

FINAL BILL REPORT

HB 1084

C 115 L 03

Synopsis as Enacted

Brief Description: Regulating automobile insurance.

Sponsors: By Representatives Hunter, Benson and Schual-Berke; by request of Insurance Commissioner.

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Services, Insurance & Housing

Background:

Personal Injury Protection Coverage. "Personal injury protection" (PIP) is a type of automobile insurance coverage obtained by most drivers as part of their comprehensive automobile insurance policy. The PIP insurance provides immediate benefits to an insured on a no-fault basis if he or she is injured in an automobile accident. The coverage generally provides limited financial compensation for injury, death, disability, wage loss, and other expenses incurred as the result of an accident. Automobile liability insurance companies must provide PIP coverage under non-business auto insurance policies unless the named insured rejects PIP coverage in writing. Insurers need not provide PIP coverage for motor homes or motorcycles.

Mandatory Minimum PIP Coverage. At minimum, an insurer must offer PIP benefits that cover medical and hospital expenses incurred within three years of the date of the insured's injury, up to a maximum of \$10,000. Funeral expenses must be covered up to \$2,000. A maximum of \$5,000 in coverage must be provided for loss of services, subject to a limitation of \$40 per day and \$200 per week. Loss of income benefits must also be provided, subject to the following conditions:

- Income losses must be incurred within one year of injury.
- A total of \$10,000 in coverage must be offered, subject to a limit of \$200 per week or 85 percent of average weekly income, whichever is less.
- Weekly payments are limited to 85 percent of the insured's weekly income, and the calculation of the amount of the weekly payment must include the combined total of the insurance benefits and all other income loss benefits received by the insured.

Optional Extended PIP Coverage. When explicitly requested by an insured, insurers are required to offer PIP benefits that are much more extensive than the mandatory

minimums discussed above. Under the optional coverage provisions, the coverage limit for medical and hospital expenses is raised to \$35,000. Coverage for loss of services is set at \$40 per day for up to one year and is not subject to a specified yearly limit. The limit on loss of income benefits is raised to \$35,000, subject to a limit of the lesser of \$700 per week or 85 percent of the insured's average weekly income prior to the injury.

Summary:

Technical changes are made to the PIP statutes involving the reorganization of statutory provisions, language clarification, and the deletion of redundant passages. Ambiguous statutory language is revised, thus clarifying that the specified PIP coverages represent the minimum coverages that must be offered by an insurer and allowing insurers to offer more extensive PIP benefits should they so choose.

Votes on Final Passage:

House 93 0
Senate 48 0

Effective: July 27, 2003