

car owners. For the driver who has been involved in accidents, the essentiality of insurance is even greater. Thus, in many cases, the person who is most in need of insurance so that he can continue to operate his car is, in fact, not infrequently an undesirable risk at prevailing insurance rates because of his poor driving record.

Cancellation and non-renewal practices in recent years have come under critical observation. "Cancellation" refers to policy termination by the insured or the company during the policy term. "Non-renewal" refers to the decision not to continue an existing policy at the expiration of its stated term.

Since 1961 our companies have voluntarily restricted their rights to cancel after the initial 60 days of the policy period, which period is needed to investigate and review risk information. In December 1967, the voluntary non-cancellation plan was very substantially revised. Today, there are only two reasons for cancellation: (1) failure to pay premiums and (2) suspension or revocation of a driver's license or registration. While these are voluntary steps, American Insurance Association, with other groups, is sponsoring in all states legislation designed to confine cancellation by the insurer after the first 60 days to non-payment and suspension or revocation of license or registration.

Our member companies are certainly sensitive to the insurance requirements of motorists. As a supplement to the voluntary market, it should be noted that automobile assigned risk plans are available to provide liability insurance in all states.

PRODUCT DEVELOPMENT

It is sometimes overlooked, and certainly rarely fully understood, that the automobile liability policy has been expanded over the years to afford broader protection and to provide supplemental benefits to meet new public demands. It has been greatly broadened and supplemented through—

- (1) extension of drive-other-car coverage,
- (2) automatic substitute automobile coverage,
- (3) medical payments coverage,
- (4) uninsured motorist protection, and
- (5) voluntary limitation on the right of companies to cancel.

These new features add to the cost of the policy but we think they are fully warranted in terms of the added protection afforded by them.

COURT INTERPRETATION

We are all aware of the trend in the courts to interpret policy provisions adversely to the insurer and to construe existing laws to assure a monetary recovery for traffic accident victims. These trends have added substantially to the cost of automobile liability insurance and clearly raise the question as to whether the courts are actually seeking an accident reparation system rather than a tort liability system based on the concept of fault.

CLAIM HANDLING

The handling of claims is a most important function of any liability insurance company. All meritorious claims should be promptly and fairly paid; on the other hand, it is the obligation of an insurer to resist claims when there is no liability. It is the latter responsibility which frequently places insurers at cross purposes with other social aims. Insurance companies, for example, are under constant pressure from the courts to settle cases, including cases of very doubtful liability, the purpose being (1) to avoid an overwhelming backlog of suits on the court's calendar and (2) to compensate traffic accident victims.

While the figures may differ in urban as compared to rural areas, it has been estimated that in New York City (a highly litigious area) 60% of all personal injury claims, not just automobile, are concluded without the institution of a lawsuit. Of the approximately 40% that result in suits, less than 4% of the total number of claims reach trial and less than 2% are actually tried to verdict. Thus, it is clear that the processing of this mass of personal injury litigation is vitally dependent upon settlements by insurers. As an illustration of the importance of the settlement process to our courts, liability insurers were told by a distinguished lawyer and former judge that, if liability insurance companies in New York City reduced the number of claim settlements by as little as 5%, the impact on the courts would be catastrophic and the whole system would collapse in a matter of months. Insurance companies are acutely aware of their settlement responsibility and their part in making the system work.