

- Supervision of underwriting and financial practices.
- Supervision of related corporate operations, including affiliated companies.
- (iii) Regulation of market structure and market behavior :
 - Competition among insurance carriers: encouraged, discouraged, inhibited; role of rate bureaus.
 - Mergers, consolidations.
 - Intra- and inter-corporate behavior.
- D. Cost, administrative features, efficiency, and other attributes of existing State auto insurance regulation.
- III. The existing compensation system as it affects the insured motorist.
 - A. General description, including data on coverage, types of policies, etc.
 - B. Cost of insurance premiums: changes over time, relationship to other vehicle operation expenses, etc.
 - C. Invocation of policy provisions: the process of settlement—its character and efficiency.
 - D. Reliability of carriers: insolvencies, defaults, and other deficiencies.
 - E. Continuity or modification of policy coverage: cancellation, failure to renew, reclassification, changes in rating.
 - F. Selectivity of motorists: Policies and practices.
 - G. Financial responsibility laws: major types, operational features, economic characteristics.
 - H. Compulsory insurance: the Massachusetts, New York, and North Carolina experience.
 - I. Uninsured motorist: funds, cost, efficiency, administrative implications.
 - J. Overall consequences for traffic safety and provision for compensation.
- IV. Examination of alternatives to existing system(s) of compensation.
 - A. Nature and basis of discontent concerning existing system: in general
 - B. Description, analysis, comparison of major proposed compensation plans, including those of: Morris & Paul, Keeton & O'Connell, Various foreign (England, Australia, New Zealand, and Sweden).
 - C. Critique, in terms of general criteria (efficiency, administrative feasibility, fairness to participants and public, allocation of funds, etc.) of proposed plans.
- V. Conclusions and Recommendations.

DEPARTMENT OF TRANSPORTATION,
Washington, D.C., July 19, 1967.

Hon. WARREN MAGNUSON,
U.S. Senate,
Washington, D.C.
Hon. JOHN E. MOSS,
House of Representatives,
Washington, D.C.

GENTLEMEN: Your recent letter requested our views on the need for a study of automobile insurance and the present capability of the Department of Transportation for undertaking such a study. We certainly share your view that problems created by the present system of auto insurance are of vital importance to the American people.

These problems cannot be properly assessed or resolved without a thorough and far-reaching examination of related issues. The proposed outline of such a study attached to your letter points out the major questions which would have to be answered. There may be others. The effective conduct of a study of the scope suggested would touch on areas which have been the responsibility of a number of Federal agencies and would also entail evaluation of and access to the relevant state and local institutions (e.g., insurance commissions, courts).

A number of issues will have to be reviewed which will raise questions as to the jurisdiction of the Department of Transportation to conduct some phases of such an investigation. For example, a detailed assessment would have to be made of our entire judicial system—Federal, state and local. This would require substantial input by the Department of Justice.