The position of the insurance business in the general frame of reference is frequently misunderstood. We are long past the point of recognizing that the automobile is a necessity of life. It has become such an integral part of our economy and society that no man and no business can escape concern and responsibility for the vitality of the traffic system.

COST OF INSURANCE

The cost of automobile insurance is one of the major causes of complaint in recent years. Yet the cost is a product of our total experience.

The business of insuring automobiles is a highly competitive one with more than 900 companies actively writing these policies in the United States with premiums of $9.6 billion written in 1966. Against a 1966 backdrop of 53,000 traffic fatalities and 3,710,000 traffic injuries resulting from 13,600,000 accidents, it is evident that an enormous human problem is basic to the total subject.

With accidents and their economic consequences constantly on the increase, private passenger automobile insurance premiums countrywide rose 23 per cent from January 1, 1960, to December 31, 1966. From 1958 to 1966, average claims costs for auto property damage rose 46 per cent and average claims costs for bodily injury rose 31 per cent. The economic cost of auto accidents to the American public is currently estimated to be $13 billion a year.

At the heart of these statistics is accident prevention, which is fundamental to the reduction of automobile insurance costs. The frequency of accidents and the surging cost of claim settlements must be controlled and made manageable as a prelude to reversing the upward trend of auto insurance rates.

TRAFFIC SAFETY

The American Insurance Association companies have a long record in the traffic safety field. It is frequently overlooked, particularly today with the stress on car safety design, that the insurance industry was in the forefront of driver education and literally financed and nurtured the traffic engineering profession. We are proud of these accomplishments and of many others in the field of highway safety. We support the activities of the National Highway Safety Bureau and strongly endorse those federal and state programs directed to raising the standards of traffic safety and compliance so vital to effective programs. In addition, we are one of three auto insurance trade associations supporting the Insurance Institute for Highway Safety based in Washington, D.C.

REGULATION

The insurance business is subject to state regulation and supervision. Our organization has long been committed to the system of state regulation, and we are dedicated to making it a viable and responsible governmental concept with full regard for the primary public interest. With particular reference to rating laws and regulations, we believe in a flexibility of pricing our product so that the business can respond to the needs of the market place and make insurance available to the public at all times and under conditions which allow insurers to make a reasonable profit.

MARKET SUPPLY PROBLEMS

In the decade from 1956 to 1966, the automobile insurance industry has suffered a series of annual underwriting losses from automobile liability insurance. If it were not for income from investments, the consequences would of course be much worse. These unsatisfactory operating results have been the root cause of many complaints about automobile insurance. In the presence of continued annual auto insurance losses, there has occurred a constriction in the market availability of automobile liability insurance. This could be predicted for any business enterprise whose operations were not producing a reasonable return. This constriction has had undesirable consequences in the field of underwriting practices and with regard to cancellations and non-renewals of policies. Although company underwriting practices from time to time have been criticized, we believe that overall the insurance industry is doing a responsible job in making liability insurance available to motorists.

Automobile liability insurance is in quite a different position from other products and services. With regard to other products and services, the seller's concern is usually with the buyer's desire to pay at the prevailing price. The motorist regards liability insurance as essential. In fact, it is a "must" for most prudent