Approved March 20, 198
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS.

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m./~~p.m.~~ on March 19, 1984 in room 529-S of the Capitol.

All members were present except:

Senators Hess, McCray, Karr, Feleciano, Reilly, and Gannon - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Homer Cowen, Western Insurance Companies
Jim Ketcherside, Farmers Alliance Mutual
Jim Oliver, Professional Insurance Agents of Kansas
L. M. Cornish, Kansas Association of Property & Casualty Insurance Companies
Ron Todd, Kansas Insurance Department
Kathleen Sebelius, Kansas Trial Lawyers Association
Jerry Palmer, Kansas Trial Lawyers Association
John Brookens, Kansas Bar Association

The hearing began on HB 2833 dealing with no-fault automobile insurance with the testimony of Homer Cowen, Western Insurance Companies, in support of the bill. (See Attachment I.) Mr. Cowen also handed out copies of statistics relating to his testimony. (See Attachment II.)

Next to testify in support of the bill was Jim Ketcherside of Farmers Alliance Mutual Insurance Company. He stated that he supports Mr. Cowen's testimony and handed out copies of statistics relating to the bill prior to its amendment. (See Attachment III.) He told the committee that the way to deal with the threshold is to shift the costs within the system rather than to increase rates.

Jim Oliver, Professional Insurance Agents of Kansas, followed with his testimony in support of HB 2833. (See Attachment IV.)

L. M. Cornish, Kansas Association of Property and Casualty Insurance Companies, testified in support of HB 2833 saying that the no-fault system has been working and, therefore, the insurance industry endorses it. Mr. Cornish distributed copies of newspaper articles dealing with this subject to supplement his statement that there is nothing wrong with the mechanism of no-fault insurance as long as the threshold is correct. (See Attachments V and VI.) He said that the rates must be affordable for the public, and this is the most important consideration. He continued that the courts have a problem of too many cases which causes delays and that HB 2833 will alleviate this problem in that the higher the threshold, the less litigation will occur. He distributed copies of an editorial relating to this statement. (See Attachment VII.)

The final proponent of the bill appearing was Ron Todd of the Kansas Insurance Department. Mr. Todd said the Department supports the bill in its present form. It contains similar benefits and threshold levels that the Insurance Commissioner included in a bill introduced last session, HB 2248. Mr. Todd feels that HB 2833 is necessary for the consumer's interest. He said that the no-fault is working for its stated purpose of prompt payment for injuries. He added that it is in the consumer's interest to increase the benefits. He concluded that the bill is needed and that it involves indexing of medical benefits and is not a change in concept.

Kathleen Sebelius, Kansas Trial Lawyers Association, appeared in opposition to HB 2833. She distributed two hand outs, one being a state by state break down on the current state of no-fault law and another being a copy of a newspaper article relevant to the subject. (See Attachments VIII and IX.) She introduced an attorney, Jerry Palmer, of the Kansas Trial Lawyers Association who testified in opposition to the bill.

Mr. Palmer said that he represents the victims of automobile accidents. He feels

that no-fault legislation is a piece of legislation whose time has passed. He noted that Mr. Cowen had said that approximately ninety percent of these cases will be settled anyway so why bother with an increase in the threshold. As to the victims, he said in many cases there is no permanent injury, but there is an injury requiring treatment over a long period of time; and the victim cannot collect on this. He called the committee's attention to the consumer price index in the bill located on the last page. He said that the index contains things that have no relationship to the market of automobile insurance and that it should not be a part of the bill.

John Brookens of the Kansas Bar Association followed with his testimony in opposition to HB 2833. (See Attachment X.) Upon conclusion of his testimony, Mr. Brookens showed the committee pictures of victims of a head on collision and gave their case history of difficulty in getting compensation for their injuries as an illustration of his point.

The hearing on HB 2833 was concluded.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
	Ron Todd	Topeka	Ins. Dept.
	Mark Bennett	Topeka	A J A
	W. Luber		AP
	Sue Prosdicier	Lawrence	Sen. Karr
	Jerry Davies	McPherson	Farmers alliance Ins. Co.
	Lee Turner	Wichita	Attorney
	Howard Brookens	Topeka	KBA
	Ed Mullins	"	Budget
	James L Ketcherside	McPherson	Farmers Alliance Mutual
	LM CORNISH	TOPEKA	KS Assoc of P/C
	K.W. Scott	Missouri	State Farm Ins
	Jim Oliver	Topeka	PIA of Ks
	Dick Brock	Topeka	Ins Dept
	Jerry Palmer	Topeka	KTLA
	Kathleen G Selsdens	"	KTLA
	David Chartrand	O. Park	KS Alliance for Ins. Fairness

POSITION MEMORANDUM

OF

THE WESTERN CASUALTY AND SURETY COMPANY

THE WESTERN FIRE INSURANCE COMPANY

THE WESTERN INDEMNITY COMPANY, INC.

ALL OF

FORT SCOTT, KANSAS

SUBJECT: No-Fault

BACKGROUND: The "No-Fault" concept at its inception was not advocated by the insurance industry. It was brought about as various studies were concerned with the amount of the insurance dollar being retained by the legal system and the delay of payments to injured people while "legal liability" was being argued in the courts.

Passage of some type of "No-Fault" law was enacted by many states because of pressure at the national level for a "NATIONAL NO-FAULT" law that would have placed the insurance industry regulation at the Federal level rather than state level. (See Reference No. 1)

CONCEPT: Over-simplified, "No-Fault" created, by statute, first party benefits. In most states these benefits were coupled with compulsory insurance requirements. No-Fault prescribed that your own insurance policy would pay immediately without regard to who was "legally

Attachment I

liable." Without considering constitutional problems, the "trade off" involved curtailing the "right to sue." This "trade off" was the key to keeping insurance costs as low as possible. (See Reference No. 2)

THE TRIAL BAR:

The No-Fault concept probably impacted the plaintiff bar more than anyone. The whole idea of No-Fault was to make more of the insurance dollar reach the injured person. Since contingent legal fees charged by the plaintiff bar run from 35-50% of total recovery, No-Fault perceived that the injured party would receive 70% of the insurance dollar. This same insurance dollar subject to a contingent fee of 50% results in the injured party receiving 35% of the insurance dollar.

CONTINGENT FEES:

In order to promote "everyone's access" to the courts, the law has historically recognized the "contingent fee" concept. Because some people could not afford to hire an attorney, they were indeed denied their right of access. There was the injustice of persons escaping legal responsibility because of the injured parties economic inability to hire an attorney. Thus, the contingent fee arrangement. Very simply this type of contract states "...If I don't recover damages for you ... I will not charge you for my services." To compensate the attorney who, in some cases failed to obtain a recovery, the law allowed "contingent fees" to be whatever was agreeable to the attorney and to the client. It became acceptable then to charge 50% of the recovery. Today, a general fee arrangement is -- 30% if suit is not necessary; 35% if suit is necessary; and 50% if the case must be tried.

In the beginning, the plaintiff attorney had to contend with insolvent defendants, and although damages were awarded, they were

uncollectable. Most jury awards were very conservative.

With the advent of compulsory automobile insurance, there were very few insolvent defendants, and with statutes raising the required limits of liability, jury awards began to go up. With juries now assuming that "there is insurance," awards are quite common in the hundreds of thousand dollars and a verdict in excess of a million dollars is not uncommon. A 50% contingent fee contract had now become very lucrative. A recent Wichita case resulted in a two million dollar fee for one lawsuit!

FIRST PARTY

BENEFITS:

The first party benefit, that is for your own insurance policy to pay you without regard to "legal liability," has always been available on the market. Not a lot of people purchased it, therefore, the cost was higher than the same benefits being purchased on a compulsory basis. With compulsory insurance, such as "No-Fault" contemplates, the cost is reduced if the concept really works. The question today is whether the concept is working. (See Reference No. 3)

THE TRADE OFF:

To find the money to offer the first party coverage (Personal Injury Protection Coverage or PIP) without increasing the overall automobile premium, some device had to be found to reduce either the number of claims, or the cost of claims. These two components are the basis for insurance cost to increase or decrease. The "No-Fault" concept was supposed to take a certain number of claims out of the courts. Since the defense of lawsuits is nearly as expensive as contingent fees, the savings resulting from the expectations of not having to defend as many lawsuits, would pay the premium for first party benefits for everyone! Remember -- in the "legal liability"

arena, injured persons did not always win their lawsuits. Some lost and received nothing. No-Fault contemplates every injured person receives something. Therefore, the trade-off was to furnish the benefits without increase in premium to everyone, in exchange for a few who did not sustain a "serious injury," to give up their right to sue. (See Reference No. 4)

THE FORMULA:

No one really knew the exact formula to use; no one really knew how many lawsuits you would have to cut out of the system to pay for the PIP benefits. The most popular formula was to base the concept on the amount of medical bills incurred. It seemed logical. The less the medical bills, the less serious the injury. No one wanted to take away rights of the person with a serious injury. The PIP benefits would reasonably compensate the person with the "minor injury." Therefore, most states (including Kansas) adopted this formula.

THE THRESHOLD:

The medical bills became the threshold. Below this "magic number" a person could not sue. Above this "magic number," a person could sue! However, many states also built in other thresholds. Kansas, for example, allows a lawsuit for a fracture. Thus, a finger that has a broken bone crosses the threshold, even if medical bills only total $10.00. (See Reference No. 5)

FAULTY NO-FAULT:

The rise in medical costs now makes even a "minor" injury exceed the threshold. (See Reference No. 6) Simple fractures that heal without any disability, crosses the threshold. As a result, the no-fault mechanism has broken down. It is not working. The only present remedy is rate increase. And, perhaps sharp increases UNLESS

WE WANT TO CORRECT THE FAULT IN NO-FAULT:

We must make corrections to meet the requirements of the original concept. We must take the NON-SERIOUS claims out of the courtroom -- (Not the serious ... but the non-serious). (See Reference No. 7)

Remember this --- No-Fault does not take away ones right to the courts. A person may sue for any and all damages that No-Fault benefits do not pay, EXCEPT pain and suffering. Non-serious claims contemplate minimum pain and suffering.

LOW MEDICAL THRESHOLD WAS FAULTY FROM THE START:

Anything new must start someplace, but in retrospect a monetary threshold was wrong from the beginning. Using a $500 threshold, as Kansas adopted, failed to recognize that over 90% of the minor injury claims were settled by the industry without need of an attorney in the first place. With a fracture a basis of suit without any medical costs, the target area for lawsuit reduction was extremely narrow.

With a "target to reach," a monetary threshold is conducive to "seeking" more medical treatment than is necessary. The more the doctor charges, the quicker the target is reached. The monetary threshold is a contributing cause to the cost of medical services to all. And we all pay! (See Reference Number 8)

WHAT IS SERIOUS INJURY:

It should be an injury that is a permanent injury. Even 1%! An injury that impairs future life or work ability. If a fracture is serious,

then a $10,000 monetary threshold is no restraint to litigation.

Define "serious injury" in the law and remove the monetary threshold. (See Reference No. 3 - "Verbal Threshold") Make the system work for those who need to use it.

The Western has never felt, nor has ever said "No-Fault" would reduce the cost of insurance. There is still but 70¢ in the insurance dollar to pass on to recipients of insurance benefits. No-Fault is simply a way to get more money to more people, more quickly! That's all. (See Reference No. 3 & 4)

WHAT IS THE BENEFIT OF NO-FAULT REFORM

TO THE WESTERN:

If the public or any state legislature became serious and expressed support for the position of The Western in respect to No-Fault Reform, you will hear words like -- "Rip-off" ... "Windfall" ... "Excessive Profits" -- but those who will take the time to examine the facts .... understand rates and how they are made .... will simply know better!

Rates are predicated upon losses. Rates are also REGULATED. In respect to the automobile line, we are allowed a 2 1/2% profit margin. To set our rates today, we are allowed to take expenses and losses (of the past) and 2 1/2% of premium earned. We have to set rates today for the losses of tomorrow!

To be candid ... to run an insurance company, we don't care what the threshold might be ... or even if there is any threshold. Again, to write insurance, it makes little difference what system is used ... court system ... no-fault system ... or any other mechanism the public wants! We still have to work within the 2 1/2% profit margin!

There is no windfall ... nothing for The Western to gain by recommending an overhaul of the No-Fault concept ... except ... we are convinced the No-Fault concept is a better delivery system.

This is the mandatory benefits the law requires. These must be updated periodically for inflationary reasons. Not too many years ago, if your hospitalization policy provided $50 per day room benefits you would feel reasonably protected. Not today! So it is with the No-Fault benefit package. The lost wage benefit -- up to $650 per month -- was not too bad in 1973. It's not enough today!

The Western is of the opinion the No-Fault benefit package must be increased. It should be doubled! (See Reference No. 11)

WE SELL IT:

The Western sells this increased benefit package today! In fact a high percentage of our policyholders have purchased the extra benefit package.

THEN WHY

MAKE IT FREE:

We can't. In order to offer it as higher mandatory benefits under the No-Fault law, we have to receive something back that translates into -- "in lieu of premium" -- The intended result of "No-Fault" was to take legal expense out of the premium dollar in exchange for higher benefits at no extra cost.

HOW DO

YOU DO THIS:

The No-Fault concept intended the "threshold" to be a "magic level," that had to be reached before a lawsuit could be filed. It must be high enough, or sufficient enough, to carve out the legal system the non-serious injuries. The $500 monetary threshold such as used by Kansas, is simply not sufficient to warrant present benefits, much less higher benefits!

IF YOU DOUBLE BENEFITS, WHY NOT JUST DOUBLE

THRESHOLD:

Because the monetary threshold has no real relationship to the cost of benefits. When the "No-Fault" concept was new, there had to be a starting point. Using medical expenses as a barometer to divide serious injuries from non-serious injuries, it seemed logical. -- In retrospect, this concept was doomed to failure at the out-set.

The reason was and is .... about 90-95% of injuries with medical expense of $1,000 or lower are settled by the "industry" without need of legal expense.

One may well have a serious injury and incur less than $200 in medical cost. One may have $2,000 in medical bills and not have a serious injury.

The "threshold" must be defined in a way to take not 90% of the non-serious injuries out of the $500 medical monetary threshold, which are being settled now without legal costs, but at least 95% of the non-serious injuries out of the legal system, IRRESPECTIVE OF MEDICAL COSTS INCURRED!!

THERE IS SOME INEQUITY IN ANY SYSTEM:

-- The system before "No-Fault" was not without some inequity. Some people did not recover anything from the lawsuit when perhaps they should have recovered. Some recovered less ... some more than what would be considered "reasonable" by experts.

It is humanly impossible to "define a threshold" that is so perfect it would meet any and every set of facts. -- You can, however, devise one that will reduce inequity to a minimum, which at the same time guarantees that everyone receive reasonable compensation for all damage except the so-called "pain and suffering" which with serious injury is real, and with non-serious injury is sometimes real, but many times imagined.

WHAT WILL HAPPEN TO RATES IF THE FAULT IS REMOVED FROM NO-FAULT:

We do not know! WE can say this ... if you start from a base of adequate rates, (not excessive and not inadequate) and:

1. The social climate does not change
2. The legal climate does not change
3. The economic level remain steady
4. The cost of things insurance promises to pay for does not change ...

Then rates will not change!

WHAT IF THRESHOLD IS TOO HIGH OR TOO LOW:

Rates will increase or decrease accordingly. Rates will seek their own level of the regulated formula regardless of what is done or not done, based upon the frequency and severity of claims! It's that simple.

DOES WESTERN SUPPORT A MONETARY THRESHOLD OF $5,000:

Not really. The only reason that so-called magic figure is used is that many actuaries feel this is the figure that translates into a verbal threshold.

WHAT IS VERBAL THRESHOLD:

It is a defined threshold based upon language not money. A verbal threshold simply defines what a "serious injury is." (See Reference No. 10)

WHAT IS THE DRAW-BACK TO A VERBAL THRESHOLD:

The fear that no matter how carefully the language is drawn, that it will take a lawsuit to see if you have the right to bring a lawsuit. (See Reference No. 10)

WHAT THEN IS THE POSITION OF THE WESTERN:

Position of The Western:

1. The No-Fault concept is presently defective. It is not working. (See Reference No. 9)

2. That while the industry can operate under any system, the No-Fault mechanism is best

for the most. It delivers more money from the insurance dollar to the injured person faster!

3. That the additional money to finance the additional benefit level has to be removed or obtained from the legal system.

4. That the right of a person who is injured and that injury causes permanent disability of any nature, must have access to the courts. Again, any damages not paid by first party benefits can be recovered through the courts whether the injury is serious or not.

5. That No-Fault does not guarantee the lowest possible insurance rate, but it does provide the most for most at the lowest cost.

6. That to cure the fault in "No-Fault," the threshold must be meaningful. Meaningful means remove the target level. Remove non-serious or frivolous claims, or so-called "nuisance" lawsuits and use the savings for the person who sustains a serious injury.

7. Philosophically, we do not support a threshold that is monetary only at any figure. From a practical standpoint, we do support an "and/or" concept with a high monetary level such as $5,000. "And/or" means the monetary level is but one guide. Other guides must allow the "serious" injury the right to the courtroom even if medical incurred is "zero" (0), with the second guideline being a verbal guideline -- the more seriously injured people do not have to run up unnecessary medical bills just to cross the threshold.

8. The Western does support the legal system we have in America. It does have some inequities, but no one has ever devised a better system. There is a need for the

trial lawyer and the defense lawyer to use their skills for the benefit and the protection of their clients to maintain an equal balance of justice. There is nothing wrong with the system today, **EXCEPT THE COST!** <u>This cost is passed on to all of the insurance buying public</u>. Excessive verdicts, excessive settlements, excessive in either quantity or amount is a cost shared by all of us, even though we are not a party to the litigation. From a standpoint of selling more insurance, our present system produces <u>more premium</u> for the insurance companies. However, we are insurance buying consumers, too --- and we are concerned. We are concerned with the question --- <u>HOW MUCH PROTECTION CAN WE AFFORD??</u>

Respectfully submitted,

THE WESTERN CASUALTY AND SURETY COMPANY
THE WESTERN FIRE INSURANCE COMPANY
THE WESTERN INDEMNITY COMPANY, INC.

Homer H. Cowan, Jr.*
Vice President

*Registered Lobbyist in the State of Kansas and the State of Missouri

REFERENCE INFORMATION DOCUMENTS

Insurance Facts
From INSURANCE INFORMATION INSTITUTE

6701 W. 64th Street
Suite 215
Shawnee Mission, Kansas 66202
(913) 831-0080

KANSAS NO-FAULT AUTO INSURANCE FACTS

-- No-Fault Law Citation: KSA 40-3103

Passed in 1973, became effective 1974

Terminology

-- No-Fault

The policyholder's insurance company pays certain benefits for injuries suffered in an accident -- regardless of fault. These benefits are the "no fault" part of your policy. No-fault does not include the physical coverage on the vehicle.

-- Personal Injury Protection (P.I.P.)
This term collectively refers to the no-fault benefits noted above.

These benefits include rembursement for lost wages, disability, medical expenses, rehabilitation services, death benefits, etc.

-- Lawsuit threshold (or tort threshold)

Fundamental component of a no-fault law. The threshold is the dividing line between what a given state defines as major injuries and less-serious injuries.

-- Kansas lawsuit threshold

The Kansas law states that a person who suffers certain, described serious injuries or incurs medical bills of $500 or more has crossed the threshold and has no restrictions on filing lawsuits

Restrictions only concern suits for non-pecuniary damages (i.e., pain, suffering, etc.) Injured persons have no restrictions on suits for actual, out-of-pocket losses.

"NO-FAULT" AUTOMOBILE INSURANCE

A major change in the biggest single line of property and casualty insurance—automobile insurance—has been in the making since the early 1970s. Widespread dissatisfaction with the operation of the traditional tort liability system, under which recoveries by accident victims of their losses are often dependent upon proving who caused the accident, has led to the adoption of "first-party" laws by about half the states and consideration of similar action by most of the other states.

A number of states have enacted laws mandating the purchase of auto liability insurance and a form of "no-fault" insurance which permits accident victims to recover such financial losses as medical and hospital expenses and lost income from their own insurance companies. Most of those states also have some restrictions on the right to sue. Several other state laws make optional the purchase of "first party" coverages up to specified minimum limits.

A new "no-fault" law in the District of Columbia, effective in October 1983, originally had been scheduled to become operative in September 1982.

Among the states which have adopted forms of "no-fault" auto insurance, the major variations involve: dollar limits on medical and hospital expenses (unlimited in some states), funeral and burial expenses, lost income and the amount to be paid a person hired to perform essential services that an injured non-income producer is unable to perform; also, conditions governing the right to sue which usually include death, serious injury and a point at which medical expenses reach a stipulated amount.

Jurisdictions which have forms of "first-party" auto insurance and the dates on which the laws originally became effective, follow.

Compulsory first-party/liability insurance; some restrictions on lawsuits

Colorado, April 1, 1974
Connecticut, January 1, 1973
District of Columbia, October 1, 1983
Georgia, March 1, 1975
Hawaii, September 1, 1974
Kansas, January 1, 1974
Kentucky, July 1, 1975
Massachusetts, January 1, 1971
Michigan, October 1, 1973
Minnesota, January 1, 1975
New Jersey, January 1, 1973
New York, February 1, 1974
North Dakota, January 1, 1976
Pennsylvania, July 19, 1975
Utah, January 1, 1974

Compulsory first-party, optional liability insurance; some restrictions on lawsuits

Florida, January 1, 1972
Puerto Rico, 1970

Compulsory first-party and liability insurance; no restrictions on lawsuits

Delaware, January 1, 1972
Maryland, January 1, 1973
Oregon, January 1, 1972

Compulsory liability, optional first-party insurance; no restrictions on lawsuits

South Carolina, October 1, 1974
Texas, June 17, 1981

Insurance not compulsory; first-party benefits optional, no restrictions on lawsuits

Arkansas, July 1, 1974
New Hampshire, October 1, 1971
South Dakota, January 1, 1972
Virginia, January 1, 1972

Source: American Insurance Association.

No-Fault Insurance—The Concept

Reacting to the increasing problems in the existing legal system, legislatures in a number of states debated whether the no-fault concept (which in a somewhat different form had been operative for workers' compensation insurance for many years) could be successfully applied to automobile insurance. The writings of researchers were widely read by lawmakers, insurance industry leaders, the legal profession, and others.

The theory of no-fault is quite simple. Basically, the aim was to reduce the number of automobile accident cases in the tort-liability system. The dollar savings resulting from this reduction in tort litigation (and the costs associated with it—including attorney's fees), would be accumulated and used to pay the new and generous first party no-fault benefits designed to compensate victims for essentially all of their actual economic loss. It was believed that if the non-serious cases could be removed from the tort system, through the use of what has come to be known as a "threshold," the substantial overpayment of such claims settled pursuant to the nuisance theory (settlement was less expensive than defense in court) would be eliminated. This dollar savings would more than make up for the new costs of the required no-fault payments. Simply stated, the intended result of no-fault was to compensate most, if not all, accident victims for their economic loss, while allowing those who were seriously injured to pursue a cause of action in tort to receive compensation for pain and suffering—all this without having to raise rates.

No-Fault Auto Insurance—Its Many Varieties

On January 1, 1971, Massachusetts became the first U.S. state to enact an auto no-fault law. In the next five years 24 other states enacted some form of auto no-fault insurance legislation. However, of the total of 25 states, the laws of only 17 states included "threshold" limitations on the right to recover "general damages." The other eight states legislated only that Personal Injury Protection coverage (commonly called PIP) be required or at least be made available to protect a policyholder for actually incurred expenses up to specific per-person dollar limits. Three states included provisions in their laws for auto property damage no-fault. Later Florida and Massachusetts rescinded those provisions, with only Michigan retaining this feature as of the time of this writing.

The laws of many of the no-fault states were soon challenged in the courts, with various interest groups contending that the limitations on the right to claim and sue if necessary for "general damages" was a deprivation of a constitutional right. In general, the state supreme courts upheld the constitutionality of the no-fault laws. The exception was Illinois, where the law was struck down in 1972, largely on technical grounds.

In spite of the fact that about half of the states in the U.S. passed auto no-fault legislation in the relatively short span of a half-decade, many differences exist between the various state laws. Often the differences are the result of what individual legislatures regarded to be the local needs of their own states.

For example, the scope of the Personal Injury Protection coverage varies widely with some states requiring only a few thousand dollars of first party no-fault coverage, while other states such as Michigan, New Jersey and Pennsylvania require unlimited medical expense coverage and several thousands of dollars of coverage for wage losses and other expenses. The tort thresholds (used to remove cases from the tort system) also differ greatly between states.

SOURCE: Allstate Insurance Company's, *Insurance Handbook for Reporters*, 1979, pp. 22-27.

A Statistical Look at NO-FAULT

The results of three newly-released studies on auto injuries confirm that the no-fault system has some benefits, but no-fault has not yet been perfected and a need exists for continued experimentation with no-fault auto insurance in the various states. The studies, released by the All-Industry Research Advisory Committee (AIRAC), include a Closed Claim Study of more than 60,000 auto injury claims countrywide, a study of large-loss injury cases (over 100,000) arising under the unlimited medical coverages now available in Michigan, New Jersey and Pennsylvania and an independent Consumer Panel Study based on the auto accident experience of 1,849 U.S. families.

The three studies provide data on the kind of auto injuries now occurring, the amounts of economic loss being generated by auto crashes, and the payments being received by injured persons from various sources. They also provide a data base for studying the operation of the tort liability system and the changes wrought by passage of no-fault laws.

Major findings of the Closed Claim Study

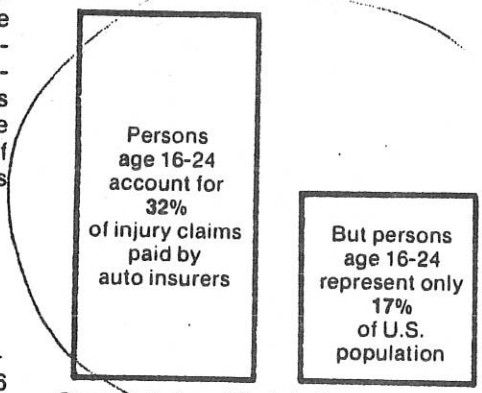
Data from the Closed Claim Study indicate that no-fault laws enacted in 16 states have brought about major changes in the way auto accident victims are paid for their injuries.

The study shows that 77 percent of all auto injury claims were paid on a no-fault basis in those 16 states, compared with 34 percent of claims in states that remained under traditional tort liability laws. The no-fault coverages (primarily medical payments coverage in tort states and personal injury protection coverage in no-fault states) accounted for 35 percent of the total dollars of payment in no-fault states, compared with only 10 percent in the tort states.

File reviewers completing the survey forms in no-fault states were asked to judge whether persons receiving Personal Injury Protection (PIP) payments would be eligible to file a liability claim as well, both under the current no-fault laws and under the previous tort systems in those states. Their answers indicated that about 65 percent of PIP claimants would have been eligible for filing an additional liability claim under a traditional tort system, but that only 23 percent were eligible under current no-fault laws. This indicates that the tort thresholds contained in the various no-fault laws have eliminated about 42 percent of the potential liability claims among persons collecting no-fault benefits.

> "...the no-fault system has some benefits, but no-fault has not yet been perfected..."

No-fault laws have reduced the portion of injury-related auto insurance payments that go for general damages, according to the report. In tort states, 57 cents out of the average dollar of payment goes for general damages and 43 cents goes for reimbursement of economic losses such as medical expenses and lost wages. In the no-fault states, 48 cents goes for general damages and 52 cents for economic losses.



Source: *Automobile Injuries and Their Compensation in the United States.* All-Industry Research Advisory Committee, April 1979.

The Closed Claim Study also provides information on the role of attorneys and lawsuits in the compensation of auto injury losses. The data show that 47 percent of individuals paid under the bodily injury liability coverage retained attorneys, compared with only 17 percent of the persons collecting under the no-fault PIP coverages. In most instances, PIP claimants who retained attorneys did so in order to assist them in pursuing an associated liability claim.

Attorney representation was more prevalent for auto accidents occurring in large metropolitan areas than for accidents occurring in small towns and rural areas. In all areas, more claimants with large economic losses retained attorneys than claimants with small losses.

The study indicates that about 21 percent of bodily injury liability claims countrywide involved lawsuits. However, only 1.5 percent went to trial, and less than 1 percent were tried to verdict. Persons whose claims were settled without lawsuits received more reimbursement per dollar of economic loss than persons whose claims involved legal controversy.

The Closed Claim Study also provides extensive information on the characteristics of persons who sustained auto injuries and on the crashes that caused them.

Young persons represented a much larger proportion of injury claims paid by auto insurers than might be expected on the basis of U.S. population data alone. For example, persons between the ages of 16 and 20 represented 9.8 percent of the U.S. population at the time of the survey, but accounted for 18.2 percent of the bodily injury liability claims, 15 percent of the uninsured motorist claims, 21.9 percent of the medical payments claims and 20.5 percent of the personal injury protection claims. Young persons also were disproportionately involved in the large-loss accidents. Persons under age 16 and those 65 and older were under represented in the groups sustaining injury, while those in the 25 to 64 age group reported injuries roughly in proportion to their share of the population.

Insurer Study of PIP Serious Injuries

The high injury rates generated by young adults were especially evident in serious injury cases.

The Insurer Study of PIP Serious Injury Claims in Michigan, New Jersey and Pennsylvania identified 420 open claims whose ultimate cost was estimated at $100,000 or more. The average cost per claim was estimated at $293,000, and the individuals involved are expected to continue receiving medical payments for an average of 27 years.

> "Persons with relatively minor injuries collect more reimbursement per dollar of economic loss than persons with serious injuries."

Young adults between the ages of 16 and 24 accounted for nearly half of these

Continued on page 4

Produced by Western Insurance Information Service, 1450 North Tustin Avenue, Suite 124, Santa Ana, CA 92701

NO-FAULT

Continued from page 3

large-loss claims, compared with about one-third of PIP claims of all sizes. This group's share of the U.S. population is about 17 percent. Single-vehicle crashes account for 43 percent of these cases. About 32 percent of the crashes occurred in rural areas.

All of these cases, by definition, involved serious injuries. Almost 60 percent were considered to involve permanent and total disability. Nearly 50 percent of the injuries resulted in brain damage or motor impairment, and another 40 percent involved spinal cord damage.

Consumer Panel Study

The Consumer Panel Study provides auto injury information independent of insurance company files, including information on benefit sources other than auto insurance. Two consumer research firms, Market Facts, Inc. and National Family Opinion, Inc., were hired to survey panels consisting of about 60,000 U.S. families, and to identify families that had experienced an injury-producing auto accident within the prior two years. Those families were asked to provide detailed information on the injuries and on the compensation received from all benefit sources.

The responses indicated that most persons injured in auto accidents have more than one *potential* source of reimbursement. About 92 percent of the 1,849 respondents said they were covered by auto insurance, and 84 percent said they had group health insurance. Only 2.4 percent said they had neither coverage.

Persons with relatively minor injuries collect more reimbursement per dollar of economic loss than persons with serious injuries. This trend holds true regardless of whether they collect from auto insurance, health insurance or various government benefit sources.

Most people sought reimbursement from only one benefit source if the economic loss was small. Only about 16 percent of persons whose claims were resolved had collected from more than one source when their economic losses were $500 or less. But when economic losses exceeded $5,000, about 61 percent had received payment from two or more benefit sources. On an overall basis, considering claims of all sizes, 78.5 percent of those receiving some payment collected from one source, 19.3 percent collected from two sources and 2.3 percent collected from three or more benefit sources.

As a group, persons who collected from a single benefit source received payments averaging $1.42 for each dollar of economic loss sustained. Those who collected from two sources received payments equal to $1.33 for each dollar of loss, and the few individuals who collected from three different sources received $1.56 per dollar of loss.

Persons with small economic losses received more reimbursement per dollar of loss than those with large losses, under all types of benefit systems, government and private.

Auto insurance was the single most important source of benefits for auto injuries, providing 67.5 percent of all reimbursement received by persons whose medical claims had been fully resolved. Group health insurance was next, providing 22.3 percent of total reimbursement. Government benefit programs provided 5.6 percent of the reimbursement, workers' compensation 3.5 percent and all other private insurance sources 1.1 percent.

> "Attorney representation was more prevalent for auto accidents occurring in large metropolitan areas than for accidents occurring in small towns and rural areas."

By area of residence, auto insurance provided the highest percentage of total reimbursement in large cities (75 percent), followed by suburbs and medium-sized cities (67 percent), rural areas (63 percent) and small towns (59 percent).

Among claims closed with payment, auto insurance provided 76 percent of total reimbursement in the no-fault states, compared with 63 percent in the tort states. Group health insurance provided about 22 percent, government sources about six percent and other miscellaneous programs less than five percent in the no-fault states.

About 22 percent of the injured persons on this Consumer Panel Study said they hired an attorney and 78 percent said they did not. Persons living in large cities were more than twice as likely to retain an attorney than residents of rural areas. Nearly 32 percent of large city residents reported they had hired an attorney, compared with 26 percent in the suburbs, 21 percent in medium-sized cities, 18 percent in small towns and only 14 percent in rural areas.

Attorney involvement was higher in the traditional tort states, with 23 percent of injured persons represented, compared with 19.8 percent in the no-fault states.

The report, titled Automobile Injuries and Their Compensation in the United States, is available in a two-volume set. Orders are being handled on behalf of AIRAC by the Research Department, Alliance of American Insurers, 20 N. Wacker Dr., Chicago, IL 60606.

NO-FAULT AUTO INSURANCE

In the late 1960s there was a growing public discontent, shared by many auto insurance companies, with the traditional legal methods of compensating injured victims of auto accidents. Although most auto insurance policies did make available coverages to protect policyholders for medical expenses and other out-of-pocket losses, recovery of other major damages through liability coverages was generally dependent on the injured or deceased person not having caused or contributed to the accident.

Determining who was legally at fault for an accident sometimes involved an expensive and time-consuming investigation on the part of insurers and the parties involved. In disputed cases where legal counsel represented the claimant and the insurance company, attorney fees and congested court dockets further increased expenses and delays. Inadequate liability coverage limits in some instances (and an increasing number of negligent drivers who had no liability insurance at all) worked additional hardships on seriously injured accident victims.

SOURCE: Allstate Insurance Company's, *Insurance Handbook for Reporters*, 1979, pp. 22-27.

No-Fault Insurance—The Dollar Threshold

The majority of states employ a dollar threshold—that is, individuals are prevented from suing in tort to recover for pain and suffering, unless their medical expenses exceeded a certain dollar amount. The dollar threshold has failed in most states because it offers an inviting "target" at which the victim, his doctor, and his lawyer can take careful aim. All three have a substantial economic interest in witnessing the utilization of no-fault medical benefits to the extent necessary to cross the threshold: the victim because such gives him a chance at the "pot of gold" at the end of the tort liability rainbow, his lawyer because he takes 30% to 50% of the "pot of gold" from the victim in the form of contingent fees, and the doctor because auto insurers pay the costs of medical services rendered to an auto accident victim.

Thus, dollar thresholds encourage over-utilization of first party benefits, and such over-utilization, in turn, produces larger third party or tort liability judgments for pain and suffering, since pain and suffering awards are generally tied by way of a multiplier to the level of actual economic loss.

Ultimately, both first and third party costs increase beyond all expectation, and the people must simply be asked to pay more in the form of increased auto insurance rates.

No-Fault Insurance—The Disability Threshold

While the dollar threshold represents the predominant tort restriction mechanism in effect in most no-fault states today, other approaches have been tried, including what is known as the disability threshold. A disability threshold provides that a victim may not sue in tort unless he has been disabled (defined differently in various state plans) from the accident for a specific period of time. While perhaps a disability threshold is more difficult to abuse than a dollar threshold, it suffers from the same infirmities because, again, it offers a target (a specific time period) to the victim, his doctor, and his lawyer. Moreover, it must be remembered that it is not economically painful for the victim, under a no-fault scheme, to remain disabled for a considerable period of time because he is, at the same time, being compensated for all his medical expense as well as most, if not all, of his lost wages. Thus, he experiences little or no out-of-pocket loss while he waits long enough to qualify to pursue a cause of action in tort. Thus, the disability threshold approach, while perhaps superior to the dollar threshold, still suffers from fundamental and fatal flaws.

No-Fault Insurance—The Verbal Threshold

The other major type of tort threshold is what has come to be known as the "verbal threshold." Here victims are allowed to sue in tort only if their injuries meet certain verbal descriptions of the types of injuries which should, as a matter of policy, render one eligible to seek to recover for pain and suffering in a cause of action in tort.

The verbal threshold was invented to cure the "target" problems inherent in a dollar threshold, and it appears today that a verbal threshold holds out the best chance of meeting the original intent of no-fault which is to compensate most victims for all of their economic loss without having to increase insurance rates substantially.

No-Fault Insurance—Multiple Recoveries

One other problem that has not been addressed by many legislatures is the opportunity for injured persons to realize multiple recoveries for the same expenses. This creates the invitation to profit from unnecessary medical treatment and over-extended absence from work. When opportunities exist to duplicate an insurance recovery for the same expenses, the ultimate result is that higher premiums must be charged to cover such duplicate benefits.

Note
Still 1979
More evident
in 1984
The Westen

SOURCE: Allstate Insurance Company's, *Insurance Handbook for Reporters*, 1979, pp. 22-27.

The average cost in community hospitals per patient day has risen from $102.40 per day in 1973 to $284.30 in 1981! The cost is even higher in 1984, perhaps 30% higher!

The medical cost care component as a percent of the total annual budget for a four-person family has risen from 8.1% to only 9.4% in 1981.

All medical care items has risen from 137% in 1973 to 328.7% in 1982. This total has also increased sharply from 1982 to 1984.

The average Bodily Injury claim has increased from $2,125.00 in 1973, to $5,041.00 in 1982.

SPECIAL NOTE:

Source Documents for the above cost comparisons are attached and identified as Reference No. 6 (Continued).

Table 5.18
Medical Care Component as a Percent of Total Annual Budget

	Four Person Family			Retired Couple		
	Lower	Intermediate	Higher	Lower	Intermediate	Higher
1970	8.1%	5.3%	3.8%	12.3%	8.8%	6.0%
1971	8.4	5.6	4.0	12.7	8.9	5.8
1972	8.5	5.5	4.0	12.6	8.7	5.7
1973	8.1	5.3	3.8	12.0	8.4	5.7
1974	8.0	5.2	3.7	12.6	8.9	6.0
1975	8.5	5.4	3.8	12.2	8.6	5.8
1976	8.9	5.5	4.2	12.2	8.5	5.8
1977	9.4	5.8	4.1	13.3	9.4	6.4
1978	9.2	5.7	4.1	13.9	9.8	6.7
1979	9.3	5.7	4.0	13.9	9.8	6.7
1980	9.2	5.6	3.9	14.2	10.1	6.9
1981	9.4	5.7	4.0	15.0	10.7	7.3

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

Table 5.19
Average Cost to Community Hospitals Per Patient Day and Per Patient Stay; Average Length of Stay in Community Hospitals in the United States

Calendar year	Average cost to hospital per patient day			Average length of hospital stay (days)	Average cost to hospital per patient stay
	Total	Payroll	Other		
1946	$ 9.39	$ 4.98	$ 4.41	9.1	$ 85.45
1950	15.62	8.86	6.76	8.1	126.52
1955	23.12	14.26	8.86	7.8	180.34
1960	32.23	20.08	12.15	7.6	244.95
1961	34.98	21.54	13.44	7.6	265.85
1962	36.83	22.79	14.04	7.6	279.91
1963	38.91	24.01	14.90	7.7	299.61
1964	41.58	25.26	16.32	7.7	320.17
1965	44.48	27.44	17.04	7.8	346.94
1966	48.15	29.41	18.74	7.9	380.39
1967	54.08	32.44	21.64	8.3	448.86
1968	61.38	36.61	24.77	8.4	515.59
1969	70.03	41.36	28.67	8.3	581.25
1970	81.01	47.30	33.71	8.2	664.28
1971	92.31	53.80	38.51	8.0	738.48
1972	105.30	59.80	45.50	7.9	831.70
1973	102.40	57.00	45.40	7.8	798.70
1974	113.60	61.90	51.70	7.8	886.10
1975	133.80	70.90	62.90	7.7	1,030.30
1976	151.80	78.00	73.80	7.7	1,168.90
1977	174.00	87.40	86.60	7.6	1,322.40
1978	194.30	96.60	97.70	7.6	1,476.70
1979	217.30	107.30	110.00	7.6	1,651.50
1980	245.10	119.20	125.90	7.6	1,862.80
1981	284.30	138.20	146.10	7.6	2,160.70

NOTE: Data prior to 1972 include hospital units of institutions. Total expenses include: payroll expenses; employee benefits; professional fees; depreciation expense; supplies and purchased services. Payroll expenses include: physicians' and dentists' salaries; medical and dental interns and residents; trainees in medical technology and administration; other personnel. Data for years 1973-1981 have been adjusted to include outpatients.

SOURCES: American Hospital Association, *Hospital Statistics* (various annual editions), and Health Insurance Association of America.

Table 5.13
Consumer Price Index for Medical Care Items in the United States (1967 = 100.0)

Calendar year	All medical care items	Physicians' fees	Dentists' fees	Hospital room	Drugs and Prescriptions: Prescription drugs	Drugs and Prescriptions: Over the counter items
Urban wage and clerical workers						
1947	48.1	51.4	56.9	23.1	-	-
1950	53.7	55.2	63.9	30.3	92.6	-
1955	64.8	65.4	73.0	42.3	101.6	-
1960	79.1	77.0	82.1	57.3	115.3	-
1965	89.5	88.3	92.2	75.9	102.0	98.0
1966	93.4	93.4	95.2	83.5	101.8	99.0
1967	100.0	100.0	100.0	100.0	100.0	100.0
1968	106.1	105.6	105.5	113.6	98.3	102.5
1969	113.4	112.9	112.9	128.8	99.6	103.2
1970	120.6	121.4	119.4	145.4	101.2	106.2
1971	128.4	129.8	127.0	163.1	101.3	110.3
1972	132.5	133.8	132.3	173.9	100.9	111.3
1973	137.7	138.2	136.4	182.1	100.5	112.4
1974	150.5	150.9	146.8	201.5	102.9	117.5
1975	168.6	169.4	161.9	236.1	109.3	130.1
1976	184.7	188.5	172.2	268.6	115.2	138.9
1977	202.4	206.0	185.1	299.5	122.1	148.5
1978	219.4	223.3	199.3	331.6	132.1	159.1
All urban consumers						
1978	219.4	223.1	198.1	332.4	131.6	159.0
1979	239.7	243.6	214.8	370.3	141.8	170.7
1980	265.9	269.3	240.2	418.9	154.8	188.1
1981	294.5	299.0	263.3	481.1	172.5	211.4
1982	328.7	327.1	283.6	556.7	192.7	234.2

NOTE: Beginning January 1978, the Bureau of Labor Statistics introduced a new index for all urban consumers.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, *CPI Detailed Report.*

Types and Locations of Auto Accidents (continued)

three out of every four deaths resulting from noncollision accidents and from collisions involving two or more motor vehicles. Conversely, the injury rate is greater in urban areas in accidents involving more than one car.

Motor Vehicle Deaths and Injuries by Type of Accident, 1982

Type of Accident	Deaths			Injuries		
	Total	Urban	Rural	Total	Urban	Rural
Collision with:						
Pedestrian	8,600	6,100	2,500	90,000	75,000	15,000
Other motor vehicle	18,900	4,800	14,100	1,170,000	690,000	480,000
Railroad train	600	300	300	4,000	2,000	2,000
Pedalcycle	1,100	700	400	50,000	40,000	10,000
Animal, animal-drawn vehicle	100	*	100	6,000	3,000	3,000
Fixed object	3,600	2,200	1,400	80,000	50,000	30,000
Noncollision	13,100	3,300	9,800	300,000	90,000	210,000
Total	46,000	17,400	28,600	1,700,000	950,000	750,000

**Fewer than five.*

Source: National Safety Council estimates.

CLAIM COSTS, AUTO ACCIDENTS

The costs of insurance claim settlements and court awards resulting from auto accidents have risen steadily in recent years. From 1973 through 1982, the average paid bodily injury claim rose 137.2 percent from $2,125 to $5,041; the average paid property damage liability claim climbed approximately 155.5 percent from $375 to $958.

Countrywide Average Paid Claim Costs*
Liability Insurance, Private Passenger Cars

Year	Bodily Injury	Property Damage	Year	Bodily Injury	Property Damage
1973	$2,125	$375	1978	$3,123	$622
1974	2,472	397	1979	3,559	715
1975	2,646	445	1980	4,010	787
1976	2,583	490	1981	4,453	889
1977	2,890	544	1982	5,041	958

**For all limits combined, and including all loss adjustment expenses. Dollar averages exclude Massachusetts (for all years) and most states which have no-fault automobile insurance laws.*

NOTE: An apparent decline in 1976 in the amount of the average paid bodily injury claim is the result of an adjustment resulting from a change in the data base, and does not necessarily reflect an improvement in the claims experience. The revised data base has been applied to all claims figures for 1976 and succeeding years, but not to the figures for earlier years.

Source: Insurance Services Office.

Impact of Inflation

Although inflation moderated in 1982, it continued to be a problem, especially for the insurance industry. Costs of services and materials for which auto insurance pays — such as auto repairs and medical care — increased at a greater rate than the consumer price index for all items.

The U.S. Department of Labor's Consumer Price Index recorded an average increase of 6.1 percent in the overall cost of living. Auto insurance premiums rose 6.4 percent, but still remained below the overall consumer price index. Property insurance premiums, which take into account rising home values as well as changes in personal property insurance rates, went up 4.1 percent.

CPI increases in costs of goods and services related to auto insurance claims included; auto maintenance and repair, 7.6 percent; medical care, 11.6 percent; physicians' services, 9.4 percent, and hospital rooms, 15.7 percent.

Costs for housing maintenance and repairs increased 6.3 percent.

Motor Vehicle Accidents (continued)

An analysis of the economic cost to society of motor vehicle accidents, based on the nation's traffic accident experience in 1980, was released by the National Highway Traffic Safety Administration in 1983. The overall cost of more than $57 billion was equal to about 2.6 percent of the gross national product in 1980.

Medical costs were found to account for about $3.3 billion of the total, property losses for $21 billion, lost productivity for $14.2 billion and other costs for $18.7 billion.

Among the findings:

• Societal losses growing out of fatalities accounted for about $13.7 billion of the total cost. The cost of injuries was computed at $15.3 billion, and of property damage-only accidents at $21.1 billion. An additional $7 billion resulted from insurance overhead costs borne by consumers.

• The most serious injuries (shown as Injury Levels 4 and 5 in the table below) comprise only 1 percent of all injuries resulting from motor vehicle crashes. However, they account for more than 40 percent of the total cost of medical care.

• Medical costs associated with fatalities had less impact on the overall cost than any other measured factor — only 2 percent of the total.

Despite the high cost of accidents, the study warned, "The true value of the lives and mental capabilities which are destroyed in motor vehicle accidents can never be adequately measured, because the pain, suffering and frustration felt by individual accident victims cannot be measured in economic terms."

The report also commented: "There is considerable evidence to indicate that the most serious injuries are not adequately covered by insurance. Depending on the financial ability and insurance coverage of the individual victims, the medical and rehabilitative costs, as well as the loss in wages resulting from serious injury, can be catastrophic to the victim's economic well-being as the injuries are to their physical and emotional condition."

Summary of Societal Costs of Motor Vehicle Accidents, 1980
(Costs in millions of 1980 dollars)

		Property Damage	Injury Level**						
	Uninvolved*	Only	1	2	3	4	5	Fatality	Total
Medical Costs			$ 543	$ 622	$ 631	$ 335	$1,125	$ 70	$ 3,326
Productivity Losses			319	251	313	451	801	12,102	14,237
Property Loss		$16,984	2,656	612	424	100	33	174	20,983
Other Losses	$7,070	4,127	3,933	590	684	640	245	1,384	18,653
Total	$7,070	$21,111	$7,451	$2,075	$2,052	$1,526	$2,204	$13,730	$57,199

**Represents costs borne by owners of all motor vehicles not involved in accidents.*

***On scale, 1 represents the least serious and 5 the most serious injury types.*

Source: National Highway Traffic Safety Administration.

Prepared by Fletcher Bell, Commissioner of Insurance

SOME THOUGHTS ABOUT THE NO-FAULT LAW

With another legislative session rapidly approaching, proposed changes in Kansas insurance laws are being formulated and discussed.

One area in which there has been a considerable amount of discussion involves the Kansas No-Fault law. The law we now have was enacted in 1973 and went into effect in 1974. Although it has been amended in part over the years, the fundamental structure which encompasses the benefit package and tort threshold has not been changed. As a result, it appears that the No-Fault law may be in the process of becoming hopelessly outdated. For example, when the No-Fault concept was first discussed, our Department believed that a tort threshold of $3,000 was needed to be meaningful. Understanding the need for compromise to promote passage of the No-Fault Act, in 1973 we reduced that figure to $1,000. As you are aware, eventually a threshold of $500 was passed by the 1973 Legislature.

Although no one was overly concerned at the amount of the threshold at that time since the all-important concept of No-Fault insurance had been established in Kansas, it must be of concern now because after eight long years and innumerable increases in the cost of health care, the threshold has been seriously eroded. In fact, it is at a point now where it is difficult to tell whether it is discouraging litigation for pain and suffering claims as originally intended, or encouraging it by providing a convenient target.

Although a change in the threshold may need to be made, a change in the threshold alone is not sufficient. There must be a corresponding change made in the benefit package as well. The change in the benefit package needs to be a meaningful one with a realistic balancing of the first party benefits provided and the restrictions imposed on the right to sue for pain and suffering. To accomplish this balancing, there must be something more than just a boldface proposal to provide $25,000 in medical benefits with a $5,000 threshold, with no increase in present premium costs. What good would $25,000 in medical benefits do if $5,000 will cover 98% of the accident medical claims. Why not pass on a savings in premium to the insureds?

Also, when contemplating changes in the No-Fault law, thought should be given to incorporating a first party pain and suffering provision into the law. This would truly instill the No-Fault concept into our law, and further reduce the litigation and claims costs which brought about No-Fault in the first place.

Finally, one area that should be considered deals with the uninsured motorists coverage for property damage. Damage to one's property by an uninsured motorist oftentimes is more dramatic and causes more concern than personal injury. It seems like a logical extension to provide property damage coverage under the uninsured motorists coverage to remedy this problem. This is neither a new or novel idea, as many other States have adopted such coverage.

The forthcoming legislative session will be an interesting one. Many of these possible changes will no doubt be discussed.

REFERENCE
(Continued)

Unsuspecting Public'

"No-fault was foisted upon an unsuspecting public primarily as a means of reducing the cost of insurance," concludes a report by the Pennsylvania Trial Lawyers Association, the group that leads the repeal parade in that state. "The claimed advantages of no-fault have simply not materialized."

As a matter of fact, no-fault auto insurance hasn't materialized, either. True no-fault insurance has never been adopted anywhere, so no one can say whether it would work. But many measures have been put on the books under the name of "no-fault," and it is their spotty performance that has been giving no-fault insurance its shaky reputation.

"No-fault was probably a very reasonable idea in principle, but what we have isn't no-fault at all," says Scott Harrington, an assistant professor of insurance at the University of Pennsylvania's Wharton School.

Says J. Robert Hunter, the president of the National Insurance Consumers Organization: "The fault with no-fault isn't no-fault. The fault with no-fault is faulty no-fault."

Pure no-fault was devised in 1919 and promoted heavily in the 1960s. It was supposed to replace the old way of doing things, called the "tort liability system." In tort liability, a driver who got hit would sue the person who ran into him and try to collect from the other's insurance company. The suing driver could try to recover his doctor bills; if he wanted, he could also decide what his "pain and suffering" had cost him and sue for that, too.

System Had Flaws

Tort liability wasn't an evenhanded system. The Federal Department of Transportation found in 1970 that, on the average, insurance companies were paying small claimants more than four times their medical bills but were paying the victims of catastrophic crashes only 30% of the amount of their bills.

No-fault proposed something new, called "first-party coverage." A crash victim would go straight to his own insurance company, instead of the "third party" company that insured the other driver. His own company would reimburse him for his medical bills. The law would set limits on how much he could get, though. And he couldn't claim a cent for pain and suffering.

The idea was to promise first-party coverage to everybody, from the innocent Sunday-school teacher run down in a crosswalk to the wild-eyed teen-ager joyriding in his father's car. Such a broad system would cost insurance companies more than tort liability, and no-fault adherents proposed to make up for this by taking away a driver's right to sue. That would save the insurers money, the reasoning went, because they wouldn't need so many lawyers or have to shell out for enormous "pain and suffering" claims.

Pure no-fault, then, was a two-sided bargain: first-party coverage on one side, the denial of the right to sue on the other. The concept drew widespread support, but state legislators found the first side much easier to enact than the second.

There were simply too many problems with taking away a person's right to sue. Opponents argued that the hypothetical Sunday-school teacher shouldn't be denied the chance to clobber the hooligan who knocked her down. They said the fear of lawsuits made the hooligans—and everybody else—drive more safely. Besides, they said, if crash victims weren't allowed to recover the cost of their pain and suffering along with their medical bills, they would be getting cheated.

"Medical benefits are only a small fraction of the need," says William A.K. Titelman, a lobbyist for the Pennsylvania Trial Lawyers Association. "What about the young pianist who has a promising future on the stage whose hands are injured? You'd look up the medical benefits for her: Hand—$500. This is fundamentally offensive to the Western concept of justice."

No-fault proponents argued back that lawyers like Mr. Titelman opposed no-fault insurance only because it would take away their right to make money on lawsuits.

It was left up to the states to resolve the conflict. Nine of them responded by setting up "no-fault" systems that provide first-party coverage but don't take away the driver's right to sue for whatever amount of pain and suffering he feels he sustained. These systems really aren't no-fault.

The other states also permit pain-and-suffering suits but restrict them. They, too, don't limit the amount that crash victims can sue for, but they do impose a system of thresholds—criteria that victims have to meet before they can file their suits. Some states make the thresholds tough, others easy. The easier thresholds are behind most of the no-fault debates these days.

The reason: They don't prevent enough lawsuits. In Colorado, Kansas, Massachusetts, Utah and Georgia, for instance, people can file pain-and-suffering suits as soon as they spend more than $500 at the doctor's. In Connecticut, they can sue after spending $400. Rising health-care costs make it easy to spend the requisite sum and go scooting off to court. Insurance companies claim that people get unnecessary treatments just so they can sue.

"You don't have to stretch your morals very far to get past the thresholds, if you know what I mean," says James A. Stahly, a spokesman for State Farm Mutual Automobile Insurance Co.

And with many people padding their doctor bills, then suing for pain and suffering, insurance companies don't save enough money to pay for first-party benefits. When the system can't finance itself, consumers have to, through higher premiums.

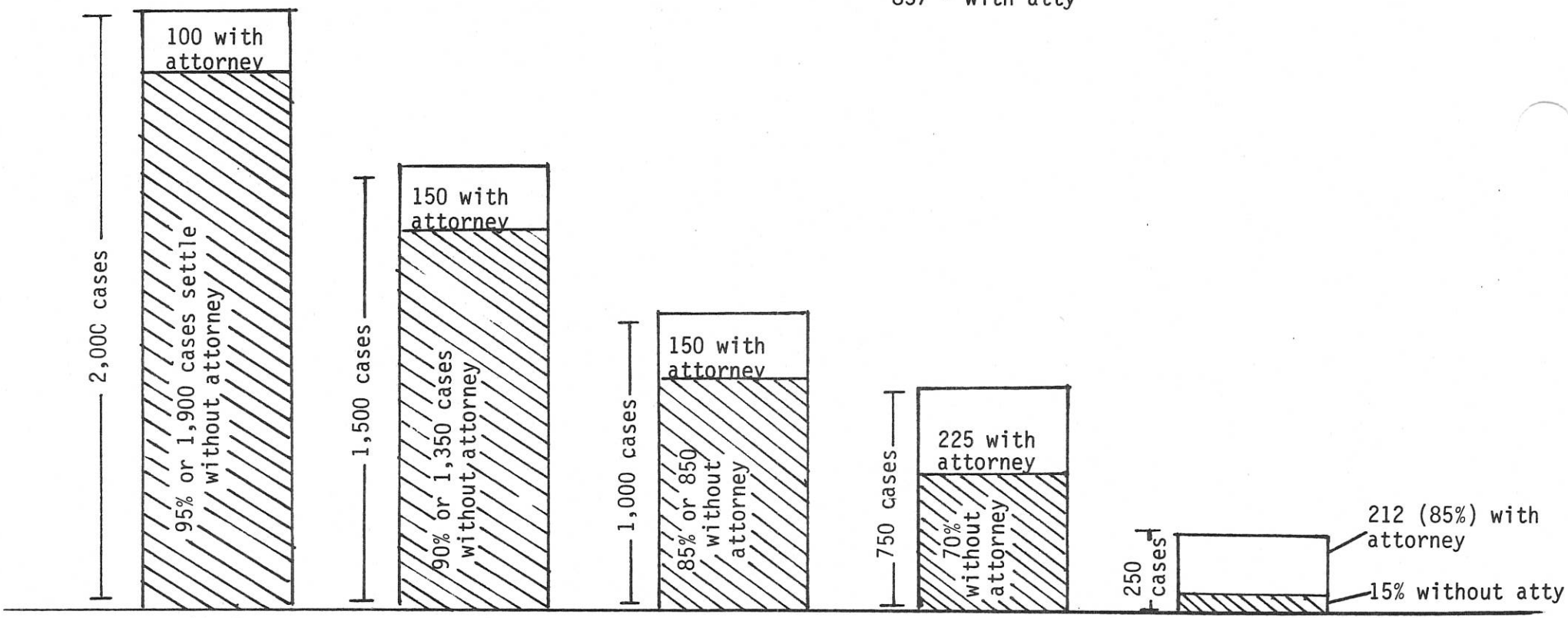
SOURCE:

"The Wall Street Journal"
November 16, 1983

CHART REPRESENTS: 5,500 Auto Personal Injury Cases
Shaded area Represents % settled
without Plaintiff Atty Involvement

Historically (before No-Fault) approx.
80-85% of all personal injury cases
settled without attorney

5,500 Cases
4,662 - without atty
837 - with atty



Medical Expenses $500.00 or Below	Medical Expenses $1,000.00 or Below	Medical Expenses $1,500.00 or Below	Medical Expenses $2,000.00 or Below	Medical Expenses over $2,000.00
(This category has few "serious" injuries)	(This category has a few "serious" injuries)	(This category has approx. 20% "serious injuries)	(This category has approx. 40% "serious" injuries)	(This category has approx. 70% "serious" injuries)

REFEREN... NO. 8

No-Fault Insurance—Basic Idea Is Good

Legislatures in several major states have not enacted auto no-fault legislation partly as a result of the lack of success of such laws in other states. The basic idea of auto no-fault insurance is good. The motoring public needs financial protection to cover the large expenses that can result from an auto accident, and it needs the protection as promptly as possible when expenses are incurred. Premium dollars should be returned as much as possible in the form of benefits to meet a victim's needs, and not be mitigated by costly investigations and attorney fees.

Improvement of existing state no-fault laws are entirely possible when legislators, insurers, the medical and legal professions, consumer organizations, and other interested groups objectively evaluate the results of such laws to date and resolve to work for solutions based on carefully selected common goals.

SOURCE: Allstate Insurance Company's, *Insurance Handbook for Reporters*, 1979, pp. 22-27.

COST RESULTS

The Insurance Services Office and the National Association of Independent Insurers collect claims data under the Fast Track Program. The data are provided to state regulators to assist them in their oversight activities. The claims data for automobile insurance indicate that the cost of insurance in nofault states has risen dramatically in comparison with tort states. Table 1 shows the pure premiums for tort states for bodily injury for the period from 1975 to 1982. Tables are on the following pages. The cumulative change for the period was 60.47 percent. This has to be compared with all three types of nofault statutes. The three major types are add-on, verbal threshold, and medical threshold (sometimes referred to as a monetary threshold). In nofault states with a medical threshold, the increase has been significantly higher as shown in Table 2. The percent increase was 95.35. Add-on nofault states showed an increase very similar to tort states, 56.26 percent. (See Table 3.) The verbal threshold states did even better. (See Table 4.) However, as discussed later, the excellent results in the verbal threshold states partially may be the result of artificial restraints. Tables 5 through 10 give the increase in the pure premium for nofault coverage and nofault and bodily injury liability coverage combined for nofault states by type of nofault law.

EVALUATING NOFAULT SYSTEMS

It is interesting that the medical threshold states had the greatest increase in pure premiums for nofault coverage and bodily injury combined (149.94 percent). The add-on states had the lowest increase in the combined pure premium (56.50 percent).

The rapid growth in the medical threshold states rates may have resulted because the threshold acts as a target. Rather than reducing cost by barring individuals from being able to sue for general damages, the medical threshold may serve as a goal which has to be achieved to obtain a tort remedy. If this is correct, the add-on system serves to reduce costs and may not result in a greater number of court cases than under a tort system. It is conceivable that the threshold could be set so high that this target effect (if it exists) would be eliminated. The question is "Can it be set high enough to lower the target effect and yet maintain any type of reasonable tort remedy?"

There are three states (Florida, Michigan, and New York) which have verbal thresholds and that provide the data for the verbal threshold tables. The argument could be made that while add-on statutes have not resulted in the same premium growth rates encountered by the medical threshold statutes that neither have the verbal threshold statutes. Based on the data, this would appear to be true. Graphs 1, 2, and 3 show the cost indexes for bodily injury liability, nofault coverage, and bodily injury and nofault combined, respectively. The graphs show what has happened in the tort, medical threshold, and add-on states. Florida, Michigan, and New York are shown separately. In the area of nofault damage, Michigan, Florida, and New York (verbal threshold states) all had a lower rate of increase in pure premiums than the medical threshold states and were fairly close to the add-on states' costs. (See Graph 2.) Florida appears to have had the slowest rate of growth. However, the three states comprising the verbal threshold group should be examined carefully before any conclusions are reached.

Florida has had its nofault law changed so many times that its results are unreliable and a poor indicator of anything. Since the Florida nofault law was passed in 1972, the following actions have been taken or the following court decisions have been rendered:

1. A mandatory 15 percent rate reduction was enacted when the law went into effect and a rate freeze was instituted for all of 1972.
2. The Florida Supreme Court adopted comparative negligence in 1973.
3. The tort threshold was declared unconstitutional in part in 1974. (The tort threshold relating to a fracture of a weight-bearing bone was eliminated.)
4. In 1976, the tort threshold was changed. The medical threshold segment was totally eliminated so that the state became a verbal threshold state.[5] In 1976, the maximum deductible was raised from $1,000 to $2,000 but the $5,000 maximum benefit was retained. The deductible was raised to $4,000 in 1977.
6. In 1977, medical expense coverage was reduced from 100 percent to 80 percent and the lost wages benefit was reduced from 85 percent to 60 percent.
7. The verbal threshold was tightened in 1978; coverage was increased to $10,000; the deductible was increased to $8,000. The deductible was lowered to $2,000 in 1982. (The impact of the new deductible is not reflected in the data in this article.)

With changes of this magnitude, there is no doubt that the Florida data are not credible at this point. If the law is not modified in the next two years the new data may be useful.

New York has not had the same number of changes in its statutes that Florida has had, but the ones that have occurred are important. New York's law was modified in 1977 when it was changed from a medical to a verbal threshold. The New York law also was amended to make benefits from other sources primary, and limits were placed on fees charged by suppliers of medical care.

Of the three verbal threshold states, Michigan has had the greatest cost increases. Michigan's increase may be the result of its unlimited medical benefits, but it is impossible to factor out this one component.

In terms of loss costs it would appear that savings have not accrued for the citizens of those states that have adopted nofault. The vision of a significant reduction in cost was wrong. Surprisingly, of the nofault systems, the add-on type seems to have resulted in the lowest rate of premium growth. Any analysis, however, which relies only on cost does not present a complete picture. Cost has to be compared with benefits. State nofault laws which provide high benefit levels, e.g., unlimited medical expenses, may cost substantially more, but they offer consumers better protection. Establishment of nofault benefits by a state's legislature and demand for nofault benefits by consumers create a classic supply and demand problem that has to be balanced by what consumers can afford. Pennsylvania and New Jersey are cases where the states provide unlimited medical benefits but the consumers have faced significant increases in premium cost. Pennsylvania had an 875.4 percent increase in its nofault pure premium from 1975 to 1982, and New Jersey had a 263.9 percent increase.

Law Offices

DAVIS & BENNETT

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CLAYTON M. DAVIS
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MARK L. BENNETT, JR.
MICHAEL E. FRANCIS

TELEPHONE 234-0417
AREA CODE 913

April 21, 1983

Mr. Homer Cowan, Jr.
The Western Companies
14 East First
Fort Scott, KS 66701

Re: No Fault Threshold

Dear Homer:

In pursuance of your request I asked Holly to determine from Jim Terrill what arguments they used in Colorado in support of their request for an increase in threshold. She advises that Jim Terrill, who is my counterpart in Denver, advised her that the proposal for an increase in threshold was originally made by a member of the Trial Lawyers Association there who was either a member of the legislature or was a lobbyist in the legislature. It was the thought there that that suggestion was made because of a recognition of the fact that the threshold was too low and could possibly avoid a greater increase by suggesting the $3,500 increase. This appears to be the magic there.

Very truly yours,

Mark L. Bennett

MLB:eg

The Western, in an attempt to develop some idea of the number of PIP claims in various ranges, did obtain a computer run of approximately 1,000 claim files. The breakdown is as follows:

MEDICAL EXPENSES BETWEEN:	NUMBER OF PIP CLAIMS
$1 - $500	705
$501 - $1,000	242
$1,001 - $1,500	103
$1,501 - $2,000	62
$2,000 & Over	261

Oddly enough, you will see the category of medical expenses $2,000 & Over exceeds the combined categories of $1,001 - $2,000.

Miscellaneous Data From

ALL-INDUSTRY RESEARCH ADVISORY COMMITTEE

Study on:

AUTOMOBILE INJURIES
And Their
COMPENSATION
In The
UNITED STATES

NOTE: This data is based upon a 1979 study.

TABLE 4-1

Distribution of Accidents and Claimants By State of Accident and By Coverage

	Accident Distribution				Claimant Distribution			
	BI	UM	MP	PIP	BI	UM	MP	PIP
Alabama	255	38	166	21	316	50	199	30
Alaska	27	4	11	0	33	5	12	0
Arizona	428	68	320	9	579	96	397	10
Arkansas	156	14	92	30	218	21	123	38
California	2,727	572	1,948	29	3,728	752	2,469	36
Colorado	83	22	11	413	103	28	13	493
Connecticut	181	18	8	588	215	19	10	648
Delaware	53	1	3	112	69	2	3	141
D. C.	103	14	36	43	134	17	45	58
Florida	608	147	71	1,778	788	167	77	2,079
Georgia	233	24	21	751	294	35	30	981
Hawaii	6	2	0	178	10	2	0	220
Idaho	74	5	69	10	91	7	81	12
Illinois	1,073	104	433	57	1,352	145	521	77
Indiana	271	33	135	21	341	43	173	30
Iowa	114	9	69	9	149	9	79	11
Kansas	42	5	17	288	49	5	26	360
Kentucky	57	8	14	380	66	10	14	463
Louisiana	473	78	167	19	686	99	197	31
Maine	90	3	43	15	107	3	55	17
Maryland	558	22	25	622	772	32	38	822
Massachusetts	278	7	56	581	341	7	60	714
Michigan	141	40	19	1,044	199	56	21	1,167
Minnesota	45	4	5	561	47	4	6	605
Mississippi	164	21	147	15	217	31	182	17
Missouri	518	54	316	14	687	71	389	16
Montana	47	6	38	4	54	7	53	4
Nebraska	72	8	56	3	87	10	68	5
Nevada	49	8	25	91	61	9	32	101
New Hampshire	57	5	51	9	72	6	62	10
New Jersey	477	28	6	1,918	560	29	7	2,140
New Mexico	73	23	62	10	95	32	74	13
New York	827	41	50	2,573	1,068	47	65	3,211
North Carolina	686	13	479	27	954	17	621	41
North Dakota	10	0	3	67	12	0	4	91
Ohio	985	124	448	15	1,332	182	574	15
Oklahoma	284	27	163	6	382	37	220	6
Oregon	210	12	12	255	271	16	14	329
Pennsylvania	292	33	29	1,874	372	37	33	2,144
Puerto Rico	5	0	0	10	7	0	0	10
Rhode Island	96	8	21	7	125	8	24	9
South Carolina	446	14	19	496	633	16	20	662
South Dakota	23	0	18	2	27	0	23	4
Tennessee	411	62	222	17	531	81	285	29
Texas	1,097	150	109	907	1,474	180	141	1,067
Utah	46	5	6	127	54	7	8	164
Vermont	27	1	21	7	35	1	24	7
Virginia	604	60	503	27	810	68	616	36
Washington	355	43	23	168	463	55	41	212
West Virginia	158	13	115	7	211	18	154	8
Wisconsin	458	32	193	5	596	39	230	6
Wyoming	19	1	35	4	29	1	43	8
Total Valid Responses	16,572	2,034	6,909	16,224	21,906	2,619	8,656	19,398

Economic Loss By Type of Injury

Strains were the m[illegible]mmon type of injury, followed by bruises. Except for cert[illegible] multiple injuries, however, [illegible]acture cases were the most costly.

TABLE 5-7

	Economic Loss By Type of Injury			
	BI-Tort States		PIP-No-Fault States	
Type of Injury	% of Cases	Average Loss	% of Cases	Average Loss
Fracture Only	4.8%	$4,560	7.8%	$3,266
Strain Only	50.5	715	34.6	823
Bruises Only	19.9	211	23.3	229
Cosmetic/Laceration	4.8	559	9.2	493
Multiple Injury	15.9	1,992	20.0	1,932
Other	4.1	1,333	5.1	1,511
Total	100.0%	$1,019	100.0%	$1,102
Total Valid Responses	13,300		15,494	

Economic Loss By Extent of Disability

Ninety percent of the injuries resulted in only temporary or no disability. About 1 percent were fatalities, while permanent total disability cases were even more rare. However, these permanent disability cases were clearly the most costly, and the dimensions of those costs and

Days of Wage Loss Paid

Nearly 70 percent of the claims did not involve reimbursement for days of wage loss. This includes both nonwage earners as well as employed persons with relatively minor injuries who did not sustain any days lost. Fewer than 15 percent involved more than two weeks of wage loss. Some 3.8 percent involved more than six months of wage loss under the BI coverage (Table 5-11) compared with only 0.1 percent of claims involving more than six months of hospitalization (Table 5-10).

Economic losses also correlated well with the duration of wage loss, except of course for the zero category which includes all economic loss for nonwage earners.

TABLE 5-11
Days of Wage Loss Paid

	BI-Tort States		PIP-No-Fault States	
Days of Wage Loss	% of Cases	Average Economic Loss	% of Cases	Average Economic Loss
0*	68.0%	$ 606	72.8%	$ 636
1	2.5	168	2.3	172
2-7	9.3	423	8.2	431
8-15	4.9	1,069	4.9	1,278
16-30	4.1	1,539	4.1	1,744
31-60	3.2	2,139	3.4	2,924
61-180	4.2	3,759	3.4	5,710
Over 180	3.8	4,794	0.9	16,532
Total	100.0%	$ 980	100.0%	$ 1,085
Total Valid Responses	13,108		15,339	

*Includes all nonwage earners as well as wage earners who did not sustain any wage loss.

Of the cases with wage loss, approximately 25 percent involved anticipated future work loss. About 2 percent were not expected to return to work or would probably do so at a reduced wage.

TABLE 7-1
Attorney Representation By Coverage, Countrywide

	BI	UM	PIP
Number of Claimants	21,650	2,588	18,367
Claimants Represented	10,122	1,248	3,171
Percentage Represented	47%	48%	17%

Attorney Involvement By Size of Economic Loss

Attorney involvement correlated strongly with the amount of economic loss sustained by claimants. For bodily injury liability, claimants with economic loss between $1 and $100 were represented by attorneys in only 16 percent of the cases. For those claimants with economic loss in excess of $10,000, some 85 percent were represented by attorneys.

TABLE 7-2
Attorney Representation By Amount of Economic Loss

	Total Number of Claimants and Percentage of Claimants Represented					
	BI		UM		PIP	
Economic Loss	#	% Rep.	#	% Rep.	#	% Rep.
$ 0	1,661	26%	200	27%	49	20%
1-100	5,108	16	442	17	6,005	3
101-200	2,934	29	301	22	3,181	6
201-500	3,807	51	460	49	3,046	16
501-1,000	2,871	68	363	65	1,987	29
1,001-2,000	2,300	76	314	70	1,728	38
2,001-5,000	1,857	79	327	72	1,574	44
5,001-10,000	679	82	116	78	504	48
Over 10,000	433	85	65	65	293	53
Total Valid Responses	21,650	47%	2,588	48%	18,367	17%

TABLE 7-6
Attorney Representation By Coverage and State Groupings

	Total Number of Claimants and Percent of Claimants Represented					
	BI		UM		PIP	
State Grouping	#	%	#	%	#	%
No-Fault	4,070	71%	443	77%	14,582	16%
Add-On	4,214	45	333	48	2,901	25
Tort	13,157	40	1,791	41	645	17
Total U.S.*	21,650	47%	2,588	48%	18,367	17%

*Total U.S. figures include claimants for which state code was not specified.

Reasons For Attorney Involvement in PIP Claims

Insurance company personnel who filled out the PIP survey forms were asked to indicate the reasons why an attorney was retained in PIP claims. Table 7-9 shows that fewer than 2 percent of PIP claimants retained an attorney solely to assist them in collecting PIP benefits. An additional 7.3 percent of PIP claimants retained counsel solely to pursue an associated tort liability claim (BI or UM), and another 7.9 percent hired attorneys to assist them in handling both the PIP claim and an associated tort liability claim.

TABLE 7-9
Reasons For Attorney Involvement In PIP Claims

	Number Represented	% of Total PIP Claims	% of PIP Payments Involved
To Pursue Associated Tort Claim	1,263	7.3%	15.4%
To Assist in Collecting PIP Claim	317	1.8	4.6
To Pursue Both Tort and PIP Claims	1,359	7.9	21.9
Responses For Total PIP Claims Involving Attorneys	2,939	17.0%	41.9%

TABLE 7-15
Reimbursement Per $1 of Economic Loss By Size of Loss

	Gross Before Attorney Fees					
Size of	BI		UM		PIP	
Economic Loss	Rep.	Not Rep.	Rep.	Not Rep.	Rep.	Not Rep.
$ 1-100	$10.48	$ 2.76	$10.24	$ 2.86	$ 1.34	$ 1.09
101-200	7.00	2.42	5.79	2.16	1.12	1.01
201-500	4.86	2.43	4.66	1.92	1.03	.93
501-1,000	3.65	2.39	3.97	1.85	1.00	.96
1,001-2,000	3.32	2.03	2.86	1.68	1.01	.98
2,001-5,000	2.71	1.92	2.55	1.91	.96	.89
5,001-10,000	2.19	1.77	1.65	1.53	.78	.80
Over 10,000	1.35	1.19	.91	.73	.68	.68
Total	$ 2.43	$ 1.99	$ 2.13	$ 1.53	$ .83	$ .86

(Refer to Appendix D for claimant count and dollar amounts)

Table 7-16 shows the same distributions with estimated attorney fees deducted. For BI and UM claims, persons with economic losses of $1 to $500 recovered a larger net amount when they were represented by an attorney, even after paying estimated attorney fees. In economic loss ranges over $2,000, however, claimants without attorneys received a higher amount of net reimbursement per $1 of loss.

How Tort Thresholds W[illegible]vercome in No-Fault States

Further insight int[illegible]e significance of tort thresholds is provided in Table 8-15, whi[illegible] shows the percentages of bodily injury liability claims that overcame the threshold by various ways in each of the no-fault states. All of the states except Michigan required that the claimant have medical expenses exceeding a designated figure, or have various kinds of permanent detriment from the injury. In most states, a fracture or disability exceeding a designated period of time also would suffice to make the claimant eligible to file a liability claim in addition to his or her PIP claim. Michigan does not use a medical dollar threshold and is considered to have the most stringent type of tort threshold. (Florida has since adopted a similar version and New York has adopted a threshold based on days of disability.)

The table shows that "medical expense" was the most frequent way of overcoming tort thresholds, especially in states with relatively low medical dollar thresholds. In New Jersey, where the threshold is only $200, nearly 75 percent of the BI claims qualified on the basis of medical expense, while only 15 percent qualified on the basis of medical expense in Minnesota where the medical dollar threshold is $2,000. The next most frequently used method of overcoming the threshold was "permanent dismemberment or disfigurement."

In filling out this part of the survey form, file reviewers were first asked to determine that the claim was subject to the no-fault law, and then were asked to check the most serious condition that enabled the claim to exceed the tort threshold. If the claim involved some kind of permanent impairment, for example, that was the factor recorded and not the fact that it might also have qualified on the basis of medical expense.

The number of BI liability claims for each state is shown in parentheses immediately following the state name. Some states had very few claims and their results should be regarded as tentative.

TABLE 8-15
HOW THRESHOLD OVERCOME
Two-Week BI

State	Effective Date of Law	Medical Threshold Limitation	Death	Permanent Dismemberment Disfigurement	Permanent Injury	Loss of Bodily Function	Disability Period	Fracture	Medical Expense	Other
			% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total
New Jersey (467)*	1/1/73	$ 200	.6%	6.2%	6.0%	—	.4%	8.8%	74.7%	3.2%
Connecticut (118)	1/1/73	400	6.8	11.9	11.0	—	.8	12.7	53.4	3.4
Colorado (66)	4/1/74	500	7.6	12.1	10.6	3.0%	1.5	—	57.6	7.6
Georgia (179)	10/1/74	500	4.5	10.1	5.0	—	39.7	9.5	19.0	12.3
Kansas (38)	1/1/74	500	5.3	18.4	13.2	—	2.6	10.5	39.5	10.5
Massachusetts (162)	1/1/71	500	6.2	16.7	6.2	.6	1.2	32.7	30.9	5.6
New York (564)	2/1/74**	500	3.0	10.5	7.4	1.1	3.5	11.3	61.0	2.1
Utah (32)	1/1/74	500	6.2	12.5	6.2	3.1	3.1	12.5	40.6	15.6
Nevada (26)	2/1/74	750	7.7	3.8	3.8	3.8	—	7.7	57.7	15.4
Pennsylvania (142)	7/19/75	750	3.5	4.2	7.7	.7	6.3	11.3	64.1	2.1
Florida (552)	1/1/72**	1,000	3.8	12.5	38.6	2.4	8.3	3.3	26.3	4.9
Kentucky (22)	7/1/75	1,000	9.1	4.5	13.6	—	—	27.3	40.9	4.5
North Dakota (3)	1/1/76	1,000	—	—	—	—	66.7	—	33.3	—
Hawaii (6)	9/1/74	1,500	—	16.7	16.7	—	—	—	66.7	—
Minnesota (27)	1/1/75	2,000	3.7	29.6	25.9	—	18.5	—	14.8	7.4
Michigan (57)	10/1/73	—	19.3	24.6	14.0	24.6	1.8	7.0	—	8.8

*Figures in parentheses show the number of BI claimants subject to the no-fault law. The claim count is less than in some other tables, in part because some BI claims in this study were filed prior to the effective dates of the various no-fault laws, and therefore were not subject to the tort thresholds.

**On 7/5/77 Florida changed to a days-of-disability threshold and on 6/20/78 changed to a verbal threshold. New York changed to a days-of-disability threshold on 8/11/78.

AMERICAN INSURANCE ASSOCIATION
85 JOHN STREET, NEW YORK, NY 10038

LEGISLATIVE INFORMATION SERVICE

BILL MEMO # 57

COLORADO REGULAR SESSION 1984

S. B. 58
(HOLME et al)

MOTOR VEHICLES - NO-FAULT INSURANCE -PIP BENEFITS - TORT THRESHOLD

Would increase the maximum of payment for medical benefits under the no-fault law from $25,000 and $50,000 per person for any one accident. Would include benefits for rehabilitation into such medical benefit amount. Provides for a graduated scale for income loss benefits. Increases the threshold amount for tort actions from $500 and $2,000 of medical expenses.

TGK:lh
104-15
104-40 K

AIA FAVORS THIS BILL

KANSAS-PRIVATE PASSENGER AUTO PIP EXPERIENCE
Cal/Acc Basis

Category	BASIC Earned	BASIC Incurred	BASIC Loss Ratio	OPTIONAL Earned	OPTIONAL Incurred	OPTIONAL Loss Ratio	TOTAL Earned	TOTAL Incurred	TOTAL Loss Ratio
1978 Cas.	$277,580	$156,288	56.3	$ 4,436	$ 2,686	60.6			
Fire	191,934	134,408	70.0	7,031	2,307	32.8			
Total	469,514	290,696	61.9	11,467	4,993	43.5	$480,981	$295,689	61.5
1979 Cas.	275,231	148,937	54.1	4,877	10,676	218.9			
Fire	207,477	123,557	59.6	8,840	15,258	172.6			
Total	482,708	272,494	56.5	13,717	25,934	189.1	496,425	298,428	60.1
1980 Cas.	270,450	174,546	64.5	5,258	1,882	35.8			
Fire	228,389	96,509	42.3	11,801	19,409	164.5			
Total	498,839	271,055	54.3	17,059	21,291	124.8	515,898	292,346	56.7
1981 Cas.	258,765	213,325	82.4	6,973	22,620	324.4			
Fire	244,666	156,708	64.0	16,438	46,366	282.1			
Total	503,431	370,033	73.5	23,411	68 986	294.7	526,842	439,019	83.3
1982 Cas.	246,418	196,788	79.9	8,020	22,679	282.8			
Fire	271,298	274,230	101.1	21,930	81,170	370.1			
Total	517,716	471.018	91.0	29,950	103,849	346.7	547,666	574,867	105.0
4 Year Total	$2,002,694	$1,384,600	69.1	$84,137	$220,060	261.5	$2,086,831	$1,604,660	76.9

Attachment II

Atch. II

Attached to and made a part of Policy No. ..... of
of Fort Scott, Kansas 66701.

☐ The Western Casualty and Surety Company,
☐ The Western Fire Insurance Company,
☐ The Western Indemnity Company, Inc.

Issued to .....
Name of Insured City State and Zip Code

Endorsement Effective* .....

H E DuVall
Secretary

.....
Authorized Representative

***If no date shown, this endorsement becomes effective concurrently with the effective date of the policy to which it is attached.**
(The information above is required only when this endorsement is issued after policy preparation.)

ADDITIONAL PERSONAL INJURY PROTECTION ENDORSEMENT OPTION 1 - KANSAS

The Limit of Liability Provision of the Personal Injury Protection Endorsement (Kansas) is replaced by the following but it only applies to you or a **family member.**

SCHEDULE OF BENEFITS

Medical Expenses	A. $10,000 per person
Rehabilitation Expenses	B. $2,000 per person
Work Loss	C. $800 per month maximum 1 year
Essential Services	D. $12 per day 365 days maximum
Funeral Expenses	E. $1,500 per person
Survivors' Loss	F. $800 monthly earnings, per month maximum $12 essential services, per day 1 year

$4.00 per car

per year charge

The Policy Period; Territory provision of the Personal Injury Protection Endorsement (Kansas) is amended as follows:
Policy Term; Territory
This coverage applies only to accidents which occur during the policy period within the United States of America, its territories or possessions, or Canada.

All other terms, limits and provisions of this policy remain unchanged.

Attached to and made a part of Policy No. ..... of
of Fort Scott, Kansas 66701.

☐ The Western Casualty and Surety Company, or
☐ The Western Fire Insurance Company, or
☐ The Western Indemnity Company Inc.

Issued to .....
Name of Insured City State and Zip Code

Endorsement Effective* .....

H E DuVall
Secretary

.....
Authorized Representative

***If no date shown, this endorsement becomes effective concurrently with the effective date of the policy to which it is attached.**
(The information above is required only when this endorsement is issued after policy preparation.)

ADDITIONAL PERSONAL INJURY PROTECTION ENDORSEMENT OPTION 2 - KANSAS

The Limit of Liability Provision of the Personal Injury Protection Endorsement (Kansas) is replaced by the following but it only applies to you or a **family member.**

SCHEDULE OF BENEFITS

Medical Expenses	A. $25,000 per person
Rehabilitation Expenses	B. $2,000 per person
Work Loss	C. $1,000 per month maximum 2 years
Essential Services	D. $12 per day 730 days maximum
Funeral Expenses	E. $2,000 per person
Survivors' Loss	F. $1,000 monthly earnings, per month maximum $12 essential services, per day 2 years

$8.00 per car per year charge

2. The Policy Period; Territory provision of the Personal Injury Protection Endorsement (Kansas) is amended as follows:
Policy Period; Territory
This coverage applies only to accidents which occur during the policy period within the United States of America, its territories or possessions, or Canada.

All other terms, limits and provisions of this policy remain unchanged.

1/30/84

KANSAS AND THE NATION'S MEDICAL CARE COST FACTS

FROM 1973 THROUGH 1983 THE CONSUMER PRICE INDEX FOR ALL ITEMS ROSE + 219 PERCENT.

THE CONSUMER PRICE INDEX

FOR MEDICAL CARE COSTS:	1967	1973	%	1983	%(from 1973-83)
	$100.	$137.	+37%	$358.	+261%

KANSAS SEMI-PRIVATE HOSPITAL ROOM COSTS:	1973	1983	%
	$44.per day	$144.per day	+327%

AVERAGE STAY COST,KANSAS HOSPITAL:	1973	1983	%
	$568.50	$2,188.07	+385%

DAILY PATIENT CHARGE,KANSAS HOSPITAL:	1973	1983	%
	$95.per day	$370.per day	+389%

MEDICAL COSTS AS % OF KANSAS GROSS STATE PRODUCT:	1974	1981(latest yr.)	%
	7.5%	8.9%	+19%

AVG. DOCTORS SALARY INCREASE:	1972	1982	%
SALARY YEAR AVERAGE:	$51,321.50	$112,400.	+219%

Sources: American Medical Association; Bureau of Labor Statistics; Private Surveys; Social Security Administration; Health Care Financing Administration; and Kansas Department of Health and Environment.

Attachment III

FARMERS ALLIANCE MUTUAL INSURANCE COMPANY - KANSAS AUTO

Litigation expense (Attorney Fees) 1981 & 1982 Closed Kansas Auto *Bodily Injury Files.

*Criteria: Files that came outside current $500.00 no fault threshold but fell within proposed $5,000 no fault threshold (including the removal of "fracture language").

Year	No. of files within proposed threshold that involved attorney	Plaintiff Attorney revenue based on 40% of BI settlement or award	Defense Attorney Fees	Total
1981	24	$144,637.40	$23,319.40	$167,956.80
1982	23	$108,394.38	$15,413.47	$123,807.85
TOTALS	47	$253,031.78	$38,732.87	$291,764.65

The total amount paid on all 1981 Kansas auto bodily injury claims was $921,674.51.

The total amount paid on all 1982 Kansas auto bodily injury claims was $864,294.17.

The total amount paid on all 1981 and 1982 Kansas auto bodily injury claims was $1,785,968.

The total litigation expense amounted to approximately 16% of the total 1981 and 1982 paid Kansas auto bodily injury claims.

There are still five 1981 open Kansas auto bodily injury cases with total reserves of $38,000.

There are still nineteen 1982 open Kansas auto bodily injury cases with total reserves of $393,500.

Based on the 16% paid claims ratio, it can be anticipated that there will be an additional $69,000 of attorney fees paid on the 24 open files.

The $291,764.65 plus the $69,000 would thus give a total of $360,764.65 of attorney fees paid on 1981 and 1982 Kansas auto bodily injury claims on those files that would fall within the threshold of the proposed no fault bill.

PRIVATE PASSENGER AUTO - FAMI 1975 - 1983

	1975		1983		% Increase	
	B.I.	P.I.P.	B.I.	P.I.P.	B.I.	P.I.P.
Wichita	$ 24	$ 12	$ 48	$ 18	100%	50%
Topeka	23	12	41	17	78%	42%
Western Ks.	13	7	30	16	130%	128%
Eastern Ks.	21	9	35	15	67%	67%
K.C. Suburban	38	15	60	16	58%	7%
Statewide Avg.	19.704	8.899	35.103	15.473	78%	74%

PROFESSIONAL INSURANCE AGENTS OF KANSAS, INC.

PIA

James R. Oliver, Executive Director ■ 627 Topeka Ave., Topeka, Kansas 66603-3296 ■ Phone (913) 233-4286

March 19, 1984

Mr. Chairman, Members of the Commercial & Financial Institutions Committee:

My name is Jim Oliver. I am Executive Director of the Professional Insurance Agents of Kansas an association of some 700 independent insurance agents across Kansas.

As insurance agents, our members are vitally interested in No-fault insurance working to the benefit of the insuring public. We are disappointed that the threshold of $5,000.00 in the original bill was amended to be $1,500.00, but support the bill in its present form even though the lower threshold may result in an increase in auto insurance costs.

The benefits of the present No-fault law which was enacted in 1974 are out of date and grossly inadequate in today's economy. These benefits in this new bill have been updated to reflect today's costs.

The threshold has been updated also, since the basic concept of No-fault is for the injured person to give up his right to sue in exchange for the liberal benefits provided in the Personal Injury Protection coverage. However, this bill does not restrict the injured person from sueing even though his pecuniary losses (medical expenses, loss of wages, etc.) don't exceed the threshold---- so he really has a choice. If the injured person's medical expenses exceed

Attachment IV

$1,500.00 or if the injury consists of permanent disfigurement, loss of body member, permanent injury, permanent loss of bodily function or death, that person can sue for all of his pecuniary loss (medical expense, loss of wages, etc.), as well as non-pecuniary loss (pain and suffering, mental anguish, etc.). As independent agents, we don't feel that is too much to give up for the liberal benefits of the Personal Injury Protection package.

This legislation would further cut down on litigation in the courts and permit injured persons to recover for their less serious injuries promptly.

Thank you for permitting me to state our position to you.

KANSAS CITY STAR
March 8, 1984

Not really no-fault

The concept of no-fault motor vehicle insurance tried out during the past dozen years in 26 states and the District of Columbia has failed to achieve its goal of lowering insurance premiums. But that is principally because true no-fault has never been tried. The idea was that an accident victim would be reimbursed by his own insurance company for medical costs, regardless of which party was to blame for the crash, but in turn give up the right to sue for damages for pain and suffering.

No-fault was a response to growing costs of accident litigation in which juries, obviously reasoning that an award would be paid by a wealthy insurance company rather than the guilty individual, began to return increasingly generous verdicts, which in turn raised insurance premiums.

But no state legislature could bring itself to implement a pure no-fault law. They were susceptible, for one thing, to the trial lawyers' argument in opposition that denial of the right to sue was unjust to a victim who, even with his medical costs covered, suffered a blighted career, say as a surgeon or musician, because of injuries. So the lawmakers devised no-fault laws limiting medical coverage but permitting damage suits beyond a "threshold" of medical costs.

Some of these thresholds were ridiculously low, especially with subsequent inflation in medical care costs, $500 in Kansas and four other states, $400 in Connecticut. So damage suits continued to bloom from vehicle accidents. Now several states are seeking to overhaul their laws nearer to the no-fault ideal or give up on the whole thing.

The Kansas House has approved a bill to boost the threshold from $500 to $1,500 and to raise medical coverage limits from $2,000 to $5,000. The Missouri General Assembly is being urged to enact a true no-fault bill for the first time, capitalizing on the experience of sister states with the problem.

Even a less-than-pure no-fault law can restrain insurance costs for motorists if its financial limits are more in touch with reality and bar damage suits in trivial mishaps. The Kansas Legislature now has a chance to make that state's 1973 law much more workable.

Attachment V

WALL ST. J JOURNAL
Nov. 16, 1983

Insurance Hassle

No-Fault Auto Policies Are Widely Attacked As Costly, Ineffective

Suits, High Premiums Cited; Defenders Say No-Fault Hasn't Really Been Tried

Crash Victim Likes Coverage

By Mary Williams
Staff Reporter of The Wall Street Journal

A decade ago, no-fault auto insurance was a celebrated consumer cause. Twenty-six states, and later the District of Columbia, passed so-called no-fault laws with the intent of lowering insurance premiums, speeding up claims and unclogging the courts.

Today, disenchantment with the laws is spreading. A drive to scrap no-fault is afoot in Pennsylvania; another was recently fought back in the District of Columbia. Bills to change the law have become almost an annual rite in Massachusetts, Kansas and Colorado. New Jersey did amend its law this year. Nevada tried to in 1979—and wound up throwing out the whole system.

Some Gripes

Consider these complaints:

—Of the 10 states with the most expensive average auto premiums, six have no-fault laws on the books. (No-fault can't bear unequivocal blame, though, since factors like population density and the generosity of coverage in each state affect cost.)

—Claude C. Lilly III, the director of Florida State University's Center for Insurance Research, says that no-fault coverage costs more, and its cost rises faster, than ordinary auto-insurance premiums do—faster, too, than the consumer price index. (Mr. Lilly gets $150 an hour from the Pennsylvania Trial Lawyers Association, a strong opponent of no-fault, to do his research.)

—Most state no-fault laws are set up in a way that encourages lavish medical treatments for minor injuries. That adds to the cost of premiums.

—No-fault laws haven't weeded out lawsuits as they were supposed to. According to the Association of American Trial Lawyers, more litigation goes on today in many of the states with no-fault laws than went on before the laws were passed. (In several states, however, it was the trial lawyers themselves who blocked passage of stronger no-fault laws that undoubtedly would have weeded out many suits.)

—Eighteen states make people buy no-fault medical coverage even though they already have extensive health insurance. Others encourage the purchase. At best, that means people are buying something they may not need. At worst, it means people in crashes can sometimes get reimbursed twice. Then everybody's premiums go up.

'Unsuspecting Public'

"No-fault was foisted upon an unsuspecting public primarily as a means of reducing the cost of insurance," concludes a report by the Pennsylvania Trial Lawyers Association, the group that leads the repeal parade in that state. "The claimed advantages of no-fault have simply not materialized."

As a matter of fact, no-fault auto insurance hasn't materialized, either. True no-fault insurance has never been adopted anywhere, so no one can say whether it would work. But many measures have been put on the books under the name of "no-fault," and it is their spotty performance that has been giving no-fault insurance its shaky reputation.

"No-fault was probably a very reasonable idea in principle, but what we have isn't no-fault at all," says Scott Harrington, an assistant professor of insurance at the University of Pennsylvania's Wharton School.

Says J. Robert Hunter, the president of the National Insurance Consumers Organization: "The fault with no-fault isn't no-fault. The fault with no-fault is faulty no-fault."

Pure no-fault was devised in 1919 and promoted heavily in the 1960s. It was supposed to replace the old way of doing things, called the "tort liability system." In tort liability, a driver who got hit would sue the person who ran into him and try to collect from the other's insurance company. The suing driver could try to recover his doctor bills; if he wanted, he could also decide what his "pain and suffering" had cost him and sue for that, too.

System Had Flaws

Tort liability wasn't an evenhanded system. The Federal Department of Transportation found in 1970 that, on the average, insurance companies were paying small claimants more than four times their medical bills but were paying the victims of catastrophic crashes only 30% of the amount of their bills.

No-fault proposed something new, called "first-party coverage." A crash victim would go straight to his own insurance company, instead of the "third party" company that insured the other driver. His own company would reimburse him for his medical bills. The law would set limits on how much he could get, though. And he couldn't claim a cent for pain and suffering.

The idea was to promise first-party coverage to everybody, from the innocent Sunday-school teacher run down in a crosswalk to the wild-eyed teen-ager joyriding in his father's car. Such a broad system would cost insurance companies more than tort liability, and no-fault adherents proposed to make up for this by taking away a driver's right to sue. That would save the insurers money, the reasoning went, because they wouldn't need so many lawyers or have to shell out for enormous "pain and suffering" claims.

Pure no-fault, then, was a two-sided bargain: first-party coverage on one side, the denial of the right to sue on the other. The

Please Turn to Page 22, Column 2

Insurance Hassle: No-Fault Auto Policies Attacked As Costly, Ineffective; Is the Fault Faulty No-Fault?

Continued From First Page

concept drew widespread support, but state legislators found the first side much easier to enact than the second.

There were simply too many problems with taking away a person's right to sue. Opponents argued that the hypothetical Sunday-school teacher shouldn't be denied the chance to clobber the hooligan who knocked her down. They said the fear of lawsuits made the hooligans—and everybody else—drive more safely. Besides, they said, if crash victims weren't allowed to recover the cost of their pain and suffering along with their medical bills, they would be getting cheated.

"Medical benefits are only a small fraction of the need," says William A.K. Titelman, a lobbyist for the Pennsylvania Trial Lawyers Association. "What about the young pianist who has a promising future on the stage whose hands are injured? You'd look up the medical benefits for her: Hand—$500. This is fundamentally offensive to the Western concept of justice."

No-fault proponents argued back that lawyers like Mr. Titelman opposed no-fault insurance only because it would take away their right to make money on lawsuits.

It was left up to the states to resolve the conflict. Nine of them responded by setting up "no-fault" systems that provide first-party coverage but don't take away the driver's right to sue for whatever amount of pain and suffering he feels he sustained. These systems really aren't no-fault.

The other states also permit pain-and-suffering suits but restrict them. They, too, don't limit the amount that crash victims can sue for, but they do impose a system of thresholds—criteria that victims have to meet before they can file their suits. Some states make the thresholds tough, others easy. The easier thresholds are behind most of the no-fault debates these days.

Suits Are Common

The reason: They don't prevent enough lawsuits. In Colorado, Kansas, Massachusetts, Utah and Georgia, for instance, people can file pain-and-suffering suits as soon as they spend more than $500 at the doctor's. In Connecticut, they can sue after spending $400. Rising health-care costs make it easy to spend the requisite sum and go scooting off to court. Insurance companies claim that people get unnecessary treatments just so they can sue.

"You don't have to stretch your morals very far to get past the thresholds, if you know what I mean," says James A. Stahly, a spokesman for State Farm Mutual Automobile Insurance Co.

And with many people padding their doctor bills, then suing for pain and suffering, insurance companies don't save enough money to pay for first-party benefits. When the system can't finance itself, consumers have to, through higher premiums.

Pennsylvania is a good example. It has one of the most generous no-fault laws in the country. A crash victim there has guaranteed, unlimited medical coverage. Pennsylvania also has a $750 threshold. The state has the eighth-highest average auto-insurance premiums in the country, because the system doesn't pay for itself.

It wasn't supposed to be that way. From 1970 to 1973, Pennsylvania tried to put pure no-fault on the books. It got nowhere. "The trial bar was so adamantly opposed that it was impossible," says Otis W. Littleton, the legislature's director of Republican research and the chief drafter of the bills.

Actuaries Consulted

So the lawmakers gave up their pure no-fault ideas and started thinking about thresholds. They had to figure out which threshold would limit lawsuits just enough to pay for first-party coverage. They brought in an actuarial firm to help decide.

The firm came up with a number of plans, each offering a level of coverage paired with a threshold. The legislature picked a plan, Mr. Littleton says: a $750 threshold and $25,000 of coverage for every driver. Then the lawmakers decided that $25,000 sounded chintzy and raised the coverage to infinity—but didn't make the corresponding restriction on lawsuits to pay for it. Mr. Littleton says that everyone knew the system was out of whack but figured it could be changed later. It never was.

Colorado has had similar problems with its system of a $500 threshold and $25,000 of compulsory medical coverage. Colorado's insurance commissioner, J. Richard Barnes, says that because of inflation in health-costs, the threshold should be seven times as high.

New Jersey was in even worse straits until it changed its law in October. It limped along, trying to pay unlimited medical benefits and letting anyone sue who rang up more than $200 of medical bills. Its premiums have been the highest in the country, and some companies have refused to write auto insurance in the state. Under the October change, New Jersey drivers can choose less-expensive insurance with a $1,500 threshold, but the $200 threshold is still available.

Not every no-fault state is so imbalanced. Michigan, for instance, has a system that is as generous as Pennsylvania's, paying unlimited first-party benefits. But to reduce lawsuits, it uses a "verbal threshold"—a description of the injuries a driver must suffer before he can set foot in court. It's a tough measure. "You darn near have to have an amputation" to get into court, says Thomas H. Hay, the chairman of the Michigan Trial Lawyers Association's task force on no-fault. "A broken bone, no matter how bad the fracture, isn't going to make it."

Michigan's lawyers don't like the no-fault law, Mr. Hay says, but they concede that it seems to work. When it was adopted in 1973, 9.9% of Michigan lawsuits involved auto negligence, they say. By the 1980-81 court year, the figure had fallen to 5.4%.

"We recognize that some citizens are better off," says Mr. Hay. "They get prompt payment. And they have the right, in the serious cases, to continue with a lawsuit."

Others are more enthusiastic. Boasts Michigan's deputy insurance commissioner, Jean Carlson, "We have a real no-fault law, and it works great."

But Michigan's program doesn't satisfy the insurance industry, which is trying to make the threshold even more severe. The effort could make the trial lawyers turn around and lobby for total repeal, Mr. Hay says.

One Man's Experience

One person who thinks that no-fault has worked well is James R. Guernsey, a 33-year-old Pennsylvanian who was riding in a van that hit a hole in the road and crashed in 1971. Mr. Guernsey was paralyzed; he has lost the use of his legs, arms and hands. But today he is still working, running two delicatessens in the Philadelphia suburbs. He attributes his comeback to Pennsylvania's unlimited medical coverage. For him, even costly, trouble-ridden, watered-down no-fault insurance has proved a boon.

Mr. Guernsey can recite his medical bills from memory: hospital, $100,000; rehabilitation center, $65,000; remodeling of his home, $50,000; two wheelchairs, $11,500; a special van, $15,000; a 24-hour attendant, $50,000 a year for the rest of his life; medication $4,000 a year. Prudential Insurance Co. of America paid the whole thing—"no qualms, no nothing," says Mr. Guernsey.

"Anything that happens to me because of my accident that wouldn't have happened to me before is covered under the no-fault;" he says. "There's no way I would have been able to afford it myself."

Yet Mr. Guernsey is doing what any other accident victim might be tempted to do in a pseudo-no-fault state. He has filed three lawsuits.

KANSAS CITY STAR
March 2, 1983

Time for Missouri no-fault insurance

A concept of automobile insurance coverage which deserves serious attention in Missouri is no-fault. Proposals to enact a law never have gotten very far, despite adoption of no-fault in some form by 25 other states, including Kansas, and the District of Columbia. Trial lawyers particularly have opposed no-fault because it limits the right to sue, and that cuts into a profitable source of some lawyers' income.

No-fault laws do away with the costly expense of determining in court who is responsible in an automobile accident. Insurance monies which now go to pay lawyers' fees are used instead to compensate victims for their medical expenses and loss of wages. A motorist's own insurance company pays his expenses.

Missouri Insurance Director Donald Ainsworth has introduced legislation this session which ought to get proper consideration. Under his plan, a motorist would be covered with a maximum of $25,000 in medical expenses for a two-year period; work losses amounting to $13,000 for one year, and death benefits of $2,000. The injured person could not sue until he surpassed the threshold of payment. However, a motorist could sue for non-economic losses in cases of death, or serious and permanent disfigurement or injury.

This law would cut down on the amount of litigation, and thus free up backlogged courts to handle other types of cases. For the injured motorist, the benefits are in the faster recovery of his expenses and less hassle. The expensive, time-consuming investigation to determine who is at fault and who will pay is eliminated in most cases. Motorists who deserve compensation but do not get it through the current, often lopsided legal representation process are able to recover under no-fault.

In Kansas, changes have been proposed to increase both the amount of medical coverage and the threshold limit required before someone can sue. These proposals make sense in light of the fact that inflation and higher medical costs have put these aspects of the 1974 law out of date.

The proposed Missouri law, like that in effect in Kansas, does not cover property damage, which probably makes it more palatable to some legislators. It is possible the specific medical benefits delineated in the law should be increased, although motorists would be free to purchase additional coverage if they thought the amounts were too low. Whatever changes might be made in this legislation, the General Assembly should give no-fault its thorough consideration. The idea is not exactly revolutionary—it is working elsewhere. Its adoption is overdue in Missouri.

NO-FAULT AUTO INSURANCE

In the late 1960s there was a growing public discontent, shared by many auto insurance companies, with the traditional legal methods of compensating injured victims of auto accidents. Although most auto insurance policies did make available coverages to protect policyholders for medical expenses and other out-of-pocket losses, recovery of other major damages through liability coverages was generally dependent on the injured or deceased person not having caused or contributed to the accident.

Determining who was legally at fault for an accident sometimes involved an expensive and time-consuming investigation on the part of insurers and the parties involved. In disputed cases where legal counsel represented the claimant and the insurance company, attorney fees and congested court dockets further increased expenses and delays. Inadequate liability coverage limits in some instances (and an increasing number of negligent drivers who had no liability insurance at all) worked additional hardships on seriously injured accident victims.

No-Fault Insurance—The Concept

Reacting to the increasing problems in the existing legal system, legislatures in a number of states debated whether the no-fault concept (which in a somewhat different form had been operative for workers' compensation insurance for many years) could be successfully applied to automobile insurance. The writings of researchers were widely read by lawmakers, insurance industry leaders, the legal profession, and others.

The theory of no-fault is quite simple. Basically, the aim was to reduce the number of automobile accident cases in the tort-liability system. The dollar savings resulting from this reduction in tort litigation (and the costs associated with it—including attorney's fees), would be accumulated and used to pay the new and generous first party no-fault benefits designed to compensate victims for essentially all of their actual economic loss. It was believed that if the non-serious cases could be removed from the tort system, through the use of what has come to be known as a "threshold," the substantial overpayment of such claims settled pursuant to the nuisance theory (settlement was less expensive than defense in court) would be eliminated. This dollar savings would more than make up for the new costs of the required no-fault payments. Simply stated, the intended result of no-fault was to compensate most, if not all, accident victims for their economic loss, while allowing those who were seriously injured to pursue a cause of action in tort to receive compensation for pain and suffering—all this without having to raise rates.

No-Fault Auto Insurance—Its Many Varieties

On January 1, 1971, Massachusetts became the first U.S. state to enact an auto no-fault law. In the next five years 24 other states enacted some form of auto no-fault insurance legislation. However, of the total of 25 states, the laws of only 17 states included "threshold" limitations on the right to recover "general damages." The other eight states legislated only that Personal Injury Protection coverage (commonly called PIP) be required or at least be made available to protect a policyholder for actually incurred expenses up to specific per-person dollar limits. Three states included provisions in their laws for auto property damage no-fault. Later Florida and Massachusetts rescinded those provisions, with only Michigan retaining this feature as of the time of this writing.

The laws of many of the no-fault states were soon challenged in the courts, with various interest groups contending that the limitations on the right to claim and sue if necessary for "general damages" was a deprivation of a constitutional right. In general, the state supreme courts upheld the constitutionality of the no-fault laws. The exception was Illinois, where the law was struck down in 1972, largely on technical grounds.

In spite of the fact that about half of the states in the U.S. passed auto no-fault legislation in the relatively short span of a half-decade, many differences exist between the various state laws. Often the differences are the result of what individual legislatures regarded to be the local needs of their own states.

For example, the scope of the Personal Injury Protection coverage varies widely with some states requiring only a few thousand dollars of first party no-fault coverage, while other states such as Michigan, New Jersey and Pennsylvania require unlimited medical expense coverage and several thousands of dollars of coverage for wage losses and other expenses. The tort thresholds (used to remove cases from the tort system) also differ greatly between states.

No-Fault Insurance—The Dollar Threshold

The majority of states employ a dollar threshold—that is, individuals are prevented from suing in tort to recover for pain and suffering, unless their medical expenses exceeded a certain dollar amount. The dollar threshold has failed in most states because it offers an inviting "target" at which the victim, his doctor, and his lawyer can take careful aim. All three have a substantial economic interest in witnessing the utilization of no-fault medical benefits to the extent necessary to cross the threshold: the victim because such gives him a chance at the "pot of gold" at the end of the tort liability rainbow, his lawyer because he takes 30% to 50% of the "pot of gold" from the victim in the form of contingent fees, and the doctor because auto insurers pay the costs of medical services rendered to an auto accident victim.

Thus, dollar thresholds encourage over-utilization of first party benefits, and such over-utilization, in turn, produces larger third party or tort liability judgments for pain and suffering, since pain and suffering awards are generally tied by way of a multiplier to the level of actual economic loss.

Ultimately, both first and third party costs increase beyond all expectation, and the people must simply be asked to pay more in the form of increased auto insurance rates.

(continued)

SOURCE:

Allstate Insurance Co.
"Insurance Handbook
for Reporters"
1979, pp. 22-27.

No-Fault Insurance—The Disability Threshold

While the dollar threshold represents the predominant tort restriction mechanism in effect in most no-fault states today, other approaches have been tried, including what is known as the disability threshold. A disability threshold provides that a victim may not sue in tort unless he has been disabled (defined differently in various state plans) from the accident for a specific period of time. While perhaps a disability threshold is more difficult to abuse than a dollar threshold, it suffers from the same infirmities because, again, it offers a target (a specific time period) to the victim, his doctor, and his lawyer. Moreover, it must be remembered that it is not economically painful for the victim, under a no-fault scheme, to remain disabled for a considerable period of time because he is, at the same time, being compensated for all his medical expense as well as most, if not all, of his lost wages. Thus, he experiences little or no out-of-pocket loss while he waits long enough to qualify to pursue a cause of action in tort. Thus, the disability threshold approach, while perhaps superior to the dollar threshold, still suffers from fundamental and fatal flaws.

No-Fault Insurance—The Verbal Threshold

The other major type of tort threshold is what has come to be known as the "verbal threshold." Here victims are allowed to sue in tort only if their injuries meet certain verbal descriptions of the types of injuries which should, as a matter of policy, render one eligible to seek to recover for pain and suffering in a cause of action in tort.

The verbal threshold was invented to cure the "target" problems inherent in a dollar threshold, and it appears today that a verbal threshold holds out the best chance of meeting the original intent of no-fault which is to compensate most victims for all of their economic loss without having to increase insurance rates substantially.

No-Fault Insurance—Multiple Recoveries

One other problem that has not been addressed by many legislatures is the opportunity for injured persons to realize multiple recoveries for the same expenses. This creates the invitation to profit from unnecessary medical treatment and over-extended absence from work. When opportunities exist to duplicate an insurance recovery for the same expenses, the ultimate result is that higher premiums must be charged to cover such duplicate benefits.

No-Fault Insurance—Basic Idea Is Good

Legislatures in several major states have not enacted auto no-fault legislation partly as a result of the lack of success of such laws in other states. The basic idea of auto no-fault insurance is good. The motoring public needs financial protection to cover the large expenses that can result from an auto accident, and it needs the protection as promptly as possible when expenses are incurred. Premium dollars should be returned as much as possible in the form of benefits to meet a victim's needs, and not be mitigated by costly investigations and attorney fees.

Improvement of existing state no-fault laws are entirely possible when legislators, insurers, the medical and legal questions are found. Allstate has pledged to work to help find those answers, to improve no-fault laws now on the books, and to help enact new state laws, so that the vast majority of the population soon will benefit from modern no-fault state automobile insurance laws designed on the basis of the most contemporary knowledge available.

Editorials

In God We Trust

Disorder in the court . . .

Warren Burger has thrown down the gauntlet. In effect, the chief justice of the United States Supreme Court has told the nation's lawyers to clean up a growing mess themselves before it reaches the point where someone else feels compelled to step in.

Burger pulled no punches in his annual address to the American Bar Association in Las Vegas. He described the American legal system as "too costly, too painful, too destructive, too inefficient for a truly civilized people."

Virtually no one associated with the courts escaped a dressing-down from the chief justice. "The entire legal profession — lawyers, judges, law teachers — have become so mesmerized with the stimulation of the courtroom contest that we tend to forget that we ought to be healers of conflict."

He asked the ABA to take the lead in finding ways to reduce the tremendous overcrowding of court dockets and to rebuild lost public esteem. In focusing on the image problem, Burger touched what may be a sore point with the lawyers. However, he's absolutely correct. The people's image of attorneys has been tarnished by a variety of reasons: memories of Watergate, in which so many of the central figures were lawyers; personal experiences with courtroom delays; a legal system so complicated laymen often feel threatened, rather than protected, by it, and the public's perception of lawyers as "hired guns" (Burger's phrase).

Perhaps among the most important themes Burger addressed is that "going to court" has become one of the country's favorite pastimes; too many frivolous lawsuits are filed, sometimes more at the urging of lawyers hoping for a jackpot jury award than at their clients' sense of having been wronged.

Or, to put it another way, as Burger did in a speech last summer in London, the United States needs more lawyers "who understand that access to justice does not invariably mean access to courtrooms."

In a country of laws, it is most critical that the legal system put its house in order. Every year for the last several, Burger has spoken forcefully for court reforms. Some progress has been made, but there is still far to go.

. . . and part of the answer

While the Chief Justice of the U.S. Supreme Court has called for a virtual overhaul of the nation's legal system, the Chief Justice of the Kansas Supreme Court would settle for three additional appeals court judges, at least for now.

Alfred Schroeder told a joint legislative committee that the backlog in the Kansas Court of Appeals is creating a morale problem among judges on the state's newest court, which was created in 1977. It takes almost a year for a case to be heard and ruled on by the appeals court, he said.

Supreme Court Justice David Prager emphasized to the committee that delay is the No. 1 problem. More than 1,000 cases were filed last year with the appeals court. If the judges worked every day of the year, they would have to hear and rule on three cases a day just to stay even, let alone reduce the rest of the backlog, another 750 cases.

It's clear that if the present rate continues, the appeals court will be hopelessly buried in cases before this year is out.

Adding three more judges to the appeals court, as Schroeder and his colleagues on the high court unanimously urged, would add more than $320,000 to the state budget. That's a lot of money, but the question really is, can we afford not to have these judges?

Under the present overburdened system, cases are delayed more than a year. Surely that is not what the Constitution means in its mandate for swift and sure justice.

Three more appeals court judges will not solve the problem entirely, but it will go further toward that goal than maintenance of the status quo.

2833 civil dispositions by Ct. of Appeals

Attachment VII

NO FAULT INSURANCE
January, 1984

STATE	OPTIONAL	$$THRESHOLD	VERBAL	ADD-ON
Arkansas	*			yes
Colorado		$500	yes	
Connecticut		$400	yes	
Deleware				yes
Florida			yes	
Georgia		$500	yes	
Hawaii		$4500		
Kansas		$500	yes	
Kentucky	*	$1000	yes	
Maryland				yes
Massachusetts		$500	yes	
Michigan			yes	
Minnesota		$4000	yes	
Nevada	REPEALED			
New Jersey		$200-1500 depending on premium		
New York			yes	
North Dakota		$1000	yes	
Oregon				yes
Pennsylvania	REPEALED mandatory			yes
South Carolina	*			yes
South Dakota	*			yes
Texas	*			yes
Utah		$500	yes	
Virginia	*			yes

Attachment VIII

definitions:

optional: This term indicates that drivers do not have to purchase insurance, but may opt to do so.

$$ Threshold: This is the dollar level of medical bills and expenses which must be reached by an injured person in order to pursue an action in court.

Verbal Threshold: This term defines the definitions of various injuries which are in the statute, which allow an injured person to pursue an action in court, regardless of the amount of medical bills. Kansas language includes "fracture of a weight-bearing bone"...

Add-On: This term defines the laws which allow drivers to carry the Personal Injury Protestion(PIP) benefits, without any bar to access to the courts.

Topeka Capital-Journal, Thursday, March 1, 1984

State Farm to distribute $8.2 million

State Farm Mutual announced Wednesday it will distribute $8.2 million to its Kansas automobile insurance policy holders, either as a reduction on their next six-month premium renewal or as a refund if they do not renew their policies this year.

The dividend distribution, which results from State Farm's improved loss experience in this state during 1983, will result in an average premium reduction statewide of 18.3 percent in policy holders' next six-month premium, the Bloomington, Ind., company said.

In addition, State Farm Mutual announced it is initiating a rate reduction program in Kansas for accident-free drivers, which can gain them up to a 10 percent cut in their auto premiums.

State Insurance Commissioner Fletcher Bell hailed the State Farm Mutual announcement, saying it will improve insurance competition in Kansas.

Attachment IX

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March 19, 1984

Statement of The Kansas Bar Association

Re: HB 2833) Amending No-Fault (KSA 40-3103, etc.)

Mr. Chairman and Members of the Senate Committee on Commercial and Financial Institutions.

The Kansas Bar Association opposes HB 2833. We believe it is not in the public interest.

Massachusetts in 1971 became the first State to adopt a form of no-fault insurance. In 1972, 10 States enacted various forms of no-fault. Illinois adopted no-fault, but there was a legislative defect in the bill and it was declared unconstitutional. After reflection, the Illinois Legislature declined to re-enact no-fault.

In 1973, 1974, and 1975, 15 States passed various forms of no-fault insurance laws. A New Mexico no-fault law was vetoed by the Governor. The Nevada no-fault law was repealed January 1, 1980 after 6 years of unsatisfactory experience.

27 States do not have any form of no-fault. 23 States do have some form of no-fault insurance law.

No State has enacted a no-fault insurance law since 1975, although it has been proposed in most of those States.

States now having some form of no-fault insurance law are:

Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Dakota, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, Utah, and Virginia.

California (noted for its social legislation) does not have no-fault, and Colorado is the only State bordering Kansas that does have no-fault.

A no-fault insurance law was proposed in Missouri in 1983, but was not enacted.

Attachment X

18 of the no-fault States require PIP and liability coverage. Four no-fault States do not require compulsory insurance. One no-fault State requires PIP coverage, but not liability insurance.

Eight of the no-fault States do not place any restriction on a person's right to assert a claim for non-pecuniary damage.

Only 15 States place a restriction on a person's right to assert a claim for non-pecuniary damage, such as pain and suffering. This is done either by what is called a "verbal" threshold or by a monetary threshold. A "verbal" threshold relates to wording in the statute such as fracture of a weight bearing bone, permanent disfigurement, permanent loss of a bodily function, and the like. A monetary threshold relates to the amount of medical expense incurred.

As of this writing, breakdown of the tort exemptions (thresholds) of the 23 no-fault States is:

8 States	No threshold, no restrictions on the right of a person to assert a claim.
3 States	Verbal only
1 State	Verbal/$200
1 State	Verbal/$400
5 States	Verbal/$500 (includes Kansas)
1 State	Verbal/$750
2 States	Verbal/$1,000
1 State	Verbal/$3,600
1 State	Verbal/$4,000

In 1983, the Insurance Industry supported HB 2248, which would have given substantially the same benefits as HB 2833, but would have placed the monetary threshold at $2,500.00.

In 1984, the Insurance Industry supported HB 2833, which was even more restrictive of the rights of injured persons. As you know, HB 2833 originally had a monetary threshold of $5,000.00 and struck the words "fracture of a weight bearing bone; compound, comminuted, displaced or compressed fracture".

The Insurance Industry suggests the present threshold of $500.00 does not "weed out" the smaller cases, the so-called "nuisance" cases. Statistics from the Judicial Administrator's office reflect a steady decline in case filings in auto cases; they stopped keeping statistics separately on auto cases, and lump them in now with other tort cases. Tort case filings show significant decline. Here follows tort case filings for 1980 to 1982.

TORT FILINGS

	FY 1980	FY 1981	FY 1982	'83
Chapter 60	3,402	3,055	2,810	2601
Chapter 61	2,078	1,469	1,237	1160
TOTAL	5,480	4,524	4,047	3761

% of Change	FY 80-81	FY 81-82	FY 80-82	'83
Chapter 60	- 11%	- 9%	- 18%	24%
Chapter 61	- 30%	- 16%	- 41%	31%
TOTAL	- 18%	- 11%	- 27%	

1-31

Judge:

1. Per your request

2. From 1980 to 1982, on a fiscal year basis, tort filings are down 27%.

3. Hope this is what you needed.

Lowell

The Insurance Commissioner on January 21, 1981, in his report to the Legislature states: (on page 22)

> "It would appear the premium rate for No-Fault has remained at the same level it would have been at if Kansas had retained the tort system. As such, the premium rate has remained constant while providing more benefits to more injured traffic victims. Therefore, the K.A.I.R.A. (no-fault) appears to be successfully meeting the goal of providing more benefits at no greater cost than the tort system."

This report is available in full to you from the Insurance Commissioner's office; or, if you wish, you can borrow my copy to study.

The Insurance Industry in support of HB 2248 in 1983 suggested if that bill were not passed, insurance premiums would increase. They suggested on HB 2833 in 1984 that if this original bill were not passed, insurance premiums would increase.

Yet, on February 29, 1984, the Associated Press carried the following news release:

> "Topeka. State Farm Mutual announced today it will distribute more than Eight Million Dollars to its Kansas Automobile Insurance policy holders. The payments will come either as a reduction on customers' next six-month premium renewal, or as a refund if they do not renew their policies this year.
>
> "The dividend distribution results from State Farm's improved loss experience in the State during 1983. It means an average premium reduction statewide of 18.3% in policy holders next six month premium.
>
> "In addition, State Farm Mutual announced it is initiating a rate reduction program in Kansas for accident-free drivers, which can gain them up to a 10 percent cut in their auto premiums.
>
> "State Insurance Commissioner Fletcher Bell hailed the announcement by the company, which is headquartered in Bloomington, Indiana. Bell said the program will improve insurance competition in Kansas.
>
> "State Farm Mutual is the largest automobile insurer in Kansas. Some 392,500 company policies issued in the State are affected by both the dividend and the new accident-free premium reduction program."

A photo-copy of the original news release as given me by WIBW-TV is attached hereto for your inspection.

The Insurance Industry complains about the cost of attorney fees in claim settlements. An injured person engages the services of an attorney for one of two reasons: 1) The Insurance Company has ignored the injured person, made no attempt to discuss realistic settlement; Or 2) the injured person is of the opinion the Insurance Company has offered a sum of money inadequate to properly compensate.

In listening to the Insurance Industry presentation in the House Committee, it seems to us they take the attitude they should sell the insurance policy, they should collect the premium, and they ALONE should determine the amount of compensation to an injured person.

Juries are the ultimate consumer. Juries reflect the attitudes of the public at large. Lawyers and insurance people, with few exceptions, do not serve on personal injury case juries.

Juries believe in compensation for pain and suffering and bereavement. Lawyers know that fact. Insurance companies do not seem to accept that fact. That very attitude is reflected in their claim settlement practices and is the cause of much of the lawyer cost reflected in the final pay-out of the premium dollar.

We respectfully submit the provision in the bill for administrative juggling of benefits and the threshold based on the Consumer Price Index is not proper legislation. We believe this is a legislative matter. Any change should be considered by the Legislature, the representatives of the people.

We respectfully suggest there is no demonstrated need for any change in existing law relating to PIP benefits and the $500 threshold. Consumers now voluntarily purchase enhanced PIP benefits. Mr. Homer Cowan, on behalf of Western Casualty, stated in the House hearings on this bill that 80 to 85% of the people purchasing from his company now buy enhanced PIP benefits. The very modest cost is shown by Attachment #2. For the price of less than four packs of cigarettes, a consumer can purchase five times the medical benefits provided in this legislation--and still leave the threshold at $500.

In any event, if this Committee believes a mandatory increase in PIP benefits is warranted, then we believe the monetary threshold should only be increased by the same factor. If benefits are increased by a factor of 2 1/2, then the $500 threshold should only be increased by a factor of 2 1/2.

This legislation will affect every motorist, every man, woman, and child in Kansas. We respectfully request that the rights of these people, of injured persons, to assert a claim for injuries not be further restricted.

Respectfully submitted,

John W. Brookens
Legislative Counsel for
The Kansas Bar Association

B165
RN
AP-

2-29-84

U R G E N T

(TOPEKA) -- STATE FARM MUTUAL ANNOUNCED TODAY IT WILL DISTRIBUTE

MORE THAN EIGHT (M) MILLION DOLLARS TO ITS KANSAS AUTOMOBILE INSURANCE

POLICY HOLDERS. THE PAYMENTS WILL COME EITHER AS A REDUCTION ON

CUSTOMERS' NEXT SIX-MONTH PREMIUM RENEWAL, OR AS A REFUND IF THEY DO NOT RENEW THEIR POLICIES THIS YEAR.

THE DIVIDEND DISTRIBUTION RESULTS FROM STATE FARM'S IMPROVED LOSS EXPERIENCE IN THE STATE DURING 1983. IT MEANS AN AVERAGE PREMIUM REDUCTION STATEWIDE OF 18-POINT-THREE PERCENT IN POLICY HOLDERS' NEXT SIX-MONTH PREMIUM.

IN ADDITION, STATE FARM MUTUAL ANNOUNCED IT IS INITIATING A RATE REDUCTION PROGRAM IN KANSAS FOR ACCIDENT-FREE DRIVERS, WHICH CAN GAIN THEM UP TO A TEN PERCENT CUT IN THEIR AUTO PREMIUMS.

STATE INSURANCE COMMISSIONER FLETCHER BELL HAILED THE ANNOUNCEMENT BY THE COMPANY, WHICH IS HEADQUARTERED IN BLOOMING, INDIANA. BELL SAID THE PROGRAM WILL IMPROVE INSURANCE COMPETITION IN KANSAS.

STATE FARM MUTUAL IS THE LARGEST AUTOMOBILE INSURER IN KANSAS. SOME 392,500 COMPANY POLICIES ISSUED IN THE STATE ARE AFFECTED BY BOTH THE DIVIDEND AND THE NEW ACCIDENT-FREE PREMIUM REDUCTION PROGRAM.

AP-KX-02-29-84 1119CST

ATTACHMENT 1

Statement of Kansas Bar Association Re:

HB 2833

Under the present law, with the $500.00 THRESHOLD, a consumer can purchase additional PIP protection benefits at a very low cost. Representative samples are: (These are telephone quotes)

State Farm Ins Co: will increase medical benefits to $5,000.00 and increase disability benefits to $1,500.00 a month for 3 years, for an additional premium of $3.40.

will increase medical benefits to $25,000.00 and increase disability benefits to $1,500.00 per month, for 3 years, at an additional premium cost of $6.00.

Farmers Ins Group: will increase medical benefits to $5,000.00 for an additional premium of $1.00; will increase medical benefits to $10,000.00 for an additional premium of $2.00; will increase disability benefits to $1,000.00 for an additional premium of $2.00.

AID Ins Co: will increase medical benefits to $25,000.00, and increase loss of earnings to $1,000.00 per person per month for 2 years, and increase survivor's benefits to $1,000.00 per person per month for 2 years, for an additional premium of $5.00.

Western Casualty: will increase medical benefits to $25,000.00, and increase funeral benefits to $2,000.00 per person, and increase loss of earnings to $1,000.00 per month for 2 years, and increase survivor's benefits to $1,000.00 per month for 2 years, for an additional premium of $8.00.

Kemper Ins Group: will increase medical benefits to $25,000.00, funeral benefits to $1,500.00, rehabilitation expense to $25,000.00, loss of earnings to $1,000.00 per month for 2 years, survivor's benefits to $1,000.00 per month for 2 years, substitute service to $12.00 per day for 2 years, for an additional premium of $3.00.