

Financial Responsibility and Insurance

Motor Vehicles-Vermont

Title 23, Chapter 11, Subchapter 1

- Maintenance of financial responsibility
 - Automobile liability policy or bond
 - \$25,000 for one person
 - \$50,000 for two or more personal killed or injured
 - \$10,000 for damages to property in any one crash
- Or
- Self-insurance in the amount of \$115,000

Insurance Against Uninsured, Underinsured or Unknown Motorists

Every policy insuring against liability arising out of the ownership, maintenance or use of any motor vehicle shall provide insurance against loss resulting from liability imposed by law for damages:

- Property Damage:
 - No more than \$10,000 per claim
 - \$150.00 deductible if no other direct damage coverage collectible
 - \$10,000 for damages to property in any one crash
- Bodily Injury:
 - Not less than \$50,000 for one person
 - \$100,000 for two or more persons killed or injured

Claim Example

- Vehicle 1 hits vehicle 2, each vehicle has Vermont minimum limits: \$25,000/\$50,000/\$10,000
- Vehicle 1 is at fault and injures 2 people in vehicle 2, the Bodily Injury damages for passenger 1 total \$35,000 and \$45,000 for passenger 2
- Vehicle 1 also totals vehicle 2 which is valued at \$18,000

Claim Adjustment

- \$25,000/\$50,000/\$10,000 means the max per person is \$25,000
- Passenger 1 receives \$25,000
- Passenger 2 receives \$25,000
- Owner of vehicle 2 receives \$10,000 for the damage to their car

What happens when liability is not enough to pay damages?

- \$25,000/\$50,000/\$10,000 means the max per person is \$25,000
- Passenger 1 makes a claim for \$10,000 through their Underinsured Motorist Coverage
- Passenger 2 makes a claim for \$20,000 through their Underinsured Motorist Coverage
- Owner of vehicle 2 makes a claim for \$8,000 through their Underinsured Motorist Coverage

How do Vermont limits compare to other states?

| <u>State</u> | <u>Insurance required</u> | <u>Min. liability</u> |
|--------------|----------------------------|-----------------------|
| Alabama | BI & PD Liability | 25/50/25 |
| Alaska | BI & PD Liability | 50/100/25 |
| Arizona | BI & PD Liability | 25/50/15 |
| Arkansas | BI & PD Liability, PIP | 25/50/25 |
| California | BI & PD Liability | 15/30/5 (2) |
| Colorado | BI & PD Liability | 25/50/15 |
| Connecticut | BI & PD Liability, UM, UIM | 25/50/25 |
| Delaware | BI & PD Liability, PIP | 25/50/10 |
| DC | BI & PD Liability, UM | 25/50/10 |
| Florida | PD Liability, PIP | 10/20/10 |
| Georgia | BI & PD Liability | 25/50/25 |
| Hawaii | BI & PD Liability, PIP | 20/40/10 |
| Idaho | BI & PD Liability | 25/50/15 |
| Illinois | BI & PD Liability, UM, UIM | 25/50/20 |
| Indiana | BI & PD Liability | 25/50/25 |
| Iowa | BI & PD Liability | 20/40/15 |

| | | |
|----------------|---------------------------------|----------------|
| Kansas | BI & PD Liability, PIP, UM, UIM | 25/50/15 |
| Kentucky | BI & PD Liability, PIP | 25/50/25 (3) |
| Louisiana | BI & PD Liability | 15/30/25 |
| Maine | BI & PD Liability, MED, UM, UIM | 50/100/25 (3) |
| Maryland | BI & PD Liability, PIP, UM, UIM | 30/60/15 (3) |
| Massachusetts | BI & PD Liability, PIP, UM | 20/40/5 |
| Michigan | BI & PD Liability, PIP | 250/500/10 (4) |
| Minnesota | BI & PD Liability, PIP, UM, UIM | 30/60/10 |
| Mississippi | BI & PD Liability | 25/50/25 |
| Missouri | BI & PD Liability, UM | 25/50/25 |
| Montana | BI & PD Liability | 25/50/20 |
| Nebraska | BI & PD Liability, UM, UIM | 25/50/25 |
| Nevada | BI & PD Liability | 25/50/20 |
| New Hampshire | FR Only | 25/50/25 |
| New Jersey | BI & PD Liability, PIP, UM, UIM | 25/50/25 (5) |
| New Mexico | BI & PD Liability | 25/50/10 |
| New York | BI & PD Liability, PIP, UM, UIM | 25/50/10 (6) |
| North Carolina | BI & PD Liability, UM, UIM | 30/60/25 |

| | | |
|----------------|---------------------------------------|-----------------|
| North Dakota | BI & PD Liability, PIP, UM, UIM | 25/50/25 |
| Ohio | BI & PD Liability | 25/50/25 |
| Oklahoma | BI & PD Liability | 25/50/25 |
| Oregon | BI & PD Liability, PIP, UM, UIM | 25/50/20 |
| Pennsylvania | BI & PD Liability, PIP | 15/30/5 |
| Rhode Island | BI & PD Liability | 25/50/25 (3) |
| South Carolina | BI & PD Liability, UM | 25/50/25 |
| South Dakota | BI & PD Liability, UM, UIM | 25/50/25 |
| Tennessee | BI & PD Liability | 25/50/25 |
| Texas | BI & PD Liability | 30/60/25 |
| Utah | BI & PD Liability, PIP | 25/65/15 (3) |
| Vermont | BI & PD Liability, UM, UIM | 25/50/10 |
| Virginia | BI & PD Liability, UM, UIM | 30/60/20 (7) |
| Washington | BI & PD Liability | 25/50/10 |
| West Virginia | BI & PD Liability, UM | 25/50/25 |
| Wisconsin | BI & PD Liability, UM | 25/50/10 |
| Wyoming | BI & PD Liability | 25/50/20 |

Main factors that influence limits chosen by consumers

- Premium

Some carriers have rating factors that make it less expensive to carry higher limits.

- Assets

The more you own, the higher limits you should purchase to protect your assets in the event of an accident.

Vermont Auto Average Premium and Rank (2022)

(Source: Insurance Information Institute*)

| <u>Rank</u> | <u>Most expensive states</u> | <u>Average expenditure</u> | <u>Rank</u> | <u>Least expensive states</u> | <u>Average expenditure</u> |
|-------------|------------------------------|----------------------------|-------------|-------------------------------|----------------------------|
| 1 | Louisiana | \$1,494.70 | 1 | North Dakota | \$691.77 |
| 2 | New York | 1,436.45 | 2 | Maine | 703.81 |
| 3 | Michigan | 1,418.50 | 3 | Iowa | 707.90 |
| 4 | District of Columbia | 1,415.18 | 4 | Idaho | 724.41 |
| 5 | Rhode Island | 1,390.93 | 5 | South Dakota | 738.59 |
| 6 | Florida | 1,371.99 | 6 | Wisconsin | 752.98 |
| 7 | New Jersey | 1,333.61 | 7 | North Carolina | 753.37 |
| 8 | Georgia | 1,254.83 | 8 | Indiana | 765.73 |
| 9 | Delaware | 1,252.35 | 9 | Wyoming | 769.63 |
| 10 | Nevada | 1,246.54 | 10 | Ohio | 781.10 |
| | | | 11 | Vermont | 784.32 |

*Source: <https://www.iii.org/fact-statistic/facts-statistics-auto-insurance>

Please note: To calculate average expenditures, the National Association of Insurance Commissioners (NAIC) assumes that all insured vehicles carry liability coverage but not necessarily collision or comprehensive coverage. The average expenditure measures what consumers spend for insurance on each vehicle. It does not equal the sum of liability, collision and comprehensive expenditures because not all policyholders purchase all three coverages. The average expenditure measures what consumers actually spend for insurance.

Average Expenditure Data for New England (2021)

(Source: NAIC Auto Insurance Database*)

| <u>State</u> | <u>Average expenditure</u> |
|---------------|----------------------------|
| Vermont | \$780 |
| Connecticut | \$1,243 |
| Maine | \$713 |
| Massachusetts | \$1,165 |
| Rhode Island | \$1,422 |
| New Hampshire | \$852 |

*Source: <https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf>)

Please note: Average expenditure per insured vehicle is the total written premium for liability, collision, and comprehensive coverages divided by the liability written car-years¹ (exposures). This assumes that all insured vehicles carry liability coverage but do not necessarily carry the physical damage coverages (i.e., collision and/or comprehensive). The average expenditure is an estimate of what consumers in the state spent, on average, for auto insurance. In 2021, the countrywide average expenditure was \$1,062, an increase of 1.45% over the previous year. The median state average expenditure was \$926.

Estimated Percentage of Uninsured Motorists Countrywide (2022)

| <u>Rank (2)</u> | <u>State</u> | <u>Highest percent uninsured</u> | <u>Rank (2)</u> | <u>State</u> | <u>Lowest percent uninsured</u> |
|-----------------|--------------|----------------------------------|-----------------|---------------|---------------------------------|
| 1 | D.C. | 25.2% | 1 | Wyoming | 5.9% |
| 2 | New Mexico | 24.9 | 2 | Maine | 6.2 |
| 3 | Mississippi | 22.2 | 3 | Idaho | 6.2 |
| 4 | Tennessee | 20.9 | 4 | Utah | 7.3 |
| 5 | Michigan | 19.6 | 5 | New Hampshire | 7.8 |
| 6 | Kentucky | 18.7 | 6 | Nebraska | 7.8 |
| 7 | Georgia | 18.1 | 7 | North Dakota | 7.9 |
| 8 | Delaware | 18.1 | 8 | Kansas | 8.0 |
| 9 | Colorado | 17.5 | 9 | South Dakota | 8.0 |
| 10 | Ohio | 17.1 | 10 | Minnesota | 8.7 |

Vermont's Uninsured Percentage was 9.7% in 2022; the Vermont rate was about 6.8% in 2020. The UM Percentage was 8.8% for Massachusetts; 15.6% for Rhode Island; and 10.4% for Connecticut.

The Countrywide Rate was 14.0% in 2022.

Countrywide Uninsured Percentage was 11.6% in 2017, 11.5% in 2018, 11.1% in 2019, 13.9% in 2020, and 14.2% in 2021.

Current Premium/Claims for Vermont Automobile Insurance

- Average Bodily Injury/Property Damage pure premium \$154
- Average Bodily Injury (BI) claim \$21,650
- Average Property Damage (PD) claim \$3,993

- Average Uninsured/Underinsured Motorist pure premium \$25
- Average Uninsured/Underinsured Motorist BI claim \$45,739
- Average Uninsured/Underinsured Motorist PD claim \$1,264

Source: NAIC 2020/2021 Auto Insurance Database Report, issued January 2024

<https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf>

Top 10 Insurance Carriers' policy distribution by Bodily Injury limits

- 25,000/50,000 13%
- 50,000/100,000 9%
- 100,000/300,000 78%

What would it cost to raise limits?

- The average cost to increase the Bodily Injury limits from 25,000/50,000 to 50,000/100,000 would be approximately an additional 20% of the Bodily Injury premium
- This 20% increase would affect approximately 13% of auto owners in the State
- The average cost to increase limits from 25,000/50,000 to 100,000/300,000 would be approximately an additional 47% of the Bodily Injury premium

Questions?