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THE PRESIDENT HAS SEEN. 12.

THE WHITE HOUSE

WASHINGTON

August 16, 1974

MEMORANDUM FOR: THE PRESIDENT
FROM: KEN COLE C
SUBJECT: NO-FAULT AUTOMOBILE INSURANCE

BACKGROUND

This Spring former President Nixon decided that we would stick with the Administration's position on no-fault, which was to oppose any federal legislation but encourage states to adopt no-fault laws. Notwithstanding that position, the Senate passed S. 354, which would set federal no-fault standards which all states must meet or a federal plan would be imposed automatically. The standards require compulsory first-party, no-fault insurance for every motor vehicle owner covering, among other things, all medical, hospital, rehabilitation and some income losses. The right to sue for tort liability under a dollar threshold is abolished unless the victim dies or sustains very serious injury.

The House is expected to begin hearings soon on several no-fault proposals, which range from total federal preemption to the Senate's standards approach.

On the merits, it appears fairly certain that no-fault is a better system to compensate automobile accident victims than the tort system. Furthermore, such a system, if imposed nationally, would cost less overall to the consumer and, therefore, aid in our fight against inflation.

Although over ten states have enacted some form of no-fault, current progress is very slow due to the effective and strenuous opposition from lawyers and others who have an economic interest.

ISSUE

No one seriously questions the benefit of no-fault, but the issue is whether or not there should be federal legislation to accomplish this. This is an area that the Federal Government has traditionally stayed out of and federal standards would, undoubtedly, evolve into more pervasive federal control over time. It comes down to a choice between accepting legislation, which clearly gives the nation better automobile insurance, or holding the line against further encroachment on state and local authority.

OPTIONS

1. Maintain opposition to any federal no-fault legislation. The following favor this position: Secretaries Lynn and Dent, Bill Timmons, Roy Ash and Ken Cole.
2. Support some form of minimum federal no-fault standards (similar to the Senate bill). The following favor this position: Secretary Brinegar and Virginia Knauer.

DECISION

Should we maintain our position of supporting state no-fault laws but opposing federal legislation in this area?

YES, no federal no-fault _____

NO, support federal standards _____

*Unless there is a time problem
before Congress recesses I would
like to discuss,*

THE WHITE HOUSE

WASHINGTON

August 20, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: KENNETH R. COLE, JR.
FROM: JERRY H. JONES 
SUBJECT: No-Fault Automobile Insurance

Your memorandum to the President of August 16 on the above subject has been reviewed and the following notation was made:

--Unless there is a time problem before Congress recesses I would like to discuss.

Would you please get back to this office on whether or not there is a time problem.

cc: Al Haig
Dave Parker

THE WHITE HOUSE

WASHINGTON

August 16, 1974

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RR 7.

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