Recovery Unit of ADOT Safety & Risk Management employs insurance claim professionals to investigate automobile accidents resulting in damage to ADOT highway structures, assess liability and value damage, locate responsible parties, identify available insurance coverage, and present demands to settle claims.

- Results for fiscal years 2014 through 2016:
 - 4418 claims
 - \$16 million damage
 - \$10 million recovered
 - 63% of total repair cost recovered

- Breakdown/Analysis:



*All numbers approximate / rounded

Table 42

State Laws

Liability Insurance Laws, 2009-2011

STATE	Compulsory Liability Insurance			Liability Limits		
	2011	2010	2009	2011	2010	2009
Alabama	Yes	Yes	Yes	25/50/25	25/50/25	25/50/25
Alaska	Yes	Yes	Yes	50/100/25	50/100/25	50/100/25
Arizona	Yes	Yes	Yes	15/30/10	15/30/10	15/30/10
Arkansas	Yes	Yes	Yes	25/50/25	25/50/25	25/50/25
California	Yes	Yes	Yes	15/30/5*	15/30/5*	15/30/5*
Colorado	Yes	Yes	Yes	25/50/15	25/50/15	25/50/15
Connecticut	Yes	Yes	Yes	20/40/10	20/40/10	20/40/10
Delaware	Yes	Yes	Yes	15/30/10	15/30/10	15/30/10
District of Columbia	Yes	Yes	Yes	25/50/10	25/50/10	25/50/10
Florida	Yes*	Yes*	Yes*	10/20/10	10/20/10	10/20/10
Georgia	Yes	Yes	Yes	25/50/25	25/50/25	25/50/25
Hawaii	Yes	Yes	Yes	20/40/10	20/40/10	20/40/10
Idaho	No	No	No	25/50/15	25/50/15	25/50/15
Illinois	Yes	Yes	Yes	20/40/15	20/40/15	20/40/15
Indiana	No	No	No	25/50/10	25/50/10	25/50/10
Iowa	No	No	No	20/40/15	20/40/15	20/40/15
Kansas	Yes	Yes	Yes	25/50/10	25/50/10	25/50/10
Kentucky	Yes	Yes	Yes	25/50/10	25/50/10	25/50/10
Louisiana	Yes	Yes	Yes	15/30/25	15/30/25	10/20/10
Maine	Yes	Yes	Yes	50/100/25*	50/100/25*	50/100/25*
Maryland	Yes	Yes	Yes	30/60/15	20/40/15	20/40/15
Massachusetts	Yes	Yes	Yes	20/40/5	20/40/5	20/40/5
Michigan	Yes	Yes	Yes	20/40/10	20/40/10	20/40/10
Minnesota	Yes	Yes	Yes	30/60/10	30/60/10	30/60/10
Mississippi	No	No	No	25/50/25	25/50/25	25/50/25
Missouri	Yes	Yes	Yes	25/50/10	25/50/10	25/50/10
Montana	Yes	Yes	Yes	25/50/10	25/50/10	25/50/10
Nebraska	Yes	Yes	Yes	25/50/25	25/50/25	25/50/25
Nevada	Yes*	Yes*	Yes*	15/30/10	15/30/10	15/30/10
New Hampshire	No	No	No	25/50/25	25/50/25	25/50/25
New Jersey	Yes	Yes	Yes	15/30/5*	15/30/5*	15/30/5*
New Mexico	Yes	Yes	Yes	25/50/10	25/50/10	25/50/10
New York	Yes	Yes	Yes	25/50/10	25/50/10	25/50/10
North Carolina	Yes	Yes	Yes	30/60/25	30/60/25	30/60/25
North Dakota	Yes	Yes	Yes	25/50/25	25/50/25	25/50/25
Ohio	No	No	No	12.5/25/7.5*	12.5/25/7.5*	12.5/25/7.5*
Oklahoma	Yes	Yes	Yes	25/50/25	25/50/25	25/50/25
Oregon	Yes	Yes	Yes	25/50/20*	25/50/20*	25/50/10
Pennsylvania	Yes	Yes	Yes	15/30/5	15/30/5	15/30/5
Rhode Island	Yes	Yes	Yes	25/50/25	25/50/25	25/50/25
South Carolina	Yes	Yes	Yes	25/50/25	25/50/25	25/50/25
South Dakota	Yes	Yes	Yes	25/50/25	25/50/25	25/50/25
Tennessee	No	No	No	25/50/15	25/50/15	25/50/10
Texas	No	No	No	30/60/25*	25/50/25	25/50/25
Utah	Yes	Yes	Yes	25/65/15	25/65/15	25/65/15
Vermont	Yes	Yes	Yes	25/50/10	25/50/10	25/50/10
Virginia	No	No	No	25/50/20	25/50/20	25/50/20
Washington	Yes	Yes	Yes	25/50/10	25/50/10	25/50/10
West Virginia	Yes	Yes	Yes	20/40/10	20/40/10	20/40/10
Wisconsin	Yes*	Yes*	Yes*	**50/100/15	**50/100/15	25/50/10
Wyoming	Yes	Yes	Yes	25/50/20	25/50/20	25/50/20

* See Narrative

Source: State Insurance Departments

Auto Insurance Coverages

Your auto policy may include six coverages. Each coverage is priced separately.

1. Bodily Injury Liability

This coverage applies to injuries that you, the designated driver or policyholder, cause to someone else. You and family members listed on the policy are also covered when driving someone else's car with their permission.

It's very important to have enough liability insurance, because if you are involved in a serious accident, you may be sued for a large sum of money. Definitely consider buying more than the state-required minimum to protect assets such as your home and savings.

2. Medical Payments or Personal Injury Protection (PIP)

This coverage pays for the treatment of injuries to the driver and passengers of the policyholder's car. At its broadest, PIP can cover medical payments, lost wages and the cost of replacing services normally performed by someone injured in an auto accident. It may also cover funeral costs.

3. Property Damage Liability

This coverage pays for damage you (or someone driving the car with your permission) may cause to someone else's property. Usually, this means damage to someone else's car, but it also includes damage to lamp posts, telephone poles, fences, buildings or other structures your car hit.

4. Collision

This coverage pays for damage to your car resulting from a collision with another car, object or as a result of flipping over. It also covers damage caused by potholes. Collision coverage is generally sold with a deductible of \$250 to \$1,000—the higher your deductible, the lower your premium. Even if you are at fault for the accident, your collision coverage will reimburse you for the costs of repairing your car, minus the deductible. If you're not at fault, your insurance company may try to recover the amount they paid you from the other driver's insurance company. If they are successful, you'll also be reimbursed for the deductible.

5. Comprehensive

This coverage reimburses you for loss due to theft or damage caused by something other than a collision with another car or object, such as fire, falling objects, missiles, explosion, earthquake, windstorm, hail, flood, vandalism, riot, or contact with animals such as birds or deer.

Comprehensive insurance is usually sold with a \$100 to \$300 deductible, though you may want to opt for a higher deductible as a way of lowering your premium.

Comprehensive insurance will also reimburse you if your windshield is cracked or shattered. Some companies offer glass coverage with or without a deductible.

6. Uninsured and Underinsured Motorist Coverage

This coverage will reimburse you, a member of your family, or a designated driver if one of you is hit by an uninsured or hit-and-run driver.

Underinsured motorist coverage comes into play when an at-fault driver has insufficient insurance to pay for your total loss. This coverage will also protect you if you are hit as a pedestrian.



A Consumer's Guide
to *Auto*
Insurance

Attachment #7



About the NAIC ...

The National Association of Insurance Commissioners (NAIC) is the oldest association of state government officials. Its members consist of the chief insurance regulators in all 50 states, the District of Columbia and five U.S. territories. The primary responsibility of the state regulators is to protect the interests of insurance consumers, and the NAIC helps regulators fulfill that obligation in a number of different ways. This guide is one example of work done by the NAIC to assist states in educating and protecting consumers.

Another way the NAIC lends support to state regulators is by providing a forum for the development of uniform public policy when uniformity is appropriate. It does this through a series of model laws, regulations and guidelines, developed for the states' use. States that choose to do so may adopt the models intact or modify them to meet the needs of their marketplace and consumers.

The NAIC's mission is to assist state insurance regulators, individually and collectively, in serving the public interest and achieving the following fundamental insurance regulatory goals in a responsive, efficient and cost effective manner, consistent with the wishes of its members:

- Protect the public interest;
- Promote competitive markets;
- Facilitate the fair and equitable treatment of insurance consumers;
- Promote the reliability, solvency and financial solidity of insurance institutions; and
- Support and improve state regulation of insurance.

NAIC Executive Office
444 North Capitol Street NW, Suite 701
Washington, DC 20001
Phone: 202-471-3990

NAIC Central Office
2301 McGee Street, Suite 800
Kansas City, MO 64108-2604
Phone: 816-842-3600

NAIC Capital Markets &
Investment Analysis Office
48 Wall Street, 6th Floor
New York, NY 10005-2906
Phone: 212-398-9000

www.naic.org



A Consumer's Guide to

AUTO INSURANCE



National Association of Insurance Commissioners

The NAIC is the authoritative source for insurance industry information. Our expert solutions support the efforts of regulators, insurers and researchers by providing detailed and comprehensive insurance information. The NAIC offers a wide range of publications in the following categories:

Accounting & Reporting

Accountants, members of the insurance industry and educators will find relevant information about statutory accounting practices and procedures.

Consumer Information

Consumers, educators and members of the insurance industry will find important answers to common questions in guides about auto, home, health and life insurance.

Financial Regulation

Accountants, financial analysts and lawyers will find handbooks, compliance guides and reports on financial analysis, state audit requirements and receiverships.

Legal

State laws, regulations and guidelines apply to members of the legal and insurance industries.

NAIC Activities

Insurance industry members will find directories, newsletters and reports affecting NAIC members.

Special Studies

Accountants, educators, financial analysts, members of the insurance industry, lawyers and statisticians will find relevant products on a variety of special topics.

Statistical Reports

Insurance industry data directed at regulators, educators, financial analysts, insurance industry members, lawyers and statisticians.

Supplementary Products

Accountants, educators, financial analysts, insurers, lawyers and statisticians will find guidelines, handbooks, surveys and NAIC positions on a wide variety of issues.

Securities Valuation Office

Provides insurers with portfolio values and procedures for complying with NAIC reporting requirements.

White Papers

Accountants, members of the insurance industry and educators will find relevant information on a variety of insurance topics.

For more information about NAIC publications, view our online catalog at:

<http://store.naic.org>

© 2011 National Association of Insurance Commissioners. All rights reserved.

Printed in the United States of America

No part of this book may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or any storage or retrieval system, without written permission from the NAIC.

NAIC Executive Office
444 North Capitol Street, NW
Suite 701
Washington, DC 20001
202.471.3990

NAIC Central Office
2301 McGee Street
Suite 800
Kansas City, MO 64108
816.842.3600

NAIC Capital Markets &
Investment Analysis Office
48 Wall Street, 6th Floor
New York, NY 10005-2906
212.398.9000

This guide provides information on how to make decisions when you buy automobile insurance. You have a choice in coverages and prices will differ between insurance companies.

Table of Contents

Why You Need Auto Insurance	1
Coverages in an Auto Policy	1
How Insurers Determine Your Premium	3
Smart Shopping	5
Getting Premium Quotes	6
Your Responsibilities	7
If You're Involved in an Accident	8
Filing a Claim	9
Losing Your Insurance	9
What to Do if You Can't Find Insurance	10
For More Information	10

Why You Need Auto Insurance

Auto insurance is an important purchase for most drivers. There are three main reasons to buy auto insurance.

1. To comply with state laws

Most states have auto insurance requirements. If you drive without insurance, you could be fined, and your vehicle could be impounded.

2. To satisfy your lender

If you have a car loan, most lenders require you to have insurance to protect their interest in your car. If you let your insurance lapse, your lender will likely have your car insured. The premium may be much higher (and the coverage much less) than a policy you would buy on your own. The lender can require you to pay this higher premium until you get your own auto insurance.

3. To protect your assets

Auto insurance can provide bodily injury and property damage liability coverage for accidents that happen to others for which you are responsible. Liability insurance also will pay the cost of an attorney to protect you if you're sued. The state-required minimum coverages are usually not enough to fully protect you and your assets. Auto insurance also may cover the cost of accident-related repairs to your insured car, as well as your accident-related medical bills and lost wages.

Coverages in an Auto Policy

An auto insurance policy usually has several types of protections or "coverages" — some required and some optional. Some coverages may automatically be part of your policy unless you opt out of them. You must decide what coverages best fit your needs, which may mean choosing more coverages than you need to meet requirements.

Your auto policy may include the following coverages. Each coverage is usually priced separately.

Required by State Law

Bodily Injury Liability

This coverage applies to injuries that you cause to someone else. You and family members listed on the policy also are covered when driving someone else's car with their permission.

Why You Need Auto Insurance

Property Damage Liability

This coverage pays for damages you cause to someone else's car or to objects and structures your car hits.

Required by Law in Some States

Uninsured and Underinsured Motorist Coverage

Uninsured motorist coverage reimburses you if an uninsured or a hit-and-run driver hits you. Underinsured motorist coverage pays when an at-fault driver doesn't have enough insurance to fully pay for your loss.

Medical Payments or Personal Injury Protection (PIP)

This coverage pays for treating injuries to you and your passengers. Personal Injury Protection (PIP), which is available in "no-fault" states, can also cover lost wages and funeral costs.

No-fault. If you live in a no-fault state, your own insurance company pays for injuries to you and your passengers regardless of who's at fault. Most no-fault states also let you sue the at-fault driver if you have serious injuries. However, you still must file a claim with the at-fault driver's insurance company to be paid for damage to your vehicle.

Required by Your Lender if You Have an Auto Loan

Collision

This coverage pays for damage to your car from a collision with another car, an object or a pothole or from flipping over.

Comprehensive

This coverage reimburses you for damage to your car that's not caused by a collision. This includes theft, hail, windstorm, flood, fire and hitting animals. Comprehensive coverage also will reimburse you if your windshield is pitted, cracked or damaged. Some companies won't charge you a deductible for windshield repairs.

Most insurers offer many other types of coverage, such as for towing and rental car when your car is disabled. Each type of coverage likely will increase your premium so consider carefully what you need.

Determining Your Premium

- Your age, gender and marital status. People under 25, males, single people and families with young drivers in the household tend to have more accidents and therefore pay higher premiums. Accident rates (and premiums) also tend to increase for people over age 65. Insurance companies can base premiums on all insured drivers in your household, including those not related by blood, such as roommates.
- The type of vehicle you drive. Generally, you'll pay more for insurance, particularly for comprehensive and collision coverages, if your vehicle is newer or more expensive. Sports cars and high-performance vehicles also cost more to insure because they're involved in more accidents and thefts and cost more to repair. If you drive a large SUV or truck, which can cause more serious damage in an accident, you could pay more for liability coverage.
- Where you live. Urban areas usually have more accidents and auto thefts than rural areas.
- Vehicle use, including your annual mileage.
- Your prior insurance coverage. Most insurance companies will charge you more if you don't have auto insurance when you apply for coverage. Some also charge you more if you currently have only the state-required minimum amounts of coverage.
- Previous claims. Most insurance companies report your auto claims to one or more private nationwide claim databases (such as the Comprehensive Loss Underwriting Exchange—CLUE). Insurance companies use these databases to see the claims you've submitted in the past. You have a right to a free copy of your CLUE report.
- The limits you choose for liability coverage.
- The deductibles you choose for comprehensive and collision coverages.

A deductible is the amount you have to pay out-of-pocket on a claim before the policy pays the loss. Higher policy deductibles mean lower policy premiums. A policy with a \$1,000 deductible has a lower premium than the same policy with a \$500 deductible. Having a higher deductible is a good way to save money on your auto insurance premium and to submit fewer claims. But be sure you can afford the deductible in case you have a loss.

Most auto policies don't cover equipment — including stereos, CD players, navigation systems and cell phones — not permanently installed in your car, or maintenance for your car.

Auto insurance doesn't cover paying off your loan if your car is damaged and its market value is less than what you owe. Auto dealers and lenders may offer guaranteed auto protection (GAP) insurance for this purpose.

Your auto insurance will cover you if you drive into Canada. To drive into Mexico, however, you'll need to buy Mexican auto insurance. Ask your insurer about other requirements.

You'll likely need a separate insurance policy for these types of vehicles:

- Motorcycles
- All-Terrain Vehicles (ATVs)
- Off-Road Vehicles
- RVs
- Commercial Vehicles

How Insurers Determine Your Premium

Many factors affect the premium you pay, including which insurance company you choose. Different insurance companies use different methods to rate their risk of insuring you and charge different premiums for similar coverage.

These items will likely affect your premium:

- Your driving record, and the driving records of others covered by your insurance policy, during the last three to five years.
- Your credit-based insurance score. Those with better scores often pay lower premiums. Some states restrict the ways insurers can use credit-based insurance scores and several states ban their use. If you've had a hardship which may have hurt your credit history, ask your insurer if it will consider a life event exception.

Credit-based insurance scoring. Most insurers use the information in your credit report to calculate a credit-based insurance score. They do this because studies show a correlation between this score and the likelihood of filing a claim. Credit-based insurance scores are different from other credit scores.

Determining Your Premium

It's illegal for unlicensed insurance companies or agents to sell insurance. Business cards and websites aren't proof that an agent is licensed. If you buy insurance from an unlicensed agent or company it may not pay your claims or, if you cancel your policy, it may not refund your premiums. To find out if an agent or company is licensed, check with your state insurance department.

You also want to buy insurance from a company that's financially sound. You can check the financial health of an insurance company by using ratings from independent ratings agencies, such as Standard and Poor's, A.M. Best and Moody's.

Getting Premium Quotes

The way to compare different companies' prices is to get premium quotes. But first you should decide what coverages and policy limits you need. An agent can help you with this.

State law sets the minimum amounts of liability coverage required. These minimums are too low to fully cover you if you cause a serious accident. Most insurers let you buy higher amounts or "limits" of liability coverage, often without much increase in your premium.

When you get quotes be sure to ask for the same coverages and limits and give the same information to each agent or company. Auto insurers may use all of the factors listed in the "How Insurers Determine Your Premium" section (and maybe more) to price your policy. The insurer needs quite a bit of information to price your policy, usually including your Social Security number and your vehicle's VIN (vehicle identification number).

The premium for your insurance may be different from the quote you initially receive for several reasons. For example, if you told the company or its agent that you have a perfect driving record and you don't, your premium will be higher than your quote. Be sure to get rate quotes and coverage information in writing.

Make sure you ask about discounts. Also be sure to find out how much your premium will change if you choose different deductibles.

While you're getting quotes, you should also ask the agent some of these questions:

- Are the agent and the insurance company licensed by my state insurance department? (Your state insurance department can confirm this.)
- What limits are available?
- What coverage does state law require me to buy? What coverage will a lender require if I have a car loan?

Discounts

Most insurance companies offer various types of discounts. Ask the agent if there's a discount for:

- Insuring your auto and your home with the same insurance company.
- Insuring multiple vehicles with the same insurance company.
- Protection devices such as airbags, anti-lock brakes and anti-theft devices.
- Taking a defensive driving course, particularly if you're 55 or older.
- Being a member of an organization or working for certain employers.

Smart Shopping

Different insurance companies charge different rates for the same coverage. Also, not all insurance companies provide the same level of claims service. So, it makes sense to shop around for the best insurance company for your needs.

Insurance companies use one of three methods to sell their products.

- Independent agents represent several companies and can give you several quotes.
- Exclusive agents only sell the products of one insurance company.
- Direct market sales are done over the Internet or by mail or telephone.

The insurer—not you—usually pays the agent. The insurer may pay the agent a percentage of your premium as a commission. An agent who is salaried may receive bonuses for sales.

You can find insurance companies and agents by asking friends and neighbors, browsing the Internet, looking through the phone book, or in ads in the newspaper, on the radio and on television. You should also ask your state insurance department if it publishes premium comparison guides for auto insurance.

Customer service is important to most consumers, particularly when they have a claim. A complaint index gives you a sense of how well an insurer serves its customers. Many state insurance departments post complaint indexes on their websites. A complaint index measures how many complaints your state insurance department receives relative to the size of the company.

- Your full premium is due when your policy starts, which is usually every six months. Many insurance companies will let you pay monthly. To do this, you'll likely pay an extra fee.
- Keep your proof-of-insurance card in your car at all times; most states require this.
- Keep a file of all paperwork you completed online or received in the mail and signed, including the policy, changes to your policy, renewal notices, correspondence, copies of advertisements, premium payment receipts, notes of conversations and any claims submitted.
- Maintain your auto. You're responsible for its upkeep and repair (including maintenance) to keep it in good condition.

If You're Involved in an Accident

If you're involved in an accident you should exchange information with the other driver. Get their name and address and their insurance company's name and phone number. This information is on the proof-of-insurance card in their auto. If you can't get this information, write down their driver's license number and license plate number to give to your insurance company. Be prepared to share the same information about yourself with the other driver.

- Call 911 if someone's injured.
- If your car is drivable, move it out of traffic.
- Get this important information at the accident scene:
 - o The other car's make, model, year and license plate number.
 - o Witnesses' names and contact information.
 - o The name, badge number, and contact information for the officer who comes to the accident. Ask the officer when and where to get the accident report and accident report number.
 - o The time, date and exact location of the accident, with notes of skid marks, weather and road conditions. Take a photo or sketch a diagram of the accident scene.
- If your car is damaged by a hit-and-run driver or is stolen, promptly call the police.

- Should I buy comprehensive and/or collision coverage? (Compare the premium to what your car is worth.) If so, what deductibles can I choose?
- What doesn't my policy cover?
- What is the deductible for uninsured and underinsured motorist coverage?
- How will my credit history affect my premium?
- How will my driving record affect my premium?
- If I'm in an accident and it wasn't my fault, how will this affect my insurance? (In some states, insurers can't charge you a higher premium because of accidents that weren't your fault.)
- If I'm in an accident and it was my fault, how will this affect my insurance?
- If I have an accident, can I use my own repair shop?
- If I let someone who doesn't live in my home drive my car, am I covered? Am I covered if I drive someone else's car?
- If my child is away at school, is s/he covered?
- If I rent a car, will my policy cover me?

Your Responsibilities

An automobile insurance policy is a legal contract. It explains your rights and responsibilities and those of the insurance company. Keep your policy in your home files and know the name of your insurer.

You should read your policy and be sure you understand it. If you have questions about your insurance policy, contact your insurance agent or company.

When you buy auto insurance, you'll receive a policy, not a photocopy. If you don't receive a policy within 30 days, contact the insurance company. If you need a company's toll-free number, check their website, call your agent or contact your state insurance department.

Other helpful tips:

- Pay the premium on time. Some insurers don't accept late payments. If an insurer accepts your payment late, it may increase your premium at renewal.

there's a limited number of reasons a company can cancel you, typically only if you don't pay your premium or if you were dishonest on your application.

If your insurance company cancels your policy, it must give you advance notice. The number of days' notice varies by state. If you or the insurer cancels your policy, the company may refund part of your premium.

Non-renewal means the company refuses to renew your policy after it expires. The expiration date is on your policy. Insurance companies generally have the right to not renew your policy. If your company chooses to not renew your policy, it must give you notice before your policy expires; the number of days (typically 30) varies by state. You should ask the insurer for the reason, which state regulation may limit. You also may choose to not renew your auto policy.

If your insurance is canceled or non-renewed and you don't agree with the insurance company's explanation, contact your state insurance department for advice.

What to Do if You Can't Find Insurance

If you've shopped around and still can't find insurance, contact your state insurance department. Ask if your state has an insurance program for high-risk drivers.

For More Information

- Visit your state insurance department website, which you can find at www.naic.org/state_web_map.htm. Here you might find important information about your consumer rights, as well as auto insurance premium comparisons and data about complaints filed against insurers.
- Visit the National Association of Insurance Commissioners (NAIC) website for consumers: www.naic.org/index_consumer.htm.
- For your free annual credit report go to www.annualcreditreport.com or call 877.322.8228. Check your credit report and correct any errors before you apply for insurance.
- For your free annual CLUE report go to www.choicetrust.com or call 866.312.8076. Check your CLUE report and correct any errors before you apply for insurance.

Filing a Claim

Read your policy! It's your guide to the types of losses that will and will not be covered and to filing claims. How often you file a claim and the types of claims you file often affect your premium and whether your insurer will renew your policy. If the cost to repair the damage is not much more than your deductible, you may want to pay for the repairs without filing a claim.

To file a claim, call the phone number on your proof-of-insurance card as soon as possible. Ask about forms or documents you'll need to support your claim. Each state has its own laws about the claims process, and both you and your insurer will need to follow those rules.

The insurance company will assign a claims adjuster to assess the damages and determine the payment. These adjusters may be employees of the company or independent contractors. You should cooperate with the adjuster's investigation of your claim. The adjuster will probably want to meet with you to inspect the damage. Jot down notes and keep track of the dates of any conversations you have with your agent or adjuster.

If you, the insurer and the claims adjuster disagree, first try to resolve the differences with your insurer. Your agent may be helpful. It also might help to have your auto repairer meet with you and the insurance adjuster.

Don't feel rushed or pushed to agree with something you aren't comfortable with; your insurer doesn't have the last word. Ask questions and ask the adjuster to provide a written explanation of his decisions.

If you and the insurer still disagree about the claim handling or settlement, you should ask for help from the consumer services personnel at your state insurance department. If you disagree about the value of the claim, check your policy for an appraisal clause.

Another option is to hire an attorney or a public adjuster. A public adjuster isn't an attorney or a government employee. Those states that allow public adjusters require them to be licensed and to follow certain guidelines. If you have questions about public adjusters in your state, contact your state insurance department.

Losing Your Insurance

There's a big difference between an insurance company cancelling your policy and not renewing it.

Cancellation means either you or your insurance company stop the coverage before the policy's normal expiration date. You can always cancel your policy for any reason. In most states, when you're a new policyholder, your insurance company can cancel your policy for any reason, but only for a limited time (typically 60 days). After that,

Filing a Claim



AD HOC Mandatory Auto Liability Insurance Committee Meeting

July 19, 2016 – 10:00 a.m.

THANK YOU for allowing me to present the position of the Independent Insurance Agents and Brokers of Arizona. We would appreciate the opportunity to present our input.

Our Association recognizes the current statutory limits are not adequate to cover many accidents. In theory we do not object to increasing the minimum statutory financial responsibility limits of liability to provide more protection to those who have been injured or had their property damaged by “at fault” drivers. However, we also recognize that as with many ideas there can be unintended consequences that could make this proposal unfavorable to the general public.

Prior to our being able to take a position on ANY proposal, we first must determine from the information presented by the insurance companies how the suggested increase in the limits of liability would impact:

[1] The affordability of coverage for those who are currently “just able to afford” the existing mandated coverage, and

[2] How that will impact the percentage of uninsured vehicles on the road. In other words - if the increase in limits will greatly reduce the number of drivers who have insurance in Arizona, we would have serious concerns.

The insurance companies are the only source of the data necessary to determine these two factors and as such we are unable to take a position until such time as these two factors can be determined.

In January of 2014 one of the major insurance company trade associations analyzed this data in Arizona and determined that at that time approximately 20% of all Arizona auto policies contained the minimum limits of \$15,000 per person with a maximum of \$30,000 per accident for ALL persons.

Based on this data it would appear that any increase in the minimum financial responsibility limits would increase the auto premiums for 20% of those currently carrying insurance in Arizona.

Attachment #8

They estimated at that time (most likely not current data now) that increasing the minimum limits from 15/30/10 to 25/50/25 would increase, on average, those currently insured for minimum limits by approximately 10% to 13% per year.

The question then becomes how many of the currently insured drivers who are carrying the minimum limits will find that they are unable to afford the additional premiums related to the increased limits and then become an “uninsured” driver.

The 2014 study utilized information contained in a 2012 research project on private passenger auto insurance conducted by “THE INSURANCE RESEARCH COUNCIL” indicated that average BI and PD limits of claim costs in Arizona (both Bodily Injury and Property Damage) were less than the current 15/30/10 limits.

Based on that out of date data it would appear that 88% of all auto accidents at that time were adequately covered by the 15/30/10 limits. Granted those who experienced an accident with injuries or major vehicle damage were sometimes grossly underinsured, we must weigh the question of “which is best public policy?” Higher limits to provide more coverage for the 12% who were faced with inadequate limits, OR maintain existing limits to cover the 88% who are adequately covered.

This data was obtained from closed claims database information from the INSURANCE RESEARCH COUNCIL (IRC) on Arizona specific loss data. Since the study was performed IRC has published more recent data which may change the entire landscape of this matter.

Our Association does not have access to the current IRC data. We did provide details to Representative Robson and House Research Staff in hopes that they may be able to obtain that information.

I would like to go on record to state that this source of data appears to be the most accurate obtainable within the industry and although their estimates of the percentage of uninsured drivers on Arizona highways may be significantly less than others, is based on scientific statistics rather than “estimates” obtained from inaccurate data pools.

Mandatory auto insurance with low limits is far superior to no statutory requirement for drivers to have liability insurance.

Many Arizona families are dependent upon their vehicle to maintain employment and keep their families functioning. When they are involved in an accident it is absolutely critical that they have some means to repair or replace their vehicle. Currently it appears that in a LARGE majority of those instances the non-at-fault driver has some means of recovery from the at-fault driver. To eliminate the availability for the repair or replacement of those vehicles will no doubt decimate some families.

Mandatory auto insurance is designed to make those who are responsible to others for their injuries or damages have a mechanism to immediately start reimbursement for their loss.

Policyholders who own more expensive vehicles usually carry collision or “physical damage” coverage on their own vehicle which will pay for the damages regardless of “who” is at fault. It is also common for those drivers to have medical insurance to take care of their injuries and medical expenses.

Mandatory auto insurance may not be as important to that group of society as it is to lower income drivers who cannot afford these optional coverages.

The elimination of Mandatory Auto Insurance would expose thousands of Arizonans to financial ruin.

Despite the negative impact the elimination of Mandatory Auto Insurance would have on Arizona drivers, there are those who argue that those laws should not exist.

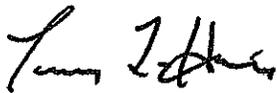
We are EXTREMELY concerned that discussions about increasing the minimum limits has historically lead to the discussion of the elimination of mandatory auto insurance in its entirety. **Anything that would lead to the elimination of mandatory auto insurance would be met with our strong opposition.**

Because of the lack of current data to determine the impact on the Arizona drivers and Arizona policyholders we are unable to take a firm position.

Once that data is available we will provide a formal position statement. When available and when we can determine the consequences of the proposed increase we will be able to advocate a position.

Thank you for allowing our Association to express our concerns and provide additional information on this subject.

Sincerely,



Lanny L. Hair, CIC, RPLU, ARM, AAI
Executive Vice President

Motor Vehicle Liability Insurance Requirements

First, keep in mind that the Arizona requirement to have automobile insurance is not designed to protect the vehicle's owner. It is designed to protect the innocent victim of an accident. Current law requires that all motor vehicles carry a liability policy that provides minimum coverage of \$15,000 for bodily injury or death of one person, \$30,000 for bodily injury or death of more than one person, and \$10,000 for property damage. (these limits are commonly designated 15/30/10).

Reasons to update the financial responsibility statutes:

- This insurance requirement is mostly for the benefit of the victim of an accident, although it does provide protection for the responsible driver as well.
- The limits were set in 1971 and no longer adequately serve the necessary purpose for which they were adopted.
- The cost of health care, funerals, and property damage has significantly increased since 1971.
- A dollar in 1971 provided the same buying power as \$5.87 would in 2015.¹
- Based on inflation alone, drivers are no longer even minimally protected from other drivers.
- Those who purchase the state required minimum often think the coverage levels are state sanctioned as being sufficient to protect them. They are not.
- Often victims of an accident have other insurance coverage they have purchased to help bridge the shortage gap. They may have underinsured motorist coverage and their own health insurance to help. But, those who the law was designed to most protect are those with limited means who are less likely to have that coverage.
- Costs not covered by insurance don't just disappear. They are absorbed elsewhere. AHCCCS covers healthcare costs in some instances. In other cases, there is property damage for which the State must pay. JLBC estimates that an increase to the minimums would save the general fund \$271,000 per year and \$492,000 in total funds savings.

Reasons against the change:

- An average increase in premium cost from between \$3.50 and \$6.50 per month. [Response - only those who now have coverage lower than 25/50/25 would be impacted, about 20% of the population. The other 80% in theory could see a decrease as underinsured motorist claims drop.]
- The average accident settlement for injury is under \$15,000 and so the current minimums are adequate. [Response - according to the ADOT 2013

¹ According to several online inflation calculators.

Crash Facts, the average economic loss per accident is between \$24,000 and \$74,000. In addition, an average number means that a significant number of accident victims sustain costs above the current minimum.]

- There will be an increase in uninsured motorists. [Response - although counter intuitive, states with higher minimums actually see lower uninsured motorists.²]

² Source studies available upon request.

ARIZONA STATE LEGISLATURE
Fifty-second Legislature - Second Regular Session

INTERIM COMMITTEE ATTENDANCE

COMMITTEE: HOUSE AD HOC COMMITTEE ON MANDATORY AUTO LIABILITY INSURANCE

DATE: July 19, 2016 MOTION: _____

CHAIRMAN BOB ROBSON VICE-CHAIRMAN _____

	PASS	AYE	NAY	PRESENT	ABSENT
Sue Diaz				✓	
David Livingston					✓
Eric Meyer				✓	
John Meza				✓	
Kenneth Silverman					✓
J. Tyrrell Taber				✓	
Bob Robson, Chairman				✓	
				5	2

APPROVED:

Lris Mc Mahon

 COMMITTEE SECRETARY

[Signature]

 COMMITTEE CHAIRMAN

ATTACHMENT 10