

Senate Transportation & Energy Committee
Colorado SB24-133: No-Fault Insurance Study
Oppose | February 26, 2024

Dear Chairman Winter and Committee Members:

On behalf of the National Association of Mutual Insurance Companies (NAMIC), I appreciate the opportunity to voice our opposition to SB24-133 which would establish a task force to study, among other things, the “appropriateness of changing Colorado's motor vehicle insurance requirements to a no-fault system.”

NAMIC and its nearly 1,500 member companies include major national carriers as well as local and regional mutual insurance companies on main streets across America, representing 68 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets.

No-fault auto insurance is allowed in only 12 states and for good reason. It is a flawed way of determining liability in an auto accident.

No-fault auto insurance was developed more than 40 years ago by Robert Keeton and Jeffrey O’Connell, two law school professors who believed it would create a more efficient alternative to the tort system by reducing wasteful litigation costs and allowing policyholders to quickly collect lost wages and medical benefits after an auto accident without regard to fault.

Early on, many states experienced cost savings, and no-fault seemed full of promise. As time wore on, however, some states’ laws created an environment produced filled with unintended negative consequences. While the intent of the system was to clear the court dockets of minor lawsuits, court dockets have become more cluttered because of weak litigation thresholds.

One of the central objectives of the no-fault concept as envisioned by its creators was to eliminate litigation from the claims payment process. But the legislation that implemented the concept invariably contained provisions that allowed accident victims to bring lawsuits for noneconomic damages if certain “thresholds” were breached. Some no-fault states ended up with notoriously weak thresholds—monetary as well as verbal—that has had the predictable effect of generating numerous and costly lawsuits.

Other outcomes of no-fault states include:

- **Higher premiums:** No-fault states have higher insurance premiums than tort states because more coverage is required and fraud is more prevalent.
- **Limited legal options:** Drivers in no-fault states can only sue the at-fault driver if they are seriously injured or incur significant expenses.
- **Fewer penalties for at-fault drivers:** Negligent drivers face less of an insurance penalty when they injure someone in an accident.
- **More traffic deaths:** No-fault states have higher traffic fatality than tort states.

As mentioned above, the introduction of no-fault auto insurance held promise for a simpler, more cost-effective system for resolving claims. However, the exact opposite results have evolved in the limited states that permit no-fault auto insurance.

Please vote no against SB24-133.

Sincerely,



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