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Testimony of Insurance Agents and Brokers of Pennsylvania

**Before the Senate Banking and Insurance Committee
December 6, 2011**

Regarding SB 1339

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Government Affairs Director
Insurance Agents & Brokers of Pennsylvania**

and

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Lemoyne, PA
Chair of the Board, Insurance Agents & Brokers of Pennsylvania**

Good morning Chairman White, members of the committee, and staff. My name is Lauren Brinjac and I am the government affairs director for Insurance Agents & Brokers of Pennsylvania (IA&B). I would like to thank the committee for holding this important public hearing on SB 1339 and I am happy to voice our support of this legislation.

IA&B is a professional trade association for independent insurance agents in Pennsylvania. Headquartered in Mechanicsburg, our membership is comprised of approximately 1,300 member agencies located throughout the state, representing a cross-section of large and small businesses providing primarily property and casualty insurance coverage to their clients.

In communicating regularly with our member agencies, it is clear that agents believe the current minimum auto limits in Pennsylvania are far too low and are well overdue for an increase. Costs for vehicle repairs, medical services, and emergency services have increased considerably over the last 37 years while minimum required insurance limits haven't been touched. Minimum auto limits should ensure that an injured party is made whole again after an accident, but with Pennsylvania's current minimum coverage levels, this is not possible.

Our members' concerns with the current limits in Pennsylvania are not unfounded. As you can see from the attached list, the Commonwealth ranks near the bottom when comparing auto limits to the other 49 states. The increase allotted in SB 1339 brings Pennsylvania more in line with national averages. While some argue that this is not an appropriate economic climate in which to raise minimum limits, other states have recently been proactive in ensuring that citizens are properly covered.

For example, the IA&B umbrella organization also has an association in Maryland (Insurance Agents & Brokers of Maryland). On January 1st of this year, Maryland's new minimum limits law went into effect, increasing bodily injury liability limits from \$20,000 and \$40,000 to \$30,000 and \$60,000. The property damage limit, which has already been increased two times since 1972, remains at \$15,000. Although some argued that these higher limits would raise premiums considerably and lead to an increase in

drivers dropping coverage altogether, we have not found this to be the case. Our agents in Maryland tell us that they have seen no evidence of either significant premium increases or increases in uninsured motorist claims which have affected their numbers in any systematic way. As a Baltimore City agent recently told us, “It just hasn’t been an issue.”

I would like to now introduce one of our member agents, Greg Gunn of Gunn-Mowery, LLC located in Lemoyne. Greg serves as the chair of our board of directors, and as a licensed insurance producer, he can provide firsthand knowledge and insight into the problems the current levels of minimum auto limits causes.

Good morning. My name is Greg Gunn and I am a licensed insurance agent in Pennsylvania and managing partner of Gunn-Mowery located in Lemoyne. As Lauren noted, I currently serve as chair of the board of directors for the Insurance Agents & Brokers of Pennsylvania.

As a licensed agent, I can personally confirm the need for SB 1339 to be addressed by the legislature. Increasing minimum limits provides all Pennsylvania residents with a much better, and safer, level of protection. Our current limits are dangerously low. Independent agents, like myself, understand the inadequacy of these minimum coverage amounts and we routinely advise our clients to choose higher, more appropriate levels of coverage.

This is not an attempt by agents to sell more expensive policies. The fact of the matter is that the cost of buying additional coverage is often minimal, especially in relation to the increased protection it provides. Although it may be tempting for drivers to buy minimum limits coverage in an attempt to save a few dollars on their premiums, in reality, they are putting both their fellow citizens and themselves in a very vulnerable situation. Drivers who don’t have enough liability insurance to cover amounts owed after a car accident risk having to make up the difference using their personal income and assets. With the average cost of a new car being well over \$20,000, anyone who has been in even a minor fender-bender can attest to the fact that the current property damage

coverage limit of \$5,000 does not go far at all when repairing damage to a vehicle, let alone any additional property destroyed in an accident.

We can't escape the fact that there are certain costs involved in exercising one's privilege to drive: the cost of buying and maintaining a vehicle, the cost of gas, and the cost of adequate insurance. There is a good reason that no one can drive – at least not legally – without auto insurance. Our motor vehicle financial responsibility law was put in place to enforce personal responsibility. That is to say, a driver must be capable of providing the compensation necessary to make whole again an injured party after an accident, regardless of the size and scope of the accident. Appropriate minimum limits should not be decided by simply by looking at the average cost of a claim in today's market without taking into consideration the true costs of a catastrophic accident – these are the situations in which adequate insurance matters the most.

Today, the burden is shifted to our responsible consumers' uninsured motorist and underinsured motorist coverage to protect them against minimally insured drivers who should be required to carry higher limits reflecting the actual risk in the event of an accident. We agents believe that responsible, adequately insured drivers should not have to pay for their own liability and the anticipated lack of these drivers' insurance.

To summarize, current minimum limits in Pennsylvania are simply behind the times and we fully support raising these limits as outlined in SB 1339. When looking holistically at the issue, the benefits of bringing Pennsylvania in line with national averages, ensuring that drivers are able to cover costs caused by auto accidents, finally accounting for inflationary increases, and ultimately reducing reliance on underinsured motorist coverage, all illustrate the need for the legislature to address this issue as soon as possible.

Thank you again to the Chairman and to the committee. Lauren and I would be happy to answer any questions you may have.

MINIMUM AUTO LIMITS ARRANGED HIGHEST TO LOWEST BY STATE

1. Alaska 50/100/25
2. Maine 50/100/25
3. North Carolina 30/60/25
4. Texas 30/60/25
5. Maryland 30/60/15
6. Minnesota 30/60/10
7. Utah 25/65/15
8. Alabama 25/50/25
9. Georgia 25/50/25
10. Mississippi 25/50/25
11. New Hampshire 25/50/25
12. Nebraska 25/50/25
13. North Dakota 25/50/25
14. Oklahoma 25/50/25
15. Rhode Island 25/50/25
16. South Carolina 25/50/25
17. South Dakota 25/50/25
18. Virginia 25/50/20
19. Wyoming 25/50/20
20. Arkansas 25/50/15
21. Colorado 25/50/15
22. Idaho 25/50/15
23. Indiana 25/50/10
24. Kansas 25/50/10
25. Kentucky 25/50/10
26. Missouri 25/50/10
27. Montana 25/50/10
28. New Mexico 25/50/10
29. New York 25/50/10
30. Oregon 25/50/10
31. Tennessee 25/50/10
32. Vermont 25/50/10
33. Washington 25/50/10
34. Wisconsin 25/50/10
35. Illinois 20/40/15
36. Iowa 20/40/15
37. Connecticut 20/40/10
38. Hawaii 20/40/10
39. Michigan 20/40/10
40. West Virginia 20/40/10
41. Massachusetts 20/40/5
42. Arizona 15/30/10
43. Delaware 15/30/10
44. Nevada 15/30/10
45. California 15/30/5
46. New Jersey 15/30/5
47. Pennsylvania 15/30/5
48. Ohio 12.5/25/7.5
49. Florida 10/20/10
50. Louisiana 10/20/10