

**RESOLUTION 11-07-2015**

**DIGEST**

Insurance: Increase Mandatory Minimum Automobile Liability Limits

Amends California Vehicle Code section 16056 to increase the mandatory minimum automobile liability coverage from \$15,000/\$30,000/\$5000 to \$50,000/\$100,000/\$25,000.

**TEXT OF RESOLUTION**

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

§16056

1 (a) No policy or bond shall be effective under Section 16054 unless issued by an  
2 insurance company or surety company admitted to do business in this state by the Insurance  
3 Commissioner, except as provided in subdivision (b) of this section, nor unless the policy or  
4 bond is subject, if the accident has resulted in bodily injury or death, to a limit, exclusive of  
5 interest and costs, of not less than ~~fifteen thousand dollars (\$15,000)~~ fifty thousand dollars  
6 (\$50,000) because of bodily injury to or death of one person in any one accident and, subject to  
7 that limit for one person, to a limit of not less than ~~thirty thousand dollars (\$30,000)~~ one hundred  
8 thousand dollars (\$100,000) because of bodily injury to or death of two or more persons in any  
9 one accident, and, if the accident has resulted in injury to, or destruction of property, to a limit of  
10 not less than ~~five thousand dollars (\$5,000)~~ twenty-five thousand dollars (\$25,000) because of  
11 injury to or destruction of property of others in any one accident.

12 (b) No policy or bond shall be effective under Section 16054 with respect to any vehicle  
13 which was not registered in this state or was a vehicle which was registered elsewhere than in  
14 this state at the effective date of the policy or bond or the most recent renewal thereof, unless the  
15 insurance company or surety company issuing the policy or bond is admitted to do business in  
16 this state, or if the company is not admitted to do business in this state, unless it executes a power  
17 of attorney authorizing the department to accept service on its behalf of notice or process in any  
18 action upon the policy or bond arising out of an accident mentioned in subdivision (a).

19 (c) Any nonresident driver whose driving privilege has been suspended or revoked based  
20 upon an action that requires proof of financial responsibility may, in lieu of providing a  
21 certificate of insurance from a company admitted to do business in California, provide a written  
22 certificate of proof of financial responsibility that is satisfactory to the department, covers the  
23 operation of a vehicle in this state, meets the liability requirements of this section, and is from a  
24 company that is admitted to do business in that person's state of residence.

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

**PROPONENT:** Bar Association of San Francisco

**STATEMENT OF REASONS**

The Problem: California’s motor vehicle liability insurance responsibility limits were mandated in 1967 and have never been adjusted. California law currently requires drivers to have a

minimum of \$15,000 in coverage for injuries to or death of one person and \$30,000 for two or more persons in any one accident. The law also requires a minimum of \$5,000 in coverage for property damage. Minimum auto financial responsibility limits should ensure that an injured party is made whole again after an accident, but with California's current minimum coverage levels, this is not possible. Our auto financial responsibility law, Cal. Vehicle Code § 16056, was put in place to enforce personal responsibility. In other words, a driver must be capable of providing the compensation necessary to make an injured party whole again after an accident, regardless of the size and scope of the accident. However, our current minimum limits in California of 15/30/05 are dangerously low given the changed conditions since 1967. An increase in the minimum liability limits would provide all California residents with a much better, and safer, level of protection.

In 1967 when the current limits were established, a loaf of bread cost \$0.22, the cost of a new home was \$34,600 and a '67 Mustang cost \$2,200. In addition to costs for vehicle repairs, medical services, and emergency services have also increased considerably over the last 47 years. According to the United States Department of Labor, Bureau of Labor Statistics, \$15,000 in 1967 has the same buying power as \$105,000 today; \$30,000 has the buying power of \$210,000 [[http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)]. The increases proposed by this resolution take the limits to half of where they should be in order to keep up with inflation. Nevertheless, a raise in the limits will increase the chance that an innocent person will be adequately compensated when injured by a person who has purchased only the minimal coverage.

*California ranks near the bottom* when comparing auto limits in other states. An increase in California's limits would make us more in line with national averages.

1. Alaska 50/100/25	18. Virginia 25/50/20	35. *D.C. 25/50/10
2. Maine 50/100/25	(and offers uninsured motor vehicle	36. Illinois 20/40/15
3. Texas 30/60/25	fee)	37. Iowa 20/40/15
4. North Carolina 30/60/25	19. Wyoming 25/50/20	38. Connecticut 20/40/10
5. Maryland 30/60/15	20. Oregon 25/50/20	39. Hawaii 20/40/10
6. Minnesota 30/60/10	21. Arkansas 25/50/25	40. Michigan 20/40/10
7. Utah 25/65/15	22. Colorado 25/50/15	41. West Virginia 20/40/10
8. Alabama 25/50/25	23. Idaho 25/50/15	42. Massachusetts 20/40/5
9. Georgia 25/50/25	24. Tennessee 25/50/15	43. Louisiana 15/30/25
10. Mississippi 25/50/25	25. Indiana 25/50/10	44. Arizona 15/30/10
(offers vehicle owners an option to	26. Kansas 25/50/10	45. Delaware 15/30/10
post bonds or cash)	27. Kentucky 25/50/10	46. Nevada 15/30/10
11. Nebraska 25/50/25	28. Missouri 25/50/10	47. Pennsylvania 15/30/5
12. North Dakota 25/50/25	29. Montana 25/50/10	48. New Jersey 15/30/5
13. Ohio 25/50/25	30. New Mexico 25/50/10	49. California 15/30/5* (Low
14. Oklahoma 25/50/25	31. New York 25/50/10*	Cost Auto Limits are 10/20/03)
15. Rhode Island 25/50/25	(policyholders must also have	50. Florida 10/20/10* (Personal
16. South Carolina 25/50/25	50/100 for wrongful death coverage)	Injury Protection (PIP), or no-fault
17. South Dakota 25/50/25	32. Vermont 25/50/10	state)
	33. Washington 25/50/10	
	34. Wisconsin 25/50/10	

**The Solution:** This resolution will increase the limits to account for inflation and put California in line with the national averages.

## IMPACT STATEMENT

It is estimated that changing the limits will raise insurance rates by 10%.

California has a low cost auto insurance program. Established by the Legislature in 1999, the program is designed to provide income eligible persons with liability insurance protection at affordable rates as a way to meet California's financial responsibility laws. The current LCAP insurance limits are \$10,000/\$20,000/\$3,000. This resolution does not affect that program.

10 CCR § 2632.14. Policies Offered to Good Drivers and Nondiscrimination

**Effect:** Where language references limits of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

13 CCR § 82.00 Uniform Insurance Card.

**Effect:** Requirement that card state compliance with 16056 will mean, among other things, the limits are at least \$50,000/\$100,000 instead of \$15,000/\$30,000.

California Public Utility Code Section § 5439. Satisfaction of financial responsibility requirements

**16056 is referenced but this Section is not affected.**

**CALIFORNIA INSURANCE CODE SECTIONS:**

1861.15 Good driver discounts; minimum financial responsibility coverage policies

**Effect:** Where language references limits of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

§ 11580.08. Disclosure of arrest record; prohibited as condition for issuance of policy – references description of insurance; no effect, even by reference

**16056 is referenced but this Section is not affected.**

§ 11580.1. Automobile liability insurance; required and optional provisions

**Effect:** Where language references limits of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

§ 11580.2. Uninsured motorist endorsement or coverage; underinsured motorist coverage

**Effect:** Where language references limits of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000. The minimum amounts of uninsured and underinsured motorists limits will be increased by reference. Subsection (m) requires uninsured motorist coverage to be offered with limits equal to the limits for bodily injury coverage but limits do not need to exceed \$30,000/\$60,000. These amounts will either need to be changed to \$50,000/\$100,000 or increased to a higher amount.

§ 11580.26. Required coverage; uninsured motor vehicles; property damage; prerequisites for payment; election not to accept coverage; vehicles insured for both property damage and collision; uninsured motor vehicle defined

**Effect:** Where language references limits of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

§ 11580.9. Two or more policies covering insured who sells, repairs, etc., leases or rents, loads or unloads vehicles; person engaged in the business of a trucker; primary and excess coverage  
**Effect:** Where language references limits of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

§ 11629.71. Policy attributes

**16056 is referenced but this Section is not affected.**

§ 11629.8. Policy financial responsibility requirements

**16056 is referenced but this Section is not affected.**

§ 4000.37. Application for renewal of registration; proof of compliance with financial responsibility laws

**Effect:** Where language references the requirements of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

§ 12650. Application

**Effect:** Where language references the requirements of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

§ 16002. Vehicle of employer; vehicle owned or operated by publicly owned or operated transit system

**Effect:** Where language references the requirements of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

§ 16053. Certificate of self-insurance

**Effect:** Where language references the amounts of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

§ 16054. Liability policy or bond

**Effect:** Where language references the requirements of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

§ 16054.2. Other forms of financial responsibility

**Effect:** Where language references the amount of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

§ 16431. Proof of financial responsibility; written certificate by insurer; sufficiency; exceptions

**Effect:** Where language references the requirements of 16056, it will mean \$50,000/\$100,000 instead of \$15,000/\$30,000.

#### **CURRENT OR PRIOR RELATED LEGISLATION**

None

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RESOLUTIONS COMMITTEE RECOMMENDATION  
APPROVE IN PRINCIPLE

History:

Similar to Resolutions 16-14-2003, 16-15-2003, 12-01-2006, and 10-01-2009, all of which were approved in principle.

Reasons:

This resolution amends California Vehicle Code section 16056 to increase the mandatory minimum automobile liability coverage from \$15,000/\$30,000/\$5000 to \$50,000/\$100,000/\$25,000. This resolution should be approved in principle because California's mandatory minimum automobile liability limits need to be increased to provide more realistic coverage for the personal injury and property damage usually caused in an accident, and to bring those limits into line with the enhanced compulsory protection required by the vast majority of other states.

California is among about a half dozen states with 15/30/5-10 basic required limits. Apart from two states with 50/100/25 compulsory limits, the personal injury/property damage coverage requirement in other states range 20-25/50-65/10-100. The additional premium to pay for the increased limits proposed in the resolution should not prove substantially more than is currently charged by automobile liability insurers for 15/30/5 coverage. While it will definitely cost more, the cost is worth the responsibility and protection which will inure for both the negligent driver and injured or damaged victim of the accident, given these higher, more realistic limits. Data suggest that regardless of the minimum liability limits requirement, the percentage of uninsured motorists will remain at a rough constant of 14% of the drivers—though in California, with the largest percentage of uninsured drivers, estimates for this cohort actually range from 14 to 25%. In other words, the increase in rates should not produce a higher number of motorists going without insurance. The state's low cost coverage for the poor will remain available even under this proposal.