

Statement of Assistant Secretary of Transportation  
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Before the Subcommittee on Business, Commerce and  
Taxation of The House District of Columbia Committee  
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"District of Columbia No Fault Motor Vehicle  
Insurance Act, H. R. 5448"

Mr. Chairman and Members of The Committee:

I'm very happy to be here today to give you our thoughts on the proposed District of Columbia No-Fault Motor Vehicle Insurance Act (H. R. 5448).

The Department's views on the general subject of reform of the auto accident reparations system stem, of course, principally from the findings of our two and a half year Study called for by P. L. 90-313 and completed two years ago. Secretary Volpe reported those findings to the Congress in March 1971, together with recommendations for reform of the present system.

The Study's main conclusions were, I believe, not unexpected. In summary, it was found that the existing insured tort liability system was not serving the accident victim, the insuring public, or society at large very well. It tended to be inefficient, expensive, and slow. On the whole it allocates its benefits rather unevenly, discourages the use of rehabilitative techniques, and in many jurisdictions, it overburdens the courts and the legal system. Both on the record of its past performance and on the inherent logic of its operation, it does little if anything to minimize crash losses.

The factual bases for these conclusions can be found in the twenty-odd research reports which the Study produced and which I'm sure your Committee already has.

Having reached these conclusions, the Department then reviewed the broad range of alternatives to the present system. These, too, are described in the Study's final report. Let me summarize the recommendations that resulted from this review:

The States should begin promptly to shift to a first party, non-fault compensation system for automobile accident victims.

This can and should be done in such a way that we can reverse ourselves, if the actual performance of the new system doesn't meet our expectations.

Recovery for "general" or intangible damages should be drastically limited and carefully circumscribed.

Our relevant institutions, public and private, and the citizens who man them, should be given adequate time to plan for, to adapt to, and to assess the performance of such new systems.

The change should take place at the State level, but that there should be general national goals or principles toward which the States will be moving.

When the Department of Transportation issued its final report in March 1971 in addition to endorsing no-fault insurance, it urged the Congress to pass a Concurrent Resolution. The Resolution would have

expressed the sense of the Congress that the States should reform their own reparations systems along first-party, no-fault lines. It would also have authorized the Secretary of Transportation to monitor the actions of the States and to report back to the Congress after two years as to whether additional action was necessary to achieve meaningful change.

The interested Committees of the Congress chose not to address the Administration's proposal. This we believe to be unfortunate. Instead Congress concentrated on S. 945, a bill advanced by Senators Magnuson and Hart.

Late in the spring of 1971 we moved again to enhance the chances of a state by state solution to the auto accident reparations problem. In this effort we were joined by two prestigious organizations, The Council of State Governments and The National Conference of Commissioners on Uniform State Laws. The Uniform Law Commissioners, with financial support from the Ford Foundation and the Department of Transportation, agreed to draft a model bill reflecting the reform principles outlined in the DOT Study. The Council of State Governments formed an advisory committee to help bring prompt consideration of reform in the legislatures of the several states.

After more than a year of intensive drafting effort, the Uniform Law Commissioners produced the model bill which is known as the Uniform Motor Vehicle Accident Reparations Act (known as UMVARA), and gave it

their final approval at their annual meeting in San Francisco last August by a vote of 33 to 11. We believe that the National Conference has provided a legislative vehicle which can serve as a useful tool for the states as they grapple with the reform issue. We note that the draftees of the bill being considered today used that model bill as a major resource.

In our commitment to state choice in this area, of course, we believe that the states should be free to adopt the uniform bill in its entirety, or adapt it to its own peculiar circumstances as was done in the case of H. R. 5448, or find a better way. Despite the Federal Government's special relationship to the District, the Department of Transportation defers to the District of Columbia Government as to which specific auto insurance plan is best for this jurisdiction. For this, the Committee should look to the District Government.

Our Study, as you know, was directed to the performance of the existing system, nationwide, and to the merits of alternative approaches to its reform; i. e., the Study did not attempt to analyze in detail the individual situation of each State or other jurisdiction or to prescribe individually tailored solutions for their problems. The sole exception to this general approach was in the case of the Washington, D.C. Metropolitan Area where we took certain data from an earlier study and reanalyzed them for the specific purpose of the auto accident compensation pattern here. You have the results of that effort published as one of the research reports of the DOT's

Study, and those results amply justify the kind of reform you seek in this Bill.

In considering auto accident reparations reform for the District of Columbia, it will be well to keep before us some of this jurisdiction's unique demographic characteristics and the way they are likely to affect the performance and public acceptance of any reform plan.

First, it would appear that while about four-fifths of all District accidents involve at least one District-registered vehicle, almost one-half of all accidents involve at least one vehicle registered in some other jurisdiction. This, of course, simply reflects the very high level of commutation from the Maryland and Virginia suburbs and the heavy tourist visitation to the Nation's Capitol.

Second, because of the small physical size of the District, some unknown but nevertheless substantial part of the average District driver's exposure to accidents takes place outside its boundaries. This, of course, results not only because some District residents commute to employment in the suburbs but also because a very high proportion of non-work trips by most District drivers will take them into other jurisdictions.

Both of these characteristics -- the high proportion of non-D. C. vehicles in the District and the disproportionately high extra-jurisdictional exposure of D. C. registered vehicles -- must inevitably influence the potential benefits and economies to be realized from any D. C. no-fault

reparations system reform, at least until Maryland and/or Virginia adopt similar or compatible plans.

It is also important to remember that the District historically has a very large uninsured motorist population, perhaps as many as two out of every five drivers. Under any compulsory insurance scheme, many District drivers would find themselves faced with a substantial new motoring expense, albeit one which most of them should probably be incurring anyway in the form of insurance protection for themselves, their household members, their uninsured passengers, and any uninsured pedestrian whom they might accidentally injure.

These three points are raised, not by way of argument against enactment of no-fault reparations for the District but rather to make certain that the question is addressed with an adequate appreciation of some of the real world realities involved.

The fact is that the Administration and the Department of Transportation are already clearly on record as urging that the States and the District of Columbia act promptly to adopt first party, no-fault auto accident reparation systems. We have urged further that in order to avoid the creation of widely different, perhaps incompatible, plans, the States should be guided in their reform efforts by certain broad principles or goals which are contained in the Final Report of the DOT Study and its accompanying proposed Concurrent Resolution which was transmitted to the 92nd Congress.

In evaluating H. R. 5448, we used these principles as our standards. By this measure, the spirit, thrust and basic design of the Bill must be applauded:

- The goals call for a system employing first party, no-fault insurance, and the Bill makes such provision.
- The goals call for compensating all economic loss, subject to reasonable deductibles and limits; the Bill makes such provision, ensuring a minimum potential recovery level for all victims several times that currently assured only some victims by the District's existing financial responsibility law.
- The goals call for the substantial elimination of tort liability in at least all but the very serious automobile accidents. The Bill does this.
- The goals also call for auto insurance to be the primary benefit source; the Bill does this too.

In summary, from the viewpoint of the Department of Transportation, the Bill conforms substantially to the reform principles set forth two years ago and we, therefore, support it as a step in the right direction, especially once neighboring states adopt similar and compatible reforms. The Department's staff have identified a few relatively minor technical points about the Bill's language which you may wish to consider, and which we will make available to your staff.

Mr. Chairman, I and my colleagues would be pleased to answer any questions you might have.