

Harold Scott Baile, Senior Deputy General Manager and General Counsel, General Accident Fire and Life Assurance Corp, Ltd.
(The statements referred to follow:)

STATEMENT OF T. LAWRENCE JONES, PRESIDENT, AMERICAN INSURANCE ASSOCIATION, NEW YORK, N.Y.

My name is T. Lawrence Jones and I am President of the American Insurance Association, a trade organization of 169 stock insurance companies writing property and liability insurance. Practically all of our member companies sell automobile insurance policies throughout the nation. The sales representatives of these companies are independent agents and brokers. Some of our companies file or promulgate their insurance rates independently; some belong to rating organizations which file or promulgate rates for them.

We welcome the opportunity to appear before you today. American Insurance Association and its member companies on a number of occasions have strongly and publicly supported state and federal studies of automobile insurance and the underlying tort liability system. Specifically, we urge passage of Senate Joint Resolution 129, authorizing the Department of Transportation to undertake a comprehensive and detailed study.

As an industry we are very much aware of criticism about the present system or systems of compensation of automobile accident victims and of automobile insurance as to its role and performance in that system. We have endeavored to analyze and understand these criticisms and to respond to them. In doing so we have had to come to the conclusion that the criticisms were not directed to basic problems but to symptoms of basic problems.

The criticisms have been directed to the rising cost of automobile insurance, the alleged slowness in the paying of claims, the unevenness of recovery by accident victims, the difficulty of some car owners in obtaining insurance, and the fact that some victims do not recover at all.

The industry has not failed to respond to any of these complaints. However, the efforts to treat them have revealed to us that the real problem was not the specific objectives of criticism but the nature of the present system of compensation and a question as to whether it measures up to the expectations and desires of society today.

As far as automobile insurance is concerned, we are convinced that much of the criticism results from a misunderstanding of the role that insurance plays in the present system. The rising costs and number of accidents have created a price squeeze for the industry. The prevailing rate levels are not adequate to cover the risk of some drivers and thus their policies are very difficult to place on a voluntary basis.

We want to make several comments about these criticisms and present the industry's analysis and response to them. We would observe here that the number, scope and complexity of the problems argue well for the passage of S.J.R. 129, and the need for the comprehensive study it authorizes.

MAJOR NATIONAL PROBLEM

The operation of 96 million motor vehicles by 102 million licensed operators in the United States illustrates the scope of the subject we are considering. Though insurance is a mechanism for economic security subsidiary to the auto itself, its widespread need and recognized worth has made auto insurance a service of major significance to the general public. When related to accidents, injuries, death, economic loss, and the method of compensating the auto accident victim, it is not surprising that the operations and functions of insurance companies have attracted so much public attention.

The issues involved are truly national in scope; they differ only in degree from state to state. Therefore, a comprehensive survey is appropriate. In our estimate, the Department of Transportation is eminently equipped to supervise that study, particularly in view of its previously assigned responsibility in the field of traffic safety.