SENATE THIRD READING
SB 1107 (Dodd)
As Amended June 9, 2022
Majority vote

SUMMARY

Effective January 1, 2025, increases the minimum allowable motor vehicle financial responsibility limits (FRLs) from $15,000 to $30,000 to cover costs related to the bodily injury or death of one person in any one accident, from $30,000 to $60,000 to cover costs related to the bodily injury or death of two or more persons in any one accident, and from $5,000 to $15,000 cover costs related to the destruction of property in any one accident, and increases these limits to $50,000/$100,000/$25,000, effective January 1, 2035.

Major Provisions

1) Beginning on January 1, 2025, increases the minimum allowable motor vehicle FRLs from $15,000 to $30,000 to cover costs related to the bodily injury or death of one person in any one accident, from $30,000 to $60,000 to cover costs related to the bodily injury or death of two or more persons in any one accident, and from $5,000 to $15,000 cover costs related to the destruction of property in any one accident, and makes conforming changes.

2) Requires the Insurance Commissioner (Commissioner), by February 1, 2023, to solicit rate applications from insurers to account for the change in the financial responsibility law described above.

3) Increases the minimum allowable motor vehicle FRLs from $30,000/$60,000/$15,000 to $50,000/$100,000/$25,000 on January 1, 2035 and requires the Commissioner to solicit rate applications from insurers to account for these changes, as specified.

4) Increases the required size of a deposit placed with the Department of Motor Vehicles (DMV), in lieu of an insurance policy with required minimum FRLs, from $35,000 to $75,000 on January 1, 2025, and to $125,000 on January 1, 2035.

5) Provides that its provisions are operative, only if SB 1155 (Caballero) of the current legislative session is enacted and takes effect on or before January 1, 2023.

COMMENTS

The FRLs that are the subject of this bill serve to protect the driver of the other vehicle in a car crash caused by an insured driver. For example, if an insured motorist purchases a minimum limit FRL policy and is at fault in a vehicular accident, the insured motorist's policy covers up to $15,000 in bodily injury costs incurred by the driver of the other vehicle, if that driver was the only person in the vehicle at the time of the accident; up to $30,000 in bodily injury costs incurred by the driver and his or her passengers, if there was more than one person in the vehicle at the time of the accident; and up to $5,000 in property damage to the other vehicle.

One of the biggest outstanding questions about the impact of this bill hinges on the extent to which CDI approves rate filings submitted by insurers in response to this bill's provisions. As noted above, Proposition 103 requires insurers to submit proposed changes to their automobile insurance rates to CDI for approval, before the insurers may charge those rates. Both statutory and case law require the department to process rate filings in a timely manner, to ensure that no rate remains in effect, which is excessive, inadequate, or unfairly discriminatory. Yet, despite the department's longstanding practice of processing rate filings in a reasonably timely and predictable manner, there has been a de-facto halt in the department's approval of personal automobile insurance rate filings proposing rate increases since the spring of 2020. The reasons for this halt in approval have not been formally announced and are beyond the scope of this analysis. They are relevant to this bill only because the bill anticipates the submission of new rate filings by insurers to reflect the impact of the bill's required increase in minimum FRLs. If CDI continues refusing to approve new personal automobile insurance rate filings proposing rate increases once insurers submit rate applications to comply with this bill, the personal automobile insurance market could experience significantly disruptions.

Without the department's approval of new rates, insurers will be unable to charge policyholders premiums to reflect the insurers' increased risk. If this happens, some insurers may be forced to choose between selling compliant policies at a significant monetary loss or exiting the automobile insurance market altogether, while other insurers may be unable to sell liability coverage at the new minimum levels, until the department approves their rates.

According to the Author

> SB 1107, the Protect California Drivers Act of 2022, will help protect California drivers and anyone who is injured in a car crash, particularly low-income drivers, by modernizing California's outdated minimum auto limits for the first time in 55 years.
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> Fifty-five years ago, California set our mandatory auto insurance liability minimums at $15,000 for a single injury/death; $30,000 for injury/death to more than one person; and $5,000 for property damage, referred to as $15,000/$30,000/$5,000. Today, California ranks in the bottom three states with the lowest levels of protection in the nation. SB 1107 would modernize these limits to $30,000/$60,000/$15,000 respectively. This modest increase would bring California in line with national averages.
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> Keeping our limits at their current level disproportionately impacts low-income consumers who may either purchase a minimum limits policy or be hit by someone with the minimum limits. Many of these individuals cannot afford to be without their vehicle or miss work after a crash. The innocent party often faces going into debt just to pay for mounting medical bills, car repairs or replacement costs. No family should have to worry about being bankrupted because their insurance did not protect them.

Arguments in Support

According to the Consumer Attorneys of California, the bill will help protect California drivers and anyone who is injured in a car crash, particularly low-income drivers, by modernizing California's outdated minimum auto limits. While every state in the country requires drivers to purchase auto insurance in order to provide protection – California has fallen dangerously behind in protecting our citizens.

Arguments in Opposition

According to GEICO, Californians are already dealing with an economy still recovering from the COVID-19 pandemic, facing inflation rates not seen in the last forty years, record high gas prices at the pump and the uncertainty of a war. Now is not the time to require drivers to spend more on auto insurance. Keeping costs down for consumers should be the most significant consideration for policymakers.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, the California Department of Insurance (CDI) estimates costs of approximately $15,000 in fiscal year (FY) 2022-23, $262,000 in FY 2023-24 and $16,000 in FY 2024-25 to 1) review and approve any insurance company rate filings generated as a result of the increase in financial responsibility limits in FY 2023-24, 2) incorporate the increase in financial responsibility limits to insurance company reporting requirements regarding exposure, losses and number of claims by coverage by zip code and 3) review and update any corresponding departmental regulations through the rulemaking process. CDI also projects cost of $211,000 in FY 2033-34, $6,000 in FY 2034-35, and $211,000 in FY 2043-44, and every 10 years thereafter through the last increase in 2045, to conduct the same activities.

CDI cautions it would need to use the revenue in the Insurance Fund-Prop 103 sub-account to fund the costs of this bill, and that the additional pressure on the Prop 103 sub-account resulting from the costs of this bill would accelerate the need for a fee increase as the Prop 103 sub-account may not be able to absorb these additional costs.

VOTES

SENATE FLOOR: 29-8-3
YES: Allen, Archuleta, Atkins, Becker, Bradford, Caballero, Cortese, Dodd, Durazo, Eggman, Glazer, Gonzalez, Hueso, Kamlager, Laird, Leyva, Limón, McGuire, Min, Newman, Pan, Portantino, Roth, Rubio, Skinner, Stern, Umberg, Wieckowski, Wiener
NO: Bates, Dahle, Grove, Hurtado, Jones, Melendez, Ochoa Bogh, Wilk
ABS, ABST OR NV: Borgeas, Hertzberg, Nielsen

ASM INSURANCE: 10-0-4
YES: Mayes, Berman, Bigelow, Cervantes, Cooper, Gipson, Grayson, Rodriguez, Voepel, Wood
ABS, ABST OR NV: Calderon, Chen, Cooley, Kalra

ASM APPROPRIATIONS: 13-1-2
YES: Holden, Bigelow, Bryan, Calderon, Arambula, Mike Fong, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, McCarty
NO: Davies
ABS, ABST OR NV: Megan Dahle, Fong

UPDATED

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