

tion. And so there should be a substantial deductible clause; second, there should be a coinsurance clause so that the insured would have an interest in the settlement of the claim. This coinsurance clause and deductible clauses eliminated a great many of the smaller claims. It would give the parties involved if it were applied to auto insurance, a feeling that the insured was himself carrying some of the risk. The insured and the injured parties would have an interest in keeping the claim costs down. This, in turn, would keep the premium down.

My father, who had been in the State senate, said, "Well, Hastings, if you offer that plan, they will say you are in cahoots with the insurance companies, you are not looking out for the policyholder"; so, too, did Governor Herter. They advised me against this thing. I, incidentally, was not in the general insurance business but I was associated with it, in that my father and brother were in that business.

One of my colleagues in the State senate, Richard Lee, who had won by 10,000 or 11,000 votes in 1952, thought that it was a good plan and he filed a bill in the State legislature which would have provided a study of the proposal that I have just outlined. His opponent did exactly as Mr. Herter and my father said they would. This was the chief campaign issue in the campaign that followed. Lee won but only after a recount.

I would like, however, forgetting the political overtones that we have discussed here, to have you comment as to whether or not there is any merit in the application of this approach which I suggested at that time to the problem that confronts us today.

Mr. SARGENT. Yes, Congressman, I think there is great merit in the possibility of doing either of two things. You certainly could cut down appreciably on the cost of insurance by writing a policy whereby the person who was injured had a certain deductible which he had to endure the cost of, himself.

How much this would be, I don't know. How much it would be eroded over the years by juries and judges simply adding onto the amount of recovery because they knew there was the exclusion for the first \$100 or \$200 or \$300 in the form of deduction, but at least that is one possible approach.

Another approach is the one you suggested, in effect you are not insuring a person against liability for the first \$100, \$200, or \$300 worth of damages which may be assessed against him.

You are making him be a self-insurer with regard to that loss. I think there is no question but what this, No. 1, would result in greater highway safety and; No. 2, it is certainly going to result in a considerably smaller insurance premium charge.

By the way, on that same point, I am sure you are familiar with a proposal made by your colleague, Congressman Cahill from New Jersey. We had a seminar—

Mr. MOSS. We will hear from him tomorrow.

Mr. SARGENT. He, I am sure, will give you another suggestion dealing with the problem of the small claim which I think is a very novel and very interesting one.

Mr. KEITH. Thank you, Mr. Chairman.

Mr. MOSS. Mr. Guthrie.

Mr. GUTHRIE. Dr. Sargent, you have indicated that you find a study desirable. You have endorsed House Joint Resolution 958. Consequently, you apparently feel there are some problems in this area.