



Wisconsin Insurance Alliance

Consumer Choice in Auto Insurance Act: Impact on Consumers in Wisconsin

- Relieves 1 in 5 Wisconsin families who were forced to pay as much as 33% more for auto insurance.
- Eliminates regressive costs that fall most heavily on low and middle income families.
- Returns Wisconsin to the framework which led to the 3rd lowest cost auto insurance state.
- Decreases the number of uninsured motorists by making insurance more affordable to low and middle income families.
- Removes Wisconsin as the state with the highest mandatory limits in the nation. (Tied with Alaska and Maine for BI/Highest in Nation for UM/UIM).
- Wisconsin's previous 25/50/10 limits were sufficient to cover over 90% of all auto claims.

Removes Regressive Mandate on Low-and Middle-Income Families:

- Responsible low and middle income families paying the previous minimum auto insurance levels are seeing their costs rise as much as 33%. High income families who previously chose higher coverage levels are less affected but are still seeing premium increases due to other provisions of Act 28.
- Families are paying between \$96 and \$309 more for insurance with the largest dollar increase falling on families in the Milwaukee area.
- Rural families, especially in western Wisconsin, have the highest percentage increase in their premiums.
- Low and middle income families bear a disproportionate share of the current economic crisis in terms of plant closings, layoffs and home foreclosures. This bill will provide some economic relief to those hardest hit by the cost increase.

Decreases Costs through Removal of Unnecessary Requirements:

- Removes mandated "stacked" insurance policies – This provision mandated that families pay extra to allow coverage limits for up to three vehicles not involved in an accident to be "stacked" on the insurance for the vehicle in an accident. The bill removes this provision.

- The bill allows reducing clauses – What the consumer is buying and the insurance company is selling is a guarantee that the consumer will have the selected amount of money should he/she need it because of an uninsured or underinsured driver.

Major Auto Insurance Provisions in State Budget

Allow Choice and Affordability in Auto Insurance for WI Families. Many Wisconsin families are already struggling to make ends meet. Act 28 forced these families to purchase higher levels of insurance. Minimum levels of insurance rose from 25/50/10 (\$25,000 each person, \$50,000 each accident, \$10,000 property damage each accident) to 50/100/15. Medical payment coverage increased ten-fold. Because most consumers with the minimum level of insurance are those least able to pay higher premiums, the highest increases fall on the poor and unemployed.

- **The Cost** - The mandated increased limit by itself would increase insurance premiums for many families with minimum insurance levels with some paying hundreds of dollars more. The impact is greatest on low income families in the Milwaukee area.
- **The “Need”** - According to the Insurance Research Council, 96 percent of all bodily injury claims are \$15,300 or less. This is well below Wisconsin’s previous minimum of \$25,000. The average property damage claim in Wisconsin is \$2,500, well below the previous minimum coverage of \$10,000.
- **The Nation** - Wisconsin’s previous mandatory minimum coverage is higher than minimums in all but four states.

Removes Mandates That Families Pay for “Stacked” Insurance Policies - Wisconsin law previously encouraged separate insurance coverage for each vehicle. Families chose the level of coverage they wanted and could afford on each vehicle they own. Act 28 mandated that coverage limits from family vehicles not involved in an accident be “stacked” for up to three vehicles on the coverage limit for the vehicle in an accident. It effectively doubled or tripled the coverage on each of the vehicles, again forcing families to pay for more coverage they may not need, want nor can afford to purchase

- **The Cost** - According to a nationwide comparison of stacking and non-stacking states, this provision increased uninsured and underinsured motorist costs alone by over 38 percent. The resulting cost increase would hit families and small businesses hardest. A single person with one vehicle would not be affected. If you add a minivan for the family or add a second vehicle to grow your business, you automatically have more coverage whether you want it or not and you must pay more whether you can afford it or not.
- **The “Fix”** - Wisconsin consumers can buy the insurance coverages and limits they need and can afford for each vehicle they own. This provision lowers expenses when families can least afford it by eliminating unnecessary coverage levels for families who own more than one vehicle.
- **The Nation** - This new law restores to consumers their right to choose the levels of coverage they need for each vehicle.

Expand “Underinsured Motor Vehicle” Definition - The previous definition of “underinsured motor vehicle” (UIM) used in most auto insurance policies compared the at-fault driver’s liability coverage limit to the insured’s underinsured motorist coverage limit. This comparison makes sense because the purpose of underinsured motorist coverage is to give the insured peace of mind that he/she will always be covered up to the amount he/she chooses. If the at-fault driver’s liability coverage is lower than the insured’s underinsured motorist coverage limit, then the at-fault driver is underinsured and the insured’s underinsured motorist coverage is triggered. Mandating that the underinsured motor vehicle definition compare liability limits to the insured’s damages vastly increases the number of underinsured motorist claims, creating an atmosphere of perpetual litigation in the determination of damages, and increased rates.

- **The Cost** - Increased number of claims and claim costs through litigation causes increased costs for families.
- **The “Fix”** - Families again can choose their underinsured motorist limits. If they want and can afford to have higher limits, they can purchase higher limits. Under the bill, they have the choice to control their own insurance protection and the cost of that protection.
- **The Nation** - States that use the “damages” definition have substantially higher costs for underinsured motorist. Combined with the other provisions of this bill, this brings Wisconsin into the mainstream of insurance regulations.

Other Provisions of the Bill - In addition to the above, the bill contains provisions that allow for more consumer choice and decreases costs to families:

- **Allows Reducing Clauses** – When consumers purchase underinsured motorist coverage, they select an amount of coverage they think will be sufficient to cover them in an accident if the other driver does not have enough insurance. What the consumer is buying and the insurance company is selling is a guarantee that the consumer will have the selected amount of money should the consumer need it. The amount of underinsured motorist coverage purchased is therefore “reduced” by the amount of coverage the “at fault” driver has on his or her car. The proposal underinsured motorist provisions not only provide consumer choice but are cost effective as well.



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2011 CONSUMER AUTO INSURANCE CHOICE ACT

COVERAGE	ACT 28 STATE BUDGET	2011 CONSUMER CHOICE IN AUTO INSURANCE
Bodily Injury*	50/100/15	25/50/10
UM (uninsured)*	100/300	25/50
UIM (underinsured)*	100/300 (mandatory)	50/100 (mandatory)
Stacking	Allow up to 3 cars	No stacking
UIM definition	Damages	Limits
Med Pay	\$10,000 optional	\$1,000 optional
Reducing Clause	Prohibit	Allow

*Each number represents a dollar amount in thousands, i.e., \$25,000/\$50,000/\$10,000. First amount is maximum paid to anyone injured person, second amount is maximum paid to all injured persons in a single accident, third number is maximum paid for damage to property.