

**TESTIMONY BEFORE PENNSYLVANIA HOUSE INSURANCE  
AND TRANSPORTATION COMMITTEES RELATING TO  
INCREASING MANDATORY FINANCIAL RESPONSIBILITY  
LIMITS**

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**ON BEHALF OF THE PENNSYLVANIA ASSOCIATION  
FOR JUSTICE (PAJ)**

Chairlady Pickett, Chairman Taylor, members of the Committees and staff. Thank you for inviting the Pennsylvania Association for Justice (PAJ) to speak today. My name is Scott Cooper, and I am an attorney and partner at the Harrisburg based law firm of Schmidt Kramer. I am also a member of the Pennsylvania Association for Justice (PAJ) and mainly I represent victims injured or killed, and their families, in motor vehicle accidents. I am a Past President of PAJ and Co-chair its Legislative Policy Committee. I am a contributing editor to a leading treatise on the Pennsylvania Motor Vehicle Financial Responsibility Law, authored and argued several important and leading motor vehicle accident cases in the state and federal Appellate Courts. I also have litigated and tried to verdict many jury trials in this Commonwealth and presented testimony to this and other Committees in the General Assembly.

We welcome the opportunity to speak to the Committee today to fully support increasing the minimum financial responsibility limits for motor vehicle accidents, which have been the same in our Commonwealth since 1974. I will briefly explain three reasons why the limits should be increased and then be happy to answer any questions.

Three (3) reasons to pass the legislation are:

1. Increasing the minimum limits will bring the Commonwealth of Pennsylvania's compulsory insurance automobile law into the 21<sup>st</sup> century and

into line with many other states, instead of now where we are lower than 46 states (California and New Jersey have 15/30/5, just as we do, and Florida has 10/20/10).

2. Increasing the minimum limits increases the likelihood that an innocent victim will be fully and adequately compensated, especially for their medical bills, when they are injured or killed by someone who negligently or recklessly operated a motor vehicle. This is especially important in light of the fact that insurance companies continue to add and enforce exclusions in their policies.

3. Increasing the limits increases the pool of monies that both insurers and health care providers will be able to collect from for reimbursement when they treat individuals and there is no primary or secondary payer. Consequently, it also then provides a better opportunity for the injured victim to at least recover some monies after reimbursing the insurer or provider.

I will now explain each of the above reasons why it is necessary to pass legislation increasing the minimum limits immediately.

First, Pennsylvania's compulsory liability minimums need to be brought into line with other states. Right now, Pennsylvania is one of the lowest in the country, with 46 states being higher.

The current level of minimum insurance in Pennsylvania is antiquated and inadequate. Motor vehicle liability insurance was mandated in 1974. At that time, the mandatory minimum was \$15,000/\$30,000, which is precisely how it still stands today, almost 42 years later.

In 1984, there was an effort to increase the minimum liability coverage to \$20,000/\$40,000. However, Governor Thornburgh promised a veto, so it remained as it currently stands. Therefore, the Commonwealth still has the same minimal liability coverage as in 1974 when:

- Richard Nixon was President
- The average major league baseball player salary was a little over \$40,000 a year
- Bobby Clarke was leading the Flyers
- Lynn Swann was first drafted by the Steelers
- Little House on the Prairie was the number one television show
- Blazing Saddles was a top movie
- Kellogg's Corn Flakes was 43 cents for an 18 ounce box
- Pepsi Cola was 88 cents for 6 12 ounce cans
- A 1.4 ounce Hershey Bar was 15 cents.

It is important that I point out that in 1974, the average price of a car was \$3,750 – so the minimum limits of 15/30/5 made sense. The average price of a car today is over \$31,000. While the price of a car has increased 10 times since 1974, the limits have remained the same. Additionally, the Medical Care Consumer Price Index has increased 812% since 1974. This means that for today's dollar to equal the value of a dollar in 1974, the limits would have to be increased to \$137,000/\$274,000. We're not asking for the limits to be increased that much –

we're asking for a reasonable increase as is suggested in the two pieces of legislation being discussed today.

As displayed by the market survey requested a few years ago by the Insurance Federation, rates will not be unduly increased, and the current proposal is very reasonable and not unduly burdensome. In fact, there will most likely be less underinsured motorist claims which will lead to a decrease in some premiums.

Second, this Bill will increase the chance that an innocent person will be adequately compensated when injured by a person who has purchased minimal coverage. Many people are already under-compensated when seriously injured, especially when the wrongdoer has purchased insurance that makes them "legal for less".

Further, there are a host of cases from our Appellate Courts where exclusions contained in policies have been applied to limit recoveries. In fact, one was applied to a first responder in a Pennsylvania Supreme Court case as recently as last month. The increase will help those situations where the first responder is injured by a negligent or reckless driver and cannot protect themselves with purchasing any uninsured or underinsured motorist coverage.

Although some premiums will likely increase, any increase will be modest when compared to, and balanced with, the positive effect it will have on consumers and victims alike. First, a person will now be able, if they so choose, to purchase more uninsured and underinsured motorist coverage at the minimal levels. Second, more monies will be available to pay out of pocket expenses so

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that a person injured by a driver with minimal coverage will not be left with the injury but no way of paying medical bills. Last, the likelihood of a person needing to rely upon the state through DPW or federal government through Medicare to pay medical bills is also decreased.

Third, the increase provides a mechanism for increased reimbursements for insurers who are allowed to subrogate or seek reimbursement and now are unable to collect their monies due to a minimal policy. These plans include but are not limited to workers compensation, HMOs, self-funded ERISA plan, and even DPW and Medicare.

The Bill also reduces the chance that medical provider bills will go unpaid. With increased minimum limits the health insurer and medical provider have a greater pool of recovery to be reimbursed.

People who are the victims of another's wrongdoing already have to deal with injuries, losses and simply the aggravation caused by no fault of their own. Having unpaid losses and being under-compensated only makes matters worse. Please bring Pennsylvania in line with the 45 other states with higher minimums and allow for this modest increase.

I want to thank the Committees for giving us a chance to voice our support for this common sense increase. The legislation is not only common sense but it is needed and overdue.

Due to the time constraints, I have tried to briefly state PAJ's reasons why this increase should be supported and passed. Thank you for inviting us to share

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our recommendations with you today. I would be more than happy to answer any questions the members may have.