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## ***Are Higher Rates a Good Reason Not to Raise California's Minimum Auto Liability Coverages?***

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Woodland Hills Personal Injury Attorney and Uninsured/Underinsured Motorist Expert Barry P. Goldberg advocates raising California's minimum Auto Liability Limits to keep pace with reality. More importantly, Mr. Goldberg has sounded an alarm that uninsured motorists are multiplying in California at a rapid pace. Recently, a reader, Richard G., commented in response to one of Mr. Goldberg's articles; "wouldn't increasing the minimum required liability coverage increase premiums, and (assuming some economic rationality on the part of the market) drive the number of uninsured motorists even HIGHER?"

Good question!

It is not that simple of an answer. Some background is required. Prior to 1959, there was a crisis developing on California highways. With the expansion of suburbia, freeways and "car culture," life-changing accidents were becoming an economic devastation to everyday motorists. Recognizing that most drivers were not "financially responsible" either by maintaining sufficient assets or liability insurance to compensate severely injured motorists, the Legislature enacted California's Uninsured Motorist Law. This allowed California drivers to insure themselves against "irresponsible" motorists.

By 1974, California led the way in commuting, freeways and "car culture." Everyone had a car and everyone drove. Merely insuring oneself against financially irresponsible drivers was fundamentally unfair and went against our tort system of civil justice. The person who caused the damage ought to pay for it,



rather than the other way around. There are many good reasons for this, including that financially responsible drivers are more careful and have an incentive to keep their rates low by avoiding dangerous driving and accidents. It is a deterrent.

In 1974, the legislature enacted California's Compulsory Financial Responsibility Law making minimum liability coverage mandatory to operate a vehicle in California; No insurance-no driving privileges. The minimum limit of \$15,000 per claim, \$30,000 per accident and \$5,000 property damage were more than adequate. Consider the cost of living in 1974 with 30 cent per gallon gasoline, 5 cent candy bars and the average price of a new car—about \$3,500. The number of claims that exceeded the minimum was minute, even into the 1980's.

However, times have changed; \$4.00 per gallon gasoline, \$1.50 candy bars and the average price of a new car---about \$22,000. Although the times have changed, California's minimum limits have not. California ranks virtually at the bottom of the 50 states for lowest minimums for similar insurance systems. Let's face it; \$5,000 will not replace a bumper on a new Mercedes Benz.

There are lots of reasons that the minimum has not been adjusted to keep pace with the cost of living---all of them are bad. Granted, it has always been a struggle to keep the California motoring public 100% insured. By raising the minimums, yes, rates would have to rise to reflect the additional insurance. Based on traditional economic principles, this may force some percentage not to buy insurance. However, that analysis oversimplifies the problem.

The real reason for the alarming rise of uninsured motorists in California is illegal, unlicensed and uninsured drivers. Some estimates place the number as high as a staggering 2 million! If even a reasonable percentage of this group purchased auto liability insurance, the increase in the insurance "pool" of premiums would likely more than offset a modest anticipated increase in cost for higher minimums. Besides Auto insurers are enjoying record profits in California



right now. (No matter how bad the accident, they only pay the minimums.) Claim payments are decreasing, not increasing.

The problem in California is that the government has lost its resolve to actually enforce the law requiring insurance. Because those here illegally cannot obtain a license, they cannot obtain insurance. So, the authorities basically turn away from enforcement in order to allow illegal residents a fighting chance to make it here economically. Perhaps, this is an “end run” to force allowing all persons to obtain a driver’s license or, perhaps, to create an environment for quick citizenship.

Whatever the reasons, it makes perfect sense from a public safety standpoint to vigorously enforce the existing laws; no insurance---no driving privileges. Moreover, driver’s licenses for all are a logical solution which would eliminate the political motives for lack of law enforcement. Although some believe a driver’s license is the next step to citizenship, it does not have to be so. That issue can be resolved on a national level.

So, to answer your question Richard G. --- if the existing laws were vigorously enforced and illegal residents had a chance to buy insurance, I doubt that premiums would rise very much with higher reasonable minimums. As a practicing personal injury attorney for over 28 years, I still recommend that my friends and clients match their UM coverage to the amount of their liability coverage---- problem [almost] solved. Fortunately, Uninsured Motorist coverage is still a relative bargain compared to other forms of insurance.

**For more information about blog author and attorney Barry Goldberg's Uninsured Motorist expertise, please visit his web page, [Los Angeles Uninsured Motorist Attorney. \*http://www.barrygoldberg.com/Practice-Areas/Los-Angeles-Uninsured-Motorist-Attorney.aspx\*](http://www.barrygoldberg.com/Practice-Areas/Los-Angeles-Uninsured-Motorist-Attorney.aspx)**

**Call Mr. Goldberg today for a free consultation. (818) 222-6994**