

Presentation for HB 1073 Study – ND House Transportation Committee

Chairman Ruby and members of the House Transportation Committee for the record my name is Steve Becher and I am Executive Director of the Professional Insurance Agents of ND. PIA of ND represents over 300 main street insurance agencies with over 1000 agents across the state of North Dakota. I am not able to attend the meeting today, but wanted to present written comments representing our association in opposition to raising the mandatory Personal Injury Protection (no-fault) benefit limits found in North Dakota auto insurance.

Personal Injury Protection (PIP) covers injuries suffered by an insured driver, passenger, or covered pedestrian as the result of an auto accident regardless of fault. There is coverage under PIP for medical expenses, work loss, funeral benefits, replacement services loss, and survivor benefits with a mandatory basic limit of \$30,000 per person/per accident with sub-limits of \$3,500 for funeral costs and \$150/week for work loss benefits. The original intent of PIP was to provide some immediate relief to people injured in an auto accident while the insurance companies investigate the accident and make a determination of fault. As it stands today, the first \$30,000 of medical expenses and economic loss due to an auto accident would be paid by the insured's auto insurance company with any loss amounts above \$30,000 being paid by the at-fault driver's bodily injury liability, the insured's uninsured motorist coverage if the at-fault driver didn't have insurance, as well as by the insureds own health, disability, or life insurance.

There are 13 states in the U.S. that require mandatory PIP coverage with the balance offering Med Pay which is only coverage for medical expenses and no coverage for the work loss or funeral costs. Of the 13 states that offer PIP the limits range from \$8,000 in Massachusetts to unlimited in Michigan with North Dakota offering the 4th highest limit available. The vast majority of states limit the work loss to \$150-\$250/week with Michigan offering up to \$5,282 per week. It should be noted that Michigan also has the highest auto insurance costs in the nation (almost double the costs found in North Dakota) with the majority of

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insurance experts attributing these high costs to their high PIP mandatory benefit limits. According to ND Workforce Safety the average weekly wage in ND for 2014 was \$914 so the intent of the original bill would have increased the work loss sub-limit over 6 times the present limit. It is inevitable that raising the limits for work loss by such a drastic amount plus raising the funeral expense limit under PIP in North Dakota will result in a substantial increase in auto insurance rates for the drivers of our state.

Raising the mandatory no-fault benefit limits is not necessary for a number of reasons. First of all, the limit of \$30,000 with the sub-limit of \$150/week for work loss is the minimum limits that a person can buy and there are higher limits available if a person chooses to buy them. All insurance companies are also presently required to offer an additional \$80,000 of PIP benefits that an insured has the option to purchase and when they buy the optional limits the work loss amount is raised as well as the funeral benefit. These amounts vary by company, but many offer an additional \$300/week of work loss and an additional \$1,000 of funeral benefit. The vast majority of North Dakotans do NOT currently purchase these higher limits as it raises their premium which proves that raising the mandatory PIP benefit limits is not wanted by the majority of consumers in our state. Second, the injured person is not limited to only collecting from their own PIP coverage when the other party is at-fault. The other party's liability insurance would pay for loss amounts for bodily injury caused by their negligence which would include the lost wages incurred due to that injury. This would include any amounts above the \$150/week work loss limit that is already covered by the PIP coverage as well as any amounts above the \$30,000 PIP limit. Third, if the other party was at-fault but does not have insurance or does not have enough insurance the injured party could collect from their own Uninsured (UM) or Underinsured Motorist (UIM) coverage. This coverage would be available under the insured's own policy at limits they have chosen when the negligent party does not have insurance or not enough insurance. Fourth, the insured can also collect from their own health insurance, disability insurance, workers comp, and life

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insurance policies that they have purchased themselves or received through their employer in addition to the benefits they receive from PIP. The benefits received for health insurance, disability, and work comp may be coordinated with the PIP benefits to make sure the injured party is not double compensated, but the life insurance would be paid in addition. Lastly, raising these sub-limits in the PIP coverage would have the unintended consequence of raising rates for all North Dakota drivers which could potentially increase the number of uninsured drivers in our state. I contacted a number of ND insurance companies to get an idea of the cost for PIP presently as well as how much of an increase we might see if the mandatory PIP limits were raised. The average PIP cost for the companies that I spoke to was about \$20-35 per vehicle for an adult driver and \$75-90 for a youthful driver. The cost to increase the PIP limit by \$80,000 and increase the sub-limits for work loss and funeral ranged from an additional \$23 for an adult driver to an additional \$70 for a youthful male driver. None of the companies that I spoke with could give me an estimate of the cost increase if benefits limits were raised other than to point out what it costs currently to buy the additional \$80,000.

The bottom line is that it is not necessary to increase the mandatory no-fault benefit limits as there are already remedies available to the injured person both before and after the accident that do not raise rates for all North Dakota drivers. They can already purchase additional PIP coverage; have their own life, health, disability, and/or work comp coverage; buy adequate Uninsured Motorist and Under Insured Motorist coverage; or collect from the liability coverage of the at-fault driver. In the interest of not raising auto insurance rates for all North Dakota drivers when there are already viable remedies available, PIA of North Dakota would encourage that the mandatory no-fault benefit limits remain where they are currently.