

STATEMENT OF PURPOSE

RS25209

Idaho drivers routinely purchase optional "backup" underinsurance for one reason: to make sure their own insurance policy will step in to cover any shortfall of unpaid medical expenses in the event the policy of the careless driver runs out in a significant automobile accident.

Virtually every Idaho consumer has a clear expectation that one's own backup insurance will start paying in full until the amount they purchased is exhausted.

However, the current practice of all insurance companies - except State Farm - is to insert a little-understood "offsetting" clause in the policy. This technicality results in up to the entire face amount of the injured driver's backup insurance being "offset" (reduced by) the dollar amount paid out by the policy of the driver at fault. Injured drivers are consistently surprised to find that their own underinsurance can be slashed or eliminated entirely when they need it most.

Several states now allow only the sale of genuine "What you buy is what you get" underinsurance.

With this legislation, Idaho will follow the lead of these states by defining underinsurance sold in the state as "excess" and make all of a consumer's backup insurance available.

FISCAL NOTE

The benefit to Idaho Medicaid, DUI Crime Victims fund, the CAT and various county indigent funds, and government employee health plans should be significant but is undetermined at this time. With this legislation, more insurance dollars will be available for the first priority subrogation (reimbursement) rights of the various state and local funds. "Excess" underinsurance should mean more dollars at settlement, with perhaps even less medical bills being submitted for payment to state funds in the first place.

Contact:

Bill Litster, Idaho Public Policy Institute
(208) 918-1928

DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).