

COALITION FOR AUTO-INSURANCE REFORM
7310 STAFFORD ROAD
ALEXANDRIA, VA 22307

PETER KINZLER
PRESIDENT

TELEFAX: (703) 660-0799
E-MAIL: KINZLER@TIDALWAVE.NET

September 30, 1998

Bruce N. Reed
Assistant to the President for Domestic Policy
Executive Office of the President
1600 Pennsylvania Ave., N.W.
West Wing, Second Floor
Washington, DC 20500

Dear Bruce:

Thank you for taking so much time out of your busy schedule to discuss the Auto Choice Reform Act with Governor Dukakis, Nancy Perkins and myself. We would like to work with you and others in the White House to see if we can reach agreement on this legislation which very persuasive data indicate would be beneficial to all drivers and to Democratic constituencies in particular.

While the fundamental principles of the Auto Choice Act are simple -- more consumer choice, lower premiums and better benefits -- the details of the proposal are complicated. During our meeting, you and your staff raised a number of questions about whether the legislation would work to achieve its many laudable goals. Twenty-seven years of state experience with no-fault insurance laws have shown us, in key respects, what works and what does not. I believe the Auto Choice Reform Act incorporates that experience into legislation that will achieve its stated goals.

I have separately provided Sally, Paul and Jonathan with more detailed information on the substantive issues that were raised at the meeting. Here, I would just like to take a few words to address the question you asked about votes in the Senate. While auto insurance reform can be viewed as a tort reform issue, the public has always viewed it as a pocketbook issue. In the 1970s, Democrats considered it one of the two most important consumer issues (the other was the long-forgotten idea of a federal Consumer Protection Agency) and that is what attracted the support of then-Massachusetts Representative Mike Dukakis, then-Connecticut State Senator Joe Lieberman, the Carter Administration, Senators Warren Magnuson and Phil Hart and my bosses, Representatives Bob Eckhardt and Lionel Van Deerlin, among many others. In retrospect, those of us who worked on the federal legislation at the time were too paternalistic in focusing on increasing benefits while ignoring the fact that authorizing the purchase of more modest benefits and, accordingly, lower premiums is critical for many people, particularly the poor.

Building on the lessons learned from the prior federal legislative effort and state experience, the Auto Choice Reform Act allows individuals to choose which form of auto insurance they want and to balance the associated costs and compensation. Because of the long Democratic history of support for this kind of reform legislation; the support from Senators

Moynihan
Bruce N. Reed
Page Two

Moynihan and Lieberman and Representatives Moran, Dooley and Towns; the fact that the bill addresses problems of key Democratic constituencies, such as the poor and the elderly; the fact that it will eliminate billions of dollars of health care fraud and reduce Medicaid and Medicare costs; because it has the backing of the Democratic Leadership Council, the Brain Injury Association, Mayor Webb and Commissioner Hightower; and because it has editorial support from nine of the 20 largest newspapers in the country, including *The Washington Post*, *The New York Times* and *USA Today*, I believe there is already a strong foundation in place for significant Democratic support in both houses. We will, of course, continue to build on this foundation as we prepare for the next Congress. Were the Clinton Administration to support the Auto Choice Reform Act, I have no doubt that we could secure the Democratic votes needed in both houses to enact this ground-breaking legislation.

Let me end with a personal note. In my 25 years working for Senate and House Democrats, I never worked on a piece of legislation that would have more demonstrable benefits for society over a wide range of policy issues -- potential savings to drivers of \$35 billion a year; a faster system of compensation for all injured people, with better benefits for seriously injured persons; reduced costs of owning a car so that poor people, among other things, can afford the transportation needed to get to the jobs in the suburbs; national health insurance in auto accident cases for the 43 million people who lack health insurance; a more civil society, by ending the perverse incentives of the liability system for massive fraud; recapturing the more than \$4 billion a year wasted on health care fraud; and incentives for auto safety. I hope the Administration will see the enormous benefits of this reform and lead the effort to secure these benefits for all motorists through support for the Auto Choice Reform Act.

Governor Dukakis, Nancy Perkins and I would be pleased to answer further questions. In the meantime, I am enclosing a few materials for your information -- lists of editorial support, supporters of Auto Choice and my coalition's brochure. I look forward to working with you and others in the White House on this legislation.

Sincerely,


Peter Kinzler

Enclosures

COALITION FOR AUTO-INSURANCE REFORM
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PRESIDENT

PHONE (703) 660-0799
FAX (703) 660-0799

Editorial Support for Auto-Choice Legislation

New Orleans Times-Picayune (April 1, 1996)
The Washington Post (August 7, 1996)
The (Baltimore) Sun (August 10, 1996)
Charleston Daily Mail (WV) (August 12, 1996)
The Dallas Morning News (September 8, 1996, August 28, 1997)
The State (Columbia, SC) (Sept. 16, 1996, Feb. 11, 1997, May 27, 1997 and July 8, 1997)
Forbes Magazine (October 7, 1996, February 24, 1997, August 11, 1997)
The New York Times (January 21, 1997)
San Diego Union-Tribune (January 23, 1997)
USA Today (January 24, 1997, October 3, 1997, April 17, 1998)
The New York Post (January 25, 1997)
The (Albany) Times-Union (January 26, 1997)
The Weekly Standard (January 27, 1997)
Augusta Chronicle (GA) (February 1, 1997, November 16, 1997)
The New York Daily News (February 2, 1997)
Newsday (NY) (February 13, 1997, September 5, 1998)
The Detroit News (May 11, 1997)
Las Vegas Review-Journal (June 20, 1997)
Forth Worth Star-Telegram (June 21, 1997)
Arizona Tribune (June 27, 1997)
The Philadelphia Inquirer (April 8, 1997, July 6, 1997)
Harrisburg (PA) Patriot & Evening New (July 6, 1997)
Trenton (NJ) Times (July 15, 1997)
The Des Moines Register (July 31, 1997)
Cincinnati Enquirer (August 3, 1997)
The Hartford Courant (August 27, 1997, March 19, 1998, August 13, 1998)
(Riverside, CA) Press-Telegram (January 21, 1998)
The Florida Times-Union (Jacksonville) (June 17, 1998)
The Rocky Mountain News (Denver, CO) (May 31, 1998)
Florida Times-Union (June 17, 1998)
Portland Oregonian (June 29, 1998)
Nation's Business (August 1998)
Boston Globe (September 8, 1998)
Chicago Daily Herald (September 17, 1998)
Denver Post (September 18, 1998)

Support for the Auto Choice Reform Act

Organizations/Key Individuals

***Coalition for Auto-Insurance Reform**

American Insurance Association

American Trucking Associations

Americans for Tax Reform

Brain Injury Association

Jim Brown, President, Wisconsin Consumers League

Citizens for a Sound Economy

Michael Dukakis, former Democratic candidate for President

Al From, President, Democratic Leadership Council

HALT -- An Organization of Americans for Legal Reform

Michael Horowitz, Hudson Institute

Professor Jeffrey O'Connell, University of Virginia Law School

Robert Quinn, former California Insurance Commissioner

Russ Verney, Executive Director, the Reform Party

Andy Tobias, author and consumer activist

Retired U. S. Representative Lionel Van Deerlin

U. S. Chamber of Commerce

Businesses

American Trucking Associations

Ford

PACCAR Leasing Corporation

State Farm

SYCOM Enterprises

United Parcel Service

USAA

United States Cargo Service

U. S. Chamber of Commerce

Governors

John Engler, Michigan

Christine Todd Whitman, New Jersey

Mayors

Rudy Giuliani, New York City

Wellington Webb, Denver

Columnists

Steve Forbes

Kathy Kristoff

Morton Kondracke

Peter Passell

Jane Bryant Quinn

Robert Samuelson

Stuart Taylor

* Includes many of the businesses, organizations and individuals cited

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MEMBERSHIP

The Coalition for Auto-Insurance Reform (CAR) is a coalition of consumers and businesses dedicated to reform of the auto insurance system. Its members include:

- American Trucking Associations
- Brain Injury Association
- Jim Brown, President, Wisconsin Consumers League
- The Honorable Michael Dukakis
- Ford Motor Company
- John Hayes, consumer activist, Massachusetts
- HALT -- An Organization of Americans for Legal Reform
- Professor Jeffrey O'Connell, the father of auto choice
- PACCAR Leasing Corporation
- Robert Quinn, former California Insurance Commissioner
- State Farm
- SYCOM Enterprises, a New Jersey-based energy conservation company
- Andy Tobias, author and consumer activist
- United States Cargo Service
- USAA
- Lionel Van Deerlin, former Member of Congress

PETER KINZLER, PRESIDENT

Mr. Kinzler served as counsel to Consumer Protection and Finance Subcommittee of the U.S. House of Representatives during congressional consideration of federal no-fault automobile insurance legislation during the 1970s. He spent 25 years working for the House and Senate before founding CAR.

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Sponsors of the Auto Choice Reform Act of 1998

H.R. 2021

Arney (R-TX)
Moran (D-VA)
Bartlett (R-MD)
Boehner (R-OH)
Coburn (R-OK)
Cooksey (R-LA)
Cox (R-CA)
Dooley (D-CA)
Dunn (R-WA)
Ford (D-TN)
Linder (R-GA)
McIntosh (R-IN)
Miller (R-FL)
Northup (R-KY)
Pappas (R-NJ)
Pitts (R-PA)
Royce (R-CA)
Saxton (R-NJ)
Sessions (R-TX)
Shays (R-CT)
Towns (D-NY)
Weldon (R-FL)

S. 625

McConnell (R-KY)
Moynihan (D-NY)
Lieberman (D-CT)
Gorton (R-WA)
Grams (R-MN)
Allard (R-CO)
Faircloth (R-NC)
Hutchison (R-TX)
Nickles (R-OK)
Sessions (R-AL)

July 22, 1998

Clinton Presidential Records Digital Records Marker

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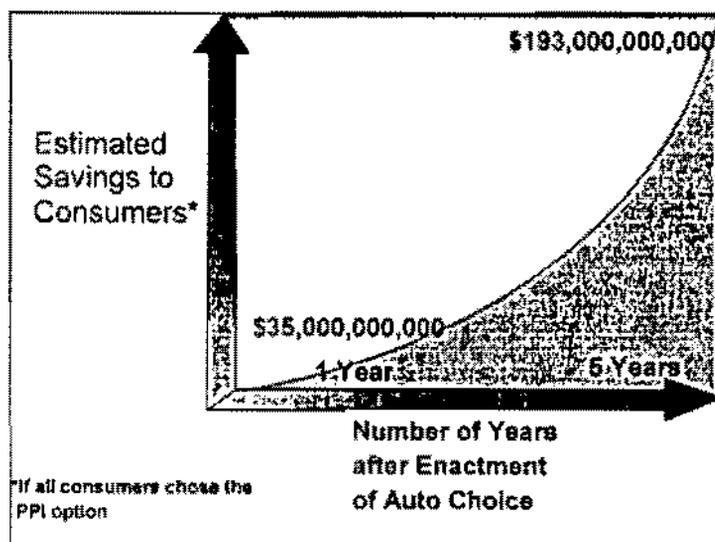
The Auto Choice Reform Act

Overview

In 1997, a bipartisan group of U.S. senators and representatives introduced the Auto Choice Reform Act, S. 625 (McConnell-Moynihan-Lieberman) and H.R. 2021 (Armey-Moran). This legislation **could save motorists hundreds of dollars a year** on their insurance premiums by providing a new personal protection insurance (PPI) option. According to the Congressional Joint Economic Committee (JEC), those who choose the PPI option would see an average reduction in their insurance bill of \$184 per car, per year. If everyone chose this option, the JEC estimates the plan could save consumers as much as \$35 billion a year. Over five years, the savings could total \$193 billion.

Under the Auto Choice plan, motorists would have a choice between purchasing an insurance policy similar to that presently available in their state and the new PPI option. Injured motorists who choose the PPI option would be compensated promptly by their own insurer for their medical bills and lost wages without having to prove fault. The injured person could also recover the cost of any medical bills and lost wages beyond the coverage of his/her policy from the driver at fault in the accident. The PPI option would eliminate suits for pain and suffering.

The Auto Choice Reform Act promotes federalism. It would offer motorists a lower cost, more efficient option to existing law. But, if a state does not wish to give its motorists this new PPI option, it can pass a law to prevent the Auto Choice Reform Act from going into effect. Also, the bill would not go into effect in a state if it would not reduce auto insurance premiums for personal injury in that state by at least 30 percent for those who choose the PPI option. Regulation of insurance would remain in the hands of the states.



Ins. Reform

FAX

Date 04/2/97

Number of pages including cover sheet 8

TO: OFFICE OF DOMESTIC
POLICY.
C/O BRUCE REED

FROM: SANDRA COLELLI
109 W FORNANCE ST.
NORRISTOWN, PA
19401

Phone 202 456 1111

Phone 610 279-2144

Fax Phone 202 456 2461

Fax Phone 610 270-2607

CC:

REMARKS: Urgent For your review Reply ASAP Please Comment

attached is a copy of the cancellation notice. Thank you for your time

*Elena/Tom/PJW -
Is this legal?
It sounds minor, but if we're
talking on the auto insurance
lobby anyway, we might
look into it.*

BR

**NOTICE OF CANCELLATION, REFUSAL TO RENEW
OR REFUSAL TO WRITE
(Pennsylvania)**

PROGRESSIVE[®]

MOUNTAIN LAUREL ASSURANCE COMPANY
PO BOX 84825
CLEVELAND OH 44101

KIND OF POLICY:	AUTO
POLICY NO.:	AA 55250830-0
CANCELLATION OR EXPIRATION WILL TAKE EFFECT AT:	05-04-97 (EST) 12:01 A.M. (HOUR - STANDARD TIME)
DATE OF MAILING/ISSUANCE:	04-17-97
ISSUED THROUGH AGENCY OR OFFICE AT:	Cleveland, Ohio

00000



FRANK J. COLELLI
109 W FORNANCE STREET
NORRISTOWN PA 19401

**PENNSYLVANIA LAW REQUIRES THAT YOU BE GIVEN A COPY OF THIS NOTICE.
READ IT CAREFULLY.**

(Applicable item marked)

FRANK J. COLELLI

You are hereby notified that the above mentioned policy is being cancelled will not be renewed will not be written. This means that the above mentioned policy will no longer be in force on the cancellation or expiration date mentioned above. You have, therefore, a minimum of 60 days from the date of mailing to get new coverage, except 15 days if cancellation or nonrenewal is due to nonpayment of premium or suspension or revocation of your driver's license or motor vehicle registration during the policy period or 15 days if this notice is a refusal to write a new policy in effect less than 60 days or no time limitation applies if this notice is a refusal to write automobile insurance for which application has been made.

The reason for this cancellation or nonrenewal or refusal to write is:

UNDERWRITING REASONS/UNACCEPTABLE RISK: A FACTOR MATERIAL TO INSURABILITY HAS BECOME KNOWN: A CLAIMS INVESTIGATION REVEALED THAT THE INSURED'S 1997 PLYMOUTH IS USED FOR EMERGENCY SERVICES USE. THE NAMED INSURED IS A VOLUNTEER FIREMAN. EMERGENCY SERVICES USE IS UNACCEPTABLE UNDER THIS PROGRAM.

60 day rule - inception date: 04/10/97

If cancellation or nonrenewal is due to nonpayment of premium, you are hereby advised that the amount of premium due is \$ _____ on _____ (Date when due) payable to _____.

If you have already made payment of premium due or will make payment prior to the effective date of this cancellation or nonrenewal, please contact this Company or your Agent or Broker immediately.

YOU HAVE THE RIGHT TO REQUEST THE PENNSYLVANIA INSURANCE COMMISSIONER TO REVIEW THIS ACTION BY THE COMPANY. TO DO THIS, SIGN AND SEND A COPY OF THIS FORM WITHIN 30 DAYS TO THE PENNSYLVANIA INSURANCE COMMISSIONER AT ONE OF THESE OFFICES:

Pennsylvania Insurance Department
1321 Strawberry Square
Harrisburg, PA 17120
Tel.: (717) 787-2317

Pennsylvania Insurance Department
Room 1701 State Office Building
1400 Spring Garden Street
Philadelphia, PA 19130
Tel.: (215) 540-2630

Pennsylvania Insurance Department
Room 304 State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222
Tel.: (412) 565-5020

Pennsylvania Insurance Department
Room 513 Baldwin Building
P.O. Box 6142
Erie, PA 16512
Tel.: (814) 871-4408

I request the Pennsylvania Insurance Commissioner review the cancellation or nonrenewal of or the refusal to write this insurance policy.

Signature of Insured

April 21, 1997

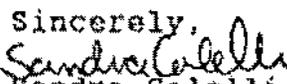
Office of Domestic Policy
C/O Bruce Reed
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. Reed:

My son is a volunteer Fireman with Fairmont Fire and Rescue Company, which is located in the borough of Norristown, Montgomery County, Pennsylvania.

On Saturday, April 19, 1997 my son received a cancellation notice from Progressive Casualty, who is his automobile insurance provider. Frank was dropped because he is a volunteer fireman. We obtained this insurance in good faith and we don't understand how they can discriminate against him like this. The car is not used to go to the fire scene, only to the firehouse. How is this unacceptable risk?

Mr. Reed I don't know if you can help me with this issue, but any feedback at all would be greatly appreciated.

Sincerely,

Sandra Colelli
109 W Fornance Street
Norristown, PA. 19401
(610) 279-2144

Hudson Institute

Project for Civil Justice Reform

EK/TOM F.

Michael J. Horowitz
Director

March 20, 1997

Bruce Reed, Assistant to President
for Policy Development
White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C.

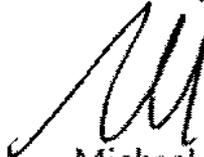
Dear Bruce:

Yesterday's JEC hearings on auto choice went exceedingly well. Christie Whitman gave strong testimony, and the follow-up panel on which I sat also did reasonably well. (C-Span covered the hearing, and favorable comments have been coming in from a variety of surprising quarters.)

The revised JEC report on auto choice that I thought would be ready today will not be ready until Monday. I will send it on at that time and will thereafter take care not to add to your in-box.

I'm at your pleasure.

Sincerely,



Michael J. Horowitz

P.S. Matters are proceeding apace on the educational financing bill, which is now scheduled for introduction on April 9.

**Testimony of Governor Christine Todd Whitman
before a hearing of the
Joint Economic Committee of the United States Congress
Washington, D.C.
Wednesday, March 19, 1997**

Mr. Chairman, Members of the Committee, thank you for inviting me here today.

I applaud you for holding this important hearing. Asking the states about our experience in addressing the high cost of auto insurance illustrates the partnership that the Congress is building with us. As a governor, I welcome that spirit of partnership and cooperation.

Mr. Chairman, let me begin by stating two basic facts about automobile insurance in New Jersey.

First, it is mandatory. Every driver in New Jersey is now required to carry a minimum \$250,000 medical insurance component, as well as coverage for some lost wages and other out-of-pocket expenses. Each driver's own policy pays, regardless of fault. It doesn't matter who caused the accident; in New Jersey, payment for medical bills through auto insurance is guaranteed.

Second, automobile insurance rates in New Jersey are the highest in the nation.

There are many reasons we hold this distinction. New Jersey is the most densely populated state in the nation. We also have 782 cars per square mile.

New Jersey has a high cost of living, which means higher costs for medical treatment and car repairs after a car accident.

More than 90 percent of New Jersey drivers choose higher liability limits than the law requires. Consumers buy higher coverage to protect assets of higher value than in other areas of the country.

Those demographics are unique to New Jersey and are part of what makes the state the wonderful, diverse place it is. But those numbers make clear that New Jersey will never have the lowest car insurance rates in the country -- especially given the frequency of lawsuits in our state.

New Jersey is the most litigious state in the Union. In 1995, we filed 819 lawsuits per 100,000 residents. The next state behind us -- Nevada -- had 512 lawsuits per 100,000 residents.

In fact, litigation costs account for more than \$300 of every \$1,000 in insurance premiums, while only \$190 of that same \$1,000 goes to paying medical bills for the injured.

I have proposed a major reform to New Jersey's auto insurance system which, in part, resembles the Auto Choice plan now before Congress.

My proposal recognizes that the single most important thing car insurance can do for a family in the event of an accident is to pay medical bills, lost wages, and other out-of-pocket expenses promptly and without regard to fault.

In New Jersey, as I mentioned, insurance is mandatory. But that should not mean it can't be affordable and allow consumers to choose the amount of insurance that best meets their needs.

I have proposed a four-choice system that will allow drivers to keep the insurance they have today at a savings, or select from other new, less expensive policy options.

These innovative options will allow those who do not wish to pay the high cost associated with "pain and suffering" lawsuits to have full access to the courts for any economic losses they suffer as victims in an accident, and at the same time enjoy reduced rates for agreeing to sue only for economic losses, and not for non-economic claims.

The first option -- the Economic Choice policy -- will provide coverage for medical bills up to \$250,000, lost wages, and other costs. Policyholders can sue and be sued for economic losses, but agree not to sue or be sued for pain and suffering. Consumers choosing this option could save up to \$250 on today's most commonly purchased New Jersey policy.

Our second proposed option -- the Scheduled Benefit policy -- provides the same basic coverage as option one. It adds benefits for pain and suffering compensation based on a predetermined schedule to be paid by one's own policy, without the need for litigation. Consumers choosing this option could save up to 10 percent off today's typical policy.

The third option -- the Serious Injury policy -- is most similar to our state's current "verbal threshold" policy, which limits the ability to sue for pain and suffering to a list of serious injuries. This verbal threshold is now chosen by 88 percent of our drivers. My proposal differs from the current policy in that we will impose tighter limits on lawsuits, allowing suits only for the most serious injuries.

The fourth option -- the Lawsuit Recovery policy -- is similar to our "zero threshold" policy. Drivers who choose this option could sue for pain and suffering whatever the severity of their injury.

I should note here that each of these four policy options contains tough sanctions for drunk drivers and illegally uninsured drivers. No matter which policy you choose, if you are hit by a drunk or uninsured driver in New Jersey, you can sue that person for pain and suffering. And, even if the drunk or uninsured driver is not the at-fault driver, he or she cannot sue for pain and suffering.

I believe that offering new choices to drivers will reduce the cost of auto insurance in New Jersey. But we are doing other things to keep insurance costs down, particularly in the prevention of fraud and abuse.

We know, for instance, that when insurance companies pay for unnecessary and overused medical treatment, that drives up insurance costs for all drivers. So we have enacted a law that requires doctors to notify an insurance company within 21 days that they are treating injuries related to a car accident. And we have proposed establishing a peer review panel of physicians to examine instances of questionable treatment. In such cases, medical professionals would now be the ones to determine whether a course of treatment is truly necessary.

In addition, we will make sure insurance companies comply with our state laws against insurance fraud by reporting acts of fraud -- whether they are committed by auto body shops, medical professionals, lawyers, or the drivers themselves. If insurance companies allow fraud to go unreported, we are proposing to hit them with a \$25,000 penalty for each and every violation.

Given our plan for reform in New Jersey, I am encouraged by the direction the Congress has taken in regard to auto insurance legislation.

Last year's S. 1860 was a model of federalism in that federal law would represent the first word, rather than the last word, on the subject. New Jersey and every other state would be free to modify or even repeal any element of the bill. In addition, under S. 1860, states would have been able to block the law from taking effect if they could demonstrate it would not lead to significant savings for their drivers.

Just as my proposal allows drivers choice, federal legislation should allow states the flexibility to address their own unique demographic, economic, and public safety concerns. What makes sense for addressing New Jersey's crowded roads, busy courts, and high cost of living might look very different from the right solution for many other states.

Mr. Chairman, I urge that this year's version of the Auto Choice bill preserve these elements of federalism and allow the states maximum latitude to design insurance reforms that will work best for their citizens.

Thank you very much.



JOINT ECONOMIC COMMITTEE

CONGRESS OF THE UNITED STATES

Jim Saxton, Chairman

MEDIA ADVISORY

For Immediate Release

March 18, 1997

News Release #105-31

Contact: Mary Hewitt

202/224-5171

JEC Chairman Announces Two Additional Witnesses at Tomorrow's Auto Insurance Reform Hearing **Michael J. Horowitz and J. Robert Hunter**

WASHINGTON, D.C. -- Joint Economic Committee (JEC) Chairman Jim Saxton (R-NJ) announced today that in addition to New Jersey Governor, **Christine Whitman**, **Michael J. Horowitz** (Senior Fellow and Director for the Project for Civil Justice Reform at the Hudson Institute) and **J. Robert Hunter** (Director of Insurance, at the Consumer Federation of America) will testify on "**Auto Insurance Reform**". **Dr. Stephen Carroll** (Senior Economist, RAND Institute for Civil Justice) and **Professor Jeffrey O'Connell** (University of Virginia School of Law) were also announced as scheduled witnesses last week.

The hearing will be on **Wednesday, March 19th at 10 a.m.** in room **2226 Rayburn House Office Building**.

The purpose of this hearing, Chairman Saxton said last week "is to examine the problems of the current auto-insurance system, the need for reform, and explore the benefits and savings to American motorists as a result of this reform."

Auto-insurance reform would give drivers more insurance options that would provide better service, while reducing premiums and litigation costs. A JEC study determined that drivers could cut their insurance premiums by an average of \$223 a year with this reform.

TOPIC:	Auto Insurance Reform
DATE:	Wednesday, March 19th
TIME:	10 a.m.
ROOM:	2226 Rayburn House Office Building
WITNESSES:	<u>Panel 1</u> Governor Christine Whitman (R-NJ) <u>Panel 2</u> Michael Horowitz (Senior Fellow and Director, Project for Civil Justice Reform at the Hudson Institute) J. Robert Hunter (Director of Insurance, Consumer Federation of America) Dr. Stephen Carroll (Senior Economist, RAND Institute for Civil Justice) Professor Jeffrey O'Connell (University of Virginia School of Law)

Hudson Institute

Project for Civil Justice Reform

Michael J. Horowitz
Director

March 18, 1997

VIA MESSENGER

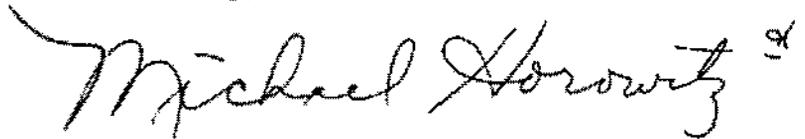
Bruce Reed, Assistant to President
for Policy Development
White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C.

Dear Bruce:

Thanks again for yesterday's meeting. I hope it will prove useful and, as to both topics discussed, a basis for collaboration between the Administration and a bipartisan coalition of senior Members of Congress.

I'm also writing to ask you to hold up for a day or so before circulating the draft JEC report I gave you yesterday. Come Wednesday morning, a final report will be issued in much improved form that will better describe the auto choice bill and its benefits. I'll of course send it on as soon as I get it.

Sincerely,



Michael J. Horowitz

P.S. I'm also enclosing an article re auto choice from the Perot newsletter. The article's flattering reference to Mitch McConnell is a good index of Perot's strong support for auto choice, given McConnell's role campaign finance reform.

"AUTO CHOICE" — CITIZEN-FIRST LEGAL REFORM

BY CORDELLA SPICER

It's time for citizen-first legal reform and consumer-friendly tort reform.

The two existing political parties have long protected special interests by not disturbing tort reform law. Trial lawyers and big business are befriended by Democrats and Republicans respectively, while consumers have been left without a voice. In the past, Congress has proposed tort reform as a fundraiser for political campaigns with no intention of passing the legislation. The consumer has been left out of all attempts at tort reform — until now.

Legislation is being considered that addresses auto insurance and establishes a new method whereby consumers have a choice in coverage and the opportunity for cost-savings. Over the past decade, automobile insurance costs have risen more than twice as fast as the cost of living, causing increasing numbers of low-income Americans to drive uninsured, and therefore illegally.

The proposed legislation resurrects no-fault auto insurance with some new angles. "Auto-choice," developed by Jeffrey O'Connell of the University of Virginia Law School and Michael Horowitz of the Hudson Institute, would require that insurers compensate their own policyholders for economic losses. Auto-choice separates the premium for economic losses from pain and suffering losses. Also, the automobile insurance would be primarily shifted to a first-party basis, where each driver's own insurance pays for his or her damages. Those who wish to could maintain the right to be compensated for pain and suffering by purchasing extra coverage from insurers. Another aspect of the O'Connell-Horowitz proposal would address contingency fees and establish a formula for settlements to ensure more of the money reaches the victim instead of the attorneys.

According to a report issued by the Joint Economic Committee of Congress, the Auto Choice reform in the O'Connell-Horowitz proposal would alone permit more than \$40 billion in auto premium savings, resulting in 1996 premium reductions averaging \$221 per car. The

Report estimates that the seven-year savings from this auto reform bill are 37 percent larger than the Republican's tax cut proposals. It also demonstrates how the reform would eliminate billions of dollars in unnecessary medical costs that the fraudulent incentives in today's auto tort system now produce.

Sen. Mitch McConnell (R-KY) argues this is a potential consumer savings bill, saying "This is a tax cut for the middle class both Republicans and Democrats want."

