

REPORT OF THE
NO-FAULT INSURANCE SUBCOMMITTEE OF THE
STANDING COMMITTEES ON COMMERCE AND JUDICIARY

Submitted to the Members of the
Second Session of the Sixty-fourth General Assembly
Meeting in the Year 1972

R E P O R T

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

December 15, 1971

The No-Fault Insurance Subcommittee of the Commerce and Judiciary Standing Committees was created by the Iowa Legislative Council on August 11, 1971 at the initiative of Representative Dennis L. Freeman and Senator Lee H. Gaudineer. The Subcommittee was created at the request of Representative Harold O. Fischer and Senator John Mowry, in their respective capacities as Chairmen of the House and Senate Commerce Committees. The implementing motion, as adopted, called for the creation of a twelve-man subcommittee composed of three members each from the House and Senate Commerce and Judiciary Standing Committees, and authorized not more than four meetings to be conducted during the 1971-1972 legislative interim for the purpose of studying the concept and feasibility of "No-Fault" automobile insurance in Iowa.

The membership of the No-Fault Insurance Subcommittee, as appointed by the Iowa Legislative Council, is as follows:

Senate Commerce Committee

Senator James W. Griffin
Senator William D. Palmer
Senator Rudy Van Drie

Senate Judiciary Committee

Senator C. Joseph Coleman
Senator Lucas J. DeKoster
Senator Tom Rilev

House Commerce Committee

Representative Theodore R. Ellsworth
Representative Dennis L. Freeman
Representative James H. Schwartz

House Judiciary Committee

Representative E. Kevin Kelly
Representative Robert M. Kreamer
Representative John W. Patton

The organizational meeting of the No-Fault Insurance Subcommittee was held on Tuesday, September 28. At this meeting it was decided that a Chairman should be elected from each House to serve as Co-chairman of the Subcommittee. Pursuant to this decision, Senator Rudy Van Drie was elected the Senate Co-chairman, and Representative Dennis L. Freeman was elected the House Co-

chairman. Co-chairman Van Drie, who presided at the first meeting, announced that the goal of the Subcommittee is to study the no-fault auto insurance proposals which have been recommended by various groups within and without the insurance industry for the purpose of determining which, if any, plan should be recommended for enactment in the state of Iowa. Representative Ellsworth moved, at the outset of deliberations, that a bill implementing some type of no-fault auto insurance be drafted for submission to the General Assembly in January of 1972. His motion was adopted.

It was decided, that, in order to become as familiar as possible with the basic provisions contained in the multitude of No-Fault plans which have been advocated in recent months, the Subcommittee should invite knowledgeable persons within and without the insurance industry to appear and testify before the Subcommittee. Among those persons who appeared pursuant to such invitation were:

Commissioner William H. Huff, State Insurance Department
Professor M. G. Woodroof, Drake University Law School
Mr. William S. Gibson, Midwest Regional Manager, American Insurance Association
Mr. William E. Timmons, Iowa Insurance Institute
Mr. Thomas J. Luck, Farmers Elevator Mutual Insurance Company
Mr. Bernard Mercer, Preferred Risk Insurance Company
Mr. Robert J. Link, Carriers Insurance Company
Mr. Roswell Ellis, American Mutual Insurance Alliance
Mr. F. Richard Thornton, Independent Insurance Agents
Mr. Ray Vens, Association of Mutual Insurance Agents
Mr. Robert Alderman, Independent Insurance Agents of Iowa
Mr. Warren Smalley, St. Paul Fire and Marine Insurance Company
Mr. Verne Brown, St. Paul Fire and Marine Insurance Company
Professor Geoffrey Palmer, College of Law, University of Iowa
Mr. Ed Jones, Iowa State Bar Association
Mr. Edgar Hansell, Iowa State Bar Association
Mr. Verne Lawyer, Iowa Academy of Trial Lawyers
Mr. Harry J. Keames, Jr., Farm Bureau Mutual Insurance Company
Mr. George Bowles, Farmers Casualty Insurance Company
Mr. James B. West, American Insurance Association

Among the No-Fault insurance plans which were discussed and studied by the Subcommittee were:

The Illinois Plan
The Iowa "No-Fault Plan" of the Iowa Insurance Institute
The American Mutual Insurance Alliance Plan
The Woodroof Plan, advocated by Professor M. G. Woodroof
The Conference of Commissioners on Uniform State Laws Plan
The American Insurance Association Plan

The second, third, and fourth Subcommittee meetings, held on October 19, November 23, and December 7, respectively, were devoted primarily to the presentations of and discussions with the above named individuals with regard to the above named plans. The Subcommittee decided, upon motion by Representative Ellsworth, to pursue a no-fault insurance plan comparable to that which has been enacted in the state of Illinois. It was further decided, on motion of Senator Griffin, that the "Iowa No-Fault Plan" advocated by the Iowa Insurance Institute should be used as a model for implementing such legislation, it being noted that such plan represents an adaptation of the Illinois plan to the state of Iowa.

The Iowa No-Fault Plan can be described as a modified "No-Fault" plan, in that the benefits provided by the coverages under the plan are paid by the insurance company to its own insured on a first party basis, up to the maximum stated amounts in the policy. The tort liability system, under which the present insurance system operates, is preserved in its entirety under this type of plan. By making payments for injuries available on a first party basis, upon proof of injury only, the plan alleviates a primary complaint regarding the present auto accident reparations system, i.e., that persons suffering injury must often wait for considerable periods of time while the issue of liability is debated in or out of the courtroom. Provision is made in the plan for mandatory inter-company arbitration of disputes regarding the issue of liability and the amount thereof, as well as for arbitration of small claims between the policyholder and his company. Such arbitration procedures will aid in reducing the time and expense involved in court litigation. Provision is also made in the plan for prompt payment of claims, with appropriate penalties for willful failure to make such payments; for discouraging false and fraudulent claims by providing stiff penalties; and for medical disclosure to permit determinations of the exact nature and extent of personal injuries.

The Subcommittee has made substantial progress in reviewing the provisions of the "Iowa No-Fault Plan", however, one more meeting will be necessary to complete such review and to recommend such amendments as may be necessary before the plan is placed in final bill form for introduction to the General Assembly. It is therefore respectfully requested that the Legislative Council grant an additional one-day meeting to the Subcommittee for this purpose. The date of Tuesday, December 21, has been tentatively agreed upon for that meeting.

Respectfully submitted,

Senator Rudy Van Drie, Co-Chairman
Representative Dennis L. Freeman, Co-Chairman