



Update from CAOC

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Insurance reform is CAOC legislative priority for 2022

RAISING MINIMUM INSURANCE LIMITS AND ENDING THE STACKING OF UIM BENEFITS

Last fall, CAOC conducted a member survey asking for your legislative priorities. The responses were clear – CAOC members believe insurance reform should be a priority for the organization. Specifically, CAOC was asked to (1) increase the minimum mandatory financial responsibility limits and (2) address the current law that prohibits stacking of underinsured motorist (UIM) benefits.

Financial responsibility limits

Unfortunately, our minimum financial responsibility limits of \$15,000 per individual, \$30,000 per accident and \$5,000 for property damage, established in 1967, have never been adjusted. These limits are dangerously low, with California among the bottom three states with the lowest limits in the nation.

Costs for vehicle repairs, medical services, and emergency services have increased considerably over the last 55 years, while minimum required insurance limits haven't been touched.

Many drivers today, unaware of the serious economic consequences of an accident, are under the false impression that simply carrying "full coverage" (technically just the minimum auto limits) is enough.

Minimum auto 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. California must be proactive and ensure motorists are properly covered.

CAOC is sponsoring SB 1107 (Dodd) to increase the limits to \$30,000, \$60,000, and \$25,000, respectively. We face stiff opposition from the insurance industry but are keeping lines of communication open. We have also commissioned a report by a former Insurance Commissioner to demonstrate that the increase in premiums will be minimal and offset by the extra protection given motorists.

Underinsured motorist law

Further, California drivers who purchase UIM insurance are not receiving the protection they believe they have purchased. UIM coverage is purchased to protect the insured if they are injured by an underinsured driver. If an at-fault driver does not carry enough liability insurance to fully cover the harm they cause, UIM coverage is supposed to help cover your damages.

Unfortunately, contrary to what a reasonable person would believe, the UIM policy only provides coverage if the UIM

coverage exceeds the liability coverage of the at-fault driver. So, if a driver buys minimum coverage and the at-fault driver also has minimum coverage, the maximum recovery is only \$15,000 total and zero from the UIM policy. If a driver who has purchased \$50,000 in UIM is hit and injured by someone who purchased a lower policy, the UIM recovery is reduced by that amount even though the insured purchased \$50,000. Again, the insurance industry opposes proposed changes.

Senator Bill Dodd (D-Napa) has agreed to carry CAOC-sponsored legislation to address both of these important issues. We face traditionally hostile Assembly and Senate Insurance Committees, but we have started outreaching to legislators both via our grass roots meetings and CAOC advocate meetings. We still need more examples, particular for cases that impacted small business owners, so please submit your examples at tinyurl.com/CAOCInsuranceReforms.

We can be successful in this effort only if we have clear examples of the injustice of the current law.

Thank you for your support of CAOC's legislative program. 🙏