
Financial Institutions &
Insurance Committee

HB 1084

Brief Description: Regulating automobile insurance.

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

Brief Summary of Bill

- Makes technical amendments to the insurance code involving the clarification of existing statutory language pertinent to personal injury protection coverage.
- Clarifies coverage provisions regarding personal injury protection benefits that insurers must offer with automobile insurance policies.

Hearing Date: 1/22/03

Staff: Thamas Osborn (786-7129).

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. 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; and
- 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.

The Office of the Insurance Commissioner (OIC) requested this legislation in order to reorganize various sections of the PIP statutes and to clarify some of the statutory language.

Summary of Bill:

Technical revisions: The bill is “ in essence “ technical in nature, insofar as it focuses on rearranging the existing statutory provisions, clarifying some confusing statutory language, and eliminating redundant passages. Overall, the bill does not substantively change existing law, except to the extent that the reorganization and clarification may allow some subtle reinterpretation of the PIP statutes.

The key technical changes involve the deletion of certain provisions in the regulatory statutes and then inserting the same provisions in the definitions section. For example, in Section 1 of the bill, the definition of "income continuation benefits" is expanded and clarified by including a provision explaining the calculation of weekly payments. This same provision currently exists in another PIP statute, but is deleted from that statute in Section 4 of the bill. Thus, the bill simply moves the provision from one statute to another, without altering the PIP regulatory scheme.

Substantive changes: Under current law, the language of the coverage provisions in the PIP statutes is confusing, as it can be misinterpreted as imposing maximum limits on the amount of PIP benefits that an insurer can offer. The technical revisions in the bill eliminate the potential for such confusion by clarifying that the specified coverages represent the minimum coverages that must be offered by an insurer, thus allowing insurers to offer more extensive PIP benefits should they so choose.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.