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**Contact:** David Corum, CPCU  
Phone: (610) 644-2100, ext. 7506  
E-mail: [corum@cpcuiia.org](mailto:corum@cpcuiia.org)

## Impact of Colorado No-Fault Insurance Repeal Documented in New IRC Report

**MALVERN, Pa.**—In 2004, the first year after Colorado repealed its no-fault insurance law, auto injury claim costs returned to levels occurring prior to the rapid cost increases that culminated in repeal of the no-fault law in 2003. According to a new study from the Insurance Research Council (IRC), between 1996 and 1999, auto insurers in Colorado paid between \$209 and \$226 in auto injury claims for every vehicle insured in the state. Over the next three years, the average injury payment per vehicle increased almost 50 percent, reaching \$306 in 2002. In 2004, after no-fault was repealed, insurers paid \$223 in injury claim costs per insured vehicle—27 percent less than in 2002. Even with the substantial drop in injury loss costs in Colorado, insurers paid 12 percent more, on average, for injury claims in Colorado than was paid countrywide in 2004.

The recently released study, *Colorado Auto Insurance, Transition From No-Fault to Tort*, uses detailed auto injury claim data from the IRC's survey of automobile insurance companies, along with data from a variety of other sources, to examine how repeal of the no-fault insurance law affected overall injury claim costs and to document key characteristics of the current tort-based system.

The change from no-fault to tort corresponded with a significant drop in liability insurance premium costs in Colorado. Between 2002, the last full year under the no-fault system, and 2004, average liability premium costs in Colorado fell 15 percent, from \$559 to \$476. By comparison, countrywide average liability premium costs *increased* more than 9 percent over the same two-year period.

"These numbers show how consumers benefited from the repeal of Colorado's no-fault insurance law," said Elizabeth A. Sprinkel, senior vice president of the IRC. "While injury claim costs in Colorado were still higher than the national average immediately after repeal, they were much closer to the norm."

The report also sheds light on Colorado consumers' preferences regarding the amount of coverage they voluntarily purchase to provide first-party medical benefits in case of injury. Not all policyholders choose to purchase MedPay coverage. Of those who do, however, and who file claims, more than half purchase coverage of \$5,000 or less. The IRC found that 54 percent of MedPay claimants in 2007 had limits of \$5,000 or less, while 70 percent had limits of \$10,000 or less. Current proposals before the Colorado legislature call for requiring all drivers to purchase \$15,000 or more in first-party coverage for emergency

medical treatment. IRC's findings suggest that this proposal would conflict directly with the demonstrated preferences of most Colorado drivers, who are purchasing coverage at much lower levels, despite the availability of coverage at the proposed mandatory levels.

For more detailed information on the study's methodology and findings, contact Elizabeth Sprinkel by phone at (610) 644-2212, ext. 7568; by fax at (610) 640-5388; or by e-mail at [irc@cpcuiia.org](mailto:irc@cpcuiia.org). Or visit IRC's Web site at [www.ircweb.org](http://www.ircweb.org). Copies of the study are available at \$50 each in the U.S. (\$65 elsewhere) postpaid from the IRC, 718 Providence Road, Malvern, Pa. 19355-0715. Phone: (610) 644-2212, ext. 7574; Fax: (610) 640-5388.

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**NOTE TO EDITORS:** The Insurance Research Council is a division of the American Institute for CPCU and the Insurance Institute of America. The Institutes are independent, nonprofit organizations dedicated to providing educational programs, professional certification, and research for the property and casualty insurance business. The IRC provides timely and reliable research to all parties involved in public policy issues affecting insurance companies and their customers. The IRC does not lobby or advocate legislative positions. It is supported by leading property-casualty organizations.

**Colorado Injury Loss Costs, 1996-2004**  
*Average Combined Amount Paid Under All Injury-Related Coverages  
Per Insured Vehicle*

