December 4, 2012

David Corum
(484) 831-9046
corum@TheInstitutes.org

New Study Finds Properly Enforced No Pay, No Play Laws Moderately Reduce Uninsured Motorists and May Also Trim Auto Insurance Costs

MALVERN, Pa.—Dec. 4, 2012—According to a new study from the Insurance Research Council (IRC), a state's percentage of uninsured motorists is affected by a no pay, no play law's enactment, albeit modestly. A statistical model developed by IRC estimated that the uninsured motorist (UM) rate can fall by as much as 1.6 percent after a state adopts a no pay, no play law.

Currently, ten states have no pay, no play laws on the books: Alaska, California, Iowa, Kansas, Louisiana, Michigan, New Jersey, North Dakota, Oklahoma and Oregon. In the study, *The Potential Effects of No Pay, No Play Laws*, IRC provides a background on each existing state law.

For states without a no pay, no play law in effect,[*] IRC developed a mathematical model to estimate the compensation for noneconomic loss paid to uninsured third-party liability claimants in a given year. This estimate provides a reasonable upper limit proxy for the amount of money that is currently awarded to the uninsured population and would no longer be paid if a state implemented a strict no pay, no play law.

Across all of the 39 states studied using 2007 data, the average noneconomic loss paid to uninsured claimants per state was $17.5 million. These findings suggest the average insured driver in 2007 paid an additional $4.69 ($5.10 in 2012 dollars) to address the average $17.5 million in noneconomic loss ($19.3 million on average in 2012 dollars) that was awarded to uninsured claimants in each state.

"The original intent of these laws was to relieve at-fault drivers who comply with state insurance requirements from having to compensate uninsured drivers for noneconomic damages. Yet, little research had been conducted analyzing the effect of no pay, no play laws on the overall insurance market," said Elizabeth Sprinkel, senior vice president of IRC. "With this study, we now have more information on how these laws affect the population of motorists driving uninsured. This report, which also develops cost estimates for states that do not have no pay, no play laws on the books, highlights the benefits a strict law may provide to the average insured consumer."

For more detailed information on the study's methodology and findings, contact David Corum at (484) 831-9046 or by e-mail at irc@TheInstitutes.org. Copies of the study are available for $300 for an electronic version, or $400 for a printed copy. Visit IRC's website at www.insurance-research.org for more information.

[*] Texas was excluded due to lack of data.

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