



**Vice-Chairman Allen moved that HB2001 do pass. The motion carried by a roll call vote of 8-0-0-0 (Attachment 3).**

**HB2017 – ASRS; defined contribution plan – DO PASS**

Courtney McKinstry, Majority Research Analyst, advised that HB2017 reduces time limits related to the Arizona State Retirement System (ASRS) alternative retirement plan agreements and institutes time restrictions on an employer determining a retiree's plan coverage (Attachment 4). The bill clarifies eligibility for members who are not covered by the state's 218 agreement.

Chairman Lovas related that this bill is a follow up to HB2562, public retirement systems; ineligible employees, Laws 2013, Chapter 216. The bill provides an administrative clarification for the Arizona State Retirement System (ASRS).

Pat Kline, Assistant Director, External Affairs Division, Arizona State Retirement System (ASRS), related that HB2017 is an administrative fix to limit the timeline within which a member has to make a decision whether to participate in the defined contribution plan. Currently, the timeline is open-ended to two years; this shortens the time frame to 30 days.

Vice-Chairman Allen announced the names of those who signed up as neutral on HB2017 but did not speak:

Rene Guillen, Legislative Director, League of Arizona Cities and Towns

**Vice-Chairman Allen moved that HB2017 do pass. The motion carried by a roll call vote of 8-0-0-0 (Attachment 5).**

**HB2018 – ASRS; in-service distributions – DO PASS**

Casey Baird, Majority Research Assistant Analyst, stated that HB2018 makes changes to Arizona State Retirement System (ASRS) eligibility requirements for inactive members to receive pension benefits without terminating employment (Attachment 6). Additionally, the bill requires ASRS to suspend pension benefits of members who return to employment within 30 days after retirement.

Chairman Lovas related that HB2018 complies with new Internal Revenue Service (IRS) retirement age regulations that take effect on January 1, 2015.

Nicholas Ponder, Government Relations Director, Arizona State Retirement System (ASRS), stated that HB2018 conforms with IRS normal retirement age regulations that will take effect on January 1, 2015.

Chairman Lovas announced the names of those who signed up as neutral on HB2018 but did not speak:

Rene Guillen, Legislative Director, League of Arizona Cities and Towns

**Vice-Chairman Allen moved that HB2018 do pass. The motion carried by a roll call vote of 8-0-0-0 (Attachment 7).**

**PRESENTATION AND DISCUSSION REGARDING A PROPOSAL TO INCREASE THE MINIMUM REQUIREMENTS FOR UNDER- AND UN-INSURED MOTORIST INSURANCE COVERAGE**

Geoffrey Trachtenberg, representing self, proposed increasing the current minimum auto insurance coverage limit of \$15,000 to the national average of \$25,000 per person. This proposal brings Arizona into the modern era. Every jurisdiction in the country requires motorists to be financially responsible for the harm they cause. Current insurance limits in Arizona require all motorists to carry liability policies for \$15,000 per person and \$10,000 for property damage. The last increase to the limits was 42 years ago; this proposal asks the Legislature to raise the minimum requirements to the national average to recognize the economic realities of today.

Chairman Lovas asked whether the increase in coverage limits will result in an increase in lawsuits. Mr. Trachtenberg said he believes it will have the opposite effect and will tend to lower disputes.

Mr. Livingston queried whether increasing the minimum limits will result in higher costs to the consumers and whether there is an average increase in cost. Mr. Trachtenberg replied that there will be a small increase in the cost to people who buy the minimum policies. The average increase will be approximately \$4 to \$8 per month, depending on the individual: driving history, zip code, tickets, etc.

In response to Mr. Robson's query whether the proposal also changes the property damage limits, Mr. Trachtenberg replied in the affirmative. The proposal is to increase the per-person property damage limit from \$10,000 to the national average of \$20,000.

David Childers, representing Property Casualty Insurers Association of America (PCI), advised that PCI is strongly opposed to increasing the minimum requirements. Current minimum limits are \$15,000-\$30,000-\$10,000. Arizona is among the seven states that have the lowest limits. He suggested looking at the facts to determine whether they justify following what other states are doing and whether inflation requires an increase. What is important to consider is the average claims cost. In 2013, the average bodily injury claims cost in Arizona was \$13,275; property damage average cost was \$3,144. He noted that 91.5 percent of Arizona bodily injury claims costs fell under the \$15,000 limit. Another important factor to consider is who will be impacted by this change. 20 percent of Arizona drivers carry minimum limits and approximately 9 to 13 percent of Arizona drivers are uninsured. PCI believes that doubling the minimum limits in Arizona will cause premiums to go up about 8 to 13 percent, or about \$80 per year for people who are buying minimum limits. Before making a change, he asked Members to think about the economic impact on people and whether this is really necessary.

Chairman Lovas asked Mr. Childers if he agrees with Mr. Trachtenberg's statement that this will lower the number of lawsuits. Mr. Childers replied that there is no way to predict that outcome. He said his inclination is that it will increase the number because the higher limit will attract more attorneys to pursue those suits.

Chairman Lovas asked whether it is good public policy to leave the limits where they are now. Mr. Childers said that one has to look at who is going to suffer the impact of this change and what it is going to do to the uninsured market in the state and the claims history. He said he does not believe that is sufficient justification to change the limits.

Vice-Chairman Allen noted that the current limits meet the legal limits but not the market demand, which puts drivers at risk who carry more than the minimum coverage. Mr. Childers stated that if the limits are increased, the likelihood is that there will be more uninsured drivers in Arizona than there currently are.

Mr. Robson asked for information on limits in the neighboring states. Mr. Childers agreed to provide that information.

Mr. Livingston expressed interest in the following data:

- the percentage of Arizona drivers who do not have insurance compared to other states
- whether the number of uninsured/underinsured drivers has risen in other states that have increased the limits
- whether the average cost of policies has gone up due to the increased limits.

Mr. Livingston asked Mr. Childers whether mandating an increase in coverage will result in more people in Arizona without coverage. Mr. Childers answered that is his assumption; however, he has no numbers to prove that. He is basing his assumption on the theory that when price goes up, demand goes down.

Barry Aarons, representing Arizona Trial Lawyers Association, testified in support of increasing the minimum limits. The purpose of purchasing automobile insurance is to protect against the possibility of accidents or litigation and he believes that increasing the limits serves that purpose.

He addressed issues that were raised:

- increase in cost of premiums
- inflation
- number of uninsured
- increase in limits in neighboring states
- economic cost of injury-causing accidents
- lawsuits

Mr. Aarons stated that looking at economic realities and the buying power of the dollar, increasing the minimum liability limit from \$15,000 to \$25,000 is probably a reasonable increase that is completely justified.

Chairman Lovas said he is concerned that increasing the limits will increase the number of the uninsured motorists. He asked Mr. Aarons to address:

- higher premiums will cause people to stop buying coverage if limits are increased
- Arizona's number of uninsured will go over the national average if limits are increased

Mr. Aarons commented that other states that have raised their limits have lowered the number of uninsured motorists. He cautioned against spurious statistical relationships.

Kerry Hayden, Government Affairs Representative, Farmers Insurance Group of Companies, neutral on increasing the minimum limits, stated that Farmers' position is that the decision to increase the limits is a public policy decision. Farmers will write and rate its policies according to what the Legislature decides. She related that for those drivers in Arizona who carry the minimum liability limits, raising the limits will increase insurance rates. She also stated that there is no way to predict whether increasing the limits will increase the number of uninsured motorists. The biggest concern Farmers has is that it will need time to implement the change and she strongly encouraged looking at an 18-month period for the insurance industry to implement any change.

Chairman Lovas announced the names of those who signed up as neutral on increasing the mandatory limits but did not speak:

Lanny Hair, Executive Vice President, Independent Insurance Agents & Brokers of Arizona

Andrew Carlson, Executive Assistant for Policy Affairs, Arizona Department of Insurance

Mike Low, representing Allstate Auto Insurance and American Family Insurance

Chairman Lovas announced the names of those who signed up in opposition to increasing the mandatory limits but did not speak:

Mike Williams, representing Apache Honda

Chairman Lovas thanked everyone for expressing their position and said he will take the comments into consideration on this issue.

Without objection, the meeting adjourned at 3:05 p.m.

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Joanne Bell, Committee Secretary  
January 17, 2014

(Original minutes, attachments and audio on file in the Chief Clerk's Office; video archives available at <http://www.azleg.gov>)