

SUBJECT: Raising minimum coverage limits for auto liability insurance

COMMITTEE: Insurance — favorable, without amendment

VOTE: 8 ayes — Smithee, T. Smith, Taylor, Eiland, Hancock, Martinez, Thompson, Vo
0 nays
1 absent — Woolley

SENATE VOTE: On final passage, April 12 — 31-0, on Local and Uncontested Calendar

WITNESSES: For — (*Registered, but did not testify:* Lee Loftis, Independent Insurance Agents of Texas)
Against — None
On — Beaman Floyd, Allstate, American Insurance Association, Nationwide, State Farm, USAA; (*Registered, but did not testify:* J'ne Byckovski, Texas Department of Insurance)

BACKGROUND: Transportation Code, sec. 601, requires drivers to have liability insurance or other evidence of financial responsibility. Drivers must have the following minimum liability limits for automobile insurance:

- \$20,000 for bodily injury to or death of a person in one accident;
- \$40,000 for bodily injury to or death of two or more persons in one accident, subject to the amount provided for one person; and
- \$15,000 for damage to or destruction of property of others in one accident.

DIGEST: Beginning January 1, 2008, SB 502 would increase minimum liability limits for automobile insurance coverage to:

- \$25,000 for bodily injury to or death of a person in one accident;
- \$50,000 for bodily injury to or death of two or more persons in one accident, subject to the amount provided for one person; and

- \$25,000 for damage to or destruction of property of others in one accident.

Beginning January 1, 2011, the bill would again increase minimum liability limits to:

- \$30,000 for bodily injury to or death of a person in one accident;
- \$60,000 for bodily injury to or death of two or more persons in one accident, subject to the amount provided for one person;
- \$25,000 for damage to or destruction of property of others in one accident, which would remain unchanged from the January 1, 2008, increase.

The bill would take effect September 1, 2007, and would apply to policies delivered after January 1, 2008.

**SUPPORTERS
SAY:**

SB 502 would update auto insurance minimum liability coverages, which have not been adjusted since 1983, when the Motor Vehicle Responsibility Act was enacted. These minimum coverages have not kept pace with inflation and often are not enough to provide sufficient coverage for medical care or property loss in an accident. The cost of these increases for consumers would be minimal, about one or two dollars per month for the average policy. The bill would ensure that policyholders have minimal coverage in the case of an accident.

The bill includes an escalator that would increase minimum coverage amounts again in 2011, so that the Legislature would not need to address this issue again in the near future. This is how the issue was handled in 1983, with a built-in escalator after two years. Even with this increase, the minimum liability coverage amounts in Texas would be lower than in most other states.

**OPPONENTS
SAY:**

Even a modest increase in coverage amounts would lead to higher premiums, which could cause some drivers not to purchase basic liability insurance. Insurance costs already are too high, and the state should not require additional coverage for these mandatory policies.