

RESOLUTION 12-03-06

DIGEST

Automobile Insurance: Inflation Adjustment For Vehicles For Hire

Amends Vehicle Code section 16500 to increase minimum limits for automobile liability insurance for vehicles for hire.

RESOLUTIONS COMMITTEE RECOMMENDATION

APPROVE IN PRINCIPLE

History:

Similar to Resolution 6-14-03, which was approved.

Reasons:

This resolution amends Vehicle Code section 16500 to increase minimum limits for automobile liability insurance for vehicles for hire. This resolution should be approved in principle because minimum limits of automobile liability have remained the same since 1967.

This resolution seeks an increase in minimum automobile liability limits for vehicles for hire to \$25,000 for damage to vehicles, and \$75,000 for personal injury damages per person, with a maximum of \$150,000 for all individuals injured in an accident. The current limits are \$5,000 for property damage, \$15,000 for bodily injury and \$30,000 for bodily injury suffered by two or more persons. The current limits were established in 1967 and have remained in force, despite the fact that inflation in California has increased nearly six times, according to the Consumer Price Index for the Western United States. Affordability issues remain a concern in light of the passage of the Financial Responsibility Act (Proposition 213) in 2000 which was to enable an estimated 25% of uninsured drivers the ability to obtain affordable, minimum limits insurance coverage. But the current limits are too low given the increased costs associated with automobile accidents over the last 29 years.

TEXT OF RESOLUTION

RESOLVED that the Conference of Delegates recommends that legislation be sponsored to amend Vehicle Code section 16500 to read as follows:

- 1 §16500.
- 2 Every owner of a vehicle used in the transportation of passengers for hire, including
- 3 taxicabs, when the operation of the vehicle is not subject to regulation by the Public Utilities
- 4 Commission, shall maintain, whenever he or she may be engaged in conducting those
- 5 operations, proof of financial responsibility resulting from the ownership or operation of the
- 6 vehicle and arising by reason of personal injury to, or death of, any one person, of at least
- 7 seventy-five thousand dollars (\$75,000) ~~fifteen thousand dollars (\$15,000)~~, and, subject to
- 8 the limit of seventy-five thousand dollars (\$75,000) ~~fifteen thousand dollars (\$15,000)~~ for
- 9 each person injured or killed, of at least one hundred fifty thousand dollars \$150,000 ~~thirty~~
- 10 ~~thousand dollars (\$30,000)~~ for the injury to, or the death of, two or more persons in any one
- 11 accident, and for damages to property of at least twenty-five thousand dollars (\$25,000) ~~five~~
- 12 ~~thousand dollars (\$5,000)~~ resulting from any one accident. Proof of financial responsibility
- 13 may be maintained by either:

- 14 (a) Being insured under a motor vehicle liability policy against that liability.
15 (b) Obtaining a bond of the same kind, and containing the same provisions, as those
16 bonds specified in Section 16434.
17 (c) By depositing with the department one hundred seventy-five thousand dollars
18 (\$175,000) ~~thirty-five thousand dollars (\$35,000)~~, which amount shall be deposited in a
19 special deposit account with the Controller for the purpose of this section.
20 (d) Qualifying as a self-insurer under Section 16053.
21 The department shall return the deposit to the person entitled thereto when he or she
22 is no longer required to maintain proof of financial responsibility as required by this section
23 or upon his or her death.

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

PROPONENT: Beverly Hills Bar Association

STATEMENT OF REASONS:

Existing Law: Under current law, owners and operators of motor vehicles for hire are required to demonstrate financial responsibility. The principal method of demonstrating financial responsibility for vehicles for hire is obtaining and having evidence of insurance in the minimum amounts provided for in the California Vehicle Code Section 16500. The minimum amounts provided for in that section and other sections of the Vehicle Code, were enacted in 1967 (almost 40 years ago), and have remained unchanged from the following amounts:

\$15,000 for each person injured or killed
\$30,000 for two or more persons injured or killed in one accident
\$5,000 for damage to property (in excess of \$750).

This Resolution: Seeks to modify Vehicle Code Section 16500 in a manner that would bring minimum amounts of insurance in line with the amounts originally enacted in 1967, after giving effect to changes in purchasing power during the past 39 years, by increasing the amounts to 5 times their current level (which after giving effect to the 5.8 fold increase in the Consumer Price Index, would still reflect a decrease of more than 13% on a real value basis). While an argument can be made that vehicles for hire should be more heavily insured than vehicles not so utilized, in an effort to maintain the apparent intent of the legislature in 1967, this resolution retains the equality in required insurance amounts.

The Problem: Notwithstanding the statutory minimums for automobile insurance and the existence of mandatory insurance requirements, as a result of inflation in the United States economy, those minimums no longer provide a meaningful source of recovery for those injured by the negligent acts of others while driving motor vehicles. Since the minimums were set, almost 40 years ago, the Consumer Price Index for the Western United States has increased to over 5.8 times its level in 1967, the median price of automobiles, and single family houses, and the cost of medical care have increased by similar or far greater multiples. Nonetheless, the amount of insurance coverage required as a minimum level of financial responsibility has not been changed or increased to adjust to changes in the price level, which has resulted in the

effective amount of insurance required to demonstrate financial responsibility being reduced to less than 20% of the amount originally enacted by the legislature. As a result, even if the minimums were adequate in 1967, they are woefully inadequate in 2006. On an inflation adjusted basis, the financial responsibility amounts in place today are approximately the same as the following amounts would have been in 1967 (when the current amounts were enacted):

\$2,575 for each person injured or killed
\$5,149 for two or more persons injured or killed in one accident
\$858 for damage to property.

This resolution seeks to address that problem by restoring the levels of minimum insurance back to their former 1967 amounts on a real dollar basis.

IMPACT STATEMENT

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

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