

NO-FAULT INSURANCE SUBCOMMITTEE
of the
STANDING COMMITTEES ON COMMERCE AND JUDICIARY

Report to the Legislative Council
and the Members of the
First Session of the Sixty-fifth General Assembly

REPORT

NO-FAULT MOTOR VEHICLE INSURANCE SUBCOMMITTEE OF THE COMMERCE AND JUDICIARY STANDING COMMITTEES

The No-Fault Motor Vehicle Insurance Subcommittee of the Commerce and Judiciary Standing Committees was created by the Legislative Council pursuant to a recommendation by the Legislative Council Studies Committee on May 10, 1972. The recommendation of the Studies Committee called for the creation of a six-member subcommittee for the purpose of conducting a study of no-fault automobile insurance plans. The original recommendation called for the Subcommittee to be composed of six members, three to be selected by each of the Chairmen of the Senate and House Commerce Committees. This recommendation was amended to provide two additional Subcommittee members, one each to be selected by the Chairmen of the Standing Committees on Judiciary and was given final approval on May 10, 1972.

The membership of the No-Fault Motor Vehicle Insurance Subcommittee as appointed by the appropriate chairmen of the Commerce and Judiciary Standing Committees is as follows:

Senate Commerce Committee

Senator James W. Griffin
Senator William D. Palmer
Senator W. R. Rabedeaux

Senate Judiciary Committee

Senator Lucas J. DeKoster

House Commerce Committee

Representative Tom Dougherty
Representative Harold O. Fischer
Representative Dennis L. Freeman

House Judiciary Committee

Representative Robert M. Kreamer

The first meeting of the No-Fault Motor Vehicle Insurance Subcommittee was held on August 28, 1972, at which time Representative Harold O. Fischer was elected chairman of the Subcommittee and Senator W. R. Rabedeaux, Vice Chairman. The Subcommittee began deliberations with a discussion of the desirability and necessity of enactment of some form of no-fault automobile insurance in Iowa in the 1973 session of the General Assembly. The Subcommittee noted the action taken by the United States Senate Commerce Committee in reporting favorably a bill providing for mandatory national minimum state standards for no-fault insurance and received copies of the United States Department of Transportation's proposed joint resolution regarding state efforts in the area of no-fault auto insurance. The Subcommittee discussed the possibility of federal

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no-fault legislation and noted the present administration's intent to urge individual state action in lieu of a national plan.

It was tentatively decided to draft a no-fault plan for submission to the General Assembly in 1973 that would best reflect the preferences of interested Iowa citizens and organizations. In order to ascertain the interests of the Iowa public, the Subcommittee heard statements and testimony of the following individuals during the course of its deliberations:

Commissioner William H. Huff, State Insurance Department
Mr. William Timmons, Iowa Insurance Institute
Mr. James B. West, American Insurance Association
Mr. F. Richard Thornton, Iowa Independent Insurance Agents
Mr. George W. Bowles, Farmers Casualty Company
Mr. William J. Hancock, AID Insurance Services
Mr. Don Rowen, South-Central Iowa Federation of Labor,
AFC-CIC
Mr. David S. Neugent, President, Hospital Service Inc. of
Iowa
Mr. Kenneth Keith, Iowa Defense Counsel Association
Mr. Edward Jones, Executive Secretary, Iowa State Bar Association
Mr. Edward J. Gallagher, Jr., Chairman, Iowa State Bar Association, Special Committee on Automobile Accident Reparations Reform
Mr. R. G. Hileman, Iowa Motor Truck Association
Mr. Price Normile, Yellow Cab Company, Hertz-Rent-A-Car
Mr. Bernard Mercer, Preferred Risk Mutual Insurance Company
Mr. Robert J. Link, Carriers Insurance Company
Mr. Lorne R. Worthington, Preferred Risk Mutual Insurance Company
Mr. Roswill P. Ellis, American Mutual Insurance Alliance
Mr. Robert Alderman, Independent Insurance Agents of Iowa
Mr. Fred M. Hagen, Midwest Mutual Insurance Company
Mr. Harry J. Reames, Jr., Farm Bureau Mutual Insurance Company

The second meeting of the Subcommittee was held on September 25, 1972 and was devoted entirely to presentations by the listed individuals who indicated the positions on no-fault insurance held by their respective organizations. The Subcommittee found that the public has been somewhat misled by claims that no-fault insurance will reduce automobile insurance premiums. It wishes to publicize its findings that most no-fault plans being suggested would not guarantee lower rates and might cause some increases. The principal benefits to be derived from a change to no-fault insurance were found to be certainty of compensation, timely payments, the elimination of premium dollar waste in the claim settlement process, and retention of state control over automobile insurance.

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The following no-fault plans among others were made available to the Subcommittee during the course of its deliberations:

1. The proposed federal no-fault plan as reported by the United States Senate Commerce Committee.
2. The plan adopted and promulgated by the Commissioners on Uniform State Laws.
3. The plan of the American Insurance Association.
4. The plans adopted by the states of Florida, Connecticut, New Jersey, Delaware and Michigan.

Since it was found that costs and features of the various no-fault plans are best determined by the particular requirements of the area to be covered by the plan, the Subcommittee decided at its third meeting on October 17, 1972 to use as a basis for its proposal the plan proposed by the Iowa Insurance Institute. This was the only plan for which a detailed cost estimate was made based upon the assumption of its enactment in Iowa. It was found that this plan, tentatively entitled the Iowa Motor Vehicle Accident Reparations Act, would if enacted, result in no change in the average annual Iowa automobile insurance premium although differences in individual premium payments could be expected. Moreover, the plan in some degree fulfills the intent of a majority of the members of the Subcommittee that certain aspects of the automobile insurance policy be standardized to eliminate the confusion presently existing over the precise details of policy limits. In addition, the plan equals or surpasses the guidelines suggested by the Department of Transportation for state action on no-fault insurance.

At its fourth meeting on November 20, 1972, the Subcommittee considered the proposed Iowa Motor Vehicle Accident Reparations Act in its entirety and gave approval to the following basic features of the plan:

1. All motor vehicles required to be registered in the state would be covered with the exception of motorcycles. Motorcycles were excepted since it was found that the cost of including them would be prohibitive.
2. The plan makes the no-fault insurance coverage and the present tort liability insurance mandatory. The plan provides that enforcement of this provision may be on an ad hoc basis as the capabilities of the Department of Public Safety permit. It is felt that there are constitutional problems in curtailing certain tort remedies and imposing certain liabilities unless these provisions apply to every motor vehicle operator.

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3. The plan imposes a legal liability without regard to fault on all owners of motor vehicles in the state for the benefits mandated by the plan for injuries to individuals occupying the motor vehicle and the pedestrians struck by it.

4. The mandated benefits may not exceed an aggregate of \$15,000 and would consist of the following:

- a. Medical expense benefits with a two-year time limit and a funeral expense limitation of \$1,250.
- b. Income replacement benefits limited to \$200 per week per person after a 15% deduction from the income loss for the income tax advantage unless the injured person can establish a lesser percentage. These benefits would not be payable during the first week of disability.
- c. Services replacement benefits limited to injured persons not entitled to income replacement benefits to a maximum of \$100 per week up to \$7,500 total. These benefits would not be payable for the first week of disability.
- d. Survivor's benefits payable if a person is killed or dies within one year of the date of the accident limited to 75% of the income loss to a maximum of \$200 per week with a deduction for any income replacement benefits paid prior to death. If the injured person or deceased was not entitled to income replacement benefits, a survivor's benefit is payable for essential services replacement with a maximum payment of \$100 per week up to \$7,500 total, to be reduced by any services benefits paid prior to death.
- e. Social Security and Workmen's Compensation benefits would be deducted from the basic reparations benefits.

5. Under the medical expense benefits provisions of the basic reparations benefits, both medical rehabilitation costs and vocational rehabilitation costs would be allowable expenses.

6. An assigned claims plan is provided to cover those persons otherwise unable to collect benefits. An exception would be for the owner of an uninsured motor vehicle or his spouse. Benefits would be payable to children or other passengers in the uninsured vehicle. A deduction would be made for any and all collateral source benefits.

7. There would be mandatory inter-company arbitration for basic reparations benefits between the insurance company that paid the benefits and the insurance company insuring the party at fault in those cases involving fault.

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8. Damages for pain and suffering would be payable only in those cases where the medical treatment expenses exceed \$1,500 or there is death, dismemberment, serious permanent disfigurement or serious permanent injury.

9. In any tort action where damages are recoverable for loss of past earnings and future earnings, the award shall be reduced by any income taxes which would have been payable on such earnings.

At the close of its meeting on November 20 the Subcommittee requested that the Legislative Service Bureau in consultation with the State Insurance Department prepare the bill with necessary coordinating amendments for submission to the General Assembly. Drafting of the bill was completed on December 29, 1972.

Respectfully submitted,

REPRESENTATIVE HAROLD O. FISCHER
Chairman

SENATOR W. R. RABEDEAUX
Vice Chairman