The original documents are located in Box 23, folder "No Fault Insurance (2)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

DOMESTIC COUNCIL CLEARANCE SHEET

DATE: April 30, 1975

JMC action required by: _____

TO: JIM CANNON

VIA: DICK DUNHAM

JIM CAVANAUGH

FROM: MIKE DUVAL

SUBJECT: Status of State Action on No-Fault Auto Insurance

COMMENTS: File

DATE: _____

RETURN TO: MIKE DUVAL

Material has been:

____ Signed and forwarded

____ Changed and signed (copy attached)

____ Returned per our conversation

____ Noted

____

Jim Cannon

THE WHITE HOUSE
WASHINGTON

TO: JIM CANNON

FROM: **MIKE DUVAL**

For your information _____

Comments:

Here is the State Analysis on No-Fault. I prepared this with Jim Falk's help.

I have given a copy to Jim Lynn.

cc: Dick Parsons

Status of State Action on No-Fault Auto Insurance

Sixteen states, plus Puerto Rico, have enacted no-fault automobile insurance laws that meet the tough definition adopted by the Department of Transportation.

To qualify under the Department's definition of no-fault, the state law must have two essential elements: (1) the substitution (not simply the addition of) "first party, no-fault"* insurance for third party liability insurance; (2) some significant degree of restriction on tort recovery.

The following have such a law:

Puerto Rico	(1969)
Massachusetts	(1970)
Florida	(1971)
New Jersey	(1972)
Michigan	(1972)
Connecticut	(1972)
New York	(1973)
Utah	(1973)
Kansas	(1973)
Nevada	(1973)
Hawaii	(1973)
Colorado	(1973)
Georgia	(1974)
Minnesota	(1974)
Kentucky	(1974)
Pennsylvania	(1974)
North Dakota	(1975)

There are, however, vast differences among the laws adopted in the above states in terms of benefit levels, tort threshold and other factors.

These laws cover over 42% of all licensed drivers and will rise to well over 50% if California passes a no-fault law. However, only the Michigan law (covering 5.7% of drivers) conforms with all the standards in the DOT proposed federal law.

Nine other states have adopted auto insurance reform, which are sometimes called "no-fault". In some cases, these plans require that first party insurance be carried by drivers in addition to

---

* "First party" means that there should be a contractual relationship between the victim and his insurer as to the kind and amount of benefits to be received. "No-fault" means that the loss is not to be shifted by inter-insurer subrogation according to the existing loss transfer rules of tort liability.

liability insurance and in other cases the law simply provides that no-fault be offered to the driver at his option. None of the plans restrict the right to sue and in most cases there is no restriction against the victim collecting from both his own first party insurance and the party at fault by suing in court. The following states fall into this category:

Delaware	(1971)
Oregon	(1971)
South Dakota	(1971)
Maryland	(1972)
Virginia	(1972)
Wisconsin	(1972)
Arkansas	(1973)
Texas	(1973)
South Carolina	(1974)

Outlook

Every State legislature has had no-fault reform before it at least once. Illinois enacted a no-fault law in 1971, but that was later declared unconstitutional. A no-fault law was passed by the legislature in New Hampshire but was vetoed by the Governor.

Most states not having no-fault will consider proposals during this year's legislative session. Maine and North Carolina may pass no-fault laws this year but it is not likely that they will meet the DOT standards.

California is the key state in terms of the number of licensed drivers covered and there is likelihood that action by California would set a trend. Many other western states would be likely to follow California's lead if action is taken. Due to a change in the leadership in the California legislature the no-fault bills are moving slowly but nevertheless there is movement and considerable behind the scenes activity. No one can predict when California will act but the prospects for action this year are good.

THE WHITE HOUSE

WASHINGTON

April 30, 1975

MEMORANDUM FOR: MIKE DUVAL

FROM: JIM CANNON

SUBJECT: No Fault

Secretary Coleman sent me the attached material on the States experience with no-fault auto insurance.

This may be helpful in the preparation of your memorandum.

Attachment

THE WHITE HOUSE
WASHINGTON

TO: Jim Cannon

FROM: MIKE DUVAL

For your information _____

Comments: Per your request:

Here is a one page summary of State Action on No Fault.

I am working up a more detailed summary and will check w/ Dick P. and Jim Falk. Mike

States possessing "true" no-fault laws

State	Year enacted	~~Threshold for~~ Economic Loss	Comment
Massachusetts	1970	$2,000	40% savings realized
Florida	1971	5,000	Initial 15% savings Later declared in part unconstitutional.
New Jersey	1972	Unlimited medical	25% premium reduction
Michigan	1972	Unlimited medical	(see Attachment C)
Connecticut	1972	5,000	10% savings .
New York	1973	50,000	19% savings.
Utah	1973	2,000	Cost data not yet available.
Kansas	1973	4,000	"
Nevada	1973	10,000	"
Hawaii	1973	15,000	"
Colorado	1973	25,000	"
Georgia	1974	5,000	"
Minnesota	1974	2,000	"
Kentucky	1974	1,000	"
Pennsylvania	1974	1,500	"

A number of other states have adopted various other auto insurance reforms which are sometimes called "no-fault." In some cases, these plans require that first party insurance be carried by drivers in addition to liability insurance; in other cases, they simply require that such insurance be offered to drivers. None of the plans restrict the right to sue. In most cases, there is no restriction against a victim collecting from both his own first party insurance and from others involved (if he can prove negligence). These plans are sometimes referred to as "pseudo no-fault" or "add-on" plans. States falling into this category include:

Delaware	(1971)
Oregon	(1971)
South Dakota	(1971)
Maryland	(1972)
Virginia	(1972)
Wisconsin	(1972)
Arkansas	(1973)
Texas	(1973)
South Carolina	(1974)

In several of these states, e.g. Maryland, premium costs have risen because of the legislation.

Analysis of First-Year Experience with Michigan's No-Fault Law

(Excerpts from a paper prepared by the Michigan Association of Insurance Companies for the Michigan legislature)

- The provision of unlimited no-fault medical and rehabilitation benefits (similar to S. 354) has been a dramatic improvement over the fault system, especially for the seriously injured. In the first year of no-fault, more than 135,000 persons were injured and 1,800 killed in Michigan as a result of motor vehicle accidents. In all of these injuries and deaths all medical and hospital costs plus income loss benefits have been paid, except to the extent that other benefits (e.g. health care, social security) were involved. Under the fault system about half of those injured would have been able to collect from someone else.

- Michigan motorists have had considerable premium cost savings, although the actual cost effect of the law cannot be established because of the uncertainties regarding whether or not the law will be upheld under the state's constitution and the resulting reluctance by companies to completely adjust premiums to no-fault.

- Those drivers with smaller income loss exposure (e.g. young drivers, those with low incomes and retirees) enjoyed larger than average premium reductions.

- Some motorists who have been in accidents and have been prevented from suing negligent drivers have reacted angrily to the no-fault law.

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

APR 30 1975

MEMORANDUM FOR HONORABLE JAMES M. CANNON
Assistant to the President for Domestic Affairs

SUBJECT: No-Fault Auto Insurance Experience in the States

Some 16 States have enacted no-fault insurance laws that can be said to comport reasonably well with the original recommendations of the Department of Transportation's Auto Insurance Study. Where we have had sufficient experience with these plans, the results have been overwhelmingly favorable, and their public and political acceptability has been proven conclusively.

Attachment A to this memorandum consists of three charts. The first, prepared by my staff, shows the average premium reduction in the year of implementation for all of the States where this information is available. As you can see, they range from 57% reduction in Massachusetts to 10% in Connecticut and Kentucky. While industry-wide data are not yet available for some no-fault States, I asked two of the largest auto insurers (State Farm and Aetna) to provide me with typical actual insurance premiums charged by them before and after the introduction of no-fault. These are shown on the second and third tables. While not exactly comparable (State Farm's premiums include the physical damage coverages), these tables illustrate clearly the kind of real-world savings, ranging up to 30%, being realized by drivers in no-fault States even in the face of upward inflationary pressures on accident loss costs generally.

Startling as these cost reductions are, they do not by any means reflect the real value of no-fault reform to the motoring public. No-fault's chief value lies in the far greater benefits it confers on accident victims and in the certainty and universality of insurance coverage for all. For example, in Michigan and New Jersey automobile accident victims have unlimited medical, hospital and rehabilitation cost protection. Compare this to the finding of the Department's Insurance Study that only 45% of seriously injured accident victims received any compensation at all from the tort system, and that even these victims on the average received compensation for only one-third of their direct out-of-pocket losses. (I am attaching copies of recent reports from New York and Michigan detailing the experience of these States with no-fault.)

In terms of no-fault's acceptance by the public, by accident victims, and

by working level insurance managers, the reaction has been overwhelmingly favorable. For example, after more than a year's experience with no-fault, the Florida Agents Association polled its membership on the impact of the new system. Ninety-six percent said that no-fault served the public better, that 91% of the public preferred no-fault, and that 92% believed that the companies performed better. (A copy of the report is attached.) Similar surveys in other no-fault states confirm these results.

Have there been any unfavorable experiences with no-fault? With respect to the compensation of personal injury losses, the answer is definitely no. In those States which enacted no-fault for physical damage (i. e., vehicle) losses, there were some reasonably significant problems in terms of public understanding and acceptance. Even these, however, have been largely overcome (in Florida by abandoning no-fault physical damage, and in Massachusetts and Michigan by adoption of the "triple option" approach and better public education). It should be noted that S. 354 does not require no-fault physical damage coverage.

It should be noted that a number of States have passed various forms of voluntary or compulsory first party insurance plans which are sometimes characterized under the general generic heading of "no-fault." Some of these plans serve useful objectives, albeit not the ones that a true no-fault system is designed to achieve. Others are simply unhappy compromises which include neither no-fault's cost savings features nor adequate provision for the needs of seriously injured accident victims.

It should also be noted that even among those States whose no-fault plans at least approach the kind of system recommended by the Administration four years ago, there is a very wide disparity between the best and the poorest in terms of coverage limits, cost savings features, etc. Only Michigan's law comports well in every significant detail with those recommendations, although New York and Minnesota are reasonably close.

In summary, I believe that any objective evaluation of State experience with no-fault would have to conclude that it constitutes a proven, cost-saving reform and has been shown to be not simply acceptable to but highly popular with the motoring public.

Finally, I am enclosing a folder of background material on the no-fault question which you or your staff may find useful. I, or my staff, would be happy to explain or expand on any of the foregoing at your convenience.

Bill

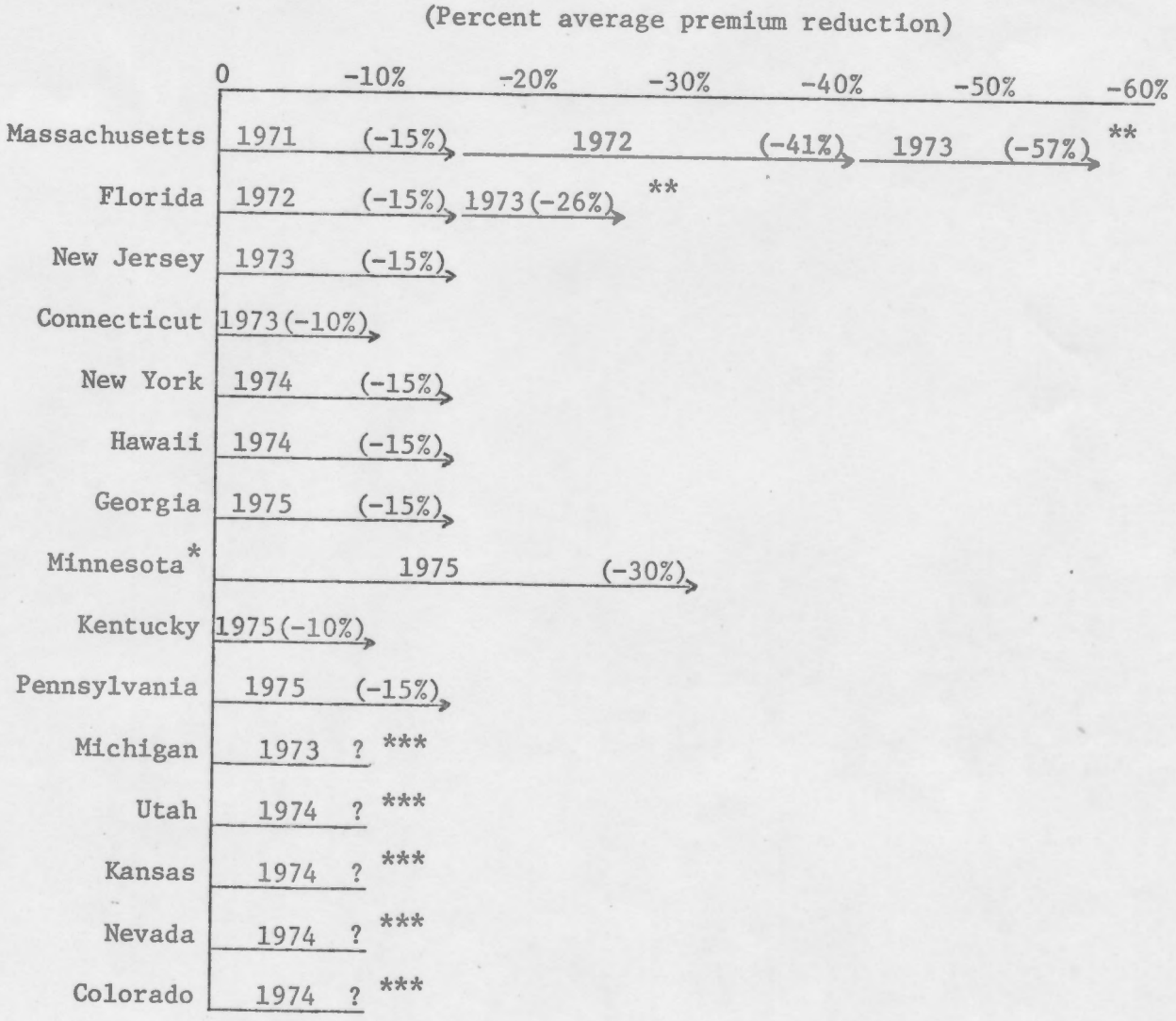
William T. Coleman, Jr.

Enclosures:
Attachment A - 3 charts
Attachment B - Report from Michigan Insurance Department
Attachment C - Report from New York Insurance Department
Attachment D - Florida Agents Survey Report
Attachment E - Folder of Background Material on No-Fault Auto Insurance

A

attachment A

Premium Reduction in States with Meaningful No-Fault
(Year of Implementation)



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*Based on $25,000/$50,000 Bodily Injury, $25,000/$50,000 Uninsured Motorist, and $1,000 Medical Pay.

**Cumulative reduction from base period.

***These states did not legislate mandatory rate reductions in advance and not enough experience has yet accumulated to be able to compute average industry-wide rate reductions. At least one major insurance company (Aetna C&S) has published lower rates for no-fault coverages in all these states.

TPI-30
April 28, 1975

STATE FARM MUTUAL

Adult, Pleasure Use, Over 7500 Miles Annually
Two Year Old Chevrolet Impala

25/50/10 Liability, Uninsured Motorists, Basic Personal Injury Protection ($1000 Medical prior to No-Fault), Comprehensive, $100 Deductible Collision

Area	No-Fault Effective Date	Semi-Annual Premium Prior to No-Fault	Semi-Annual Premium Effective with No-Fault	% Change*
Denver, Colorado	4/1/74	$72.30	$71.80	- 1
Tallahassee, Florida	1/1/72	65.70	60.80	- 7
Atlanta, Georgia	3/1/75	84.50	76.80	- 9
Topeka, Kansas	1/1/74	64.50	61.70	- 4
Lansing, Michigan	10/1/73	84.60	90.10	+ 7*
St. Paul, Minnesota	1/1/75	90.10	81.50	-10
Carson City, Nevada	2/1/74	84.50	83.50	- 1
Trenton, New Jersey	1/1/73	104.90	92.70	-12
Albany, New York	2/1/74	128.30	119.60	- 7
Salt Lake City, Utah	1/1/74	81.20	80.10	- 1

*Note that the amount of percentage change is affected by the inclusion of the property damage coverages. If the property damage coverages were not included, all of the States showing a reduction would show a greater reduction, and Michigan would move from the plus to the minus column.

Aetna Life and Casualty

Comparisons of Automobile Insurance Premiums Before and After No-Fault in Typical Cities

	Rate Prior to No-Fault	No-Fault Rate	Percent Change
Hartford, Connecticut	$79.00	$64.00	-19.0
Rochester, New York	90.00	73.00	-18.9
Lakehurst, New Jersey	69.00	51.00	-26.1
St. Petersburg, Florida	49.00	36.00	-26.5
Grand Rapids, Michigan	55.00	45.00	-18.2
Minneapolis, Minnesota	88.00	61.00	-30.7
Las Vegas, Nevada	81.00	63.00	-22.2
Salt Lake City, Utah	43.00	36.00	-16.3
Kansas City, Kansas	58.00	51.00	-12.1
Denver, Colorado	60.00	55.00	-8.3
Atlanta, Georgia	57.00	43.00	-24.6

Note: The rate under the tort system is the sum of the basic limits bodily injury liability rate (10/20 in most cases, 15/30 in some, and 20/40 in Michigan) plus $1,000 medical payments plus uninsured motorists. The no-fault rate is the sum of the basic limits bodily injury liability plus the personal injury protection plus uninsured motorists.

attachment B

ANALYSIS OF FIRST-YEAR EXPERIENCE WITH THE MICHIGAN NO-FAULT AUTO INSURANCE LAW AND RECOMMENDATIONS FOR ITS IMPROVEMENT

Presented to:

Special No-Fault Study Committee,
Michigan House of Representatives

By:

Michigan Association of Insurance Companies

November 12, 1974

TO: Honorable Matthew McNeely, Chairman; Dan Angel, William Hayward, Kirby Holmes, John Engler, John Kelsey, George Edwards, Casmer Ogonowski

Gentlemen:

The Michigan insurance companies were among the first to call for a no-fault law so that the auto insurance dollar could be concentrated on paying the expenses of the injured instead of those of the legal system.

But we expressed serious concern about some aspects of the law as it finally was adopted.

We feared that the revolutionary change which it made would create prolonged constitutionality issues, which would leave the insurance system operating under a cloud of uncertainty and make it impossible to determine the cost effect of the change.

We had grave doubts whether the nature of the law's restriction on injury fault claims and lawsuits would be adequate to support unlimited no-fault benefits without creating additional insurance cost for motorists.

And we questioned whether people would accept the elimination of their right to collect from an at-fault driver for damage to their vehicles.

Regardless of those reservations, we assured you and your colleagues that, as professional administrators of the insurance system, we would conscientiously provide the people of Michigan with the best possible protection at the least possible cost which the conditions would allow.

We have done that, and because the Michigan companies insure approximately half of the motor vehicles in the state we have had a very broad exposure to the practical application of the new law.

Briefly, this is what has happened:

1. Your decision to provide unlimited no-fault medical and rehabilitation benefits and very substantial income loss compensation has created near-ideal economic protection for accident injury victims, and especially for the seriously injured. It is a dramatic improvement over the fault system.

2. The law's removal of fault system recovery for damage to motor vehicles has brought angry reaction from the motorist who does not have collision coverage and cannot collect from a negligent driver who smashes his car, or who has a form of collision coverage under which he does not get his deductible when another driver is at fault. This has created a distorted impression of public dissatisfaction with the entire no-fault concept because there are many more instances of vehicle damage than of injury, and the injured who are benefitting from no-fault have not been heard from.

3. Some segments of the law obviously need clarifying amendments. There is a question whether school districts were intended to insure the children on their buses. There is an almost certainly unintended provision for companies to recover no-fault benefits out of pain and suffering awards to their insureds. Mandatory liability limits should be stated in the act itself. And the right of a motorist to voluntarily coordinate his no-fault coverage with some other injury benefits is in doubt.

4. As we feared, the insurance system has been forced to operate without answers to whether the law will be upheld and, if so, in what form. The lack of those answers also has deferred the legal cases which will determine whether the law's provision which is intended to sharply cut the fault system expenses will work. As a result it has been impossible to determine the effect of the law on the cost of auto insurance, and the delay has created a multi-million-dollar possibility of double injury payments.

5. Michigan motorists have had considerable auto insurance cost savings during the first year of no-fault, even through the actual cost effect of the law could not be established. This resulted from company decisions to hold the line or decrease their premium levels until no-fault experience could be established, despite the uncertainties of the law and the impact of soaring inflation on the cost of everything auto insurance pays for.

As we advised you when this committee was created, we appreciate your decision to review the performance of the no-fault law and to consider the possibilities for its improvement, and we offer our fullest cooperation.

We believe the following elaboration upon the highlights of our experience with it should be a practical and important contribution to your considerations. In addition, we would be pleased to answer any questions which you may have, and to consult with you at any time.

MEDICAL, REHABILITATION, AND INCOME LOSS BENEFITS:

Without question, this law is abundantly fulfilling the primary objective of the no-fault principle, which is to guarantee prompt, sure, adequate recovery of injury costs for all accident victims.

In the first year of no-fault, more than 135,000 persons were injured in Michigan auto accidents and nearly 1,800 were killed. Among the injured and the dependents of the fatally hurt who were insured by the Michigan companies the no-fault protection was universally well-received, and this undoubtedly was true of all others.

Companies have stressed prompt payment and in most instances it has been made within a few days of the receipt of proof of doctor and hospital bills, income loss, and replacement of services which an injured person would have done for himself. Dependency benefits, which are geared to the maximum $1,000 a month for three years income loss benefits, have been quickly established and paid. Under the fault system payment could have been made only if another driver was legally liable and after the total amount of the loss was established, both of which often had to be determined by lawsuit.

In all of these injuries and deaths no-fault has paid all medical and hospital costs, plus income loss or dependency benefits when applicable, except to the extent that workmen's compensation, social security or coordination with health benefits was involved. It has paid regardless of who was at fault or whether anyone was at fault. Under the fault system only about half of those injured would have been able to collect from someone else.

The no-fault benefits have been particularly important for those who have many thousands of dollars of hospital-medical costs which, under the old system, would not have been met by modest auto insurance medical coverage or health insurance, and for those who have extended work loss for which they have little or no other coverage.

The most dramatic effect of the change has been the creation of a new dimension in the role of auto insurance with the critically injured whose only hope for a future with any enjoyment of life, instead of as a helpless bed patient, lies in timely, comprehensive rehabilitation.

Under the fault system, auto insurance could do little to meet their treatment needs. Unless someone else was legally at fault for the injury, auto insurance had no role beyond the possibility of medical payments by the injured person's company, usually not more than $5,000. If the injury involved a fault claim, the role of auto insurance was for the other motorist's company to defend its insured and, if he was legally liable, to ultimately pay the determined award.

Now the critically injured are assured immediate access to all necessary treatment and rehabilitation, with all of the costs guaranteed directly by their own auto insurer. A number of such cases already are either in or scheduled to go to the best rehabilitation centers in the country, with their initial treatment and lifetime care costs reserved by their insurers at from $100,000 to $250,000 each.

In cooperation with Chairman McNeely, we have asked a few of those who have experienced the no-fault benefits, or their close relatives, and some of the specialists in rehabilitation treatment to give you at your hearings a first-hand picture of how the law is working.

When the Legislature decided to extend the no-fault principle to include damage to motor vehicles it removed a form of protection which motorists long have accepted and relied upon and about which they generally have strong moral convictions.

Taking away the right to recover from an at-fault driver created a total void in vehicle damage recovery for those without collision insurance and a partial one for those with that coverage. The motorist with an old car with too little value to insure, one who feels he cannot or does not want to pay for collision insurance, and those who ignore collision coverage because they are convinced that any damage would be another driver's fault are accustomed to expect payment when someone else is at fault. Now that right to collect is gone. The great majority, who buy collision insurance, also expect to recover their deductible along with the rest of the damage if another is at fault. That right also was removed.

This condition has been remedied for most motorists by the offering of two new forms of collision insurance. One, called limited collision, pays for vehicle damage only if another is at fault. The other, called broadened collision, pays the deductible along with the rest of the damage if another is at fault.

When the no-fault law became effective, companies applied limited collision without charge to the policies of those without collision coverage, and broadened collision without charge to those with collision coverage. At the first policy renewal, the new coverages and their rates were explained and motorists were given the option of buying either of these or regular collision coverage with a deductible. Limited collision rates were the lowest of the three. Broadened collision rates were slightly higher than those for standard deductible collision. In addition, some companies provided limited collision with a deductible to give the motorist a lower rate.

The response among motorists differed by company, but in general about 70 to 80 per cent took either regular or broadened collision, 15 to 20 per cent took limited, and 5 to 15 per cent elected to have no collision coverage.

This still leaves those who have no collision insurance unable to collect for any damage to their vehicles, and those who have regular collision or limited collision with a deductible unable to collect the amount of the deductible, and many in this group have been expressing great dissatisfaction.

There are three alternatives for resolving this matter. One is to leave the law as it now is and attempt to educate those who are complaining that, like all others, they received a rate reduction from the elimination of property damage liability and if they want the substitute protection they must pay for it. Another is to restore property damage liability. The third is to make limited collision coverage, without a deductible, a mandatory part of the no-fault law.

If there is a change, it also should involve consideration of the status of the present residual property damage liability coverage and the property protection insurance provision, both of which are part of the overall rates for vehicle damage coverages.

Among the companies, there are differences of opinion as to which might be the better course. We believe it would be helpful to you to hear the different views about this and the reasons for them as you consider this question.

SITUATIONS WHICH NEED CLARIFYING:

The question of school bus coverage already is before you in bill form. Those involving subrogation against pain and suffering awards, the liability limit, and coordination of benefits undoubtedly are drafting oversights requiring technical corrections. We would be happy to discuss these with you when you are ready to review the law after your hearings.

EFFECT OF THE CLIMATE OF LEGAL UNCERTAINTY:

What has happened on the question of whether the no-fault law is constitutional has become an example of the long-delayed court decisions which were one of the motivations for creating a no-fault system.

Shortly after the law was adopted in October, 1972, the Supreme Court was asked to resolve this issue. It ruled only that the Legislature had acted properly in creating the law. Subsequently, two lawsuits in circuit courts have produced decisions which have clouded the law's status. Now, after more than two years, the issue again must go before the Supreme Court and apparently there is little likelihood that it may act for many more months.

If the law should then be thrown out insurers would be faced with the possibility of fault system claims, on top of the no-fault benefits already paid, in injury cases dating back to the October 1, 1973, effective date of no-fault. For the first year, that double payment potential is estimated at 250 million dollars. By the time there is a decision it could nearly double.

With the constitutionality question unanswered, the other serious legal uncertainty in the law also has been left in limbo. This is the question of whether the provision allowing legal action for pain and suffering damages in instances of "serious impairment of body function" will sharply reduce the fault expenses in the insurance system or whether it may open a floodgate of fault claims and lawsuits.

There has been a sharp drop in injury liability claims the past year, but that does not answer the question. Because of the prospect that the courts might restore the fault system, and with a three-year period in which to file suits, many law firms are known to be "stockpiling" suits rather than testing the language of the new law. In recent months, however, companies have begun to receive claims involving the "serious impairment" question.

How the intent of this language is interpreted by the injured and the courts will be a major factor in how the no-fault law will affect the price of auto insurance. If all manner of minor and temporary disabilities are construed to justify pain and suffering damages the fault system will be largely reimposed upon the no-fault system. This would make financing the new costs of unlimited care for all of the injured out of reduced fault costs obviously impossible.

PRESENT COST EFFECT OF NO-FAULT AND THE PROSPECTS:

When no-fault became effective companies adjusted their rates between the new and old coverages to reflect the expected changes in loss exposure. This decreased premiums for those who bought only the mandatory no-fault coverages. It maintained or slightly decreased the former premium for those who also have collision coverage.

In addition, there were larger premium decreases for young drivers, those with low incomes, and retirees, to reflect the fact that they had smaller or less likely exposure to income loss. Retirees are charged only for the risk of services replacement for themselves or an uninsured passenger or pedestrian, or income loss for the latter.

Also, those who have elected to coordinate their no-fault auto insurance with their health insurance have received additional rate reductions.

As a result, the price of Michigan auto insurance, unlike that of almost any other commodity or service, has remained stable or decreased. In most companies rates have not increased since early 1973, for many not since 1971, and some have decreased rates during that period.

The present rates are based on loss experience under the fault system, adjusted to the probable effect of no-fault in the best judgment of the companies, pending the acquiring of adequate actual no-fault experience.

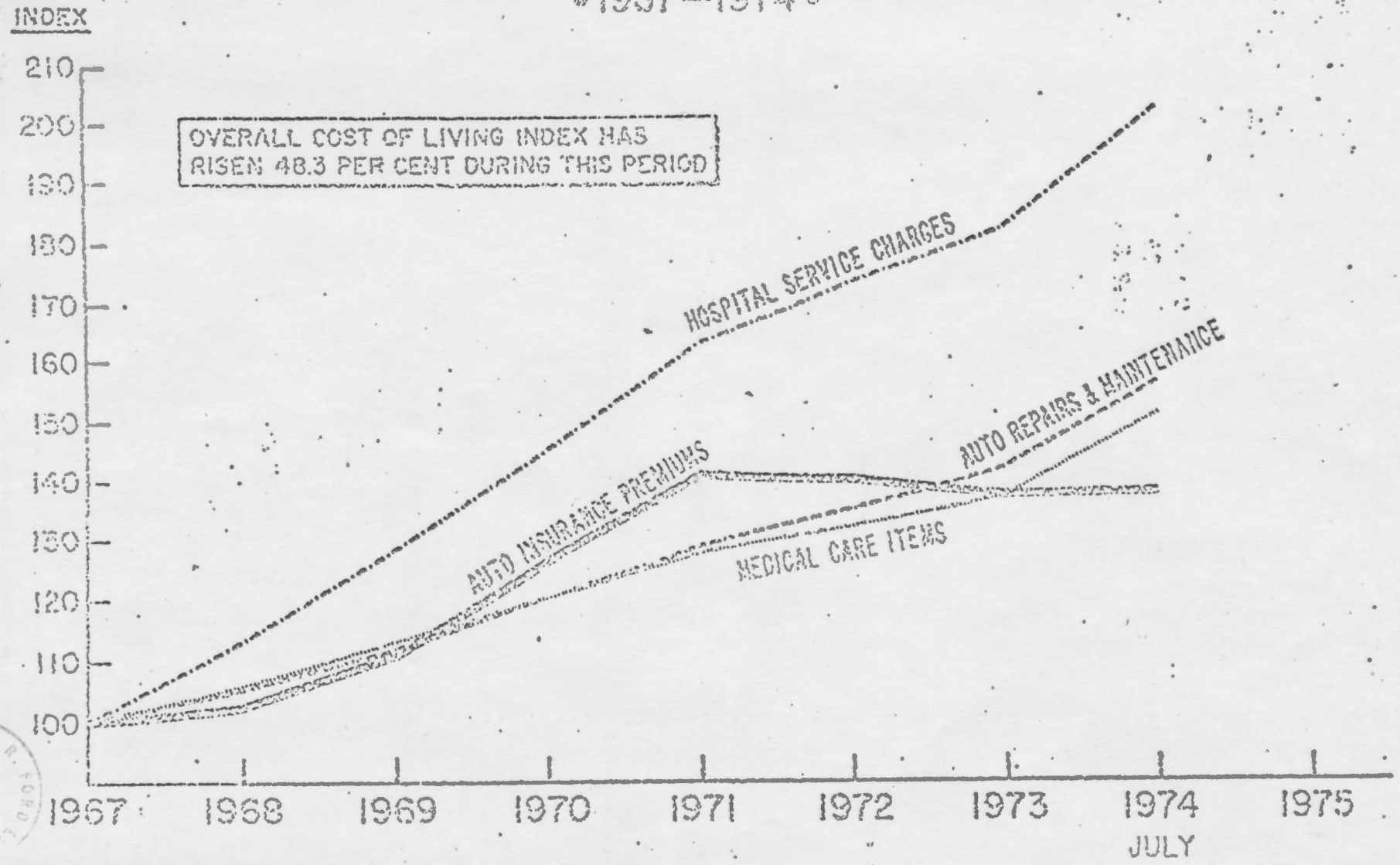
During the past year loss experience generally has improved, but this has had little to do with no-fault. Primarily it has resulted from the sustained decrease in accidents, injuries and deaths produced by the changed driving habits inspired by the energy problem.

Now the effect of the accident decrease is being offset by the sharpest inflation in recent times in the cost of everything which auto insurance pays for. Two graphs depicting the relationship of auto insurance price to those costs are attached. They are based on national figures but are essentially true of Michigan. In the period since last July, where these conclude, doctor's fees have jumped to an annual rate of increase of 19 per cent and hospital charges to an 18 per cent rate. The cost of car repair parts has soared 23 per cent and new car price increases have raised replacement costs some $500 on 1974 models and a like amount for 1975s.

Because of the conflicting factors in the basic cost trend and the threat of staggering double payments and a flood of pain and suffering suits, it is impossible for insurers to predict at this time what the effect may be on the future of auto insurance price. The loss improvement of the past year could easily be removed quickly by the inflation trend alone, and would be wiped out many times over by an adverse answer to either of the legal uncertainties.

TRENDS IN COSTS OF AUTO INSURANCE PREMIUMS AND OF MAJOR ITEMS FOR WHICH AUTO INSURANCE PAYS

• 1967—1974 •

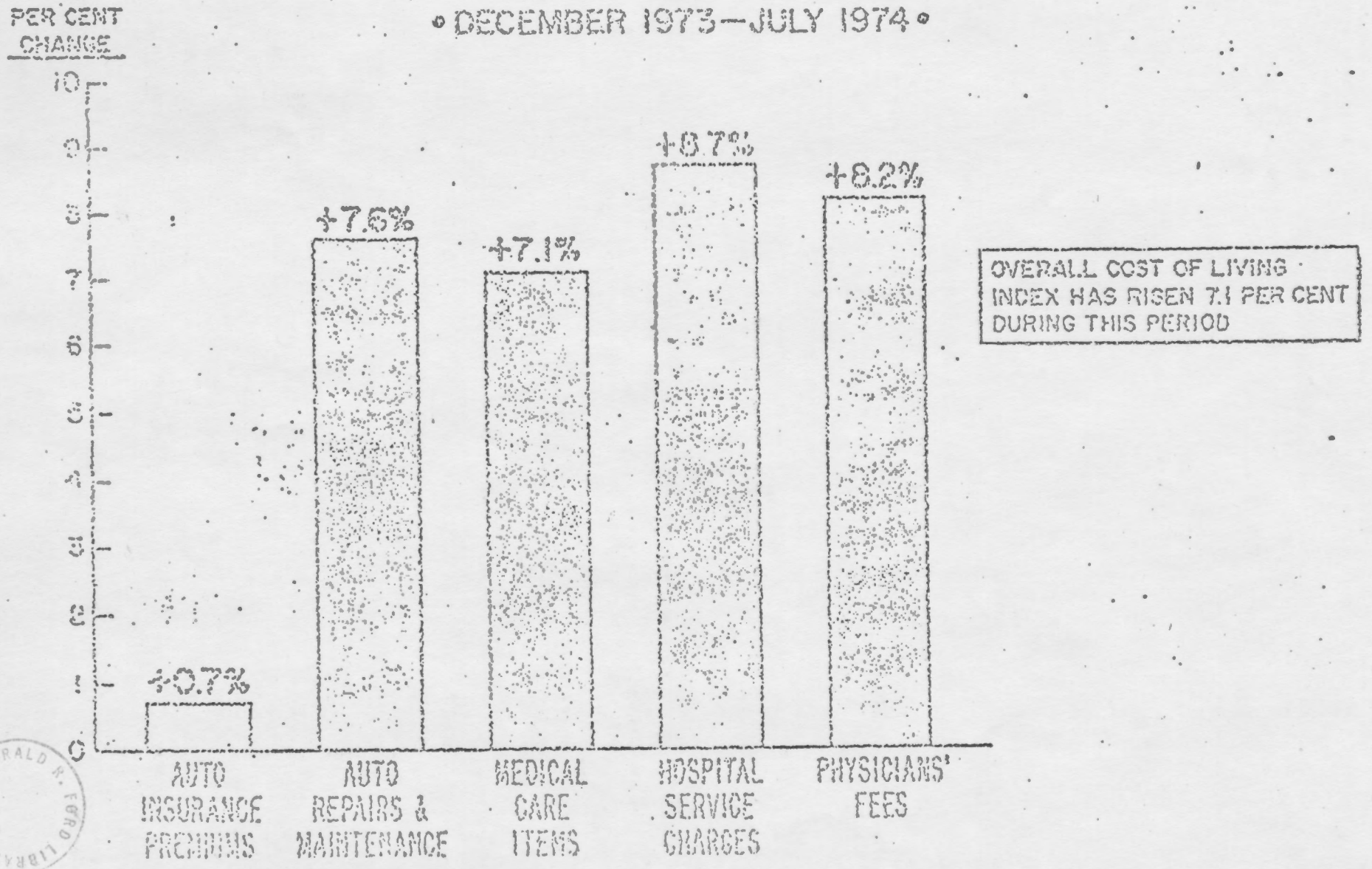


SOURCE: CONSUMER PRICE INDEX, U.S. BUREAU OF LABOR STATISTICS

PREPARED BY INSURANCE INFORMATION INSTITUTE

TRENDS IN COSTS OF AUTO INSURANCE PREMIUMS AND OF MAJOR ITEMS FOR WHICH AUTO INSURANCE PAYS

• DECEMBER 1973—JULY 1974 •



SOURCE: CONSUMER PRICE INDEX, U.S. BUREAU OF LABOR STATISTICS

PREPARED BY INSURANCE INFORMATION INSTITUTE

CONCLUSIONS:

The improvement which the no-fault principle has created in compensating the injured overshadows the conditions which are plaguing it and deserves to be protected by resolving them.

The property damage liability situation should be carefully reviewed to determine how best to relieve those whom it has distressed and to prevent the erosion of confidence in the no-fault principle.

There is nothing you can do, of course, about the constitutionality question, but it is important that you be aware of and understand the threat which it poses to the economics of no-fault protection.

If the "serious impairment" language does become an open invitation to frivolous lawsuits instead of a protection against them we strongly believe that you should reconsider this section of the law.

The people of Michigan now have a tremendously broader and more effective auto injury loss protection at no greater price than the former system and at lesser price for many. Under the conditions it is not possible to predict whether the economics of this change will improve or worsen. If there are savings, the Michigan companies and others are pledged to pass them on to their insured motorists. If the costs increase, we will have no choice but to pass them on also.

Respectfully submitted,

William P. Jamieson

William P. Jamieson, President
Michigan Association of
Insurance Companies

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NO-FAULT CAR INSURANCE

IF YOU JUDGE IT ON BROKEN PEOPLE ...IT'S BEEN A BOON.

We've all lived with No-Fault car insurance for a little over a year now.

In certain ways it has proven to be one of the greatest innovations since the Salk vaccine, and in other ways, one of the worst since the Edsel.

Thanks to No-Fault, every motorist, passenger and

In one classic example here at AAA, we had a little girl whose spinal cord was damaged in a car accident.

She has spent the better part of the last year in four different hospitals. And she will need a live-in therapist when she finally comes home.

Every pill, every crutch, every time a doctor exercises her legs—all medical expenses caused by the accident—will be paid for the rest of her life, thanks to No-Fault.

The key point is that her benefits were immediate and

Attachment C

AUTOMOBILE INSURANCE PRICES

UNDER THE NO-FAULT SYSTEM

A Report to Governor Hugh L. Carey and
the New York State Legislature

January 15, 1975

NEW YORK INSURANCE DEPARTMENT

Two World Trade Center
New York, New York 10047

324 State Street
Albany, New York 12210

AUTOMOBILE INSURANCE PRICES UNDER THE NO-FAULT SYSTEM

New York's no-fault automobile insurance law, which was enacted in February, 1973, became applicable on February 1, 1974, to motor vehicle accidents occurring in New York.

The two basic features of the law are that:

-- each automobile insurance policy is required to provide benefits of up to $50,000 in medical expenses and wage losses for any person injured by the auto regardless of fault; and

-- an injured person, in exchange for the guaranteed payment of basic losses, loses his right to sue for "pain and suffering" unless he suffers a serious injury.

The law contained many other provisions, which further defined these basic features, expressed other related no-fault purposes, and required the Insurance Department to take various administrative actions to fully implement the new no-fault system.

On October 10, 1974, the Insurance Department issued a report entitled, "Implementation of the No-Fault Automobile Insurance Law." That report concluded that no-fault was performing "the way its sponsors (including the Insurance Department) said it would," and that "the initial implementation of the no-fault law was accomplished with remarkably few problems, and no major unanticipated problems have arisen during the first eight months of its operation."

This report is the second of three annual reports on the price of automobile insurance under no-fault. It is submitted pursuant to Section 677(3) of the Insurance Law, which requires the Department, on or before January 15, 1974, 1975 and 1976, to report to the Governor and the Legislature on the prices insurance companies charge for automobile personal injury insurance coverages.

One of the objectives of the no-fault law was to bring about substantial savings in the prices paid by New Yorkers for automobile personal injury insurance. To accomplish this objective, the law required, among other things, that (i) certain reductions in rates be made at the inception of the no-fault system, (ii) rates be filed with and approved by the Insurance Department, and (iii) three annual reports on prices and personal injury insurance be made to the Governor and the Legislature.

The second no-fault price report follows.

Legislation Enacted in 1974 Affecting Auto Insurance Rates

On January 29, 1974, the Insurance Department issued a report entitled, the "Impact of the Energy Crisis on Automobile Insurance Rates." In that report, the Department recommended the enactment of legislation to assure that automobile insurance policyholders, rather than insurance companies, would benefit from any lower loss experience that may result from the energy crisis.

Legislation recommended by the Department became law on May 23, 1974. Among other things, the new "energy crisis" legislation provided that:

-- Insurance Department prior approval will not be required for any rate change which would result in rate levels lower than those in effect on February 1, 1974; and

-- the Insurance Department would not approve any increase in rate levels above those in effect on February 1 to take effect prior to September 1, 1974.

In other words, automobile insurance rate increases were prohibited by the new law until September 1, 1974. In addition, the law also encouraged insurance companies to lower their rates voluntarily, by permitting reductions from February 1, 1974 rate levels without Insurance Department approval, and by allowing a subsequent restoration of such decreases (but no increase beyond February 1, 1974 levels) without prior approval.

Department Rate Revision Policy Since September 1, 1974

After September 1, 1974, all rate increases became subject to the Department's prior approval, although under the "energy crisis" law rate decreases can be instituted without Department action.

Since September 1, 1974, the Department has received and approved a number of rate increases for automobile physical damage coverages, where the increase was properly supported by credible experience. Because the no-fault law does not apply to property damage, loss experience prior to the no-fault law can be used for supporting these rate changes.

The Department has not approved, however, any rate increases for bodily injury liability and no-fault insurance coverages and will not approve any until meaningful and fully supported no-fault experience is available. Pre-no-fault experience cannot be relied upon to support rate changes for these coverages, because the underlying system has been radically changed by no-fault.

Initial Rates and Savings

On October 17, 1973, the Department issued regulations establishing general rules applicable to rates for basic and optional no-fault coverages.[1] Thereafter, the Department received and processed rate filings from all companies. On January 15, 1974, as required by law, the Department filed with the Governor and the Legislature a report on "Price Reductions Resulting from Enactment of No-Fault Insurance".

The results, comparing rates for personal injury insurance in effect on January 1, 1973 with those in effect on February 1, 1974, were as follows:

-- for basic personal injury insurance, where the statute required a 15% reduction, the actual reduction averaged more than 19%;
-- for all kinds of personal injury insurance, including optional as well as basic coverage, the average actual reduction was about 13%;
-- in dollar terms, New Yorkers would save about $100 million annually based on the actual no-fault rates; and

-- the "average" driver would save about $15 annually on each vehicle.

The report pointed out that the annual savings for a particular individual would range widely from this "average", depending on where he lived, the company he was insured with, the kind of coverage he bought and many other factors. The report contained a pre-and post-no-fault listing of premiums charged by the 15 largest companies and the automobile assigned risk plan for "typical" drivers purchasing various combinations of insurance and residing in different parts of the State. A total of 1,536 actual comparisons were shown.

The annual $100 million savings achieved under no-fault include the cost of optional coverages. If no optional coverages were purchased, the annual savings on a statewide basis would have been $130 million, about $30 million more than the Insurance Department had predicted at the time of the law's enactment. The actual savings are $100 million because New Yorkers have elected to spend a total of $30 million for extra coverages.

Refunds

In addition to savings on policy renewals, some policyholders received refunds on existing policies. Policyholders who had purchased auto insurance prior to February 1, 1974 were entitled to receive a refund or credit in the amount of the difference between what they had already paid for the post-February 1 period and what they would have paid for such period based on the lower rates which took effect February 1.

The law provided that these refunds had to be made no later than the next renewal date of the policy. By Department regulation, they were required by the earliest of:

-- a policyholder's specific request,

-- June 1, 1974 for refunds greater than $5, or

-- the next renewal date of the policy.

New York policyholders have received approximately $45 million in cash refunds or credits on auto policies in effect on February 1, 1974.

Although larger premium savings than expected resulted from the law, there has been some consumer confusion because many have failed to distinguish between annual savings, and refunds or credits on policies in existence at the time no-fault went into effect.

This distinction can be illustrated by considering the example of a policyholder who purchased a policy for a one-year period beginning May 1, 1973 for a premium of $100. Based on one company's no-fault rates, his renewal premium on May 1, 1974 was $84, an annual savings of $16.

This policyholder also received a refund, since he had paid for the quarter-year period from February 1, to May 1, 1974 at the old, pre-no-fault rate of $100. The refund was one-fourth of the annual $16 savings, or $4. This example illustrates that, in cases where policies expired shortly after February 1 or were issued on a semi-annual or quarterly basis, refunds may have been small, even though annual savings are substantial.

No-Fault Rate Changes Since February 1

As noted earlier, no-fault insurance rates have not increased since no-fault's advent in February 1974.

However, there have been additional rate reductions, with 15 automobile carriers having reduced personal injury insurance premiums for some or all of their policyholders. These downward rate revisions had an approximate 1/2% effect on the total statewide rate level. Put another way, New York policyholders will realize a further annual premium savings of some $3,000,000 in addition to the savings resulting from the initial no-fault rate reductions. The private passenger auto insurance reductions made by these 15 insurance companies are as follows:

Company's Share of Market		Effective Date	Rate Level Reduction
5.0%	Aetna C & S	2/1/74*	3.0%
1.5%	Allcity Insurance	4/1/74	4.3%
-	City Insurance Co.	4/1/74	2.0%
2.4%	Empire Mutual	4/1/74	3.5%
1.7%	Utica Mutual	4/1/74	2.2%
.7%	Country-Wide	5/1/74	4.5%
2.3%	Liberty Mutual Fire	6/1/74	1.2%
-	N.Y. Central Mutual	6/15/74	15.0%
5.4%	Hartford A & I	8/1/74	.5%
.9%	Unigard Jamestown	8/26/74	.7%
.5%	Public Service	9/1/74	7.5%
2.1%	Royal Globe Companies	9/1/74	1.1%
1.2%	General Accident	9/24/74	.6%
.9%	Reliance Insurance	10/1/74	2.8%
.8%	Aetna Insurance Co.	12/31/74	1.7%

* This "car-pool" rate reduction, was initiated by the company subsequent to its "go-in" no-fault rate application, and was put into effect along with the initial no-fault rate reduction.

Although the noted reductions are expressed as a percentage of the companies' total personal injury premiums, most of these rate changes affected only some of the policyholders of these companies. Only five companies - Hartford and Utica Mutual (the 2nd and 12th largest auto insurers in the State), and the Aetna Insurance Company, Public Service Mutual and Reliance Insurance Company - have instituted general rate reductions affecting most or all of their policyholders. The remaining reductions consist of changes in rating rules and classifications which generally do not affect most policyholders. Among the reasons for these adjustments are favorable loss experience before the no-fault law became effective and some anticipated savings due to reduced driving caused by the energy crisis. No insurer has yet reduced its personal injury rates because of realized favorable no-fault results. Normally, reliable insurance statistics usable for rate making purposes do not become available for six months after the close of the calendar year.

Related No-Fault Savings

The no-fault law provides that no-fault benefits are payable regardless of the existence of other insurance or benefits -- such as Blue Cross or Blue Shield, major medical insurance, disability income insurance, or sick pay or sick leave granted by an employer.

The only exceptions are Social Security disability benefits (the federal program that provides a disability benefit six months after a disability occurs) and workmen's compensation. No-fault benefits will be paid only for what is not covered by workmen's compensation or Social Security disability benefits.

Most New Yorkers have health insurance coverages which duplicate benefits provided by no-fault. If this duplication were entirely eliminated, New Yorkers' health insurance premiums would be reduced by approximately $75 million a year. (This, of course, would be in addition to the savings already realized on automobile insurance.)

To help realize this potential, the Department has notified all insurers licensed to write accident, health and disability insurance that non-duplication of health insurance and no-fault insurance benefits should be encouraged, and had prepared for their use a standard exclusion clause. The exclusion of no-fault benefits must be accompanied by either a rate reduction or a commensurate increase in other benefits.

The Department has also required non-profit health carriers (such as Blue Cross and Blue Shield plans) to exclude duplication of no-fault automobile insurance benefits from their community-rated health insurance contracts by February 1, 1975, except where duplication is specifically requested by the policyholder. The elimination of this benefit duplication should reduce health insurance premiums charged by these carriers by about 2.5%.

Rate Comparisons

As in last year's report, this report shows the premiums charged in actual dollars for personal injury insurance on private passenger automobiles by the fifteen largest automobile insurance companies and the automobile assigned risk plan in selected geographical areas; for two types of drivers (the adult pleasure driver without accidents and the 20 year old male with one chargeable accident); and for drivers who purchase different

levels of coverage. Comparisons are made between rates charged as of January 1, 1975 and those charged on January 1, 1973 for different levels of coverage as follows:

-- minimum personal injury insurance.

This driver purchased the minimum compulsory limits of bodily injury liability insurance ($10,000 per person and $20,000 per accident) on January 1, 1973, and will purchase only 10/20 bodily injury and compulsory no-fault with a $200 family deductible on January 1, 1975.

-- medium amount of insurance.

This driver purchased 25/50 bodily injury plus $1,000 medical payments coverage on January 1, 1973, and will purchase 25/50 bodily injury plus $1,000 excess medical payments plus compulsory no-fault without a deductible on January 1, 1975.

-- higher amount of insurance.

This driver purchased 100/300 bodily injury plus $5,000 medical payments on January 1, 1973, and will purchase 100/300 bodily injury plus $100,000 no-fault with work-loss benefits of up to $2,000 per month for in-state and out-of-state driving on January 1, 1975.

The dollar prices and comparisons, which may be of interest to consumers who wish to compare prices charged by various companies, are contained on the following pages.

ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

BRONX COUNTY NORTH

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 80	$111	$102	$139	$122	$160
Hartford	97	112	123	146	157	175
Aetna Casualty	91	110	118	141	152	170
Government Employees	65	72	81	95	103	112
Travelers	94	114	117	144	148	171
State Farm Mutual	88	101	105	129	125	151
Empire Mutual*	81	102	99	132	126	154
Liberty Mutual Fire	78	99	99	124	127	145
Nationwide Mutual	84	96	104	124	126	144
Merchants Mutual	72	85	90	106	114	124
Ins. Co. of North America	90	111	112	139	142	163
Lumbermens Mutual Casualty	102	117	126	148	154	173
Utica Mutual*	77	114	93	142	119	167
General Accident	82	96	101	121	129	141
Boston Old Colony	84	101	105	126	132	148
Assigned Risk	79	89	103	121	126	133
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$223	$329	$277	$390	$328	$444
Hartford	244	281	310	368	378	442
Aetna Casualty	229	276	297	355	366	429
Government Employees	141	162	176	208	212	242
Travelers	324	399	398	491	480	573
State Farm Mutual	340	398	404	491	450	573
Empire Mutual*	191	283	236	349	282	406
Liberty Mutual Fire*	201	330	252	416	303	479
Nationwide Mutual	244	287	300	356	351	414
Merchants Mutual	239	279	294	346	350	402
Ins. Co. of North America	239	307	298	377	360	438
Lumbermens Mutual Casualty	272	322	335	395	396	458
Utica Mutual*	193	330	234	414	282	487
General Accident	242	287	297	355	360	413
Boston Old Colony	211	253	264	317	316	373
Assigned Risk	228	266	299	352	344	389

*The January 1, 1975 rates for these companies are lower than the no-fault "go-in" rates they charged on February 1, 1974. For the remaining companies, January 1, 1975 rates are identical with the February 1, 1974 "go-in" rates.

ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

BRONX COUNTY SOUTH

Company	Minimum Coverage		Medium Coverage		Higher Coverage	
	1/1/75	1/1/73	1/1/75	1/1/73	1/1/75	1/1/73
Adult-Preferred Risk						
Allstate	$ 97	$144	$123	$177	$147	$203
Hartford	137	161	173	206	217	246
Aetna Casualty	103	124	134	159	170	191
Government Employees	77	85	96	112	120	132
Travelers	121	148	149	185	186	218
State Farm Mutual	110	127	131	160	153	187
Empire Mutual*	97	124	119	157	149	184
Liberty Mutual Fire	91	114	115	142	146	166
Nationwide Mutual	107	122	132	155	157	181
Merchants Mutual	91	107	113	132	141	156
Ins. Co. of North America	117	130	143	163	178	189
Lumbermens Mutual Casualty	137	159	169	199	204	232
Utica Mutual*	97	137	119	169	149	199
General Accident	104	122	127	153	160	178
Boston Old Colony	107	128	133	159	165	187
Assigned Risk	102	118	135	159	162	175
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$277	$431	$343	$504	$406	$574
Hartford	346	406	437	520	530	623
Aetna Casualty	259	312	336	401	413	482
Government Employees	164	192	204	243	245	282
Travelers	421	521	513	639	616	742
State Farm Mutual	426	502	505	614	560	716
Empire Mutual*	202	295	248	364	296	423
Liberty Mutual Fire*	217	304	272	378	327	437
Nationwide Mutual	308	368	380	452	442	522
Merchants Mutual	265	310	327	384	389	445
Ins. Co. of North America	313	359	381	439	458	508
Lumbermens Mutual Casualty	308	368	381	448	450	519
Utica Mutual*	244	345	300	426	358	503
General Accident	310	368	379	452	456	522
Boston Old Colony	270	322	335	401	398	472
Assigned Risk	300	356	394	464	450	514

*The January 1, 1975 rates for these companies are lower than the no-fault "go-in" rates they charged on February 1, 1974. For the remaining companies, January 1, 1975 rates are identical with the February 1, 1974 "go-in" rates.

ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

BROOKLYN

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$104	$141	$131	$174	$156	$200
Hartford	138	162	175	207	218	247
Aetna Casualty	116	140	150	179	190	214
Government Employees	87	98	108	128	135	150
Travelers	132	163	164	204	204	239
State Farm Mutual	108	124	129	156	151	183
Empire Mutual*	97	125	119	158	149	185
Liberty Mutual Fire	98	123	123	153	156	178
Nationwide Mutual	113	130	140	165	167	193
Merchants Mutual	90	105	111	130	139	152
Ins. Co. of North America	125	167	152	206	189	231
Lumbermens Mutual Casualty	126	146	155	183	188	214
Utica Mutual*	105	138	129	171	160	200
General Accident	111	130	137	163	171	189
Boston Old Colony	114	138	142	171	175	200
Assigned Risk	103	119	137	160	163	176
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$296	$421	$366	$492	$433	$561
Hartford	341	408	441	523	535	625
Aetna Casualty	293	352	378	452	463	541
Government Employees	188	222	234	278	279	322
Travelers	460	571	561	700	674	813
State Farm Mutual	418	495	495	662	549	772
Empire Mutual*	198	290	244	358	291	416
Liberty Mutual Fire*	234	328	292	407	351	470
Nationwide Mutual	327	392	403	479	469	555
Merchants Mutual	259	305	320	376	381	427
Ins. Co. of North America	335	464	407	560	488	648
Lumbermens Mutual Casualty	289	345	356	422	421	490
Utica Mutual*	265	347	326	431	386	506
General Accident	329	392	403	479	485	556
Boston Old Colony	288	347	358	431	426	506
Assigned Risk	302	359	397	469	454	519

*The January 1, 1975 rates for these companies are lower than the no-fault "go-in" rates they charged on February 1, 1974. For the remaining companies, January 1, 1975 rates are identical with the February 1, 1974 "go-in" rates.

ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

MANHATTAN

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 85	$134	$108	$165	$129	$190
Hartford	112	130	141	168	178	201
Aetna Casualty	88	106	113	137	146	164
Government Employees	72	80	90	105	114	124
Travelers	108	133	134	167	168	197
State Farm Mutual	105	120	125	151	147	176
Empire Mutual*	94	119	115	152	144	178
Liberty Mutual Fire	90	106	114	132	145	155
Nationwide Mutual	94	104	115	134	139	157
Merchants Mutual	80	94	98	116	124	136
Ins. Co. of North America	99	121	123	152	154	177
Lumbermens Mutual Casualty	131	150	159	187	192	218
Utica Mutual*	88	132	108	164	137	192
General Accident	90	104	110	132	140	155
Boston Old Colony	91	109	112	135	141	159
Assigned Risk	94	107	123	145	148	160
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$239	$401	$296	$470	$351	$534
Hartford	282	327	356	424	433	507
Aetna Casualty	221	266	284	345	349	414
Government Employees	155	180	193	229	231	266
Travelers	376	465	460	571	554	664
State Farm Mutual	404	476	480	641	533	744
Empire Mutual*	194	284	239	351	286	408
Liberty Mutual Fire*	216	281	270	351	325	406
Nationwide Mutual	265	313	326	387	380	449
Merchants Mutual	232	273	285	336	341	391
Ins. Co. of North America	264	334	325	409	392	474
Lumbermens Mutual Casualty	294	351	364	429	430	496
Utica Mutual*	221	332	272	414	328	485
General Accident	264	313	323	385	391	446
Boston Old Colony	229	273	282	340	338	401
Assigned Risk	273	323	360	424	412	469

*The January 1, 1975 rates for these companies are lower than the no-fault "go-in" rates they charged on February 1, 1974. For the remaining companies, January 1, 1975 rates are identical with the February 1, 1974 "go-in" rates.

ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

QUEENS SUBURBAN

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 81	$ 96	$103	$121	$123	$140
Hartford	81	93	102	121	132	146
Aetna Casualty	81	95	103	123	134	149
Government Employees	70	78	88	103	111	122
Travelers	89	104	109	134	139	159
State Farm Mutual	84	95	100	122	119	142
Empire Mutual*	76	93	93	121	118	141
Liberty Mutual Fire	76	95	96	120	124	140
Nationwide Mutual	78	86	96	112	117	131
Merchants Mutual	77	88	95	111	120	130
Ins. Co. of North America	90	103	111	129	140	151
Lumbermens Mutual Casualty	98	112	122	143	149	168
Utica Mutual*	72	97	86	123	111	145
General Accident	76	86	93	111	119	131
Boston Old Colony	80	93	99	118	125	140
Assigned Risk	88	99	115	135	140	149
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$261	$314	$324	$371	$383	$424
Hartford	239	273	301	357	367	432
Aetna Casualty	239	279	303	363	373	441
Government Employees	165	193	205	244	246	284
Travelers	382	454	464	562	556	651
State Farm Mutual	318	373	377	461	421	537
Empire Mutual*	170	251	210	312	252	362
Liberty Mutual Fire*	230	316	286	401	343	462
Nationwide Mutual	245	291	301	358	352	416
Merchants Mutual	254	291	312	366	371	424
Ins. Co. of North America	279	314	342	384	410	445
Lumbermens Mutual Casualty	264	314	326	385	387	446
Utica Mutual*	212	280	254	357	305	422
General Accident	247	290	301	358	365	417
Boston Old Colony	236	273	291	348	347	414
Assigned Risk	255	302	336	397	386	438

*The January 1, 1975 rates for these companies are lower than the no-fault "go-in" rates they charged on February 1, 1974. For the remaining companies, January 1, 1975 rates are identical with the February 1, 1974 "go-in" rates.

ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

STATEN ISLAND

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 60	$ 65	$ 77	$ 83	$ 93	$ 98
Hartford	64	74	82	97	108	118
Aetna Casualty	61	74	79	97	105	118
Government Employees	53	58	66	78	86	93
Travelers	61	70	76	93	99	112
State Farm Mutual	61	67	73	88	90	104
Empire Mutual*	54	64	66	86	88	101
Liberty Mutual Fire	52	61	67	79	90	94
Nationwide Mutual	61	66	75	87	92	102
Merchants Mutual	57	64	70	82	91	97
Ins. Co. of North America	59	65	76	83	99	99
Lumbermens Mutual Casualty	71	78	87	101	108	119
Utica Mutual*	52	68	64	87	85	104
General Accident	58	66	72	86	95	102
Boston Old Colony	56	65	69	83	90	99
Assigned Risk	63	71	83	98	104	107
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$190	$269	$237	$321	$281	$366
Hartford	188	216	240	285	295	348
Aetna Casualty	179	216	232	285	287	348
Government Employees	157	182	195	232	234	269
Travelers	257	303	316	378	381	443
State Farm Mutual	230	264	274	331	309	388
Empire Mutual*	170	246	210	306	252	355
Liberty Mutual Fire*	158	202	197	264	239	305
Nationwide Mutual	232	277	287	340	335	396
Merchants Mutual	184	211	226	267	271	308
Ins. Co. of North America	182	249	232	306	281	355
Lumbermens Mutual Casualty	253	300	312	368	370	427
Utica Mutual*	152	195	188	251	227	301
General Accident	234	277	288	343	348	399
Boston Old Colony	164	189	201	243	243	291
Assigned Risk	251	296	332	389	381	430

*The January 1, 1975 rates for these companies are lower than the no-fault "go-in" rates they charged on February 1, 1974. For the remaining companies, January 1, 1975 rates are identical with the February 1, 1974 "go-in" rates.

ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

HEMPSTEAD TOWNSHIP

Company	Minimum Coverage		Medium Coverage		Higher Coverage	
	1/1/75	1/1/73	1/1/75	1/1/73	1/1/75	1/1/73
Adult-Preferred Risk						
Allstate	$ 68	$ 79	$ 88	$100	$105	$118
Hartford	67	77	85	101	112	122
Aetna Casualty	68	82	88	107	115	129
Government Employees	52	56	65	76	85	91
Travelers	70	80	86	105	111	126
State Farm Mutual	71	79	85	104	103	123
Empire Mutual*	58	72	72	95	94	111
Liberty Mutual Fire	62	74	79	94	104	112
Nationwide Mutual	67	75	83	99	102	115
Merchants Mutual	64	73	79	93	102	110
Ins. Co. of North America	73	82	92	104	117	122
Lumbermens Mutual Casualty	71	78	87	102	108	121
Utica Mutual*	58	75	71	96	94	113
General Accident	66	75	82	98	107	116
Boston Old Colony	65	76	80	97	104	115
Assigned Risk	69	76	89	105	110	116
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$216	$299	$268	$355	$317	$404
Hartford	197	225	250	297	307	360
Aetna Casualty	200	240	257	315	317	381
Government Employees	144	165	179	212	216	246
Travelers	296	346	360	422	433	490
State Farm Mutual	271	314	322	392	361	460
Empire Mutual*	160	231	197	288	238	334
Liberty Mutual Fire*	187	246	234	315	281	364
Nationwide Mutual	231	275	285	339	333	396
Merchants Mutual	209	239	257	300	307	342
Ins. Co. of North America	225	291	281	356	339	413
Lumbermens Mutual Casualty	239	281	295	344	350	400
Utica Mutual*	170	215	209	278	254	327
General Accident	234	275	287	338	347	392
Boston Old Colony	191	222	235	285	283	339
Assigned Risk	244	287	321	379	368	418

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ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

SUFFOLK COUNTY EAST

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 64	$ 67	$ 83	$ 86	$ 99	$101
Hartford	65	75	83	99	109	120
Aetna Casualty	52	65	69	86	93	104
Government Employees	47	51	59	69	78	82
Travelers	65	75	81	100	104	119
State Farm Mutual	61	67	73	88	90	104
Empire Mutual*	56	67	69	90	91	106
Liberty Mutual Fire	56	67	70	86	94	115
Nationwide Mutual	63	69	78	90	95	106
Merchants Mutual	59	68	73	87	95	103
Ins. Co. of North America	59	62	76	80	99	95
Lumbermens Mutual Casualty	64	71	78	92	98	111
Utica Mutual*	54	73	66	93	88	111
General Accident	61	69	76	90	99	107
Boston Old Colony	60	69	75	89	97	105
Assigned Risk	66	74	87	102	108	112
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$201	$277	$250	$329	$296	$375
Hartford	191	219	244	291	299	354
Aetna Casualty	152	189	201	252	250	306
Government Employees	140	159	173	205	209	238
Travelers	277	322	338	401	406	458
State Farm Mutual	228	261	271	320	305	375
Empire Mutual*	172	252	212	313	254	363
Liberty Mutual Fire*	187	254	232	328	279	432
Nationwide Mutual	242	287	298	353	348	411
Merchants Mutual	207	236	253	299	302	347
Ins. Co. of North America	182	240	232	294	281	342
Lumbermens Mutual Casualty	231	271	280	333	337	387
Utica Mutual*	158	227	194	291	236	349
General Accident	244	287	299	351	362	408
Boston Old Colony	176	201	218	261	262	309
Assigned Risk	255	302	336	397	385	438

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ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

NORTH HEMPSTEAD

Company	Minimum Coverage		Medium Coverage		Higher Coverage	
	1/1/75	1/1/73	1/1/75	1/1/73	1/1/75	1/1/73
Adult-Preferred Risk						
Allstate	$ 58	$ 69	$ 74	$ 88	$ 90	$103
Hartford	57	66	72	87	96	106
Aetna Casualty	61	74	78	97	105	118
Government Employees	46	50	57	68	77	81
Travelers	63	72	77	95	102	114
State Farm Mutual	66	73	78	96	97	113
Empire Mutual*	54	64	66	86	88	101
Liberty Mutual Fire	44	62	57	80	79	94
Nationwide Mutual	58	63	71	84	89	98
Merchants Mutual	55	62	66	79	88	94
Ins. Co. of North America	60	69	76	89	100	106
Lumbermens Mutual Casualty	63	70	76	93	97	110
Utica Mutual*	50	71	61	91	81	108
General Accident	56	63	69	84	92	100
Boston Old Colony	57	66	69	84	91	100
Assigned Risk	64	71	83	98	105	108
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$182	$283	$226	$336	$269	$384
Hartford	167	192	211	255	261	312
Aetna Casualty	179	216	231	285	287	348
Government Employees	137	156	169	201	205	234
Travelers	267	312	325	389	392	455
State Farm Mutual	250	288	295	362	333	322
Empire Mutual*	143	207	176	261	202	302
Liberty Mutual Fire*	132	206	168	266	203	307
Nationwide Mutual	218	259	268	320	315	372
Merchants Mutual	177	202	217	257	262	299
Ins. Co. of North America	185	264	234	324	285	376
Lumbermens Mutual Casualty	214	252	265	311	316	361
Utica Mutual*	146	204	179	263	215	312
General Accident	221	259	269	318	328	368
Boston Old Colony	167	192	203	246	246	294
Assigned Risk	237	279	310	368	356	407

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ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

OYSTER BAY

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 64	$ 68	$ 82	$ 87	$ 99	$102
Hartford	62	72	78	94	104	114
Aetna Casualty	59	71	75	93	101	113
Government Employees	50	54	62	73	82	87
Travelers	61	70	75	93	99	112
State Farm Mutual	64	71	75	94	93	110
Empire Mutual*	52	63	63	84	84	98
Liberty Mutual Fire	54	64	68	83	92	97
Nationwide Mutual	62	67	75	88	94	104
Merchants Mutual	57	64	69	82	91	97
Ins. Co. of North America	58	63	74	81	98	96
Lumbermens Mutual Casualty	62	68	75	90	96	107
Utica Mutual*	51	68	62	87	83	104
General Accident	60	68	73	89	97	106
Boston Old Colony	57	67	70	85	93	102
Assigned Risk	60	67	78	93	99	102
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$199	$281	$247	$334	$293	$380
Hartford	182	210	229	276	283	336
Aetna Casualty	173	207	220	273	275	333
Government Employees	147	169	181	217	220	251
Travelers	257	303	315	379	381	443
State Farm Mutual	242	278	286	350	323	410
Empire Mutual*	142	204	175	257	212	298
Liberty Mutual Fire*	162	213	203	276	244	319
Nationwide Mutual	229	271	280	334	329	388
Merchants Mutual	184	211	225	267	271	311
Ins. Co. of North America	179	243	228	299	278	347
Lumbermens Mutual Casualty	210	245	259	303	309	351
Utica Mutual*	149	195	182	251	221	301
General Accident	230	271	280	333	341	386
Boston Old Colony	167	195	206	249	250	300
Assigned Risk	239	280	313	369	359	408

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ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

CENTRAL WESTCHESTER

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 50	$ 55	$ 65	$ 72	$ 79	$ 84
Hartford	50	57	64	76	86	93
Aetna Casualty	43	52	56	69	77	85
Government Employees	45	49	57	66	76	80
Travelers	50	56	62	76	82	93
State Farm Mutual	55	62	66	80	82	95
Empire Mutual*	44	53	55	72	75	85
Liberty Mutual Fire	43	58	56	76	77	89
Nationwide Mutual	47	51	58	69	73	81
Merchants Mutual	46	51	56	65	75	78
Ins. Co. of North America	48	60	63	77	84	92
Lumbermens Mutual Casualty	51	54	62	72	80	85
Utica Mutual*	40	57	49	73	68	87
General Accident	47	51	57	69	77	82
Boston Old Colony	49	53	61	68	81	82
Assigned Risk	52	57	69	81	87	89
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$151	$227	$189	$272	$224	$310
Hartford	146	165	186	222	230	273
Aetna Casualty	125	150	162	201	204	249
Government Employees	135	153	168	198	203	230
Travelers	208	238	254	300	307	352
State Farm Mutual	210	241	249	302	281	353
Empire Mutual*	119	170	146	215	180	250
Liberty Mutual Fire*	129	192	164	253	200	292
Nationwide Mutual	180	209	221	262	260	304
Merchants Mutual	145	164	177	209	215	243
Ins. Co. of North America	147	229	192	282	234	328
Lumbermens Mutual Casualty	176	203	217	256	259	296
Utica Mutual*	116	162	143	210	176	250
General Accident	178	209	219	261	267	302
Boston Old Colony	143	153	176	198	214	240
Assigned Risk	204	237	268	315	310	348

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ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

ALBANY

Company	Minimum Coverage		Medium Coverage		Higher Coverage	
	1/1/75	1/1/73	1/1/75	1/1/73	1/1/75	1/1/73
Adult-Preferred Risk						
Allstate	$ 74	$ 81	$ 95	$103	$114	$120
Hartford	78	90	99	118	128	142
Aetna Casualty	72	87	94	113	122	136
Government Employees	53	57	66	77	86	91
Travelers	78	92	97	119	124	142
State Farm Mutual	77	86	92	111	111	129
Empire Mutual*	64	79	79	103	102	120
Liberty Mutual Fire	63	76	81	97	106	114
Nationwide Mutual	67	74	83	98	102	115
Merchants Mutual	68	78	84	99	107	117
Ins. Co. of North America	79	81	98	103	125	121
Lumbermens Mutual Casualty	73	80	89	105	111	122
Utica Mutual*	67	93	82	118	106	140
General Accident	67	76	84	99	108	117
Boston Old Colony	73	85	90	108	114	128
Assigned Risk	93	105	122	142	147	156
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$233	$296	$290	$350	$343	$400
Hartford	230	264	290	348	355	420
Aetna Casualty	212	255	275	333	339	402
Government Employees	130	148	162	191	196	222
Travelers	335	401	410	495	492	578
State Farm Mutual	291	339	346	421	387	492
Empire Mutual*	173	254	213	315	256	365
Liberty Mutual Fire*	190	254	240	324	290	374
Nationwide Mutual	224	262	276	326	324	379
Merchants Mutual	226	256	276	322	329	368
Ins. Co. of North America	245	275	303	337	364	390
Lumbermens Mutual Casualty	224	264	277	327	329	379
Utica Mutual*	197	269	242	342	290	407
General Accident	223	262	273	322	331	373
Boston Old Colony	215	249	263	318	315	378
Assigned Risk	266	315	351	413	402	457

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ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

BINGHAMTON

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 48	$ 53	$ 63	$ 70	$ 76	$ 83
Hartford	51	58	65	77	87	95
Aetna Casualty	42	51	55	68	76	84
Government Employees	34	36	43	50	60	61
Travelers	49	55	61	75	81	91
State Farm Mutual	48	51	57	68	73	80
Empire Mutual*	42	50	52	68	71	81
Liberty Mutual Fire	43	49	55	64	76	76
Nationwide Mutual	47	50	58	67	73	79
Merchants Mutual	43	49	54	63	72	74
Ins. Co. of North America	42	48	56	63	76	76
Lumbermens Mutual Casualty	46	49	56	66	73	78
Utica Mutual*	40	58	49	75	68	90
General Accident	47	50	57	67	77	80
Boston Old Colony	44	51	55	66	74	79
Assigned Risk	52	57	69	81	87	89
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$147	$219	$184	$263	$219	$300
Hartford	149	168	190	225	234	279
Aetna Casualty	122	147	159	198	201	246
Government Employees	97	110	121	143	149	167
Travelers	204	234	250	294	303	346
State Farm Mutual	177	200	211	255	240	299
Empire Mutual*	130	184	160	233	195	271
Liberty Mutual Fire*	143	182	180	242	218	279
Nationwide Mutual	177	206	218	257	256	299
Merchants Mutual	147	169	182	214	221	249
Ins. Co. of North America	128	182	172	225	211	263
Lumbermens Mutual Casualty	161	186	199	230	239	267
Utica Mutual*	116	179	143	234	176	282
General Accident	176	206	215	257	263	300
Boston Old Colony	128	147	159	192	193	231
Assigned Risk	204	237	268	315	310	348

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ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

BUFFALO AND LACKAWANNA

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 96	$ 89	$123	$113	$145	$130
Hartford*	98	123	123	158	158	189
Aetna Casualty	91	120	119	154	153	185
Government Employees	58	63	73	85	94	100
Travelers	95	113	118	146	148	172
State Farm Mutual	74	82	89	107	107	125
Empire Mutual*	78	96	96	125	121	146
Liberty Mutual Fire	76	92	97	115	125	135
Nationwide Mutual	80	90	99	118	120	137
Merchants Mutual	86	98	105	125	132	146
Ins. Co. of North America	104	103	127	129	158	151
Lumbermens Mutual Casualty	90	101	110	129	135	151
Utica Mutual*	92	106	113	134	142	158
General Accident	91	103	111	132	141	155
Boston Old Colony	88	103	109	131	137	154
Assigned Risk	104	120	137	162	163	178
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$309	$314	$383	$371	$452	$424
Hartford*	290	363	365	468	446	561
Aetna Casualty	269	354	352	456	431	549
Government Employees	128	146	160	189	194	220
Travelers	408	493	498	609	597	708
State Farm Mutual	282	325	334	405	374	472
Empire Mutual*	183	268	225	332	270	384
Liberty Mutual Fire*	230	305	287	384	345	443
Nationwide Mutual	260	309	320	380	374	441
Merchants Mutual	284	326	347	411	411	475
Ins. Co. of North America	323	337	392	411	468	476
Lumbermens Mutual Casualty	251	297	309	365	366	423
Utica Mutual*	272	307	335	389	398	460
General Accident	272	320	333	395	402	459
Boston Old Colony	260	303	322	387	382	456
Assigned Risk	304	362	400	471	457	521

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ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

JAMESTOWN

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 50	$ 49	$ 65	$ 64	$ 79	$ 76
Hartford	48	55	62	74	83	90
Aetna Casualty	45	56	59	75	81	92
Government Employees	33	34	42	48	59	59
Travelers	54	60	67	81	88	98
State Farm Mutual	51	56	61	75	77	87
Empire Mutual*	38	45	46	61	65	73
Liberty Mutual Fire	37	45	49	59	69	70
Nationwide Mutual	46	47	57	65	72	77
Merchants Mutual	43	49	54	62	72	74
Ins. Co. of North America	49	57	64	74	85	88
Lumbermens Mutual Casualty	45	48	55	66	72	79
Utica Mutual*	41	55	49	70	68	85
General Accident	46	49	56	65	76	78
Boston Old Colony	47	54	58	69	78	83
Assigned Risk	46	50	60	71	78	78
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$153	$181	$191	$218	$227	$251
Hartford	140	159	179	216	222	264
Aetna Casualty	131	162	172	219	216	270
Government Employees	84	94	105	124	131	145
Travelers	228	258	277	323	335	378
State Farm Mutual	189	216	225	277	255	320
Empire Mutual*	105	150	130	192	160	223
Liberty Mutual Fire*	126	168	160	222	196	257
Nationwide Mutual	159	183	196	231	231	269
Merchants Mutual	147	169	182	214	221	246
Ins. Co. of North America	150	198	195	244	238	286
Lumbermens Mutual Casualty	144	166	178	208	214	242
Utica Mutual*	119	169	143	217	176	265
General Accident	158	183	194	230	238	268
Boston Old Colony	137	156	169	201	205	243
Assigned Risk	162	187	211	250	246	275

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ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

ROCHESTER SUBURBAN

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 51	$ 62	$ 66	$ 80	$ 80	$ 94
Hartford	57	66	73	87	96	106
Aetna Casualty	51	62	66	82	90	100
Government Employees	43	45	53	62	72	74
Travelers	56	65	70	87	92	105
State Farm Mutual	57	63	69	84	86	98
Empire Mutual*	48	57	59	77	79	91
Liberty Mutual Fire	46	65	59	84	81	99
Nationwide Mutual	50	53	63	73	78	86
Merchants Mutual	46	52	56	67	75	80
Ins. Co. of North America	50	72	65	92	87	109
Lumbermens Mutual Casualty	51	55	64	73	82	87
Utica Mutual*	42	65	51	83	71	99
General Accident	54	61	68	79	89	94
Boston Old Colony	49	57	61	73	81	87
Assigned Risk	57	63	76	89	95	97
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$158	$253	$197	$303	$234	$345
Hartford	167	192	212	255	261	312
Aetna Casualty	149	180	193	240	241	294
Government Employees	123	140	153	181	186	211
Travelers	238	277	294	348	354	437
State Farm Mutual	216	246	257	310	290	365
Empire Mutual*	150	215	184	270	222	313
Liberty Mutual Fire*	154	245	194	320	234	368
Nationwide Mutual	189	221	232	276	273	322
Merchants Mutual	158	181	194	229	235	267
Ins. Co. of North America	154	278	201	341	245	396
Lumbermens Mutual Casualty	181	211	224	265	267	308
Utica Mutual*	122	201	149	259	185	311
General Accident	214	253	262	314	319	368
Boston Old Colony	143	165	176	213	214	255
Assigned Risk	227	265	297	350	342	387

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ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

ROCHESTER

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 74	$ 76	$ 95	$ 98	$114	$114
Hartford*	74	90	93	118	122	142
Aetna Casualty	65	80	85	105	112	127
Government Employees	48	51	60	69	79	82
Travelers	75	88	93	115	119	137
State Farm Mutual	62	68	74	90	91	105
Empire Mutual*	56	68	69	91	91	107
Liberty Mutual Fire	64	77	81	98	105	115
Nationwide Mutual	66	73	82	96	100	113
Merchants Mutual	65	74	81	94	104	111
Ins. Co. of North America	75	76	94	97	120	115
Lumbermens Mutual Casualty	64	71	78	95	98	112
Utica Mutual*	60	82	75	105	98	124
General Accident	69	78	86	102	110	121
Boston Old Colony	68	79	85	101	108	120
Assigned Risk	85	96	111	131	134	144
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$233	$286	$290	$339	$343	$386
Hartford*	218	264	275	348	338	420
Aetna Casualty	191	234	250	309	308	375
Government Employees	125	142	155	183	188	213
Travelers	320	381	392	473	471	552
State Farm Mutual	230	266	274	335	309	392
Empire Mutual*	157	227	193	283	233	329
Liberty Mutual Fire*	178	257	224	326	268	343
Nationwide Mutual	229	272	281	336	329	390
Merchants Mutual	213	245	261	309	312	358
Ins. Co. of North America	232	266	289	326	347	378
Lumbermens Mutual Casualty	204	238	253	296	301	343
Utica Mutual*	176	236	221	304	264	360
General Accident	250	293	305	359	369	417
Boston Old Colony	200	231	248	297	297	354
Assigned Risk	263	310	347	407	398	450

*The January 1, 1975 rates for these companies are lower than the no-fault "go-in" rates they charged on February 1, 1974. For the remaining companies, January 1, 1975 rates are identical with the February 1, 1974 "go-in" rates.

ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS
OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN
UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

SYRACUSE

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 61	$ 67	$ 79	$ 86	$ 95	$101
Hartford	57	66	73	87	96	106
Aetna Casualty	60	73	78	96	104	117
Government Employees	47	51	59	69	78	72
Travelers	66	77	82	103	106	122
State Farm Mutual	56	61	68	81	85	96
Empire Mutual*	52	62	63	82	84	97
Liberty Mutual Fire	52	64	67	82	90	97
Nationwide Mutual	51	54	64	74	79	88
Merchants Mutual	57	64	70	82	91	97
Ins. Co. of North America	64	77	81	97	105	115
Lumbermens Mutual Casualty	60	65	73	86	92	101
Utica Mutual*	52	76	64	97	85	115
General Accident	56	63	70	83	92	98
Boston Old Colony	57	67	71	85	93	102
Assigned Risk	66	73	87	101	107	111
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$192	$251	$239	$300	$284	$341
Hartford	167	192	212	255	261	312
Aetna Casualty	176	213	229	282	284	345
Government Employees	128	145	159	188	192	218
Travelers	281	332	342	414	412	483
State Farm Mutual	212	241	251	302	284	357
Empire Mutual*	144	210	179	264	217	306
Liberty Mutual Fire*	154	210	196	272	237	314
Nationwide Mutual	191	223	235	279	276	326
Merchants Mutual	184	211	226	267	271	311
Ins. Co. of North America	197	269	249	330	301	382
Lumbermens Mutual Casualty	195	227	240	281	286	329
Utica Mutual*	152	218	188	281	227	333
General Accident	204	241	250	299	304	348
Boston Old Colony	167	195	207	249	250	300
Assigned Risk	237	279	312	368	358	407

*The January 1, 1975 rates for these companies are lower than the no-fault "go-in" rates they charged on February 1, 1974. For the remaining companies, January 1, 1975 rates are identical with the February 1, 1974 "go-in" rates.

ANNUAL PERSONAL INJURY AUTOMOBILE INSURANCE PREMIUMS OF 15 LEADING INSURERS AND ASSIGNED RISK PLAN UNDER NO-FAULT (1/1/75) AND PRIOR TO NO-FAULT (1/1/73)

WATERTOWN

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 35	$ 39	$ 46	$ 54	$ 58	$ 65
Hartford	38	43	49	59	68	72
Aetna Casualty	28	36	38	50	56	63
Government Employees	33	34	42	48	59	59
Travelers	41	43	50	60	68	75
State Farm Mutual	42	45	51	63	66	72
Empire Mutual*	31	35	38	50	55	60
Liberty Mutual Fire	28	38	38	52	56	62
Nationwide Mutual	36	37	45	52	58	62
Merchants Mutual	33	36	41	46	57	55
Ins. Co. of North America	33	42	46	55	64	67
Lumbermens Mutual Casualty	37	38	45	54	60	65
Utica Mutual*	30	40	35	52	52	64
General Accident	36	37	45	51	62	62
Boston Old Colony	35	40	43	52	60	64
Assigned Risk	35	39	46	58	63	63
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$108	$157	$135	$191	$162	$218
Hartford	110	123	140	171	175	210
Aetna Casualty	80	102	109	144	140	183
Government Employees	92	104	115	136	142	159
Travelers	166	179	201	228	244	271
State Farm Mutual	156	172	185	221	212	261
Empire Mutual*	91	128	112	165	140	192
Liberty Mutual Fire*	97	143	125	197	154	227
Nationwide Mutual	131	148	162	191	193	223
Merchants Mutual	109	124	134	157	165	185
Ins. Co. of North America	99	157	137	194	170	229
Lumbermens Mutual Casualty	126	143	154	181	186	212
Utica Mutual*	86	125	101	165	128	204
General Accident	129	152	159	193	197	226
Boston Old Colony	101	114	124	150	153	186
Assigned Risk	139	159	182	214	213	236

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SUFFOLK COUNTY WEST

Company	Minimum Coverage 1/1/75	Minimum Coverage 1/1/73	Medium Coverage 1/1/75	Medium Coverage 1/1/73	Higher Coverage 1/1/75	Higher Coverage 1/1/73
Adult-Preferred Risk						
Allstate	$ 64	$ 77	$ 82	$ 99	$ 99	$115
Hartford	71	82	89	107	118	129
Aetna Casualty	59	71	75	93	101	113
Government Employees	52	56	64	75	85	90
Travelers	65	76	80	101	104	121
State Farm Mutual	70	78	83	103	102	120
Empire Mutual*	58	72	72	95	95	111
Liberty Mutual Fire	59	73	75	94	99	110
Nationwide Mutual	63	69	77	92	95	107
Merchants Mutual	60	68	73	87	96	103
Ins. Co. of North America	66	77	83	98	108	116
Lumbermens Mutual Casualty	64	71	78	94	99	111
Utica Mutual*	53	76	64	97	86	115
General Accident	61	69	75	91	99	107
Boston Old Colony	57	66	69	84	91	100
Assigned Risk	71	78	91	108	113	119
Unmarried Male-Age 20-One Chargeable Accident						
Allstate	$201	$308	$249	$365	$296	$415
Hartford	209	240	264	315	325	381
Aetna Casualty	173	207	220	273	275	333
Government Employees	152	175	187	224	226	259
Travelers	277	326	337	407	406	475
State Farm Mutual	263	306	312	386	351	450
Empire Mutual*	175	255	215	316	258	367
Liberty Mutual Fire*	199	275	249	355	297	409
Nationwide Mutual	232	277	286	342	335	397
Merchants Mutual	209	238	256	302	307	350
Ins. Co. of North America	203	287	255	351	309	408
Lumbermens Mutual Casualty	234	275	287	338	342	391
Utica Mutual*	155	237	188	304	230	362
General Accident	235	277	287	340	349	394
Boston Old Colony	167	192	203	246	246	294
Assigned Risk	247	291	325	383	373	423

*The January 1, 1975 rates for these companies are lower than the no-fault "go-in" rates they charged on February 1, 1974. For the remaining companies, January 1, 1975 rates are identical with the February 1, 1974 "go-in" rates.

NOTES

Assigned Risk premiums based on $50,000/$100,000 maximum bodily injury liability and residual liability and $1,000 medical payments.

Premiums for Allstate, State Farm Mutual and Travelers for preferred adults based on annual mileage over 7,500.

Government Employees and State Farm Mutual include minimum $5,000 residual medical payments.

Premiums for Liberty Mutual Fire and State Farm Mutual are estimated. Liberty Mutual's package policy includes single limit BI and PD liability, medical expenses and death benefits. State Farm's policy offers BI and PD at a single premium.

FLORIDA ASSOCIATION OF INSURANCE AGENTS

INITIAL	
CHEEK	attachment D
G.Y.	
HARMAN	
V. YARD	
P. HEBE	

FILE:

DISCARD

NOTE:

P. O. BOX 3607 • TELEPHONE 904-385-7155 • TALLAHASSEE, FLORIDA 32303

Tom C. Johnson, CAE—Executive Vice President

EXECUTIVE STAFF: Samuel B. Rogers—Legislation Robert S. Smith—CPCU, Education

Peggy McCollum—Administration

Vol. XXII – Bulletin # 17

Tues. P.M., February 20, 1973

MARKETING SURVEY RESULT. An astounding 706 of 1108 members took the time to tell their reaction to twelve months of no-fault. What you said will enable FAIA to better serve you in the days ahead. It is apparent no-fault is here to stay and subject only to expansion and improvement. Here are your answers.

(1) Which system:

Better serves public?	No-fault 662 (96%)	Old system 26 (4%)
Does public prefer?	No-fault 570 (91%)	Old system 54 (9%)
Do companies perform better under?	No-fault 584 (92%)	Old system 50 (8%)

(2) Has no-fault altered public attitude toward insurance?

No 207 (33%) Yes 425 (67%)

If so, how: Favorably 381 (93%) Unfavorably 28 (7%)

(3) Affect on agency/client relationship?

Improves 462 (68%) Impairs 39 (6%) No effect 183 (26%)

(4) Are your policyholders satisfied with:

Speed of payments?	Yes 553 (80%)	No 137 (20%)
Benefit levels?	Yes 635 (95%)	No 35 (5%)
Operation of PD provisions?	Yes 492 (78%)	No 136 (22%)

(5) Performance of adjusters?

Excellent 150 (21%) Adequate 482 (68%) Inadequate 75 (11%)

(6) Opinion on bringing all vehicles under law?

Favor 618 (92%) Oppose 57 (8%)

(7) Workability and success of PD provisions?

Working well 574 (86%) Not working well 93 (14%)

NO-FAULT COMMENT. Of the 94 members who made specific comments of concern, about one-third had experienced problems with property damage such as delays in payment, fault determination and application of deductibles. Others felt tort thresholds and benefits should be increased. Still others expressed need for public and police education. The vast majority of members are satisfied with no-fault as it is . . . at least for awhile. The legislature may share this view.

AGENTS CONFIDENTIAL . . . . For members only

Attachment B

BACKGROUND MATERIAL ON

NO-FAULT AUTO INSURANCE

Members of the Senate Commerce Committee

Republican	Democrat
James B. Pearson, Kansas	Warren G. Magnuson, Washington
Robert P. Griffin, Michigan	John O. Pastore, Rhode Island
Theodore F. Stevens, Alaska	Vance Hartke, Indiana
J. Glenn Beall, Jr., Maryland	Philip A. Hart, Michigan
Lowell P. Weicker, Jr., Connecticut	Howard W. Cannon, Nevada
James L. Buckley, New York	Russell B. Long, Louisiana
	Frank E. Moss, Utah
	Ernest F. Hollings, South Carolina
	Daniel K. Inouye, Hawaii
	John V. Tunney, California
	Adlai E. Stevenson III, Illinois
	Wendall H. Ford, Kentucky

Statement

STATEMENT OF
SECRETARY OF TRANSPORTATION WILLIAM T. COLEMAN, JR.
BEFORE THE SENATE COMMERCE COMMITTEE
APRIL 30, 1975

"Automobile Insurance Reform"

Mr. Chairman, Members of the Committee:

I welcome the opportunity to be here today to present the Department of Transportation's views on S. 354 and other aspects of the automobile insurance reform question. If it is agreeable with you, I would like first to take up four specific subjects which I understand you wish me to address. I will then give you our views on S. 354 and the appropriate role of the Federal government in this general area.

Cost Savings of S. 354

Over the past several years, a wealth of survey experience with the public's feelings toward automobile insurance has shown beyond doubt the average motorist's great sensitivity to the size of his insurance premium. It is not surprising then that the matter of costs has figured prominently in the no-fault debate at both national and state levels.

Specifically with respect to the cost and price implications of the no-fault reforms called for by S. 354, the Department of Transportation does not currently have the technical, analytical capability to make confident quantitative assessments. Two years ago, at the request of the National Association of Insurance Commissioners (NAIC), the Department did join with the Ford Foundation in funding the development of a no-fault costing model. This model, designed by an actuarial consulting firm chosen by the NAIC, was subsequently used by several state legislatures for costing various no-fault proposals and by the Congress for costing

S. 354 and H.R. 10. You already have the results of these latter efforts. The Department, lacking the ability to validate independently the work of these experts, neither endorses nor rejects their findings. Suffice it to say that no-fault costing is an area in which "expert" views diverge widely, and, as you have already learned, truly disinterested experts such as those who developed the NAIC's model are few and far between.

There are some observations about no-fault costs that we do want to make, however. First, from the perspective of the public policy maker, cost savings, while admittedly important, should not, and in my view do not, constitute the primary purpose of no-fault reform. Much more important, for example, are the adequacy of victim's benefits, the certainty and universality of their insurance coverage, and the elimination of the adversary process from the benefit decision. Happily, there are very large opportunities for cost savings in the shift from insured tort liability to no-fault. Much of these savings should be used to finance no-fault's higher benefit levels and the economic losses of the additional beneficiaries that no-fault will cover. These should be the priority uses of these savings. In many, perhaps in most, cases, however, the savings will be sufficiently large so that there can be a reduction in the average motorist's premium relative to what it would have been under insured tort liability.

A second point about no-fault costs has to do with comparisons. In the welter of claims and counter-claims about whether no-fault will cost more or less and by how much, it is easy to see how even the informed observer can become confused. Frequently, the problem is that the wrong

comparison is made--that is, the cost of no-fault next year is compared to the cost of insured tort liability this year. The result is that the real difference is usually obscured if not overwhelmed by the effects of inflation and the effect of year-to-year changes in the frequency and severity of accident losses. The only fair comparison, and one that's incomplete at that, is to compare the costs of each system for the same period. Even here, however, it must be borne in mind that what are being compared are very different things. In the auto insurance context, the only meaningful comparison is the one that addresses both the costs and the benefits of different systems. For truly, the important advantages of no-fault over insured tort liability lie principally in the much greater benefits it delivers to victims rather than in whatever premium reductions it may permit. Thus, in comparing no-fault to the existing system, or in comparing different no-fault plans, our focus should be principally on the benefits they provide, for only here do we see how much more valuable no-fault is to the consumer.

Restriction on Tort Recovery

Most of the potential for cost savings in no-fault lies in the elimination of the adversary process and the tort lawsuit for at least the great mass of accidents. The resultant "savings" come principally from the elimination of over-payments for claims involving modest amounts of economic loss, economies in the insurance companies' settlement procedures, greatly reduced litigation, and a substantial curtailment of the type and amount of intangible losses eligible for compensation from the insurance pool. Not only is this restriction on tort recovery in auto accidents critical to the economics of no-fault reform, it is fundamental to the

underlying philosophy of no-fault which is a preoccupation with the welfare of accident victims as contrasted with liability insurance's concern with protecting the assests of negligent drivers against adverse cort judgments.

The position of the Department on this matter remains basically as it was originally characterized four years ago in the Final Report of the Automobile Insurance Study.

> "... no person should recover for intangible losses unless he establishes that he suffered permanent impairment or loss of function or permanent disfigurement, or that he incurred personal medical expenses (excluding hospital expenses)...in excess of a rather high dollar threshold."

Since that time, there has been a further development of the "tort threshold" concept by the experts, in particular, the form adopted in the Uniform Motor Vehicle Accident Reparations Act. This concept, which employs a "length of disablement" threshold as contrasted to "medical expense" threshold, would appear to have the advantage of avoiding certain problems of medical/hospital cost valuation and of possible discrimination against victims who live in low medical cost areas or who have access to low cost or publically-financed medical care. We agree with and endorse the use of this type of threshold, with only the comment that it should be established at a level that excludes all but that very small minority of very seriously injured victims from having a residual tort remedy.

Impact of S. 354 on State Insurance Regulation and On the Level of Continuing Federal Involvement in Auto Insurance Markets

As we read S.354, it would affect to some limited degree, the authorities and responsibilities of state insurance regulators. The bill itself authorizes or requires regulators to do several specific things, most of which, as a practical matter, they already do, and a few of which most of

them do not now do. In the former category fall such things as the creation and supervision of assigned risk plans and the regulation of insurance rates. For the most part, these requirements of the bill appear simply to confirm the existing authorities of regulators or to require them to regulate auto no-fault insurance much as they now regulate auto liability insurance.

In the latter category fall such requirements as the creation of assigned claims plans (not usually a feature of insured tort liability insurance systems), the maintenance of an evaluation program for medical and vocational rehabilitation services, and the provision of a public information program for insurance purchasers. Also in this category would be new authorities to create programs to evaluate the performance of a state's no-fault plan, to ensure the availability of emergency medical services, and to assure that medical and vocational rehabilitation services are available for accident victims. Clearly, the provisions in this latter category, with the exception of the assigned claims plan, are not integral to the no-fault reform itself, whatever merit they may have otherwise.

In summary, it would appear that S. 354's principal practical impacts on state insurance regulation would be in such peripheral areas as emergency medical services and rehabilitation services. Having said that, however, it must also be acknowledged that S. 354 would constitute a significant watershed in the traditional relationship between the Federal government and state insurance regulation.

With respect to the level of continuing Federal involvement in auto insurance matters that would result from the enactment of S. 354, the Department last year estimated for Congressman Moss the administrative costs to the United States of implementing H.R. 15789 (93rd Congress), the com-

panion bill to S. 354.* At that time, we estimated the cost to be $2.2 million for the first year, $2.1 million for the second, and $1.5 million for each year thereafter. I believe that these estimates remain essentially correct today.

Of the estimated total of $2.2 million for the first year, approximately $400,000 would be for direct Federal personnel and support costs and approximately $1.8 million would be for contract services, principally for expert consultants or, perhaps, for support of work done by the National Association of Insurance Commissioners. Of the estimated $2.2 million, the largest single cost item would be $1.6 million to perform the several no-fault impact studies called for in Section 201(h). The next largest item would be approximately $100,000 for the administration of Section 113, dealing with the development and promulgation of regulations affecting Federal vehicles.

Finally, it should be noted that we have been unable to assess how much, if any, of the $10 million authorized in the bill might be needed to reimburse state governments for any governmental cost increases resulting from their implementation of the no-fault plans called for in S. 354.

Coordination of Benefits Between General Health Insurance (and other health benefit systems) and Automobile Insurance

One of the main goals of no-fault automobile insurance reform is to create a smooth, complete interface with other benefit systems. The goal

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*Not reflected in these estimates are four other types of financial impact that such bills are likely to have on the Federal budget: (1) the impact on the automobile claims costs of the Government arising from accidents involving Federal vehicles or drivers; (2) the impact on the claims administration costs of Federal agencies; (3) the impact on the case loads of Federal courts and their related costs; (4) the impact on other Federal benefit systems such as Social Security, Medicare, veterans medical benefits, etc.

should be to ensure that all automobile accident victims are compensated for all of their basic economic losses up to reasonable limits regardless of "fault," while also ensuring that they do not collect duplicate or triplicate benefits from different benefit systems. Stating the goal and designing the rules which will ensure its accomplishment, however, are clearly very different things.

Designing the rules has, in fact, created some real problems, both political and substantive, in the no-fault area. No-fault plans have been proposed, and some have been enacted, which make auto insurance benefits mandatorily primary, secondary, or excess, and even optional at the choice of the insured. The motivations underlying these different approaches are at least as numerous and varied as the approaches themselves. These range from the understandable desire of auto insurers to have auto accident medical losses included in their rate base rather than in that of carriers selling a different type of insurance, to the desire of some reformers to shift losses out of the auto insurance regime and have them compensated by some other benefit source in order to reduce auto premiums, to the understandable attitude that, as a potential victim , the auto insured ought to be able to choose his benefit source and select a lower cost one if he desires.

When the Department first addressed this question four years ago in its Final Report on the Automobile Insurance Study, it concluded that:

> "Full coverage for all medical benefits should be provided with a relatively small permissible deductible per accident but with very high mandatory limits...Included in covered benefits will be all medical rehabilitation expenses within the limits provided. Coverage should be primary as among private systems--that is, payment of benefits by a carrier under this coverage should automatically remove the obligation of any other insurance carrier to pay benefits to the extent that the costs are covered by automobile insurance. However, there should be the greatest freedom open to the insured in selecting his choice and source of coverage."

It should be noted that the Department's preference for auto insurance being primary was made in the context of "full coverage for all medical benefits...with very high mandatory limits" and in the context of a system that had been changed to a first party, no-fault basis, that provided benefits to all victims, and that involved universal, mandatory insurance coverage. Moreover, the Department's preference that mandatory no-fault auto insurance be primary over other benefit sources was restricted to "private systems," that is, voluntary insurance systems which could not be expected to be mandatory or universal in their coverage. It still seems logical to us that the mandatory system of benefits, expecially one providing high limits, universal coverage for a class of victims or a class of losses such as the type of no-fault system we advocate, should be primary in relation to a voluntary system, and especially when the latter system has significant gaps in coverage or provides only limited benefits.

We have not addressed the presently hypothetical problem of coordinating medical loss benefits between no-fault automobile insurance and whatever type of mandatory national health insurance plan may be adopted in the future. Whatever our views might be in this matter now, it seems inevitable that the final decision will be made in the context of the decision on a national health insurance plan itself. For the present, we believe that as long as no-fault reform, whether at the state or the national level, is mandatory and provides universal, high limit coverage of automobile accident medical losses, it should be primary over other private benefit sources.

S. 354

Four years ago, the Department of Transportation, after intensive study, endorsed the idea that the system of compensating auto accident

losses in this country should be changed from insured tort liability to universal, mandatory, first party, no-fault insurance. At the same time, we took the position that the change should take place at the state level, where useful, instructive experimentation with different types of no-fault systems could be undertaken.

Since then, some fifteen states have adopted auto insurance reform plans which include, at least to some degree, the major features of the first party, no-fault proposal advanced by the Department in its Final Report on the Auto Insurance Study. While the scope, character and quality of these state plans vary widely, some have truly ploughed new ground, providing heretofore unprecedented personal injury benefit levels for all covered accident victims.

I appreciate the fact that many, including this Department, may have once anticipated that the pace of State reform would have produced more extensive and more substantial results by this time than it has. Yet in retrospect, that expectation was clearly unrealistic. Given the complexity, the controversial nature, the many uncertainties, and the pervasive scope of the changes involved, the progress that has already been achieved by the States should be viewed as truly remarkable and applauded for the achievement it is.

Over the past several weeks, the Administration has again reviewed its position on no-fault reform. That review convinces us, more strongly than ever, that our original position remains sound today:

— First party, no-fault insurance should replace liability insurance as the basis for compensating automobile accident economic losses. Concurrently, the tort remedy should be substantially abolished in this area.

-- States should take the lead in this area. The Federal government should stand aside, except to the extent of accommodating its own vehicle fleet to the no-fault ethic. However, the Federal government should advance whatever help the states may need in designing and implementing sound no-fault plans of their own choice.

* * * * *

Mr. Chairman, that concludes my prepared statement. My colleagues and I will be happy to try to answer any questions you or the other Committee members might have.

STATEMENT OF
SECRETARY OF TRANSPORTATION WILLIAM T. COLEMAN, JR.
BEFORE THE SENATE COMMERCE COMMITTEE
APRIL 30, 1975

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S. 354 and H.R. 10. You already have the results of these latter efforts. The Department, lacking the ability to validate independently the work of these experts, neither endorses nor rejects their findings. Suffice it to say that no-fault costing is an area in which "expert" views diverge widely, and, as you have already learned, truly disinterested experts such as those who developed the NAIC's model are few and far between.

There are some observations about no-fault costs that we do want to make, however. First, from the perspective of the public policy maker, cost savings, while admittedly important, should not, and in my view do not, constitute the primary purpose of no-fault reform. Much more important, for example, are the adequacy of victim's benefits, the certainty and universality of their insurance coverage, and the elimination of the adversary process from the benefit decision. Happily, there are very large opportunities for cost savings in the shift from insured tort liability to no-fault. Much of these savings should be used to finance no-fault's higher benefit levels and the economic losses of the additional beneficiaries that no-fault will cover. These should be the priority uses of these savings. In many, perhaps in most, cases, however, the savings will be sufficiently large so that there can be a reduction in the average motorist's premium relative to what it would have been under insured tort liability.

A second point about no-fault costs has to do with comparisons. In the welter of claims and counter-claims about whether no-fault will cost more or less and by how much, it is easy to see how even the informed observer can become confused. Frequently, the problem is that the wrong

comparison is made--that is, the cost of no-fault next year is compared to the cost of insured tort liability this year. The result is that the real difference is usually obscured if not overwhelmed by the effects of inflation and the effect of year-to-year changes in the frequency and severity of accident losses. The only fair comparison, and one that's incomplete at that, is to compare the costs of each system for the same period. Even here, however, it must be borne in mind that what are being compared are very different things. In the auto insurance context, the only meaningful comparison is the one that addresses both the costs and the benefits of different systems. For truly, the important advantages of no-fault over insured tort liability lie principally in the much greater benefits it delivers to victims rather than in whatever premium reductions it may permit. Thus, in comparing no-fault to the existing system, or in comparing different no-fault plans, our focus should be principally on the benefits they provide, for only here do we see how much more valuable no-fault is to the consumer.

Restriction on Tort Recovery

Most of the potential for cost savings in no-fault lies in the elimination of the adversary process and the tort lawsuit for at least the great mass of accidents. The resultant "savings" come principally from the elimination of over-payments for claims involving modest amounts of economic loss, economies in the insurance companies' settlement procedures, greatly reduced litigation, and a substantial curtailment of the type and amount of intangible losses eligible for compensation from the insurance pool. Not only is this restriction on tort recovery in auto accidents critical to the economics of no-fault reform, it is fundamental to the

underlying philosophy of no-fault which is a preoccupation with the welfare of accident victims as contrasted with liability insurance's concern with protecting the assests of negligent drivers against adverse cort judgments.

The position of the Department on this matter remains basically as it was originally characterized four years ago in the Final Report of the Automobile Insurance Study.

> "... no person should recover for intangible losses unless he establishes that he suffered permanent impairment or loss of function or permanent disfigurement, or that he incurred personal medical expenses (excluding hospital expenses)...in excess of a rather high dollar threshold."

Since that time, there has been a further development of the "tort threshold" concept by the experts, in particular, the form adopted in the Uniform Motor Vehicle Accident Reparations Act. This concept, which employs a "length of disablement" threshold as contrasted to "medical expense" threshold, would appear to have the advantage of avoiding certain problems of medical/hospital cost valuation and of possible discrimination against victims who live in low medical cost areas or who have access to low cost or publically-financed medical care. We agree with and endorse the use of this type of threshold, with only the comment that it should be established at a level that excludes all but that very small minority of very seriously injured victims from having a residual tort remedy.

Impact of S. 354 on State Insurance Regulation and On the Level of Continuing Federal Involvement in Auto Insurance Markets

As we read S.354, it would affect to some limited degree, the authorities and responsibilities of state insurance regulators. The bill itself authorizes or requires regulators to do several specific things, most of which, as a practical matter, they already do, and a few of which most of

them do not now do. In the former category fall such things as the creation and supervision of assigned risk plans and the regulation of insurance rates. For the most part, these requirements of the bill appear simply to confirm the existing authorities of regulators or to require them to regulate auto no-fault insurance much as they now regulate auto liability insurance.

In the latter category fall such requirements as the creation of assigned claims plans (not usually a feature of insured tort liability insurance systems), the maintenance of an evaluation program for medical and vocational rehabilitation services, and the provision of a public information program for insurance purchasers. Also in this category would be new authorities to create programs to evaluate the performance of a state's no-fault plan, to ensure the availability of emergency medical services, and to assure that medical and vocational rehabilitation services are available for accident victims. Clearly, the provisions in this latter category, with the exception of the assigned claims plan, are not integral to the no-fault reform itself, whatever merit they may have otherwise.

In summary, it would appear that S. 354's principal practical impacts on state insurance regulation would be in such peripheral areas as emergency medical services and rehabilitation services. Having said that, however, it must also be acknowledged that S. 354 would constitute a significant watershed in the traditional relationship between the Federal government and state insurance regulation.

With respect to the level of continuing Federal involvement in auto insurance matters that would result from the enactment of S. 354, the Department last year estimated for Congressman Moss the administrative costs to the United States of implementing H.R. 15789 (93rd Congress), the com-

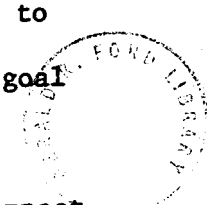
panion bill to S. 354.* At that time, we estimated the cost to be $2.2 million for the first year, $2.1 million for the second, and $1.5 million for each year thereafter. I believe that these estimates remain essentially correct today.

Of the estimated total of $2.2 million for the first year, approximately $400,000 would be for direct Federal personnel and support costs and approximately $1.8 million would be for contract services, principally for expert consultants or, perhaps, for support of work done by the National Association of Insurance Commissioners. Of the estimated $2.2 million, the largest single cost item would be $1.6 million to perform the several no-fault impact studies called for in Section 201(h). The next largest item would be approximately $100,000 for the administration of Section 113, dealing with the development and promulgation of regulations affecting Federal vehicles.

Finally, it should be noted that we have been unable to assess how much, if any, of the $10 million authorized in the bill might be needed to reimburse state governments for any governmental cost increases resulting from their implementation of the no-fault plans called for in S. 354.

Coordination of Benefits Between General Health Insurance (and other health benefit systems) and Automobile Insurance

One of the main goals of no-fault automobile insurance reform is to create a smooth, complete interface with other benefit systems. The goal



*Not reflected in these estimates are four other types of financial impact that such bills are likely to have on the Federal budget: (1) the impact on the automobile claims costs of the Government arising from accidents involving Federal vehicles or drivers; (2) the impact on the claims administration costs of Federal agencies; (3) the impact on the case loads of Federal courts and their related costs; (4) the impact on other Federal benefit systems such as Social Security, Medicare, veterans medical benefits, etc.

should be to ensure that all automobile accident victims are compensated for all of their basic economic losses up to reasonable limits regardless of "fault," while also ensuring that they do not collect duplicate or triplicate benefits from different benefit systems. Stating the goal and designing the rules which will ensure its accomplishment, however, are clearly very different things.

Designing the rules has, in fact, created some real problems, both political and substantive, in the no-fault area. No-fault plans have been proposed, and some have been enacted, which make auto insurance benefits mandatorily primary, secondary, or excess, and even optional at the choice of the insured. The motivations underlying these different approaches are at least as numerous and varied as the approaches themselves. These range from the understandable desire of auto insurers to have auto accident medical losses included in their rate base rather than in that of carriers selling a different type of insurance, to the desire of some reformers to shift losses out of the auto insurance regime and have them compensated by some other benefit source in order to reduce auto premiums, to the understandable attitude that, as a potential victim , the auto insured ought to be able to choose his benefit source and select a lower cost one if he desires.

When the Department first addressed this question four years ago in its Final Report on the Automobile Insurance Study, it concluded that:

> "Full coverage for all medical benefits should be provided with a relatively small permissible deductible per accident but with very high mandatory limits...Included in covered benefits will be all medical rehabilitation expenses within the limits provided. Coverage should be primary as among private systems--that is, payment of benefits by a carrier under this coverage should automatically remove the obligation of any other insurance carrier to pay benefits to the extent that the costs are covered by automobile insurance. However, there should be the greatest freedom open to the insured in selecting his choice and source of coverage."

It should be noted that the Department's preference for auto insurance being primary was made in the context of "full coverage for all medical benefits...with very high mandatory limits" and in the context of a system that had been changed to a first party, no-fault basis, that provided benefits to all victims, and that involved universal, mandatory insurance coverage. Moreover, the Department's preference that mandatory no-fault auto insurance be primary over other benefit sources was restricted to "private systems," that is, voluntary insurance systems which could not be expected to be mandatory or universal in their coverage. It still seems logical to us that the mandatory system of benefits, expecially one providing high limits, universal coverage for a class of victims or a class of losses such as the type of no-fault system we advocate, should be primary in relation to a voluntary system, and especially when the latter system has significant gaps in coverage or provides only limited benefits.

We have not addressed the presently hypothetical problem of coordinating medical loss benefits between no-fault automobile insurance and whatever type of mandatory national health insurance plan may be adopted in the future. Whatever our views might be in this matter now, it seems inevitable that the final decision will be made in the context of the decision on a national health insurance plan itself. For the present, we believe that as long as no-fault reform, whether at the state or the national level, is mandatory and provides universal, high limit coverage of automobile accident medical losses, it should be primary over other private benefit sources.

S. 354

During the past several weeks, I and others in the Administration have been reassessing the status of automobile insurance reform throughout the country and the various Federal legislative initiatives in the area, of which S. 354 is the most prominent example. You know, of course, that there has never been any significant difference between the sponsors of S. 354 and the Department of Transportation regarding the desirability of substituting first party, no-fault insurance for liability insurance as the principal means of compensating the economic losses of victims of automobile losses. Up until now, the issue dividing us has been that of the appropriate role for the Federal government in accomplishing and implementing first party, no-fault reform.

For its part, the Administration believed that no-fault, while basically a sound and highly desirable reform, was in 1971 far from a fully perfected concept that should be thrust on the entire country without benefit of a reasonable amount of testing and experimentation. For that reason, and because we were strongly opposed to the Federal government's pre-empting any of the regulatory or quasi-regulatory functions of state insurance regulation in the auto insurance field, the Department opposed the no-fault bill that was then before this Committee.

Over the years we have observed the progress and the experience of the states, participated actively in the perfecting of the no-fault concept, and watched the evolution of Federal legislation in this field:

-- The experience of the states has been very instructive. First, it has proven beyond a doubt that no-fault reform enjoys overwhelming public acceptance and approval. Second, no-fault does

not encourage careless or deviant driving behavior and there has been no upsurge of "carnage in the streets" as many had predicted. Third, no-fault does save money and can reduce premiums. Fourth, strong, high coverage limits no-fault plans can be passed and they do work. Finally, the kind of no-fault plan that states have adopted (or indeed whether they adopted one at all) appears to be totally unrelated to their demographic or socio-economic characteristics or the nature of their apparent "auto insurance needs" as measured by any objective criteria.

-- During this four year interval, the Department has provided modest financial assistance to the Council of State Governments to support a series of legislative seminars, helped finance the development of a computer model for costing various no-fault plans, and financially supported the drafting of the model no-fault law--the Uniform Motor Vehicle Accident Reparations Act--by the National Conference of Commissioners on Uniform State Laws. The last effort proved to be particularly significant in terms of perfecting a sound statutory framework for no-fault reform.

-- This four year period has also seen a major evolution in the character of the principal Federal no-fault proposals. This evolution began with a plan which provided for virtual Federal pre-emption of the auto insurance field and vested considerable regulatory authority in the Secretary of Transportation. It has now evolved to the present version of S. 354, a bill which would set minimum standards for state no-fault plans, leave the economic regulation of the insurance business entirely in the hands of state authorities, and require only very minimal involvement by the Federal government in its implementation.

As we have periodically over the past four years, the Administration has recently been reviewing its position on no-fault reform. We have concluded that in view of the heightened financial pressures on both auto insurers and their insureds, the proven track record of sound no-fault plans in the states, and our much improved understanding of the operation of these plans, the Administration should support the passage of S. 354.

We do urge, however, that certain provisions of the bill be eliminated or modified. These include section 109(b) dealing with public information, section 109(c) dealing with an accountability program for state vocational rehabilitation agencies, section 109(d) dealing with the availability of emergency medical services and medical and vocational rehabilitation services, and section 201(h) dealing with annual review by the Secretary of the operation of State no-fault plans (section 201(d) requiring general triennial reviews would remain). The first three provisions deal with matters not directly connected with no-fault reform and should be considered separately on their own merits. The last provision calls for a study and audit program in a level of detail we believe unnecessary. Most of the concerns implied in this provision would be adequately dealt with in the Secretary's triennial review and in the ongoing oversight that would be performed as a matter of routine by the cognizant Congressional committees. Specific language suggestions will be forwarded to you within the next few days.

Mr. Chairman, this completes my prepared statement. I would be happy to answer any questions the Committee has.

No-Fault Briefing Questions

Q. Doesn't a no-fault automobile insurance system save money in comparison to the traditional tort system?

A. - The actual experience of states with meaningful no-fault legislation as well as independent actuarial cost studies indicate some level of cost saving in changing from a traditional tort to a no-fault reparation system.

- The cost saving between no-fault and tort systems are blunted by the effects of inflation and the variations between the benefit levels of state no-fault plans.

- Although no-fault plans have tended to cost less than the traditional tort system, the major advantage of no-fault insurance lies on the benefit side. More benefit dollars reach the victim; they are more equitably distributed between victims; and the payment of these dollars is more timely under a no-fault system than under the traditional tort system.

Q. I keep hearing about the tremendous cost savings possible under a no-fault insurance system, but everyone I meet who lives in those states which have enacted no-fault legislation still complain that their premium is rising. How is this possible?

A. - The typical automobile insurance package contains several coverages including: Bodily Injury liability, Property Damage liability, Collision and Comprehensive damage coverage. Most no-fault insurance plans only effect the Bodily Injury liability portion of the premium. Therefore, while the Bodily Injury portion of the premium is falling rapidly due to the adoption of no-fault, the Collision portion of the premium, which is not affected by the new legislation, may be rising.

Q. Several witnesses have criticized the cost savings predictions of the Milliman and Robertson actuarial study which the Department of Transportation helped finance. Would you comment on this study and its relevance to S. 354?

A. - The Department of Transportation participated in the financing of the Milliman and Robertson study in order to help the individual states evaluate the price and cost effects of adopting various no-fault insurance systems. In actual practice, the Milliman and Robertson cost savings projections for individual states have always been low. For example, in Massachusetts Milliman and Robertson projected a 25 percent saving, while the actual premium saving is closer to 50 percent.

- The Milliman and Robertson firm was selected by the National Association of Insurance Commissioners, an organization of state insurance commissioners.

- The methodology used by Milliman and Robertson in their no-fault cost studies has been endorsed by the Inter-association Actuarial Committee, which represents members of all three major trade associations.

Q. I understand you prepared a brief discussing the constitutionality of the Pennsylvania no-fault legislation. Would you comment on the constitutionality of S. 354?

A. - The Pennsylvania law denied equal protection in my opinion because of the use of a monetary tort threshold which placed low income families at a disadvantage. S. 354 does not have a monetary threshold.

- It is the Attorney General's responsibility to defend the constitutionality of our laws. Although we're both lawyers, he and I have an agreement. He won't try to run my railroads if I don't try to try his cases.

- Even if S. 354 were unconstitutional, it could undoubtably be revised to make it constitutional.

Q. In view of impending action on some form of National Health Insurance, isn't the real choice between Federal no-fault standards which maintain traditional state responsibilities and a more encompassing Federal reparations system?

A. - I'm not certain when a National Health Insurance will be enacted or what form the legislation might eventually take. If, however, National Health Insurance does occur before the states have developed automobile reparation systems which cover all victims, then I am sure the National Health Insurance will include automobile accident victim injuries.

- The decision of whether or not to provide reparation for automobile injuries under any National Health system will have to be decided when that bill is enacted and will depend on many factors.

QUESTION: Have you undertaken a detailed assessment of the experience of the States with their different no-fault insurance plans? If so, can you tell us what you have learned? Are some plans better than others? In other words, are we really learning anything from all of this so-called "experimentation" with different approaches?

ANSWER: The Department has not made a detailed analysis of the States' experience. Nor, for that matter, has anyone else that I know of.

On the other hand, there would seem to be a very considerable interchange of information going on where it counts the most, i.e., between the States. We are aware the State legislative study commissions investigating auto insurance reform regularly draw on the available experience and expertise of those States with no-fault laws. In addition, the insurance industry which operates nationwide serves as a mechanism for transmitting the lessons learned in one State to the development and implementation of new no-fault plans in other States. So, I think the answer is: "Yes. We are learning and benefiting from this 'experimentation' in the States."

Question: One of the amendments made to the Senate bill while it was being debated involved the option of making other private insurance sources primary over automobile insurance. Does the Department have a view on that issue?

Answer: This is a difficult issue that clearly has no simple, absolute answer. There are several, sometimes competing goals involved here:

(1) Certainty of compensation for all victims;

(2) System expense costs of delivering benefits;

(3) Insurance coverage limits;

(4) Coordination of benefits (i.e., prevention of duplicate benefits).

(5) Proper market allocation of resources through internalization of accident loss costs.

Consideration of these various goals would lead one to favor making a high limits medical hospitalization insurance primary over a low limits first party auto insurance, but making a compulsory, universal auto insurance coverage primary over voluntary medical insurance. Similarly, one might want to favor Blue Cross/Blue Shield with a very low expense factor as primary over auto insurance with a high expense factor. With respect to the internalization of accident costs to the activity of motoring, one can ask if the benefits are worth the higher administrative costs involved or whether costs aren't better

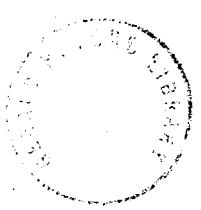
internalized to the purposes of motoring (i.e., accident costs of commerical vehicles internalized through workman's compensation and those of individual journey to work trips internalized to group health insurance to which the employer contributes).

On balance, then, a complusory high limits, non-subrogable no-fault auto insurance plan should be primary over other types of private insurance. However, where the no-fault insurance limits are low, or where the coverage is optional, or where loss costs continue to be shifted according to tort rules, then the individual should be given a choice as to what should be the primary coverage.

Question: The Committee hired the consulting actuaries, Milliman and Robertson, to estimate the premium savings that would accrue to the average driver in each State if H. R. 10 were to become law. The DOT paid to have the same thing done with respect to the Senate bill S. 354. Both studies showed that there would be very considerable savings. Inasmuch as DOT paid for the development of Milliman and Robertson's costing model, I assume that you would agree with these savings estimates.

Answer: The cost and price implications of untried no-fault schemes have always been a source of much confusion and controversy. The DOT, having no expertise of its own in this field, agreed to help finance the project of the National Association of Insurance Commissioners to develop a costing methodology and data base. The NAIC chose Milliman and Robertson. It is a well known, reputable firm, and we believe it did a conscientious job. However, the Department has no basis for independently judging, one way or the other, the validity of the actuaries' findings. I am aware that the actuaries, themselves, were at great pains to caveat their findings in their report.

Apart from these specific savings forecasts, however, I don't think there is any longer any reason to doubt that sound no-fault reform will, indeed, save very large sums.



QUESTION: I have seen reports in the press and elsewhere that 21 or 25 States have some form of no-fault laws. Do all these laws measure up to your standards? Aren't some of them "no-fault" in name only? Which States do you consider to have no-fault plans which are at least meaningful steps towards adequate reform?

ANSWER: Obviously, some State plans comport much better with the Administration's reform goals than others do, and some so-called "no-fault" plans do not comport with them at all. But we do consider that most of the plans do constitute "meaningful progress" toward ultimate no-fault reform. And I want to underscore that what the Administration is looking for, at least in the short run, is progress, not perfection. We do not presume to know exactly what is best or possible within the political and social climate of every State. Anyone who is seriously interested in how a specific plan compares to the Administration's reform principles has only to make the comparison himself.

Question: Did the Administration's reform principles contemplate the transfer of loss between insurers, by way of subrogation, according to tort rules?

Answer: No. Subrogation under a no-fault reparation system institutionalizes the present system's need for fault determination. This prevents full realization of the efficiencies and cost savings possible under no-fault.

Loss shifting on the basis of fault tends to discriminate against the young, poor and owners of older cars.

Question: Does the Administration favor a no-fault approach with respect to property damage, particularly vehicle property damage?

Answer: Yes. In our 1971 policy recommendations we urged that all losses be handled on a first party, no-fault basis. However, it was recognized that the potential for improvement here was significantly less than in the case of personal injury compensation and the same was true in terms of potential savings.

QUESTION: Did the Department's no-fault recommendations contemplate a high level of benefits or a relatively low level of benefits?

ANSWER: One of the principal findings of the DOT's study was that the seriously injured victim or the survivors of accident fatalities were not being adequately compensated by the tort liability system, even when they had, theoretically, recovery rights under the system. The Administration recommended that no-fault insurance cover all economic loss subject only to reasonable deductibles and high limits.

QUESTION: We are told by some experts that a no-fault system, especially the "pure" type of system contemplated in H.R. 10, S. 354 or the Michigan law, will increase the premiums of drivers in rural areas or those with large families while young, single drivers or commercial operators will find their insurance costs sharply lowered. Is this correct? Why should we change the system if this is the result?

ANSWER: The allocation of costs among various classes of drivers is a complicated subject, regardless of whether under a no-fault system or one of insured tort liability.

Cost is important. Most no-fault plans will lower costs in total. Even more important, however, is cost efficiency, and this is where no-fault provides a truly significant advantage. That is, it is able to deliver more needed benefits to the right people at a significantly lower expense.

With respect to the allocation of the reparation system's costs among drivers, the present system employs a complex classification system which groups car owners into classes by their age, their sex, the territory where their car is garaged, and the purposes for which the car is used. Accident loss experience for these classes is collected and used both to predict future loss experience and to help set premium rates.

Use of this classification system leads to motorists paying premiums roughly in proportion to the amount of claims paid by the system on behalf of the class into which they fall. Thus, if the claims frequency of male drivers under 25 years of age is 10 per year for every

hundred drivers and the claims frequency for drivers over 25 is five per year, younger drivers can expect to pay approximately double the premium of older drivers. At first blush, there does appear to be a superficially plausible "fairness" about this arrangement, at least when one considers only the 15 accident-involved drivers (10 young drivers and 5 older drivers).

But what happens to the apparent "fairness" of this arrangement when we look at the rest of the drivers who are not involved in accidents, the 90 young drivers, and the 95 older drivers. Since it is these accident-free drivers whose premiums constitute the vast bulk of the insurance pool, it would seem far fairer if the relative likelihood of being accident free formed the basis for the relationship of premium levels between different classes.

Actually, there is no truly "fair" way to allocate premiums among such classes in which demographic variables are used as surrogates for predicting future accident involvement. What the foregoing discussion illustrates is that very <u>small</u> differences in the accident frequency and severity rates of different classes of drivers can produce very <u>large</u> differences in the premiums charged them under the insured tort liability system. This is the basic reason that certain groups today--i.e., inner-city residents, youthful operators, servicemen, older drivers, etc.--pay premiums two and three times higher than other drivers.

No-fault (especially "pure" no-fault that does not allow subrogation) changes the existing relationships between these various classes. It does this by tying any individual driver's premium more closely to what he might take from the system if he were to become an accident victim. Thus, an unemployed student or a retired oldster would not collect wage reimbursement if they became victims, because as non-wage earners they suffer no income loss. By contrast, a professional man at the height of his earning power could be expected to make very large claims on the system if he became disabled. No-fault accommodates these differences in potential claims exposure while still accommodating the greater accident frequency of both younger and older drivers.

No-fault, in other words, is a fairer system. It does not turn the present rating system upside down, but it does serve to narrow the differences between what the various classes of drivers pay. Farmers will still enjoy an advantage in rates, but not as large as they once did. Inexperienced, youthful drivers on the whole will continue to pay more than other drivers, but not as much as they do now. What any individual driver may pay, however, will continue to be the product of a large number of factors ranging from inflation in repair costs to his own individual driving record and from the size and composition of his family to how and for what purposes his car is used.

Background Of The Automobile Insurance Reform Issue At The National Level

The present debate over auto insurance reform stems principally from two sources. The older of the two is concerned with the form of the compensation system itself and the roles that the legal regime and the insurance institution play in it. The more recent is concerned with how the business of insurance should be regulated and by whom.

The prevailing system of automobile accident compensation, based upon the common law of torts and funded principally by liability insurance, first came under attack in the mid-1920's by a number of legal experts, notably Judge Robert Marx of Cincinnati who proposed a no-fault insurance plan for Ohio in 1925.[1/] Over the next forty years, the insured tort liability system of accident compensation came increasingly under attack, still largely by legal scholars including Clarence Morris, James Paul, Albert Ehrenswerg, Leon Green, Fleming James, Jr. and John Adams. In 1964, a pioneering economic study of automobile accident injury reparations was conducted by Alfred Conard of the University of Michigan.[2/] The breakthrough, however, came the following year with the publication of the Robert Keeton and Jeffrey O'Connell landmark study, Basic Protection For The Traffic Victim[3/] which, besides arguing the no-fault case with great persuasion, provided legislators for the first time with a painstakingly drafted legislative proposal for implementing the no-fault concept. Moreover the auto insurance situation in Massachusetts had become so bad by this time that auto insurance reform was the hottest issue before the State Legislature. The Keeton/O'Connell proposal and the ensuing debate in Massachusetts (John Volpe was Governor and an early opponent of the no-fault proposal) focused national attention on this issue, and compensation reform (as opposed to regulatory reform) became for the first time the subject of Congressional interest.

1/ "Compulsory Automobile Insurance", American Bar Association JOURNAL, Vol. XI, No. 11, Nov. 1925.

2/ Conard, Alfred E., Automobile Accident Costs and Payments, 1964 (Ann Arbor, The University of Michigan Press).

3/ Keeton, Robert E. and O'Connell, Jeffrey, Basic Protection For The Traffic Victim, 1965 (Boston, Little, Brown and Company).

However, automobile insurance and some of its attendant problems were by no means unfamiliar subjects to Congressional Committees. Ever since passage of the McCarran-Ferguson Act in 1945, in which Congress opted to allow the states to continue to regulate the business of insurance as long as that regulation was "effective", insurance matters have attracted growing Congressional and Executive Branch attention. In exercising their oversight functions in connection with the McCarran-Ferguson Act, the Judiciary Committees of the two houses of the Congress have periodically, and in recent time with increasing frequency and intensity, held hearings or otherwise conducted investigations of the performance of state regulation of insurance and in this connection, of insurance problems generally. Specifically with respect to the matter of auto insurance, a rash of insolvencies among high risk auto insurance companies and growing cost and availability problems in many parts of the country encouraged these Committees, especially the Senate Antitrust and Monopoly Subcommittee, to concentrate on problems in this area.

Beginning in 1965, this latter committee (which was then and still is chaired by Senator Hart) embarked on an exhaustive, far-ranging, and highly critical investigation of the auto insurance industry and the ability of state regulation to cope with its problems. A parallel investigation was later begun in the House by Representative Celler. The products of these two investigations were thousands of pages of testimony, the identification of many problems, much controversy and little agreement. In particular, the insurance industry was greatly upset over the adversary and oftentimes acrimonious nature of the Senate Antitrust and Monopoly Subcommittee's investigation hearings, the lack of agreement on whether there was a problem or if so what it was, and on the absence of certain factual information on various facets of the matter. Thus, shortly after this series of hearing began its fourth year early in 1968, there ensued a period of intensive and complex negotiations and maneuverings designed to shift the investigation to the Executive Branch and out from under the jurisdiction of the Senate Judiciary Committee. While both Houses of the Congress were involved, together with all of the private constituencies of the auto insurance problem, most of the action took place in the Senate with the Commerce Committee advocating that the study be done by the newly formed Department of Transportation (which was under its legislative jurisdiction) and the Judiciary Committee arguing that the study should be done by the Federal Trade Commission (which was under its jurisdiction).

The result was, in a sense at least, a compromise. Public Law 90-313 (May 22, 1968) directed the DOT to conduct a two year study of <u>all</u> aspects of auto insurance and compensation and authorized $2 million to finance it. The legislative history of this legislation, however, made it clear that the

FTC was to have a major role and that "the efficiency and adequacy of present State insurance regulatory institutions" would be one of the principal matters investigated. Nevertheless, beginning at this point and continuing up through the present, the main focus of the Federal interest shifted from a concern over Federal vs. state regulation of the insurance business to a concern over the workings of the insurance institution in compensating automobile accident victims.

Following passage of P.L. 90-313, the DOT assembled a special study staff of about 30, drawn from both the civil service and the private sector. Over the succeeding two and a half years, the study published some twenty-five volumes of research. On March 26, 1971, Secretary Volpe presented the final report, Motor Vehicle Crash Losses and Their Compensation in the United States, to the Congress. This report and its recommendations focused principally on the compensation aspects of the insurance issue as opposed to its regulatory aspects, reflecting a decision made in mid-course in the study on the basis of early findings. All subsequent Congressional interest in the subject reflects a similar focus.

Before the study was completed, however, two particularly important events occurred. First, after three years of bitter and fractious debate, the Massachusetts legislature passed, in August 1970, the Nation's first no-fault law. Second, Senators Magnuson and Hart, without waiting for the final recommendations of the Administration, introduced legislation calling for a Federally-administered no-fault law. Not only would this legislation have imposed a strong, comprehensive national no-fault law, it would also have vested in the Secretary of Transportation a number of regulatory or quasi-regulatory responsibilities (including the determination and promulgation of auto insurance rates).

Thus, the hearings at which the Administration's position on the auto insurance reform question was first put forward was, in fact, not a hearing on that position but rather a hearing on the Hart/Magnuson Federal no-fault bill. This, also, turned out to be the case with the House Interstate and Foreign Commerce Committee where Representative Moss introduced a bill similar to that in the Senate. Since 1971, the various Federal no-fault proposals have undergone several metamorphoses and these will be discussed briefly later in this paper.

The detailed conclusions and recommendations of the Administration are contained in the aforementioned final report and in Secretary Volpe's statements to the two Commerce Committees. In summary, the principal conclusions were:

> "The existing system ill serves the accident victim, the insuring public and society. It is inefficient, overly costly, incomplete and slow. It allocates benefits poorly, discourages rehabilitation and overburdens the courts and the legal system. Both on the record of its performance and on the logic of its operation, it does little if anything to minimize crash losses."

The principal recommendations were:

(1) That the existing system of insured tort liability should be supplanted by one based on first party, no-fault insurance, and that tort lawsuits and the adversary process should be eliminated for the mass of accidents.

(2) That this change should be made, if at all possible, at the state level, and that the states should be given a reasonable time to do the job.

The essence of this position was incorporated in an Administration proposed Concurrent Resolution which would have expressed Congress' will in favor of state adoption of no-fault laws and would have directed the Secretary of Transportation to monitor the actions of the states and report back to the Congress after 25 months as to what additional Federal action would be necessary to achieve meaningful no-fault reform. The Congress, although it never seriously considered action on this proposed concurrent resolution, has tended to interpret it as a commitment on the part of the Administration to review its position that the no-fault reform job can and will be done by the states in a timely fashion and to consider reversing its position if state action is found wanting.

In late spring 1971, the Department joined with the Ford Foundation to finance (at a cost of $200,000) the drafting of a model state no-fault law by the National Conference of Commissioners on Uniform State Laws. This model statute was to reflect the reform principles set down in the Department's Final Report and the Administration's proposed Concurrent Resolution. The National Conference completed the model statute in August 1972 and by a vote of 33 to 11 (the Conference votes by state delegations) decided to recommend its adoption by the states. In November 1972 Michigan passed a version of this bill which is known by its acronym, UMVARA (Uniform Motor Vehicle Accident Reparations Act). It should be noted that while the Department applauded the product of the Uniform Law

Commissioners, it has consistently refrained from endorsing it as the only or even the preferred vehicle for achieving no-fault reform; to have endorsed it to the exclusion of other approaches would have been inconsistent with the encouragement of experimentation by the several states. Finally, it might be noted that UMVARA, which was purposely drawn as a very strong no-fault bill, has had its full share of critics, notably those factions of the insurance industry least favorably disposed to any kind of no-fault law and the bar (the ABA, in an action wholly consistent with the economic self-interest of its members and with its past positions on no-fault, formally condemned UMVARA at its winter meeting last year).

In the fall of 1972, the Department again joined with the Ford Foundation to finance (at a cost of $150,000) a project of the National Association of Insurance Commissioners to develop a computer model and data base to explore the cost and price implications of different approaches to no-fault reform. The NAIC subcontracted the development of the model to a firm of consulting actuaries, Milliman and Robertson. No-fault reform proposals had been foundering in many state legislatures (and in the Congress for that matter) because of widely differing claims by actuaries from the different factions of the insurance industry. The costing model was first employed in late spring 1973 and has been used by a number of States and the District of Columbia and by both the House and Senate Commerce Committees.

During the past four years, the vast majority of States have actively considered some form of no-fault plan; some 17 states have actually enacted no-fault laws which can be said to constitute reasonable progress towards the Administration's reform goals; another 8 or 10 states have enacted changes in their auto insurance laws which, while sometimes erroneously called "no-fault", are either irrelevant to the Administration's reform principles, or positively antithetical.

During this same four year period, there has been, as noted earlier, a significant evolution in the character of the principal Federal no-fault proposals. At the start, the principal Federal no-fault proposal, a bill sponsored initially by Senators Magnuson and Hart (and at a subsequent point by Senator Stevens), began as a full fledged national plan which in addition to its no-fault features would have vested considerable regulatory authority in the Secretary of Transportation, for example, to collect loss statistics and promulgate auto insurance premium rates, to review and approve state assigned risk plans, to police insurance industry policy renewal and cancellation practices, etc. Subsequent versions of the bill

would have also imposed Federal premium taxes to finance Federal programs for emergency medical evacuation systems for auto accident victims and the construction of rehabilitation facilities. The overwhelming (and unnecessary) Federal involvement called for in these bills made them easy to criticize. (They also proved upon close examination to be poorly drafted in a legal sense.) Between 1970 and its passage by the Senate on May 1, 1974, however, the Hart-Magnuson bill was changed drastically. First, it adopted the Federal standards approach (an approach, by the way, which was first suggested by Secretary Volpe before the House Banking and Commerce Subcommittee). Second, most of the onerous Federal regulatory, quasi-regulatory or taxation powers were removed from the bill. Third, provisions were added to give considerable discretion to State authorities to modify coverage limits so as not to increase insurance costs to consumers. Finally, the bill adopted many of the provisions and much of the language of UMVARA, the Uniform Law Commissioners model bill. However, the bill, which was sent to the Senate floor free of any significant continuing Federal involvement, was amended there to enlarge greatly the Federal role. This included a $10 million financial assistance program for the states to help them implement no-fault, formal consultive arrangements between the state insurance regulatory authorities and the Secretary of Transportation, and a requirement that the Department conduct a continuing evaluation of the performance of state insurance programs plus a number of special one-time impact-type studies.

In the House, insurance matters generally fall within the cognizance of the Consumer Protection and Finance Subcommittee (formerly Banking and Finance Subcommittee) of the House Interstate and Foreign Commerce Committee. Although this subcommittee had completed its hearings on a number of no-fault bills, including the House counterpart of S. 354, no committee action was taken in the House during the 93rd Congress.

In the 94th Congress, it is presently expected that Senator Magnuson, Chairman of the Senate Commerce Committee, will try to report out a new version of S. 354 (essentially unchanged except for technical amendments) early in the first session without holding hearings. If he succeeds, the prognosis for a favorable floor vote appears to be very good.

In the House, the situation is much less clear. The cognizant subcommittee has a new chairman and a much changed membership. In addition, it has a very full agenda and it is uncertain where no-fault is likely to rank in terms of priority. During the last session, the House subcommittee had several no-fault bills before it, including a S. 354-type Federal standards bill and several Federal preemption bills of various kinds and qualities. Several

of these have been reintroduced so far this year. It is not clear which one will be favored by the Subcommittee, but Rep. Van Deerlin, the Chairman, is a co-sponsor of Rep. Eckhardt's bill, H.R. 1272. This bill, which some regard as a ploy of the trial bar, would make auto insurance compulsory, would make all benefits (including compensation for pain and suffering and other intangible losses) payable on a contractual, no-fault basis, and would make all other benefit systems primary over auto insurance. This bill has never, heretofore, been given serious consideration, nor is there any analogous system currently in being to provide guidance as to how it could be administered or costed.

State Action on No-Fault Auto Insurance Reform

Since Puerto Rico's adoption of a government operated no-fault compensation system for auto accident victims in 1969, several States have passed reform laws incorporating no-fault features. However, because the term "no-fault" has no precise generally accepted meaning, it has been used to characterize almost any kind of change in auto insurance. Because of this, the number of "no-fault" States ranges from 15 to 25 or more, depending on the definition employed.

The Department of Transportation has been quite specific about what it considered to be the essential elements of sound reform, having listed and discussed them in some detail in the report, Motor Vehicle Crash Losses and Their Compensation in the United States. These are: (1) the substitution (not simply the addition of) "first party, no-fault"[1/] insurance for third party liability insurance; (2) some significant degree of restriction on tort recovery.

Using these criteria, the following States have "no-fault" laws that accord at least minimally with the Administration's reform principles:

Puerto Rico	(1969)
Massachusetts	(1970)
Florida	(1971)
New Jersey	(1972)
Michigan	(1972)
Connecticut	(1972)
New York	(1973)
Utah	(1973)
Kansas	(1973)
Nevada	(1973)
Hawaii	(1973)
Colorado	(1973)
Georgia	(1974)
Minnesota	(1974)
Kentucky	(1974)
Pennsylvania	(1974)
North Dakota	(1975)

1/ The phrase "first party, no-fault" has been consistently used by the Department to describe the Administration's objective. "First party" means that there should be a contractual relationship between the victim and his insurer as to the kind and amount of benefits to be received. "No-fault" means that the loss is not to be shifted by inter-insurer subrogation according to the existing loss transfer rules of tort liability.

While all of the foregoing State plans include both first party, no-fault insurance and restrictions on the right to sue in less serious injury cases, there are vast differences among them in both the benefit levels and cost saving features. For example, both New Jersey and Michigan provide unlimited medical benefits, while Massachusetts provides only $2,000 of first party benefits for all types of personal economic loss. Obviously, the former are "better" plans in the sense that they do address the problems of the "very seriously injured," one of the major deficiences of the liability system as identified by DOT's Auto Insurance Study.

As noted earlier, a number of other States have adopted various auto insurance reforms which are sometimes called "no-fault." In some cases, these plans require that first party insurance be carried by drivers in addition to liability insurance; in other cases, the law simply requires that such insurance be offered to drivers. None of the plans restrict the right to sue. In most cases, there is no restriction against a victim collecting from both his own first party insurance and a tort-feasor's liability insurance (if he can prove negligence). These plans are sometimes referred to as "pseudo no-fault" or "add-on" plans. States falling into this category include:

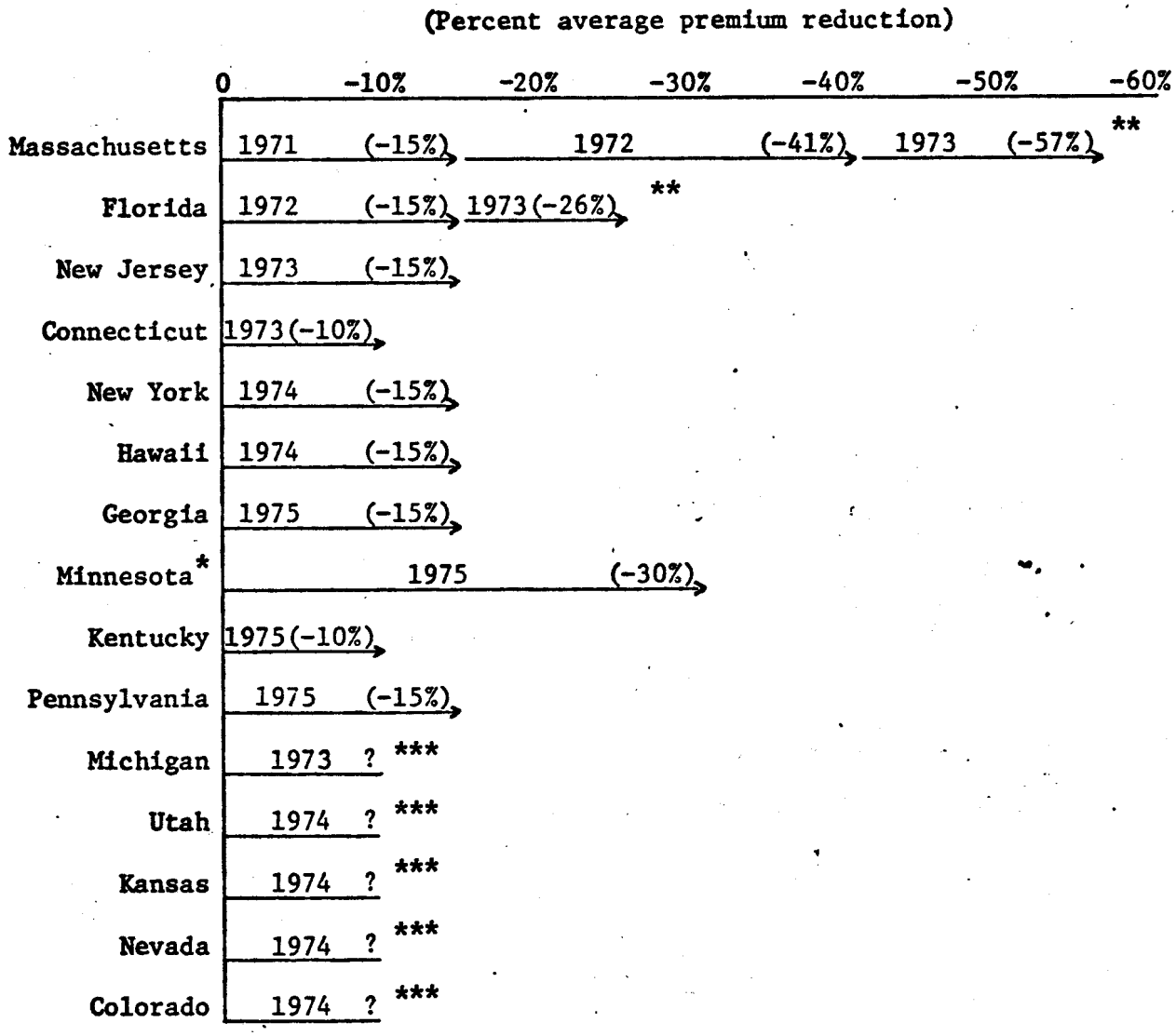
Delaware	(1971)
Oregon	(1971)
South Dakota	(1971)
Maryland	(1972)
Virginia	(1972)
Wisconsin	(1972)
Arkansas	(1973)
Texas	(1973)
South Carolina	(1974)

Other States

Every State legislature has had no-fault reform before it at least once. Illinois enacted a no-fault law in 1971, but Illinois courts found it constitutionally deficient. No-fault laws were passed by the legislatures of Arizona and New Hampshire but were vetoed by the respective Governors because of their alleged unconstitutionality under existing State constitutions. No-fault bills have been rejected in many State legislatures and have failed to make it out of committee in many others.

Most States not having no-fault laws will be considering proposals during this year's legislative session, but the outlook for significant progress is not very bright. Only Arizona is given a better than even chance to pass a good, high limits bill, while Maine and North Carolina may adopt more modest plans. A no-fault bill in Virginia passed the Senate but failed to make it out of Committee in the House.

Premium Reduction in States with Meaningful No-Fault
(Year of Implementation)



*Based on $25,000/$50,000 Bodily Injury, $25,000/$50,000 Uninsured Motorist, and $1,000 Medical Pay.

**Cumulative reduction from base period.

***These states did not legislate mandatory rate reductions in advance and not enough experience has yet accumulated to be able to compute average industry-wide rate reductions. At least one major insurance company (Aetna C&S) has published lower rates for no-fault coverages in all these states.

Summary of No-Fault
Legislation

Summary of No-Fault Legislation before the 94th Congress

S. 354 (Senators Magnuson, Moss, Stevens and Stevenson)

S. 354 is a Federal "standards" bill. It would require States to enact no-fault plans which met the "standards" set out in the Act; if they failed to do so, a stricter alternative Federal no-fault plan would go into effect.

The standards would require minimum benefit levels for all accident victims including:

(1) All medical and rehabilitation expenses.

(2) Reimbursement of all work loss up to $1,000 per month and a total of $25,000 (total to be adjusted according to the average per capita income of each State).

(3) Reimbursement of replacement services loss subject to reasonable exclusions and limitations.

(4) Funeral and burial expenses up to $1,000.

(5) Survivors loss subject to reasonable limitations set by the State.

Lawsuits would be permitted for any economic losses not otherwise covered and for "pain and suffering" if the victim died, suffered serious permanent disfigurement, or suffered more than 90 days of continuous total disability.

The "alternative" plan that would be imposed if a State did not enact a plan meeting the foregoing standards would provide benefits similar to those under the standards except that there would be no overall limitation on the recovery for work loss. Tort liability in auto accidents would be essentially abolished for any purpose.

The bill requires the Secretary of Transportation to:

(1) Determine, initially, State compliance with the standards.

(2) In cooperation with the State insurance commissioners, conduct an annual review of the operation of State auto insurance plans and report on:

(1) cost savings;

(2) ways of refunding cost savings to consumers;

(3) the impact of no-fault on senior citizens, farmers, inner city dwellers, and the economically disadvantaged;

(4) duplication of benefits;

(5) court congestion and delay;

(6) the impact of no-fault insurance, reduced speed limits and other factors on automobile insurance rates;

(7) competition within the auto insurance industry;

(3) Administer a $10 million grant program to reimburse the States for the costs of implementing the standards and other provisions of the Act.

All of the traditional insurance regulatory functions -- i.e., rate regulation, solvency examination, licensing, forms approval, etc. -- is left with State government.

H.R. 1900 (Sponsored by Mr. Matsunaga)

H.R. 1900 is the companion bill to S. 354.

H.R. 1272 (Congressmen Eckhardt, Dingell, Abzug, Drinan, Mitchell (Md.), Scheuer, Charles Wilson (Cal.), Helstoski, Van Deerlin, Stark, Ashley, Carney and Edwards (Cal.))

H.R. 1272 was viewed by more than a few as a trial lawyers' ploy to attract attention and support away from other no-fault proposals. Eckhardt is a trial lawyer and discusses insurance reform measures very knowledgeably. The framework of the bill, though not its philosophy, draws heavily from the early versions of S. 354.

H.R. 1272 would abolish tort liability for all economic loss for auto accidents. Every motor vehicle would have to be covered by a qualifying no-fault insurance policy or its self-insurance equivalent. That policy would provide the following benefits to victims:

(1) All net economic personal loss to include:

(a) all medical and rehabilitation expenses;

(b) all expenses for psychiatric, physical and occupational therapy and rehabilitation;

(c) income loss up to $1,000 per month (including the future lost income in death or disability cases;

(d) reasonable cost-of-replacement services;

(e) funeral expenses;

(2) All property losses (including vehicles subject to reasonable deductibles);

(3) All intangible losses (on a no-fault basis).

Suits against one's own no-fault insurer for intangible damages would be allowed, but only after satisfactory settlement of all economic loss claims. The insurer would have to pay reasonable attorneys' fees of the plaintiffs in such cases.

H.R. 1272 would require the Secretary of Transportation to approve all policy forms and terms, promulgate a uniform statistical plan for the collection of loss experience, establish and regulate a standard rating plan, organize an assigned claims plan in each State and issue regulations for their operation, etc.

H.R. 285 (Sponsored by Mr. Carney)

H.R. 285 is exactly the same as H.R. 1272 and was introduced on the same day.

H.R. 1012 (Sponsored by Mr. Roybal)

H.R. 1012 would establish a Federal compulsory first-party, no-fault insurance plan for all net economic loss. Generally, other benefit systems would be primary to this coverage and thereby reduce the net economic loss.

There is no specific tort exemption granted but States would be precluded from requiring the purchase of liability insurance, leaving the recovery of economic loss covered by the mandatory Federal first-party system and intangible losses to the vagaries of tort recovery in a system not funded by compulsory liability insurance.

The plan would be administered by the Secretary of Transportation who would exercise many regulatory powers over the auto insurance system.

A Brief, Non-Technical, Selective and Somewhat Subjective Lexicon of No-Fault Insurance Terminology

No-Fault Insurance: A term of minimal utility or communicative value. Meanings range from a voluntary form of contractual insurance coverage to the total abolition of tort law and the mandatory substitution of unlimited contractual insurance benefits for economic losses incurred in motor vehicle accidents.

"Pseudo" No-Fault Insurance: A pejorative term referring to schemes which would add a first party insurance overlay to every liability insurance policy but which would not limit tort recovery rights in any way. The first party insurance coverage (usually very low limits) can be either voluntary at the option of the insured (as in Minnesota or South Dakota) or mandatory (as in Arkansas).

"Pure" No-Fault Insurance: Sometimes called "radical" or "revolutionary" no-fault. "Pure" no-fault refers to plans which essentially substitute first party no-fault insurance as the basic required coverage for economic loss in lieu of liability insurance. "Pure" no-fault also exempts a driver from suit for any loss covered by no-fault insurance and usually forbids inter-insurer transfer of loss on the basis of fault through subrogation. "Pure" no-fault also usually curtails recovery for intangible loss (i.e., "pain and suffering"). The Michigan law and the Uniform Motor Vehicle Accident Reparations Act are examples of "pure" no-fault.

"Modified" No-Fault Insurance: "Modified" no-fault plans combine in various degrees elements of both "pure" no-fault and insured tort liability. First party economic loss insurance is mandated, a tort exemption is granted, inter-insurer loss transfer on the basis of fault is permitted or mandated, and intangible loss recovery is denied in the less serious injury cases. Massachusetts, New Jersey and Connecticut are examples of "modified" no-fault.

"True" No-Fault Insurance: Whatever lies in the eye of the beholder but most often construed as comprising the "modified" and "pure" no-fault plans and excluding "pseudo" no-fault.

UMVARA: Acronym for the Uniform Motor Vehicle Accident Reparations Act, a model state no-fault law, drafted by the National Conference of Commissioners on Uniform State Laws under contract to the DOT and the Ford Foundation. It provides a semi-"pure" no-fault system and was the basis for the Michigan law. The Department has not officially endorsed UMVARA as the sole or even the best approach inasmuch as that would be inconsistent with the Administration's position that the states should be free to experiment with differing approaches to no-fault.

"First Party" Insurance: Insurance coverage which is contractual between insurer and the victim. Examples are auto medical payments and collision insurance.

"Third Party" Insurance: Insurance coverage in which the victim is not a party to the insurance contract. Instead the contract exists between the wrongdoer and his insurer, with the latter promising to defend the former and pay for any judgment against him if successfully sued by another. It should be noted that in only one state (Louisiana) can a victim sue the insurance company directly. Automobile liability insurance is third party insurance.

Intangible Losses or Damages: Intangible losses are those for which a precise monetary quantification is impossible. They include pain and suffering, loss of life's pleasures, inconvenience, loss of consortium, etc. All "intangible" losses are theoretically compensable under tort law, their value being determined by negotiation, or precedent, and/or judgment by judge or jury in an adversary proceeding. Under insured tort liability, part or all of the payment or award theoretically made for "pain and suffering" goes to pay the claimant's lawyer.

NCCUSL: Acronym for the National Conference of Commissioners on Uniform State Laws, an organization of legal experts appointed by State governors, which drafted a model state no-fault bill under contract to the Department.

NAIC: Acronym for the National Association of Insurance Commissioners, the cooperative instrumentality of the chief insurance regulators of the several states and territories.

Threshold: A term of art used in describing an arbitrary floor (denominated either in dollars of medical losses or in adjectival description of injury severity) below which an injured person cannot sue for intangible losses. Most no-fault plans have such "thresholds."

Front end add-on: A term of art used to describe an auto insurance plan which simply adds supplementary first party insurance to the existing liability insurance policy.

Excess, primary, secondary: Terms of art used to describe the order in which various forms of insurance covering the same risk would pay off in the event of loss. "Primary" means that the coverage in question would normally pay off first. "Secondary" means that ordinarily the coverage involved would pay off only after primary coverages had been exhausted. "Excess" means that the coverage is primary and would pay off regardless of any other payments. If a "secondary" coverage pays the victim first, it may then subrogate and recover its costs from a primary carrier. The issue over "primary" coverage in the area of auto accident compensation arises because some people have proposed that auto insurance be secondary to other benefit sources. This is bitterly opposed by most of the auto insurance industry.

"Driver accountability", "personal responsibility": Illusory objectives asserted by some to be served by intercompany transfer of loss costs on the basis of fault. The concept ignores the fact that the "accountability" involved is not individual, personal accountability for one's own driving behavior but rather one's chance membership in a class of drivers (such as age group or sex or marriage status) which may have a statistically significant accident involvement rate difference from some other class.

Assigned claims plan: An institutional device designed to ensure that the hit and run victim, the victim of any uninsured driver, etc., has a benefit source. Such victims are "assigned" to insurance companies in proportion to the latters' share of the business in the jurisdiction involved.

Assigned risk plan, automobile insurance plan: An institutional device designed to ensure that all licensed motorists can buy insurance from a qualified company. Any driver unable to obtain auto insurance in the voluntary market is "assigned" to a company in the same way as described in the previous entry.

Compulsory, mandatory: Words of art. "Compulsory" insurance means that every motorist must have, under compulsion of law, certain forms of insurance coverage or equivalent security. "Mandatory" insurance means that every motorist who chooses to carry auto liability insurance must also carry some specified amount of "mandated" first party insurance.

Financial responsibility law, compulsory insurance law: All states have some form of these laws which largely determine the public policy as to whether a motor vehicle owner must carry insurance coverage, and if so how much and what kind. Most states have "first bite" financial responsibility laws which require the possession of insurance or equivalent security only after the first accident has occurred. A few states such as New York, Massachusetts and North Carolina have laws compelling all drivers to be covered by specified amounts of insurance coverage before they can drive. In many states with weak laws, the proportion of totally uninsured drivers can run as high as 25% in Texas or 40% in the District of Columbia.

Contingent fee: A system of paying for legal assistance in which the attorney for the winning side in a case takes a fixed percentage of the settlement. In auto insurance negligence cases the contingent fee cases in which no suit is filed averages 33%, for cases in which suit is filed but is not brought to judgment 40%, and in cases brought to trial and judgment 50%. Contingent fees are illegal in virtually every country but the U.S.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 1 1975 ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. LYNN

SUBJECT: Federal No-fault Motor Vehicle Insurance

The question is again raised whether the Administration should support legislation (Magnuson-Hart) to mandate no-fault insurance with minimum Federal standards prescribing benefits. DOT is scheduled to testify May 5.

Since 1971, the Administration has opposed Federal no-fault legislation. It has endorsed the concept of no-fault but has recommended that action be left to the states. At present, 25 states have some form of no fault (although the laws of nine of these states do not eliminate the tort remedy).

The advantages of no-fault over the traditional tort liability system are substantial. If the Magnuson-Hart standards were legislated, total annual savings could exceed $2 billion, reflected to some extent in lower insurance premium rates. Moreover, insurance benefits would be distributed more equitably. Federal no-fault supporters include consumer groups, some insurance carriers (e.g., Aetna, State Farm, Kemper), and labor unions (e.g., UAW and Teamsters). Labor foresees group no-fault auto insurance as the next logical employer-financed fringe benefit for their members. Attachment I summarizes the benefits derived under no-fault.

Opponents of no-fault argue variously that Federal intervention is unnecessary and inappropriate and that liability based on negligence is sound policy. The opponents question the need for Federal intervention given that almost 1/3 of the states now have laws which contain some level of tort restriction and are serving as testing grounds for determining the impact of no-fault on the public. Other questions are raised concerning the efficacy and equity of the no-fault concept. The opponents include state insurance commissioners, the American Bar Association, the National Governors Conference, and some insurers (e.g., Allstate). Attachment II lists the objections to the no-fault concept which have been raised.

The nature and extent of the benefits from no-fault depend of course on the precise standards adopted. The legislative process at the state level has sometimes produced benefit standards that promise few net savings to consumers. The uncertainties of the Federal

legislative process could produce a similar result, particularly if certain interest groups such as lawyers shifted their approach from outright opposition to seeking amendments.

The Magnuson-Hart bill passed the Senate last year 53-42. Most of the opposition was based upon hostility to Federal intervention in the regulation of insurance.

Tip O'Neill is publicly committed to bring a bill to the House floor. The Democratic caucus has singled out no-fault as a high priority and the House Interstate and Foreign Commerce Subcommittee (Van Deerlin) will be holding hearings in June and July.

The Attorney General has questioned the constitutionality of the Magnuson-Hart bill's requirement that a state-administered Federal plan take effect if states failed to enact laws meeting specific minimum standards. Most of your advisors favor securing state action by using a Federal-aid highway grant withholding penalty for noncompliance. DOT does not see a constitutional problem with S. 354 and opposes the grant withholding penalty method.

OPTION A: Support the Magnuson-Hart bill with certain amendments such as providing for implementation through withholding Federal-aid highway funds.

OPTION B: Continue to oppose Federal no-fault in favor of state action. Reassess if House begins to move on legislation containing minimum benefits standards that assure substantial net savings.

Decision

Option A: Support Federal minimum standards no-fault _____

Favoring Option A are DOT, HUD, the Office of Consumer Affairs, and OMB.

Option B: Continue to favor state action but oppose Federal no-fault legislation _____

In favor of Option B is Justice.

List of Attachments:
I - Summary of Benefits of No-fault
II - Objections to No-fault
III - Minimum Standards of S. 354 (Hart-Magnuson)
IV - State Legislation and Experience
V - Description of first-year experience with Michigan's No-fault law

Summary of Benefits of Proposed No-fault Legislation

Under no-fault motor vehicle insurance every vehicle owner is required to obtain first party insurance coverage up to certain minimum benefit levels. Individuals are free to obtain greater protection levels if they wish. The right to sue for damages incurred under a specific dollar threshold is eliminated. Premium costs under no-fault in part depend on the level of benefits established.

In 1971 DOT released a study of automobile insurance which pointed to a number of deficiencies in the present tort liability system. It found the present tort arrangement to be slow, inefficient and inequitable.

I. The following benefits identified by the DOT study have been consistently confirmed by state experience:

States which have had significant no-fault laws for several years have had sizeable declines in premium costs, depending upon the tort thresholds and benefit levels set. The higher the level of benefits the better the insurance coverage. However, premiums also rise in relation to benefits. For example, Massachusetts has realized a 60% premium savings, but has a low guaranteed benefits level ($2,000 for economic losses), while New York, which has realized a 19% savings in its first year, has a $50,000 benefit guarantee. (See Attachment IV for more details.)

No-fault eliminates a large portion of the attorneys' fees and claims adjustor costs and permits a greater percentage premium return in the form of benefits than at present. Experts estimate an immediate 50% efficiency gain (from the present 44% return to premiums into benefits to a 65-70% return) is realized.

The DOT study found that as the extent of victims' economic losses and injuries grow, the amount of recovery received under the tort system declined (e.g., 55% of those seriously injured in auto accidents, or the families of those killed, receive no recovery under the tort system). Conversely, those with low losses actually are <u>over</u> compensated (those with economic losses under $500 receive 4-1/2 times their loss). No-fault rectifies this situation by requiring all to have insurance covering them up to specific benefit levels (e.g., $50,000 of medical expenses). Thus every citizen involved in motor vehicle accidents would be guaranteed recovery of losses up to basic levels. The over-recovery of damages would be curtailed because intangible losses under specific limits would be denied and "nuisance" payments by insurers (to avoid administrative and legal costs) to those threatening to file suit for small claims would be eliminated.

by eliminating lengthy legal delays and requiring prompt payment, the slowness of the current process would be eliminated (over 40% of all claims now take longer than six months to settle).

High-risk drivers and those pedestrians and bicyclists not belonging to insured-driver families receive better coverage as follows: 1) Motorists who cannot get insurance are now placed in assigned risk plans in many states, where they are randomly assigned to insurers and are charged high premiums. These persons include many who are looked upon by society in a somewhat negative light, and/or are perceived by insurers as being poor prospective defendants in a court trial (e.g., those obviously affluent, divorcees). No-fault has diminished the number of people placed in this category (since most trials are eliminated) and reduced their premiums (since how they appear to a jury becomes irrelevant). 2) Those pedestrians and others who are accident victims but who do not belong to an insured-driver's family receive compensation under no-fault from a fund especially established for this purpose and paid for by the premiums of all insured drivers.

II. The following arguments have also been put forth on behalf of no-fault:

The threshold and liability removal aspects of no-fault mean it is much more conducive to group sales and mass marketing techniques than the present system. The inherent overhead cost savings of these techniques should translate into lower premiums. (Intermediary agents now average 12% commissions.)

A beneficial result of requiring all motorists to have insurance is that the present burden to society which uninsured accident victims now often become would be eliminated.

Although experience has been limited and influenced by such factors as the gas shortage and the 55 m.p.h. speed limit, no-fault does not seem to adversely impact safe driving habits. The accident rates in Puerto Rico and Massachusetts, the jurisdictions with the longest no-fault experience, have declined under no-fault in amounts similar to comparable jurisdictions without no-fault.

Rural states have had satisfactory experiences with no-fault. Rural inhabitants of mixed urban-rural states have experienced premium reductions, although smaller than their urban counterparts.

Objections to Federal No Fault

I. Objections raised concerning federally mandated no-fault are:

The Attorney General has questioned the advisability of any Federal no-fault bill and the constitutionality of S. 354, which seeks to compel the states to act as sovereigns and use their distinctively governmental powers to administer a federally-enacted program rather than having states lose Federal funds or have the Federal Government administer its own plan. S. 354 may broach the Tenth Amendment's guarantee of state sovereignity.

Federal no-fault is an incursion into state responsibility. Under the 1946 McCarron-Ferguson Act, each state is charged with responsibility for regulating insurance within its jurisdiction. The states are already experimenting with a variety of no-fault plans, and that makes Federal intervention even less desirable at this moment.

The states are enacting substantive no-fault laws at an acceptable rate, rendering Federal action unnecessary. Considering the 16 states with some tort action threshold, six of these passed their laws in 1973, four last year and three thus far this year. Chances are good for passage in 1-3 more states in 1975.

Federally-imposed benefits may be in excess of what some states need or want. Medical costs, wage rates, accident frequency and other factors vary from state to state and therefore benefit levels should be allowed to vary also.

II. Objections to the no-fault concept which have been raised are:

Elimination of the right to sue deprives people of a basic right and lets the negligent driver go "unpunished".

No-fault may cause unfair premium payment redistributions. No-fault can require some persons to pay more for their insurance, as in the case of high income persons who wish protection against the loss of their income and can no longer look to the tort system for recovery. The first year's experience with New York no-fault showed that high risk drivers have received larger premium reductions than low-risk drivers. Certain other classes, e.g. large commercial truck operations, may benefit disproportionately due to their propensity to be involved in accidents and/or be damaged.

For those individuals without auto insurance in the approximately 12 states which do not require it, costs would rise because of the mandatory self-coverage requirement.

Some small insurance companies which deal only in auto insurance may have their businesses adversely affected since the larger concerns are likely to write most uniform group coverage plans. Experience with state no-fault thus far has been inconclusive in this regard.

Minimum Benefit Standards in S.354

1. Medical and rehabilitation expenses without any limit.

2. Loss of income benefits subject to $15,000 over all limit with a maximum weekly benefit of $1,000.

3. Funeral expenses up to $1,000.

4. Survivors loss subject to reasonable limitations set by each state.

5. The Federal Standard would abolish tort liability except for uncompensated economic loss (excluding deductible, waiting periods) intentional injury, general damages (non-economic) in cases where the accident resulted in death, serious and permanent disfigurement or injury or more than 90 days of continuous total disability.

Attachment

Status of State Action on No-Fault Auto Insurance

Sixteen states, plus Puerto Rico, have enacted no-fault automobile insurance laws that meet the tough definition adopted by the Department of Transportation.

To qualify under the Department's definition of no-fault, the state law must have two essential elements: (1) the substitution (not simply the addition of) "first party, no-fault"* insurance for third party liability insurance; (2) some significant degree of restriction on tort recovery.

The following have such a law:

Puerto Rico	(1969)
Massachusetts	(1970)
Florida	(1971)
New Jersey	(1972)
Michigan	(1972)
Connecticut	(1972)
New York	(1973)
Utah	(1973)
Kansas	(1973)
Nevada	(1973)
Hawaii	(1973)
Colorado	(1973)
Georgia	(1974)
Minnesota	(1974)
Kentucky	(1974)
Pennsylvania	(1974)
North Dakota	(1975)

There are, however, vast differences among the laws adopted in the above states in terms of benefit levels, tort threshold and other factors.

These laws cover over 42% of all licensed drivers and will rise to well over 50% if California passes a no-fault law. However, only the Michigan law (covering 5.7% of drivers) conforms with all the standards in the DOT proposed federal law.

Nine other states have adopted auto insurance reform, which are sometimes called "no-fault". In some cases, these plans require that first party insurance be carried by drivers in addition to

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* "First party" means that there should be a contractual relationship between the victim and his insurer as to the kind and amoun of benefits to be received. "No-fault" means that the loss is not to be shifted by inter-insurer subrogation according to the existing loss transfer rules of tort liability.

liability insurance and in other cases the law simply provides that no-fault be offered to the driver at his option. None of the plans restrict the right to sue and in most cases there is no restriction against the victim collecting from both his own first party insurance and the party at fault by suing in court. The following states fall into this category:

Delaware	(1971)
Oregon	(1971)
South Dakota	(1971)
Maryland	(1972)
Virginia	(1972)
Wisconsin	(1972)
Arkansas	(1973)
Texas	(1973)
South Carolina	(1974)

Outlook

Every State legislature has had no-fault reform before it at least once. Illinois enacted a no-fault law in 1971, but that was later declared unconstitutional. A no-fault law was passed by the legislature in New Hampshire but was vetoed by the Governor.

Most states not having no-fault will consider proposals during this year's legislative session. Maine and North Carolina may pass no-fault laws this year but it is not likely that they will meet the DOT standards.

California is the key state in terms of the number of licensed drivers covered and there is likelihood that action by California would set a trend. Many other western states would be likely to follow California's lead if action is taken. Due to a change in the leadership in the California legislature the no-fault bills are moving slowly but nevertheless there is movement and considerable behind the scenes activity. No one can predict when California will act but the prospects for action this year are good.

Description of First-Year Experience with Michigan's No-Fault Law

(Excerpts from a paper prepared by the Michigan Association of Insurance Companies for the Michigan Legislature)

- The provision of unlimited no-fault medical and rehabilitation benefits (similar to S. 354) has been a dramatic improvement over the fault system, especially for the seriously injured. In the first year of no-fault, more than 135,000 persons were injured and 1,800 killed in Michigan as a result of motor vehicle accidents. In all of these injuries and deaths all medical and hospital costs plus income loss benefits have been paid, except to the extent that other benefits (e.g. health care, social security) were involved. Under the fault system about half of those injured would have been able to collect from someone else.

- Michigan motorists have had considerable premium cost savings, although the actual cost effect of the law cannot be established because of the uncertainties regarding whether or not the law will be upheld under the state's constitution and the resulting reluctance by companies to completely adjust premiums to no-fault.

- Those drivers with smaller income loss exposure (e.g. young drivers, those with low incomes and retirees) enjoyed larger than average premium reductions.

- Some motorists who have been in accidents and have been prevented from suing negligent drivers have reacted angrily to the no-fault law.