

No-Fault Insurance More Expensive, Study Finds

No-fault auto insurance is consistently more expensive than traditional insurance and should be repealed across the country, according to a national study of auto insurance premiums released by the nonprofit, nonpartisan Foundation for Taxpayer and Consumer Rights (FTCR).

The study found that the cost of insurance fell for drivers in states that have repealed no-fault laws. It also details the importance of a strong insurance regulation system in the effort to lower insurance rates. "No-fault has failed to live up to insurers' promises of lower insurance rates. Lower premiums can be achieved by repealing failed no-fault laws and instituting strict rate regulation," said Harvey Rosenfield, the Founder of FTCR and author of California insurance reform initiative Proposition 103. The study compares auto insurance premiums under three different systems: no-fault, personal responsibility and hybrid/choice. According to the analysis of premium data as reported by insurance companies to the National Association of Insurance Commissioners:

- Premiums are 19% higher in no-fault states than in personal responsibility states.
- Seven of the ten states where auto insurance was most expensive in 2002 had no-fault or hybrid/choice systems.
- States with some form of no-fault insurance are consistently a majority of the highest priced states in the nation, forming six to eight of the top ten every year since 1989.
- Auto insurance premiums rose 92% faster in no-fault states than in personal responsibility states between 1998 and 2002.
- Six of the ten states with the greatest premium increases between 1998 and 2002 have mandatory no-fault systems.

Why No Fault Is More Costly Insurance company promises that lower insurance rates will come from limiting customers' ability to collect compensation from at-fault drivers never come to fruition, according to the report, and restrictions on lawsuits do not offset the higher costs of no-fault insurance. The sources of higher costs include:

- Twice the number of people are covered under no-fault because both the innocent victim and the person who caused the accident are paid.
- No-fault's mandatory payments create incentives to increase medical treatment and encourage fraud for those people without other forms of health coverage.
- No-fault does not significantly reduce litigation costs because it retains the litigation system for property damage, which is a major element in most accidents.
- Limiting drivers' personal responsibility for poor driving encourages reckless driving.

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