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Banking, Commerce and Insurance Committee  
February 06, 2012

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[LB984 LB1003 LB1143]

The Committee on Banking, Commerce and Insurance met at 1:30 p.m. on Monday, February 6, 2012, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1143, LB984, and LB1003. Senators present: Rich Pahls, Chairperson; Beau McCoy, Vice Chairperson; Mark Christensen; Mike Gloor; Chris Langemeier; Pete Pirsch; Ken Schilz; and Paul Schumacher. Senators absent: None.

SENATOR PAHLS: Good afternoon. I think we're going to get started. We have several senators who will be running a little bit late today due to prior obligations. I want to welcome you to the Banking, Commerce and Insurance hearing. My name is Rich Pahls and I represent Omaha, District 31. Right now, I think, just to get started, I think we will have the senators start introducing themselves.

SENATOR SCHUMACHER: Paul Schumacher, District 22, Columbus.

SENATOR PIRSCH: Pete Pirsch, District 4, Douglas County in Omaha.

SENATOR McCOY: Beau McCoy, District 39, Omaha, western Douglas County.

SENATOR CHRISTENSEN: Mark Christensen, District 44, Imperial.

SENATOR PAHLS: And the other senators will be joining us. I want to introduce Bill Marienau, who is our legal counsel who makes sure everything is legally done correctly. I feel much more relieved by that. And then we have Jan Foster over there who keeps all the data in line. And I think we have two of our pages today, Michael and Matt. To get started, I'm going to have you read the rules over there. I will not go over those. I think they're sort of self-explanatory. But one thing about it, if you do have copies to give to the committee, we need at least ten. If you don't have ten, wave your hand, the pages will...I see no hands waved, so we don't have to worry about that. I think we will start right now with the first, LB1143 by Senator Cornett.

SENATOR CORNETT: Thank you very much, Chairman Pahls, for rearranging the schedule for me. And I will waive closing. I have an appointment back in the metro area so I'll be leaving as soon as I get done. Thank you, Senator Pahls and members of the Banking, Commerce and Insurance Committee. My name is Abbie Cornett, C-o-r-n-e-t-t. I represent the 45th Legislative District. LB1143 would change the state's current policy of prohibiting stacking or combining of uninsured and underinsured insurance coverages. Current law states if a consumer has paid for or has available two or more policies providing coverage in a vehicle accident, or if one policy covering multiple vehicles provides two or more policy limits, the consumer or person may recover, at most, the highest coverage of these policies. Current law also sets forth a method of

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determining which coverage is applicable. I believe this policy is unfair. Why? Fundamentally an insurance company takes on a risk in exchange for a premium paid by a customer. The consumer pays a policy premium and the insurance company agrees to pay up to the limit of the policy if an accident occurs. But under the current conditions of statutory framework, the consumer pays a premium for each of the multiple policy coverages, but cannot recover under all of these policy coverages. The consumer has paid a separate premium but is not receiving separate coverage. This sets up an unfair policy for the consumer. There is a technical...this is a technical area of insurance and there are others following me that can testify and answer the technical questions. But I'd be happy to answer any questions that I can. [LB1143]

SENATOR PAHLS: I see no questions. Thank you for your testimony. [LB1143]

SENATOR CORNETT: Thank you. And thank you very much for indulging me. [LB1143]

SENATOR PAHLS: Okay. Thank you. And I didn't...if anybody is going to testify, we do need this filled out. As I look across, most of you are experienced testifiers. Proponents. [LB1143]

PETE WEGMAN: Good afternoon, Mr. Committee Chairpersons. My name is Pete Wegman, W-e-g-m-a-n. I live in rural Seward County. I practice law with the Lincoln law firm of Rembolt Ludtke. I appear as president-elect of the Nebraska Association of Trial Attorneys and speak in favor of LB1143. Presently, Nebraska law prohibits a consumer from combining or stacking limits of liability for uninsured or underinsured motorists coverage for two or more vehicles insured on the same policy or separate policies. LB1143 will amend Nebraska's anti-stacking statute to allow consumers who have purchased multiple coverages to be able to access those coverage they have purchased. I believe 30 more states allow stacking in coverages at present. This bill would move Nebraska into what I believe is the majority position. I have practiced extensively in the area of personal injury law for almost 30 years. During that time, I do not believe Nebraska's minimum liability limits of \$25,000 have been changed. However, almost all other costs of society have gone up substantially in those 30 years, including medical costs. In my experience, injured people increasingly rely on their own uninsured or underinsured policies to pay for damages caused by other people's negligence. Underinsured and uninsured policies have become increasingly important to consumers in Nebraska. LB1143 will simply allow Nebraskan consumers to access the benefits of multiple uninsured or underinsured policies they have had the foresight to purchase. I urge you to advance LB1143. Thank you. [LB1143]

SENATOR PAHLS: Senator Schumacher. [LB1143]

SENATOR SCHUMACHER: Thank you, Senator Pahls. To the extent that stacking the policies results in a higher payout by insurance companies taken together, will that not

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drive up the cost of uninsured and underinsured coverage and thus dissuade people from taking out that coverage? [LB1143]

PETE WEGMAN: I don't think so. I'm not involved in how these folks price these different policies, but I think as Senator Cornett says, what we have is a fundamentally unfair situation here where all of us here may have had purchased multiple policies like an umbrella underinsured policy, and we lose the benefit of some of those with the anti-stacking. What causes rates to drive up are negligent drivers causing losses. And to me, you either have it one way or the other, you either raise the minimum rates, which I'm sure you'll hear in these later bills that are going to affect premium coverages, or you let people access the coverages they've already purchased. I have no idea what it would do for rates. [LB1143]

SENATOR SCHUMACHER: But to the extent the rates are computed on the fact that the insurance...the second insurance company may not have to pay out under some circumstances, it's not...then the consumer gets the benefit of the lower rates because the insurance companies in toto don't have the exposure, then it's fair in that respect, if you look at it in that way, isn't it? [LB1143]

PETE WEGMAN: I would be stunned if any insurance companies when they underwrite their uninsured or underinsured policies factor in the possibility that in Nebraska they might have to...might not have to pay. That would surprise me if that's factored in how they underwrite these. [LB1143]

SENATOR SCHUMACHER: Thank you very much for your testimony today. [LB1143]

SENATOR PAHLS: Seeing no other questions, thank you for your testimony. [LB1143]

PETE WEGMAN: Thank you. [LB1143]

SENATOR PAHLS: Any more proponents? Any opponents? Right now I see two opponents. [LB1143]

JIM DOBLER: (Exhibit 1) Senator Pahls, members of the committee, my name is Jim Dobler, that's D-o-b-l-e-r. I'm general counsel with the Farmers Mutual of Nebraska. I'm also a registered lobbyist and I appear today on behalf of Nebraska Insurance Information Service. This is a trade organization of property and casualty insurance companies that are licensed to write, among other things, automobile insurance in the state of Nebraska as a group. We write the majority of private personal automobile insurance and I appear today in opposition to LB1143. As Senator Cornett mentioned, this is a very complex area of the law. All states look at the issue of stacking in different ways and I think almost every state is a little bit different and a little bit unique. There are states that have a law similar to what we have. And the primary focus is not to allow

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this kind of stacking. But as Mr. Wegman said, too, there are a group of roughly 30 states where I think it's more driven by court decision and it's more driven by looking at the policy language, and some courts look at the language and decide it's ambiguous, not written well, and then they will allow stacking. But again, it's all over the board, every place is different. I think I'd like to start and provide a little background to this issue and point out, too, that the stacking issue we're looking at involves one area. It involves an area where you have purchased insurance, auto insurance, and you're insuring all your cars, and you either insure them under one policy or you insure them under separate policies. But it's all your risk exposure and that's the stacking argument that we're talking about. On the other hand, if you're in my car and we get hit by an uninsured motorist, and you've purchased uninsured motorist coverage, and you're driving...or, you're an occupant in my car, if the coverage I have isn't enough for you, you can apply for coverage under your own policy. That's a form of stacking too. It's provided for in auto policies and it occurs every day. So the discussion today is a little more narrow. You can't...it wouldn't be right to say stacking in all situations is prohibited. This is a narrow prohibition. In my prepared remarks, if you'd go to Exhibit A, this issue and the arguments about whether it's fair or not fair, or should be a part of an auto policy or not, go back to the 1960s and basically began to appear at the time insurance companies began to offer uninsured motorists coverage. And in the state of Nebraska, these cases began to crop up around 1970, and I've listed some of them here. You can see in this first case, Bose v. American Family, this is a case where you had one person who had multiple policies insuring separate cars. And the court in that case said, well, I think we should allow stacking. And in part, they looked at the language of the policy, the court didn't think it was very clear, but another part of it was, they looked at the current law in Nebraska which required insurers to offer uninsured motorists coverage. And the court said, you know what? That's kind of a remedial type of law and the intent is to provide the coverage and we're going to kind of go with that sort of an intent, and even though the policy doesn't want to cover that, we're going to say that it does. The court took up the issue again in the Protective case. This one isn't really a straight stacking, but they talked about the uninsured motorist law. And, in fact, in that case it was an individual who was an occupant in a car and he wanted to collect his coverage in addition to the basic coverage insuring the car and the court said, yes, you could, even though his own policy said, maybe you couldn't. The next case, '76, the court went a different direction. In Pettid v. Edwards, they decided, you know what's paramount here is the contract language, and they enforced the terms of the contract and they said, no stacking. The next case Eich v. State Farm. And here you have three vehicles insured on three different policies. And once again, the court went back and said, we're going to allow stacking of these policies. You've got some cases allowing stacking, some that aren't. This is not unusual. I mean, there is a ton of litigation out there on this. Then we move to the 1985 case of Charley v. Farmers Mutual. And the courts again looking at two vehicles insured under one policy, the court acknowledges, well, we had the Pettid v. Edwards case and we said no stacking, two vehicles under one policy. But we've got these other cases where you've got multiple policies on multiple vehicles. Well, there we

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allowed it. They were unsure. They didn't know what to do. They ended up, though, siding with what the contract said, following the language of the contract, and they said, no stacking. An opinion issued the same day. I don't know how to pronounce this. It's Kracl v. Aetna Casualty. This one involved multiple policies on multiple cars, and here again the court decided, no stacking. So as of 1985, whether it's multiple policies insuring separate cars, or one policy insuring a bunch of cars for one policyholder, the court finally decided, we're not going to allow any of this stacking, we're going to follow the terms of the contract. So with that background, in 1987 the Legislature enacted the underinsured motorist coverage law and that law required insurers to offer underinsured motorist coverage. In that law is the first time we see this anti-stacking language. So at the time it was made a part of the law, that was the case law in Nebraska and it was something that this committee and the industry certainly were aware of and talked about and truly part of the discussion was, well, we're ready to offer it. We'll be required to offer it, but we don't want to go back to an argument of, what does this mean? Does it mean you can stack or not stack? And so I think the end result was stacking was a part of that law at that time. Uninsured motorist coverage, still nothing out there, still the same as always, except that farther down the road in 1995, we combined the uninsured motorist law and the underinsured motorist law, put the two concepts together, and at that point both types of coverage were subject to the anti-stacking language. That's how we got to where we are today. Let's look at the mechanics of this a little bit. I think, and again my review of it is not...I haven't exhausted everything that's out there, but I think this version is pretty extreme. It prohibits anything that would limit the stacking. So in the typical case, let's say husband and wife and two teenage kids, let's say that they have automobile insurance coverage of 250/500 for UM/UIM. They have four cars. Well, you can see you're getting up to a pretty significant amount of money if you can stack all that coverage. You'd get to one million...two million. That's a lot of uninsured and underinsured motorist coverage if you want to allow that kind of stacking. Let's take it a little further. The law doesn't distinguish between a commercial auto policy or a personal auto policy. So if in your business you have a fleet of delivery vehicles, say you have 10, 15, 20, every one of those will have an amount of UM, UIM that can be stacked. There is...there are states that make that distinction. Think about a car rental company and all the UM, UIM coverage that can be stacked. So I think that's something that would be useful for the committee to consider in looking at this bill. Our current law says we're mandated to provide 25/50. It goes on to say that if the policyholder wants it, you have to offer up to 100/300. I am pretty confident that if this bill were to pass, no one would offer more than 100/300. You just wouldn't. Another aspect of this coverage which is unique, you can't underwrite it. The coverage is triggered by the negligence of other people, not the policyholder that you've underwritten. So it's the kind of coverage that underwriters really don't care for. We offer it and it's a very important part of auto coverage, but again you can't underwrite this stuff. So you're out there and you pay whenever someone runs into your policyholder. So it's a very different kind of coverage. Again, most states have something related to this. A number of them have statutory provisions a lot. It's just a court decision. I would note, too, that Kansas and South

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Dakota have a general statutory prohibition similar to Nebraska. Iowa, they didn't have any law on the subject, and a case came down which agreed that you could stack coverage. Subsequent to that court case, the Iowa Legislature passed a law and said, no stacking; you have to look at the policy language, and if the language is clear, there is no stacking. In summary, it will...this bill would greatly broaden the amount of this coverage that's out there. I can't tell you the exact cost. I think you can appreciate that if you expand it that far, the cost is going to go up. I think it would be fairly significant. With that, I would be happy to answer any questions that the committee might have. [LB1143]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. [LB1143]

JIM DOBLER: Thank you. [LB1143]

JAN MCKENZIE: Senator Pahls, members of the Banking, Commerce and Insurance Committee, for the record, my name is Jan McKenzie, J-a-n M-c-K-e-n-z-i-e, testifying today in opposition to LB1143 on behalf of the Nebraska Insurance Federation. As I've said in the last few weeks, the Federation is a membership of Nebraska domestics and includes life, property, casualty, title, work comp companies. Our legislative committee voted to be on the record in opposition of (LB)1143. Thank you. [LB1143]

SENATOR PAHLS: Thank you for your testimony. [LB1143]

KORBY GILBERTSON: Good afternoon, Chairman Pahls and members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of the Property Casualty Insurers Association of America in opposition to LB1143. I don't have a whole lot more to add than what Mr. Dobler already spoke about, but the main concerns expressed by PCI with this legislation is that premium costs would most likely go up in the state, and secondly, the availability of higher limits for UM and UIM would go away because carriers would not be able to...would not be willing to offer them in the state. So those were two things to consider when considering this big a policy change. Be happy to try to answer any questions. [LB1143]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. [LB1143]

KORBY GILBERTSON: Okay. Thank you. [LB1143]

SENATOR PAHLS: Next. [LB1143]

TAD FRAIZER: Good afternoon, Chairman Pahls, members of the committee. My name is Tad Fraizer, T-a-d F-r-a-i-z-e-r. I'm local counsel and representative for the American Insurance Association, a national trade association of property and casualty insurers. I'll

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simply echo what Mr. Dobler brought up, and as Senator Schumacher noted, current UM/UIM coverage is premised on the basis that stacking is not allowed under Nebraska law. So, of course, it's...the rates are computed in consideration of that. If stacking were to be allowed, and obviously more insurance would be...or more coverage would be accessed, there would be more payouts under more policies and that would, obviously, have some upward pressure on rates. Again, it's difficult to quantify, but obviously the more payout that is possible, the more pressure there is on insurance rates. And for that reason we would oppose this bill. And I'd be happy to try to answer any questions. [LB1143]

SENATOR PAHLS: Seeing none, thank you for your testimony. Appreciate that. Any in the neutral? Thank you. Senator Cornett waived closing so that closes LB1143. We are now ready for LB984. Senator Krist. [LB1143]

SENATOR KRIST: Thank you, Senator Pahls and members of the Banking Committee. Current law requires minimum limits...I'm sorry. My name is Bob Krist, K-r-i-s-t. I represent District 10. Current law requires minimum limits of \$25,000 per person and \$50,000 for occurrence for uninsured and underinsured motorists coverage. LB984 would increase these minimum limits to \$50,000 per person and \$100,000 per occurrence. Uninsured motorists insurance provides coverage to an insured when a person he does not...who does not have insurance is responsible for an accident that causes injury to that insured. Similarly, underinsured motorists insurance provides coverage to an insured when a person who is responsible for an accident that causes injury to an insured does not have enough insurance to cover the damages of the insured. We had a tragic example of that in Omaha. A lady exiting off the Martha Street exit and 480 was hit by someone who was not insured and was killed in the accident with a passenger. I introduced LB984 so that the issue of minimum limits could be reviewed. There's been no adjustment for the uninsured or the underinsured limits since 1984. In those 18 years, medical costs have risen dramatically. Medical costs are the primary cost incurred by an insured who is injured through no fault of his or her own. If medical costs inflation was applied to that \$25,000 limit established in 1984 through 2012, the new limit would be \$49,665.15. It makes sense that in that time frame costs have escalated almost double. After 18 years, I believe it's time for us to look back and see what those limits for the uninsured and underinsured limits should be and to have them adjusted. And with that, I would thank you for your consideration and if you think it's appropriate, let's have a fair and honest debate on the floor about the issue. Senator, I need to get back across the hall. It's not that I'm not serious about the issue, but we have two other things going on, so I will waive closing if there are no questions for me. [LB984]

SENATOR PAHLS: Okay. Any questions at the moment? Thank you. Thank you, Senator Krist. [LB984]

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SENATOR KRIST: Thank you. [LB984]

SENATOR PAHLS: Proponents? Opponents? I see, one, two. If you are an opponent, I'd prefer you'd move to the front. That way I have a feel of what we're doing. Thank you. [LB984]

JIM DOBLER: (Exhibit 1) Senator Pahls, members of the committee, my name is Jim Dobler. That's D-o-b-l-e-r, and I'm general counsel, Farmers Mutual of Nebraska. I'm a registered lobbyist and I appear today on behalf of Nebraska Insurance Information Service in opposition to LB984. I appreciate Senator Krist's comments that we haven't looked at this issue in quite a while, but I think there are some auto frequency and severity statistics that might help with regard to why it hasn't changed in quite a while. Also we recognize and we would always support the idea that everyone should be socially responsible and carry adequate coverage, but there is a cost to all of that and I guess the tough part of the problem is figuring out where to draw the line, and how much people should be required to buy. With my handout, let's look at the third...let's see. Yeah, the third page of the handout, just to give you a sense of where we're at on this kind of coverage and I know I distributed this last year on a similar bill so, but for the benefit of new members of the committee I kind of wanted to touch on it. The page I'm looking at, at the top it says UM/UIM Offer Only, Mandatory UM/UIM. On the right-hand column, those are the states that don't even mandate anything. In all of those states, that's 30 states, you don't even have to buy it if you don't want to. So we've moved beyond that and we are in a group of 16 states that does mandate that you buy a minimum limit. But then let's look, too, at those 16 states and see what they're mandating. You can see the bulk of them are similar to what we have. But the main thing to consider here is what I kind of marked there in the third column where it says, excess or difference in limits. There are two ways to write the coverage. The way it's written in Nebraska is it has to be excess and apply as excess to the liability coverage. But the other way to write the coverage is to say that it is out there only to the extent that it exceeds whatever the liability coverage is. So for example, if you bought 25/50 UM/UIM, and someone hits you with minimum limits of liability of \$25,000 and your damages are \$50,000, you don't have any collection under your own policy. The way I try to keep track of it is, I just for a difference in limits policy I just think, okay, that's the total amount of money, the total pot of money that's there for that claim, and it's as if you are hit by somebody who had that much coverage. If you bought 50/100 UM/UIM and someone ran into you with 25/50 and your damages were \$60,000, you would collect 25 in liability, 25 in UIM and the other 10 of your \$60,000 in damages, you couldn't collect. So there are two ways to do it. We have the more robust version. So looking at the 16, there are only three that require the excess that we do. Everyone else, difference in limits. The state right now that requires the most coverage is Minnesota because it provides excess coverage and their FR (Financial Responsibility) limits, the minimum amount of liability insurance, is 30/60 instead of 25/50. Behind Minnesota at number two, is D.C., Maine, Nebraska, and Vermont. We already provide as a floor a pretty

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robust amount of coverage. So that's where we sit. If we raise it to 50/100 excess UM/UIM coverage, it will be the most in the nation. You can see, too, on this sheet I...the states around us are all similar to what we have. It...we're in line with other states, Iowa, South Dakota. And again, another thing to keep in mind with this coverage is, traditionally it's always been written to coincide with the liability coverage. So if you buy 100/300 liability coverage, you automatically get 100/300 UM/UIM. To say, well, you've got to have a lot more UM/UIM, but less liability coverage, is a scary thing for the underwriter. And again, it ties to the fact that you don't underwrite this coverage so you don't know when it's going to be triggered. And number two, the coverage itself doesn't involve a lot of premium. It doesn't come up a lot so you don't have credible loss data to figure out exactly what you should charge for it. So the way around that and what I think most carriers do is, they tie it to the liability limit because the liability limit is the thing where you're going to have a lot of premium and a lot of losses. And from an underwriting standpoint, you feel comfortable having those two things tied together. So if you change it as this bill does, it's different. I don't know for sure the impact of that, but it's very different. It's just unusual. With that, I'll conclude my testimony and try to answer any questions the committee might have. [LB984]

SENATOR PAHLS: I have one. Been here a long time and this does seem to be...always floats around. What's...is there...does the public, or the senators, or what, do we feel that this is unfair? Is it why this topic keeps coming back? [LB984]

JIM DOBLER: Senator... [LB984]

SENATOR PAHLS: Or similar topics? [LB984]

JIM DOBLER: I can understand why it comes up and there's one other exhibit here. I'm glad you brought that question up. I meant to talk about this. It's pretty important. But, sure, I mean, if you look at it and you look, well, my gosh, we haven't changed this since 19...I think it was changed around '91, '92. Healthcare costs have gone up. Gee whiz, we're behind the times here. You look at inflation, all those things, and you would think it's something that the Legislature ought to consider. However, if you look at the last page of my handout there's another side to this story that the committee should consider. This page shows our loss costs for liability coverage and UM and UIM coverage. And it's showing the losses, the claims, and the average amount of claims for the years '06 to 2010. And let's focus on '06. That's going to be the most credible data. Generally for rate making purposes, you need it to be out there for a minimum of five years or it's not credible. Liability insurance has what's called a long tail, which means that the claim that occurs today probably won't settle for two or three years down the road. So you want to let it develop and see what your total costs really are. So '06 is a pretty good year for us to look at. And you can see there, you've got incurred losses in '06 at \$13 million; next you've got the total number of claims for that year. Next the average incurred loss per claim is \$23,523. The median incurred is roughly \$6,000. So

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from an auto insurance standpoint, the frequency and severity of loss doesn't track with healthcare costs. It just doesn't. And I'm no expert, but my sense of it is it doesn't track because seat belt usage, air bags, the way you construct the body of a car now so that it absorbs the crash, and then I think, too, an older driving population. The baby boom is having a factor there. So all of those things have kept the cost of auto accidents down or flat. We haven't taken an auto rate increase since 2003. So, sure, I can see why it keeps coming up because, to me, if you're considering what it costs if you get hurt, yeah, but when you look at auto, it's a different story and the loss costs just aren't there. So again, I think what we have in place now already covers the average incurred. I mean, when you think about it, for most accidents you've got a liability limit of \$25,000 and a mandatory underinsured motorist limit of \$25,000, so you're working with a pot of money of fifty grand, far in excess of the average and way above the median. Now at the same time, I do think it's important to always look at it because, you know, I've thought too, that all those the things, the seat belts, air bags, maybe we've kind of maxed out what technology can do to keep claim costs down. We might start to see it creep up, so it bears continue review by this committee, but I think right now, Nebraska is in a good spot. [LB984]

SENATOR PAHLS: Okay. Senator Schumacher. [LB984]

SENATOR SCHUMACHER: Thank you, Mr. Chairman. With looking at those numbers on 2006, the median number which I think means they're half of the claims are below that number and half are above that number? [LB984]

JIM DOBLER: Yeah, you work from each end. [LB984]

SENATOR SCHUMACHER: Right. Is \$5,000...\$5,900 meaning half the claims were under \$5,900? [LB984]

JIM DOBLER: Yeah. [LB984]

SENATOR SCHUMACHER: On the other hand, the average claim was \$23,000, which must mean in any kind of distribution there were a whole lot of claims above \$23,000 in order to drive that average way up there. Is that an accurate analysis of those statistics? [LB984]

JIM DOBLER: I have always looked at that higher average as a result of a small number of very big ones. [LB984]

SENATOR SCHUMACHER: Do you have those numbers? I mean, what...a distribution graph of those at all? [LB984]

JIM DOBLER: I'm sure we do. Offhand, I don't know what that would be. [LB984]

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SENATOR SCHUMACHER: Okay. Because, you know, earlier there was some testimony that if we stacked coverages that it would blow the roof off of the premiums, if we stacked those coverages. And now, we're hearing, well, it's...this coverage rate is really quite adequate because everything is all hunky-dory, so which...how do those two positions reconcile? [LB984]

JIM DOBLER: Well, you're going to...if you provide, say, on the stacking bill, let's just go back to our family of four and you could end up with UM/UIM of let's see, one million, two million, I think. Let's assume that. Well, if you have one catastrophic accident and it results in a \$4 million payment, it's gigantic. And it will take a ton of premium to make that up. So I think that's a different issue than looking at the averages for liability coverage. You just...you're not going to...it's just not going to generate that, you know, that high of an average number. They're there, but they're in there with a large amount of other stuff. If you just take one little part of the policy and you decide to make that gigantic, that's a whole another issue to me. Does that help? I don't think it does, does it? [LB984]

SENATOR SCHUMACHER: No. Thank you. [LB984]

JIM DOBLER: It doesn't, well, okay. [LB984]

SENATOR PAHLS: Seeing no other questions, thank you for your testimony. [LB984]

JIM DOBLER: Okay. [LB984]

SENATOR PAHLS: Good afternoon. [LB984]

KORBY GILBERTSON: Good afternoon. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of the Property Casualty Insurers Association of America in opposition to LB984. I think Mr. Dobler gave you quite a bit of information and I have a 35-page report that I decided not to make copies of for you because I thought you would appreciate that. But I do have a report as of the end of last year that shows all of the different financial responsibility limits across the country and how everything works together in all those different states. Right now, Nebraska enjoys fairly low overall insurance average premiums. If this bill was to pass, the fear is that we would skyrocket right up to the top because what this bill does is it impacts a little more than 20 percent of insured drivers in the state of Nebraska, those who decide to carry the minimum limits. Those people who carry higher limits would not be affected by it, but those who can least afford it, arguably, would be the ones that would have to have their premiums increased. And, obviously, if those are higher risk drivers and things like that, that would compound the amount of the increase in their premiums and that is our concern. Mr. Dobler covered

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very well the fact...or what different states require right now and that we are already right at the top of those requirements. We, at this time, don't feel that it's necessary to increase the limits. Be happy to answer any questions. [LB984]

SENATOR PAHLS: Seeing no questions, thank you for your...oh, I'm sorry. Senator. [LB984]

SENATOR LANGEMEIER: Could I ask one, Chairman? Ms. Gilbertson, appreciate you coming in and I'm going to ask this question now because we're going to go into a bill that's real similar in the next one, but in my eight years, I think I've heard this subject every year. And it's always the insurance agents wanting more coverage as a minimum, and it's always the companies not wanting to do it, and we blame it on higher rates. Why do you think that is? [LB984]

KORBY GILBERTSON: You know, I could tell you my...it's off the mike, but I think you should ask the agents what they offer and why their clientele doesn't buy the higher limits. There's nothing saying that they can't sell more. And, obviously, the majority of people in the state already do buy more. I'm personally baffled by why they support it every year, so. [LB984]

SENATOR LANGEMEIER: And we'll get the opportunity to ask that question next. Thanks. [LB984]

SENATOR PAHLS: Did I hear you say baffled? [LB984]

KORBY GILBERTSON: Baffled. (Laugh) [LB984]

SENATOR PAHLS: Okay. Thank you for your testimony. [LB984]

KORBY GILBERTSON: Thank you. [LB984]

TAD FRAIZER: Good afternoon, Chairman Pahls, members of the committee. Again, my name is Tad Fraizer, T-a-d F-r-a-i-z-e-r representing the American Insurance Association, a national trade association of property and casualty firms. I think Mr. Dobler and Ms. Gilbertson have touched on the main points, but one thing I'd like to point out as far as UM/UIM, of course, this is coverage that you have...you buy principally for yourself. And there's nothing that prevents you as a driver, car owner, from buying above the minimum limits in consultation with your agent or whatever, so you can within reason choose whatever limit you want. And I guess if you choose not to protect yourself with UM/UIM coverage, that's a risk you're going to take. But there's certainly nothing preventing you from asking for additional coverage and I'm sure if you were to ask, an agent would be happy to sell it to you. And I'd be happy to try to answer any questions you might have. [LB984]

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SENATOR PAHLS: Just offhand, do you know any of the rates if I would increase mine? I mean, how much...if you don't that's (inaudible). [LB984]

TAD FRAIZER: I'm afraid I don't have information on individual company's rates. [LB984]

SENATOR PAHLS: It's not high, is what you're telling me, though? [LB984]

TAD FRAIZER: No, it's not...it's a fairly inexpensive coverage, I think as Mr. Dobler indicated, because it's in a way it's hard to underwrite so...you know, underwriters to a certain extent are throwing darts and taking it to the principal liability limits. [LB984]

SENATOR PAHLS: Okay. Thank you for your testimony. Good afternoon. [LB984]

JAN MCKENZIE: Good afternoon. Last but not least, for the record, my name is Jan McKenzie, J-a-n M-c-K-e-n-z-i-e, testifying on behalf of the Nebraska Insurance Federation on LB984 in an opposition position. As I said before, my legislative committee voted to be on the record against this bill. And I would just mention one other thing that I think we've talked about every year when we talk about these bills along with uninsured motorists and that often as policymakers, you understand while trying to accomplish one, it cause, or good end to a problem, there are often unintended consequences. Most people buy what they feel they can afford and those who are buying what they can just barely afford, I think are the ones that we always have to kind of consider as we look at raising what we consider to be mandatory minimums. [LB984]

SENATOR PAHLS: Any questions? Seeing none, thank you for your testimony. [LB984]

JAN MCKENZIE: Thank you. [LB984]

SENATOR PAHLS: (Exhibit 2) Any more opponents? Any to the neutral? The senator waived closing, so that closes LB984. We are now ready for...oh, sorry, before...I do need to, there is a letter of support of LB984 by the city of Lincoln. Now we close the hearing on LB984. We are now ready for LB1003. Senator Schumacher. [LB984]

SENATOR SCHUMACHER: Thank you, Senator Pahls and members of the committee. I'm Paul Schumacher, S-c-h-u-m-a-c-h-e-r, representing District 22. LB1003 was brought after conversations with the independent insurance people. They are the folks who sell insurance and are basically the boots on the ground in the automobile insurance business. It differs from the bill we just heard in that it also adds in the increasing coverage to liability insurance. The prior bill kicked in only in underinsured and uninsured motorists coverage where you buy coverage in case the guy that hits you doesn't have adequate coverage. This says, the guy that hits you should have

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increased coverage. The evidence today and the facts are that the current rate of 25/50 was set back in the late '80s. Simple adjustment for inflation puts it at double that today. I think the figure is actually 1.9 times what it was then. So this can be looked at as a simple currency adjustment. Now, I'm not an insurance expert even though it has been said that insurance is simply a game of chance where life deals the cards. And to the extent that's true, then if there is such little risk of a claim above 25/50, then the premiums shouldn't change very much. However, if there is some risk, a risk worth insuring against, then the premiums, the cost to play should be adjusted accordingly. That being said, I think we should have an interesting discussion on the topics today and the folks who encouraged me to bring this bill, I believe we'll have the data and facts to try to justify their position. [LB1003]

SENATOR PAHLS: Senator Langemeier. [LB1003]

SENATOR LANGEMEIER: Chairman Pahls. Senator Schumacher, a question. We're here to set public policy. Is it, in your mind, public policy to protect the citizens of the state of Nebraska with insurance coverage, or is it public policy to make sure we have the lowest rates in the country? [LB1003]

SENATOR SCHUMACHER: I think we need to try to manage the market so that we have as good a protection as we can considering the circumstances of the ability to pay. And if we had the ability to pay in 1988 for X level of value of coverage, then we should have, assuming the state is in at least as healthy a state now as it was in 1988, we should be able to pay for that dollar value coverage now which with the currency deflation amounts to about double. [LB1003]

SENATOR LANGEMEIER: Okay. Thank you. [LB1003]

SENATOR PAHLS: Thank you, Senator. We will now have proponents for LB1003. Proponents. [LB1003]

DAN LORING: (Exhibit 1) Well, senators, thank you for allowing me to speak in favor of LB1009. (sic: LB1003) I am Dan Loring, L-o-r-i-n-g. I'm president of Loring and Company an agent in Omaha, Nebraska, and I'm speaking on behalf of the Independent Insurance Agents of Nebraska. Echoing prior comments from the introducer, I feel the \$25,000 and \$50,000 is simply too low. As we watch medical costs skyrocket, we see people who are injured exceeding that limit in damages, hospital costs, etcetera. I am a component for my clients and a consumer advocate. A couple of things that I found, and I'm not an actuary nor a researcher, I did the best I could in preparation for the committee meeting. The National Safety Council on a national basis indicates that nonfatal disabling injuries the average is \$68,100. The Insurance Information Institute reports the overall average bodily injury claim to be \$14,486 as of 2009. This is not too much different than what Mr. Dobler testified to earlier. The increase, by the way, in that

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\$14,000 since 2001 is about 42 percent according to the Information Institute. One thing that was asked earlier, that I did take the time to rate a little bit, increasing a standard policy, that would be two adults with two cars from 25/50 to \$50,000 each person and \$100,000 each occurrence is \$25 per car or about 3 percent. I think everybody was concerned. The other question was, are we going to bankrupt the citizens or protect them? It's \$25 per car. One thing I did just this morning and did not have in here, if you have kids in the household and those of you who do know that the premiums are enormous. It's about the same. If you have two kids, four cars, the additional premium is \$38 a car, which once again is the same 3 percent increase in premium. You're playing with bigger dollars with kids. I'm not a rate-making expert and not an actuary. However, if the average remains around \$15,000, the hit to rates on increasing this to \$50,000, \$100,000 ought to be fairly small. What's going to tweak it is, how many big ones do we get? I know that there's going to be a lot of opposition from insurers on increasing this in attempts to limit their losses. To me they end up paying it anyway. If they don't collect from the other party because of inadequate rates, they're going to end up paying it out of uninsured motorists anyway. We recommend to our clientele, and most of them have it, \$500,000 of uninsured/underinsured motorists. There are a couple of examples in the testimony that I passed out. We've had two claims where our client was struck by someone with inadequate limits. One collected \$188,000 and that one was a little bit of a combination between his personal auto policy and Workers' Compensation. But he collected another \$188,000 over and above the at-fault party limits. Our largest one about six years ago is our client was struck by someone with a \$25,000 limit. This is the extreme side. That client collected \$331,000 under the uninsured motorist section where they had enough. Make sure I don't miss anything. Actually, that's about all I have to say to start. Can I answer any questions from the committee as an agent representing more the consumer? [LB1003]

SENATOR PAHLS: Okay. Senator Langemeier. [LB1003]

SENATOR LANGEMEIER: Thank you, Chairman Pahls and thank you for your testimony. First of all, I want to clarify. You said \$25 per car or 3 percent. That's a month, six months or a year? [LB1003]

DAN LORING: I'm sorry, that's an annual premium. Thank you. [LB1003]

SENATOR LANGEMEIER: Okay. So all those that you have in your testimony would be annual premiums, the \$38, the \$25? [LB1003]

DAN LORING: Annual premiums. Thank you. [LB1003]

SENATOR LANGEMEIER: Okay. So we can add that. Here's my next question. I think it just finally dawned on me in this whole discussion is, you're in support of this as an agent not to aid in your selling of insurance, it's the other incompetent agent that didn't

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sell his client enough that hits your client is the one you're worried about? [LB1003]

DAN LORING: I thought you put that very well. (Laughter) [LB1003]

SENATOR LANGEMEIER: Okay. I'm a little slow, but I just figured it out. Okay. [LB1003]

DAN LORING: If I might comment that would be helpful, I'm not feathering my own nest. The commission, just so everything is transparent, the \$25...we get about...well, I don't know 12 percent. About two-thirds of that goes to overhead so if I sell everybody an additional limit of \$25 annual premium, I make a dollar. (Laugh) [LB1003]

SENATOR LANGEMEIER: Okay. Thank you. [LB1003]

DAN LORING: So there's no financial incentive for me. I just think it's the right thing to do. [LB1003]

SENATOR PAHLS: Any other questions? Seeing none, I thank you for your testimony. [LB1003]

DAN LORING: Thank you. [LB1003]

SENATOR PAHLS: Any more proponents? Opponents? [LB1003]

JIM DOBLER: (Exhibit 2) Senator Pahls and members of the committee, my name is Jim Dobler. That's D-o-b-l-e-r. I'm an attorney with Farmers Mutual of Nebraska and I'm a registered lobbyist appearing here today on behalf of Nebraska Insurance Information Service in opposition to LB1003. To begin with, our opposition isn't that we're trying to avoid losses. I agree with Mr. Loring. I mean, whether you raise these or not, the losses will still be there. Our concern is, if you raise the minimums, and the minimums are the amounts that people buy generally because they can't afford anything else, if you raise those minimums, you'll affect the uninsured motorists population that will be more people without it, which is something we don't think would be useful. To put it another way what we like is everybody participating. You don't want a lot of people not participating, same thing in health insurance. The more that participate, the more the loss costs are spread out over a bigger group and that tends to keep the cost for everyone a little lower. So fundamentally to raise the minimums, the risk you run is there will be more people that don't buy it. Let's turn next to the exhibits that I have with the prepared testimony. Some of the stuff is in the material with LB984 so I'm not going to repeat anything, but like Mr. Loring, I thought it would be useful for you to see the rate differentials for this. And here again, it's not going to be gigantic. You're not going to make the citizens of Nebraska bankrupt by raising this from 25/50 to 50/100. It will be a difference. It's not going to be huge. I think you'll see here it's roughly 10 to 20 percent,

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but it's a difference. I highlighted it there. The first company is Nationwide and this is what I handed out last year, so it's not 100 percent current but it's close. To go from 25/50 to 50/100 for Nationwide, a 24 percent increase. The next page is Farm Bureau and you'll see a 10 percent increase. The next one is State Farm and it's an 8 percent increase. And then we've got...oh, North Star and you'll see a 20 percent increase. That's on page 4. And finally on page 5, you've got American Family and that's a 9 percent increase. Farmers Mutual is about 8 to 9 percent. One thing to keep in mind when you look at that, and everybody is different, everybody writes this stuff a different way, our rate increase from 25/50 to 50/100 is a little narrower primarily because we want the family auto policy, we want the traditional safe conservative risk. So we probably price our minimum limits a little higher than some other companies. Since we're doing that, the gap between 25/50 and 50/100 is a little narrower, but everybody will be different. I did include next in my material one rating example. It's the same one I used last year. And I think the dollar amounts are similar to what Mr. Loring said, but I included a family of four, two parents, two teenagers, and they have four cars. It's a six-month policy and overall to go from 25/50 to 50/100 for that family, it's \$79 for six months of coverage. One thing to keep in mind is the rate increase for one person with one car, good driving record, it's not going to be very much at all. Where you're going to see the increase more is larger families with lots of cars because you're going to have a risk attaching to each...or a price attaching to each one of those risks. So the more stuff you have, an increase from 25/50 to 50/100 is going to be a little bigger. You can see in here I put the two kids on a couple of the cars and again the increase for the teenage driver is a little more, 25, 30 bucks. But again, it's a matter of the folks that are at the minimum level are there, I think, mostly for a reason, and it's...they don't have the money to buy more. I'll skip some of those items. If you go back a little farther, you'll see a couple of items related to...one of them says, Wisconsin lawyer. And then the next is a news release from the Insurance Research Council. It's interesting. These are two articles...I'm not going to go through them in any detail but I thought you'd be interested in this. The state of Wisconsin in 2009 they changed all of their minimum limit requirements and they went from 25/50 to 50/100 for liability, and 100/300 for UM/UIM. They made a very significant increase. And in part, they were thinking, well, gee, cost of health care and everything else, they hadn't changed their rates since the '80s. Eighteen months later the Legislature repealed the entire thing and they went right back down to where they were before to 25/50 liability, 25/50 UM, and only an offer of UIM coverage. Again it's a tough call. I mean, and it's a judgment call. Where do you want to put that floor? And whether...you know, we may not agree with it, I don't know, but people when they're mandated to buy something like that they don't necessarily like it. Finally, again, I included it for your information. You've got the very last page, shows the average...some averages on auto insurance coverage. Our current auto insurance rates are low and they're competitive. Our current uninsured motorists population is one of the lowest in the nation. We've got a nice market here and it works well. I fully appreciate the concern about having enough in all accidents and for sure having a low limit won't necessarily always be enough, but I think we're sitting at a pretty good spot right now.

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And with that, I'd be happy to answer any questions. [LB1003]

SENATOR PAHLS: Senator Langemeier. [LB1003]

SENATOR LANGEMEIER: One more quick question. Thank you, Chairman Pahls. And I don't want to pry into your business model, but do you pay the same commission for a policy sold at 25/50 versus 100, 200, or whatever and on up? Is it the same rate all the way through? [LB1003]

JIM DOBLER: Yeah. Our commission on automobile business is 15 percent. [LB1003]

SENATOR LANGEMEIER: I don't care what it is, I was just curious if it's the same rate all the way across. Okay. [LB1003]

JIM DOBLER: It is. And I mean it's on file with the department, so, yeah. [LB1003]

SENATOR LANGEMEIER: Okay. Thank you. [LB1003]

SENATOR PAHLS: I'm going to ask a favor of you that...can you get this resolved just in case Senator Langemeier and I decide to come back in four years. (Laughter) I mean, and I understand on both sides, but there just seems to be something is missing. And you're telling me in the state of Minnesota, did I not hear you correctly, they went back? [LB1003]

JIM DOBLER: It was Wisconsin. [LB1003]

SENATOR PAHLS: Wisconsin, yeah. [LB1003]

JIM DOBLER: That's right. [LB1003]

SENATOR PAHLS: And they went back and it was strictly because of...there were no other factors? [LB1003]

JIM DOBLER: I don't know what all...I can't describe, I mean, all the factors that went into why they reversed what they did. I...my sense of it is that people didn't like that the minimums went up that high. I mean, I don't think the Legislature would have done anything if somebody hadn't complained about it. It's a hard issue. I mean, it truly is. But anyway, anecdotally, that's what happened up there in that state. [LB1003]

SENATOR PAHLS: Okay. Seeing no questions, thank you for your testimony. [LB1003]

TAD FRAIZER: Good afternoon, Chairman Pahls, members of the committee. My name is Tad Fraizer, T-a-d F-r-a-i-z-e-r, representing the American Insurance Association, a

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national trade association of property, casualty firms, appearing in opposition to this bill. Again, I'd echo what Mr. Dobler so ably expressed already. I think I have said this in past bills, but this...our position may seem a little counter intuitive to you. You would think that the sales and marketing departments of insurance companies would be jumping up and down in glee of the thought of the state of Nebraska mandating people buy more insurance. But the experience of companies is it doesn't quite work that way. It seems to have, as Ms. McKenzie said on the prior bill, unintended consequences. I think the observation of our company members is that people who can afford more coverage are going to buy more coverage advised by their agent, and it's the people who can only afford the minimums who are going to buy the minimums. And as you mandate more, you increase the possibility of people going bare or people buying coverage long enough to register their car and then dropping the coverage, which you end up with kind of churning which is an administrative issue for insurance companies. And, obviously, the Department of Motor Vehicles and such. So although our members would be more than happy to sell as much insurance as anyone is willing to buy, we think that attempting to mandate that to people who are not in a position to buy it is simply going to have negative consequences that is not going to achieve the desired results. And I'd be happy to try to answer any questions you might have. [LB1003]

SENATOR PAHLS: Senator Pirsch. [LB1003]

SENATOR PIRSCH: Do you have any sense of how much, I think that there was testimony before that would bump up I think 3 percent or something under certain situations and 3 percent more. Do you have a sense of how much this would on average? [LB1003]

TAD FRAIZER: We've got over 300-member companies, some of which write various forms of insurance so it would vary greatly from company to company. I think Mr. Dobler had a fairly good range of numbers based on his Nebraska experience. [LB1003]

SENATOR PIRSCH: Okay. [LB1003]

SENATOR PAHLS: Senator Langemeier. [LB1003]

SENATOR LANGEMEIER: Chairman Pahls, thank you. And thank you for your testimony and as my brain processes this. Do you know...and you represent agents, right? [LB1003]

TAD FRAIZER: No, no, companies. [LB1003]

SENATOR LANGEMEIER: You're companies, okay. Good. Do any of your companies use credit scoring in determining liability, auto policies? Yes, no, maybe? [LB1003]

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TAD FRAIZER: For some forms of insurance, there is...well, there is insurance scoring which is different than credit scoring, which can sometimes have a credit factor as one of the many numbers that goes into achieving an insurance score. And I'm sure some of the member companies use some form of an insurance score in looking at rates along with, obviously, the more prominent thing such as loss experience, driving record, things like that. [LB1003]

SENATOR LANGEMEIER: Okay. So could there be an argument made, and I'm still grasping all this again, could there be an argument made that there's people out there that you're having to insure at these low levels that are determined to buy some coverage, but yet you as an insurance company don't really want to cover them? So you want your exposure to those individuals at the lowest level possible. Could somebody make that argument? [LB1003]

TAD FRAIZER: I suppose the argument could be made. I'm not sure all our members would agree to that argument. [LB1003]

SENATOR LANGEMEIER: I'm just throwing it out there to think about because you raise the limits and those people that say, you know, I really want to drive so I'm going to work hard to earn that \$38 more to pay for this extra insurance, but yet it opens up your exposure as a company? [LB1003]

TAD FRAIZER: Well, I mean, if you've got someone with a bad record for some reason, obviously, that's going to be factored in even at the minimum rates. So it's there to begin with so it's not like if you're...and again I'm not an actuary, I'm not an underwriter, but as a general rule I don't think once your rate is more or less set, by increasing amounts you're not going to jack up the premium based on the increased amount within reason. I mean, if you're buying huge amounts of insurance, you're going to look extra close at someone, but I don't think the jumping it up you're going to try to prevent someone from buying more as such. [LB1003]

SENATOR LANGEMEIER: Okay. I'll stop there. I think we're both going in different directions, so I'll stop there. [LB1003]

TAD FRAIZER: Okay. I'm sorry if I'm... [LB1003]

SENATOR PAHLS: Seeing no more questions, thank you for your testimony. [LB1003]

TAD FRAIZER: Thank you. [LB1003]

SENATOR PAHLS: And you may not be wanted back in four years, Senator. (Laughter) [LB1003]

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SENATOR LANGEMEIER: I'm not coming back. You can write that down. (Laughter)  
[LB1003]

JAN MCKENZIE: Senator Pahls and members of the Banking, Commerce, and Insurance Committee, for the record, my name is Jan McKenzie, J-a-n M-c-K-e-n-z-i-e, testifying in behalf of the Nebraska Insurance Federation in opposition to LB1003. Senator, if you and Senator Langemeier come back in four years, we may be talking about a different kind of mandate with different kinds of requirements. So maybe it will be a refreshing new topic. With that I would answer any questions about (LB)1003 that I can. [LB1003]

SENATOR PAHLS: Seeing none, thank you for your testimony. [LB1003]

KORBY GILBERTSON: Good afternoon, Chairman Pahls, members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n, appearing today as a registered lobbyist on behalf of the Property Casualty Insurers Association of America in opposition to LB1003. I went back, I had some copies of some reports that were done in order to try to answer a few questions that were asked during the last bill. One carrier that...they did studies across the country for PCI members and they looked at different carriers on how they did it. So an example of one carrier, they said that on average the people who had the current limits of 25/50 would have an increase in their UM insurance of around 15 to 20 percent, and then the UIM would usually double. Now that is all based and it can all be different based on the driver, the insurance company, where you live, what your current limits are. So to say it's \$25 or \$150, you know, it could be all over the place. Senator, I don't think it's easy to give a specific number. One...another study I was looking at was by the Insurance Research Council and they did a study of all the UM claims for the state of Nebraska. And the total economic losses of those claims averaged less than \$12,000 apiece, so the average of all claims in the state of Nebraska for UM coverage is less than \$12,000. I guess the bottom line is that when you look at the coverages Nebraska already offers, and you look at what's offered or required in other states insofar as a mandate or a mandatory offer, Nebraska is already at the very top of what states require. There hasn't been movement in other states to increase their limits which are already lower than the state of Nebraska's. We feel that we already have adequate coverage here and people who want to buy more can buy more if they want to. I always buy what my insurance agent tells me to. I didn't even know what I had so I went back in my purse and looked to make sure, but... (laugh) because I think most people do listen to their agents and the small number of people that this would affect, I think it hurts them in the pocketbook more than the rest. Thank you. [LB1003]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. Anyone in the neutral? [LB1003]

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SENATOR SCHUMACHER: Thank you, Senator Pahls and members of the committee. Maybe the reason that it's Groundhog Day all over again for this type of idea rests with the fact that there's a lingering problem out there. And the lingering problem is that all of this is fine and good except when you're hit by somebody who is not insured and you suddenly have got a wrecked car, maybe a new electric wrecked car with big expensive batteries, you're suddenly in the hospital for just a very short period of time in ICU, or having to be helicoptered into a medical facility in Omaha or Lincoln, and you're the one that doesn't have the insurance coverage. The general theory of insurance, I take it, is to spread the risk among the population at risk. What we're hearing today is, look at the population at risk, at least the bottom end of that population, financially can no longer afford the quality of insurance that they did in 1988 or when these things were originally set. And that that risk of the motoring public should be borne basically by luck rather than by an insurance system. And the luck is, if you're unlucky enough to be the one that's hit by an uninsured driver, you're unlucky enough to dig into your pocket. And that's the policy decision that the committee needs to face and why probably the boots on the ground that hear from their people who they service as customers and in their hometowns who hear about the stories of so-and-so getting hit by somebody who did not have adequate insurance, why they keep bringing it here. This probably also has got to be coupled with another policy thing and that is a more effective way of dealing with the person who chooses to drive, but has no insurance. And there's been a number of suggestions that have been made and undoubtedly there will be bills introduced. I don't know if there's any this session, but in the future that basically says something like, your car involved gets picked up or checked by the police and you don't have adequate insurance on that driver, guess what, that car is going to the impound lot and it's going to cost you 500 bucks to get out. And that put a sweet end to some of that uninsured business pretty quick. But these are policy decisions. Who should carry the risk? Should it be spread evenly at a cost of about 3 percent? And that's still won't solve the problems, there will still be some above the 50/100 mark. Or should it be spread by lady luck and whoever gets clipped, gets clipped. I'll take any questions, and... [LB1003]

SENATOR PAHLS: What I find interesting, you said that perhaps we should have a bill or a law that says that if you get stopped uninsured your car is towed, you know, put away, locked up. Well, I'll be honest with you, I was thinking about proposing that bill this year, but I have push back from the insurance world. So it's...that even makes me wonder what...there is something amiss here because I did get push back. And another senator also got push back from...the opposite I thought it would help, but it was pointed out to me that it would not. So maybe there does need to be some...more thought put into this. [LB1003]

SENATOR SCHUMACHER: Appears the engine isn't running on all cylinders at least. [LB1003]

SENATOR PAHLS: Seeing no questions, thank you. [LB1003]

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SENATOR SCHUMACHER: Thank you. [LB1003]

SENATOR PAHLS: (Exhibit 3) Before I close, we do have the city of Lincoln, they do support LB1003. That does close the hearing. [LB1003]