

# THE FACTS ABOUT THE FEDERAL “NO-FAULT” AUTO INSURANCE BILL

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*At the end of this Congress, Senators John McCain (R-AZ), Mitch McConnell (R-KY) and John Cornyn (R-TX), introduced legislation that would dramatically change the auto insurance system in our country. This legislation, which is expected to be re-introduced when the new Congress returns, would impose a “no-fault” system on every state – despite the fact that not a single state has switched to a “no-fault” system in almost 30 years.*

## **HERE’S WHY A FEDERAL “NO FAULT” SYSTEM SHOULD BE OPPOSED:**

**A federal “no-fault” bill will take away local drivers choices.** This new legislation creates two new nationwide auto insurance choices for motorists who would be forced to choose between two limited coverage options.

**The bill raises costs for good drivers.** In a “no-fault” system, safe drivers don’t get a break for driving safely. Under the “no-fault” system proposed in this bill, good drivers would have to pay more than they do today, even if accidents are not their fault, because the system would charge them every time they made a claim. Under this proposal, good drivers pay more than they do today and bad drivers pay less.

**It limits the amount of fair compensation victims receive.** By imposing a “no-fault” system on every state, this bill takes away the right to a full recovery when injured by a negligent driver.

**The “no-fault” plan is a failed system that has done nothing to reduce costs to drivers.** But these are the facts. “No-fault” states have not seen reduced insurance costs. The five states with the highest average auto insurance rates are “no-fault” states. Seven of the lowest ten states have traditional insurance schemes.

**No state has adopted “no fault” since 1976 – and rates went down in Georgia and Connecticut after they repealed it.** No state has switched from a traditional system to “no-fault” since 1976. Many states that had “no-fault” laws have repealed them and have seen lower insurance premiums in the years immediately following no-fault repeal. In Georgia, premiums decreased by 9-10% after “no-fault” was repealed in 1991. In Connecticut, rates declined 10% for liability coverage after the repeal of “no-fault”.

**The only guaranteed winner under a “no-fault” system is the insurance industry.** The “no-fault” system proposed in this bill severely limits a person's right to recover for injuries, which holds down payouts by insurers, and makes it easy for insurance companies to predict costs. Insurers won't pass these savings on to policyholders by lowering premiums -- they'll just pocket the money and insurance rates will rise.

**The legislation makes system more complicated.** Under the national “no-fault” system, American consumers would be faced with yet another complicated choice – and explicitly immunizes insurance agents who fail to adequately explain the choices to a driver.