

Among other things, the Congress should insure that premium increases are fully justified by the company concerned, and that earnings from reinvested premiums are fully taken into account in such a determination. Companies must be required to show cause for policy cancellation or the refusal to renew, and the policyholder given an opportunity to appeal that decision to an impartial body. Discrimination based on age must be stopped. Firms should be required to write insurance in low-income areas that are contiguous to their present region of operation.

Special factors presently used to determine a driver's eligibility for coverage should be fully justified by the industry. Legal conditions should be included within each policy to penalize a firm for refusal to settle a worthy claim within a reasonable period of time. The insurance companies themselves must be insured, similar to the way in which the Federal Deposit Insurance Corporation insures the Nation's banks. Finally, and above all else, Congress must insure that the promises made by the insurance companies are clearly understood by the policyholder, that they are fair, and that they are kept.

These and other specific points should be studied in depth before the Congress proceeds to enact legislation. For this reason, I have informed Mr. Staggers, chairman of the Interstate and Foreign Commerce Committee, that I am willing to have my own bill—H.R. 4007—held in abeyance until the study called for in House Joint Resolution 958 has been completed. This broad analysis of the policies and practices of the American automobile insurance industry has my full support, and I strongly urge that it be completed at the earliest practicable of the Department of Transportation. Mr. Secretary.

Mr. Moss. Thank you for your views Mr. Farbstein.

Our next witness today is the Honorable Alan S. Boyd, Secretary of the Department of Transportation, Mr. Secretary.

STATEMENT OF HON. ALAN S. BOYD, SECRETARY, DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY M. CECIL MACKEY, ASSISTANT SECRETARY OF TRANSPORTATION FOR POLICY DEVELOPMENT

Secretary BOYD. Thank you, Mr. Chairman, and members of the committee.

I am accompanied today by Mr. Cecil Mackey, Assistant Secretary of the Department of Transportation for Policy Development.

Thank you for inviting me to testify on House Joint Resolution 958.

This resolution authorizes the Department of Transportation, working with the Federal Trade Commission and other Government agencies, to undertake a comprehensive study of the motor vehicle accident compensation system. I welcome the proposed study.

Last week, the Subcommittee on the Consumer of the Senate Commerce Committee held hearings on the Senate counterpart of the House resolution—Senate Joint Resolution 129.

I am pleased by the many endorsements of this study and pledges of cooperation from the industry, the legal profession, and leading experts in this area.