



DEPARTMENT OF TRANSPORTATION

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NEWS

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

89-S-72

REMARKS BY U.S. SECRETARY OF TRANSPORTATION JOHN A. VOLPE TO THE 41ST ANNUAL CONVENTION, NATIONAL ASSOCIATION OF MUTUAL INSURANCE AGENTS, WALDORF ASTORIA HOTEL, NEW YORK, NEW YORK, TUESDAY, OCTOBER 17, 1972, 11:00 A.M.

How much no-fault insurance is enough? Indeed, is "no-fault" the only way to go? I stated my position on this subject nearly six years ago -- back when I was Governor of Massachusetts -- and while there has been a great deal of debate since then, nothing has changed my conviction that the whole auto accident reparations system is desperately in need of reform. I am convinced that the no-fault principle should be the basis for that reform, and that the needed legislation should be enacted by the states, according to each state's particular needs.

Let me also say that on behalf of the Administration, I appreciate the way your Association has supported our position, and the efforts you have made -- as an organization and as individuals -- to bring about a greater breadth of agreement on the logic and the necessity for reform.

In line with his other transportation initiatives, President Nixon has long advocated no-fault insurance as a national objective to be achieved on a state-by-state basis. We have not deviated from this position, and we believe the findings of our rather extensive Departmental study -- which I reported to the Congress in March 1971 -- remain valid and persuasive.

In brief, we concluded that the existing tort liability system poorly serves the accident victim, the insuring public and society at large. It is inefficient, overly costly, incomplete and slow. It allocates benefits unevenly, discourages rehabilitation and overburdens the courts and legal system. Both on the record of its performance and the logic of its operation, it does little if anything to minimize crash losses.

Indeed, without its other failures and shortcomings, the gross inefficiency alone would be enough to condemn the present system. Our studies and others repeatedly have shown that less than half of the motorist's insurance dollar is returned to victims in terms of benefits for their losses. The tragedy of this inefficiency is not merely that it wastes dollars, but it deprives needy victims of benefits they might otherwise have.

Nothing has occurred in the past 18 months to change our opinion that: (1) States should shift to a first-party, non-fault compensation system for automobile accident victims; (2) That this should be done in a way that can be changed or modified, if actual performance falls short of expectations; (3) That the change should take place at the state level; but, (4) That broad National goals or standards should be followed as guidelines for state actions.

The experience acquired under the Massachusetts law, and that now developing under the Florida and Delaware laws, demonstrate that the introduction of first-party-no-fault reform does not create chaos or play havoc with established institutions.

The news last week that Massachusetts motorists will receive a total of \$59 million in reduced premiums and rebates on their 1971 rates is good news for the insured and for the industry. And it's good news for the taxpayers of the State. Because, as Governor Sargent said last Wednesday, auto accident court cases have been cut some 50 percent at the district court level, the number of claims has been reduced 36 percent, and the companies operating costs have been reduced 13 percent.

I am well aware that when the no-fault principle began to get serious consideration, the argument was raised that it would undermine the doctrine of "driver responsibility" and therefore promote unsafe driving.

That notion has been rather thoroughly dispelled. The truth is, of course, that auto liability insurance actually protects the wrong-doer by freeing him from the financial consequences of his negligent driving, shifting the cost to the entire insuring population. If anything, the knowledge that an insurance company will bear the burden of his carelessness may serve to make a driver less responsible. No drunk driver ever took the pledge -- put down his bottle or let up on the throttle -- because of concern that an accident might cost his insurance company money.

This is not to say that victims should be denied just compensation. Most of the reform plans, and our own concept of the proper no-fault principle, would retain the right of the truly seriously injured victim to sue for recovery of his intangible losses.

The no-fault principle enables insurance companies to better serve their clients, themselves and society. Claims can be paid quickly. Time-consuming lawsuits for the great majority of cases can be avoided. And insurers are spared much of the investigation, negotiation, and litigation required by the present system.

In 1971 Illinois, Delaware and Florida enacted insurance reforms. During this past year, no-fault bills were introduced in 37 of the 43 state legislatures in session. New Jersey and Connecticut passed laws, and just a week or so ago the Michigan legislature enacted what appears to be the strongest plan to date. Bills are still pending in Pennsylvania and California.

We continue to believe, as President Nixon told the National Governors' Conference last summer, that "no-fault insurance is an idea whose time has come." It may still be too early, on the basis of experience, to establish Federal standards, although that appears to be the direction Congress has been moving. The prospect of a Federal no-fault law, if the states do not legislate reforms on their own, is still a very real possibility -- perhaps in the next session of Congress.

The varying circumstances and the differing requirements among the states -- South Dakota, for instance, puts no restriction on the right to sue. But South Dakota probably has fewer cars than Massachusetts has accidents -- so that provision is less meaningful in the smaller population states. These differences support the Administration's position that insurance reform should be dealt with by the states themselves and not imposed from Washington. This is consistent with President Nixon's policy that local needs are best served by local actions -- with Federal support but not Federal domination.

But as an idea whose time has truly come, no-fault insurance merits the full and objective consideration of every legislature. Each day of delay in the realization of insurance reform costs policy-holders and policy-writers time and dollars that can never be recovered.

As I said earlier, I appreciate the support of this Association, not only in the quest for more efficient and effective insurance protection, but in your work for greater motoring safety. You are to be commended for stressing the need for safer highways and safer drivers in your own Motorists Insurance Protection Plan.

Our mutual goal is to stop traffic deaths -- now occurring at the rate of a thousand a week, 6 an hour -- and reduce the toll of human misery and financial loss.

We must get to the problem before it gets to us. No-fault may not be the last word in insurance reform, but it is clearly the next word to be heard. In the coming year state legislatures will be looking to the people of the insurance industry for guidance on this issue. I hope you will make your presence felt on this subject as vigorously and effectively as you have in speaking out for greater safety-consciousness behind the wheel, over the road, and in vehicle design.

Thank you.

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