

**RESOLUTION 6-14-2003**

**DIGEST**

Motor Vehicle Drivers' Liability Insurance: Minimum Coverage

Amends Vehicle Code section 16056 to increase the minimum limits required for driver's liability insurance.

**RESOLUTIONS COMMITTEE RECOMMENDATION**

APPROVE IN PRINCIPLE

History:

Related to resolutions 6-15-03 and 6-16-03.

Reasons:

This resolution amends Vehicle Code section 16056 to increase the minimum limits required for driver's liability insurance. This resolution should be approved in principle because the current limits are outdated.

The current minimum policy limits for motor vehicle drivers' liability insurance (\$15,000 per person, \$30,000 per accident and \$5,000 for property damage) have not been changed since the section was first enacted in 1974. During this time, the costs of health care, property repair and property replacement have increased dramatically. Injured persons often find themselves unable to properly care for injuries sustained from vehicular accidents because the responsible party does not have enough insurance or assets to cover the loss. Similarly, victims of car accidents may find that they cannot afford repairs or suitable replacement transportation if required to rely on the current limits. The proposed doubling of insurance minimums (to \$30,000 per person \$60,000 per accident and \$10,000 for property damage) is reasonable and appropriate in light of the fact that health care, property repair and property replacement costs have more than doubled in the last 29 years.

This increase in minimum insurance coverage should result in only a modest increase in premiums for the majority of drivers who choose such coverage. While this modest rise in premiums may cause a small increase in the number of uninsured motorists, that risk is completely outweighed by the benefit of maintaining limits that more realistically reflect today's medical and repair costs.

Section 3 of Assembly Bill No. 456, Regular Session 2002-2003, is similar to this resolution. As of April 23, 2003, this bill was pending before the Assembly Committee on Insurance.

**TEXT OF RESOLUTION**

RESOLVED, that the Conference of Delegates of California Bar Associations recommends that legislation be sponsored to amend Vehicle Code section 16056 to read as follows:

- 1 §16056
- 2 (a) No policy or bond shall be effective under Section 16054 unless issued by an insurance
- 3 company or surety company admitted to do business in this state by the Insurance Commissioner,
- 4 except as provided in subdivision (b) of this section, nor unless the policy or bond is subject, if the
- 5 accident has resulted in bodily injury or death, to a limit, exclusive of interest and costs, of not less
- 6 than ~~fifteen thousand dollars (\$15,000)~~ thirty thousand dollars (\$30,000) because of bodily injury to
- 7 or death of one person in any one accident and, subject to that limit for one person, to a limit of not
- 8 less than ~~thirty thousand dollars (\$30,000)~~ sixty thousand dollars (\$60,000) because of bodily injury
- 9 to or death of two or more persons in any one accident, and, if the accident has resulted in injury to,

10 or destruction of property, to a limit of not less than ~~five thousand dollars (\$5,000)~~ ten thousand  
11 dollars (\$10,000) because of injury to or destruction of property of others in any one accident.

12  
13 [Subdivisions (b) and (c) remain unchanged.]

(Proposed new language underlined; language to be deleted stricken.)

PROPONENT: Santa Clara County Bar Association

#### STATEMENT OF REASONS

Existing Law: Provides that California drivers must carry minimum bodily injury liability policy limits of \$15,000 per person and \$30,000 per incident and minimum property damage liability policy limits of \$5,000.

This Resolution: Requires California drivers to carry minimum bodily injury liability policy limits of \$30,000 per person and \$60,000 per incident and minimum property damage liability policy limits of \$10,000.

The Problem: California's minimum automobile liability insurance policy limits are unreasonably low and antiquated. They were created 36 years ago and based on the costs of health care, automobiles and automotive repairs in the 1960s. They are in the second lowest tier in the nation and currently exceed the minimum limits in only Oklahoma, Mississippi and Louisiana. California's limits are lower than those required in most other states. These minimum limits must be increased to reflect the significant increases in the costs of health care, automobiles and automotive repair since these limits were adopted.

#### IMPACT STATEMENT

This resolution does not affect any other law, statute or rule.

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#### COUNTERARGUMENT

#### SAN DIEGO COUNTY BAR ASSOCIATION

This would result in increased insurance rates since the cost of the increased minimums will be passed along to the insured. The associated insurance premium increase will result in many people being unable to afford insurance thus increasing the number of uninsured drivers. This incongruity would mitigate against the passage of such increases.