

SUMMARY OF TRANSPORTATION COMMITTEE MINUTES REGARDING RECOMMENDATIONS FOR THE REQUIRED MOTOR VEHICLE INSURANCE STUDY

This memorandum summarizes selected information in the minutes of the Transportation Committee for the August 20, 2015, and the November 12, 2015, meetings regarding the required motor vehicle insurance study.

REQUIRED MOTOR VEHICLE INSURANCE STUDY Summary of Recommendations

The committee has received the following recommendations regarding its required motor vehicle insurance study:

- Mr. Patrick Ward, Association of North Dakota Insurers, said 12 states require no-fault insurance and the insurance industry in North Dakota is comfortable with the current minimum requirements based on the current cost of insurance for customers; and
- Mr. Steve Becher, Executive Director, Professional Insurance Agents of North Dakota, said he does not recommend any change, especially since customers have the option to purchase additional coverage.

Summary of Minutes

Ms. Chrystal Bartuska, Director, Product Filing Division, Insurance Department, provided written testimony on North Dakota's requirements regarding required liability limits associated with automobile insurance and basic no-fault benefit limits. She said North Dakota has four types of required automobile insurance coverage--liability, uninsured motorist, under-insured motorist, and basic no-fault, commonly referred to as personal injury protection. She said the state requirements are only minimum coverage requirements and customers have the option to purchase additional coverages.

Mr. Patrick Ward, Association of North Dakota Insurers, provided written testimony on the study and basic no-fault insurance, commonly referred to as personal injury protection. He said North Dakota is currently one of the lowest premium auto insurance states and is ranked 45th of the 50 states. He said the insurance industry has learned through experience that no-fault insurance is not an economical way to provide medical, wage loss, or other benefits.

In response to a question from Representative Meier, Mr. Ward said studies estimate 7 to 15 percent of North Dakota drivers are uninsured and there will always be drivers that choose not to purchase insurance.

In response to a question from Senator Klein, Mr. Ward said the Legislative Assembly determines the required minimum coverages. He said the cost of insurance to consumers will increase if minimums are increased. He said 38 states have decided no-fault insurance is not necessary and any individual wanting the personal injury protection coverage may purchase it based on each individual's financial situation.

In response to a question from Senator Klein, Mr. Ward said 12 states require no-fault insurance and the insurance industry in North Dakota is comfortable with the current minimum requirements based on the current cost of insurance for customers.

In response to a question from Senator Rust, Mr. Ward said the average cost to insure a vehicle in North Dakota is approximately \$700. He said the cost of insurance would decrease if the no-fault insurance requirement was removed from statute, but it may not be reduced by 20 percent.

Senator Oehlke said Colorado eliminated the no-fault insurance requirement a few years ago. He said Colorado transitioned to an optional program that allows motorists to purchase medical payments coverage ranging from \$5,000 to \$15,000.

Mr. Becher provided written testimony, which was presented by Mr. Jeff Evink on the study and basic no-fault insurance, commonly referred to as personal injury protection. Mr. Evink said 13 states require personal injury protection and 37 states offer med pay, which only covers medical expenses and excludes work loss and funeral cost compensation.

In response to a question from Senator Klein, Mr. Evink said North Dakota requires \$30,000 minimum coverage for no-fault insurance and customers can purchase an additional \$80,000 of coverage for a total of \$110,000 of no-fault coverage.

In response to a question from Senator Rust, Mr. Evink said automobile insurance in North Dakota is relatively inexpensive in comparison to other states. He does not recommend any change, especially since customers have the option to purchase additional coverage.

In response to a question from Chairman Ruby, Mr. Evink said the industry has not discussed increasing property damage coverage as an offset for eliminating no-fault, and changing to a med pay option could possibly offset increasing insurance costs for customers.

Mr. Mike Andring, Property Casualty Actuary, Insurance Department, provided testimony on the estimated impact on auto insurance premiums if personal injury protection were not required as a mandatory coverage. He said that based on the department's analysis the premium attributable to personal injury protection coverage is approximately 7 percent of the total auto insurance premium. He said the estimate is based on the top 20 insurance carriers which accounted for nearly 80 percent of the market in 2014.