

Yet, the selling of automobile insurance policies is our business. Surely we have reached some sort of milestone in economic history when sellers are reluctant to expand the market for their product to meet consumer demand.

The key to this paradox, in our judgment, lies in the lack of opportunity for profit from automobile insurance operations. Measured according to the most unfavorable accounting practices critics would impose upon us, individual company rates of return range from the intolerable to the unsatisfactory. My own company has had five successive years of underwriting losses from automobile insurance and the industry as a whole has had a decade of unprofitability.

In an effort to improve, and in most cases to restore, profitability, companies have tightened their underwriting standards and attempted to select policyholders who they believed were less likely to become involved in accidents. Tight markets are the inevitable consequence of an inability to provide coverage at a premium level which realistically reflects the cost of insurance protection.

At a time when automobile insurance is recognized as a necessity for all those who are permitted to operate a motor vehicle, it is understandable that market restrictions and unavailability of coverage should receive the attention of the public and the Congress.

Senate Joint Resolution 129 contemplates a comprehensive study of the system of reparations for the victims of automobile accidents and of the marketing of automobile insurance which is geared to that system. The public's need for protection surely justifies this study. We hope the inquiry will prove both penetrating and searching and will be undertaken in the broadest possible context. From our experience, the overall problems which have been identified are not conducive to piecemeal analysis of symptoms but rather require a searching in-depth inquiry into the underlying and interrelated causes which bring on these symptoms. The scope of the study contemplated by Senate Joint Resolution 129 recognizes this and offers the opportunity for such thorough analysis. We believe such an investigation will yield constructive suggestions for solving the many problems which we now face.

As a prelude to this study a review of what Aetna and other companies have done in the areas of cancellation and nonrenewal to increase the availability of automobile insurance may be useful.

Automobile insurance coverage is generally issued for a term of one year. Both the policyholder and the company may refuse to renew the policy at the end of this period. While historically both the insured and the insurer also could cancel coverage upon notice to the other at any time during the policy period, today the insurance company no longer has the privilege of unrestricted cancellation.

A decade ago, my Company recognized its obligation to the public not to cancel an automobile policy during its term except in those few instances where the insured was demonstrably uncooperative or presented a previously unknown hazardous exposure which created the probability of substantial loss.

Then in 1962 Aetna Life & Casualty and other companies voluntarily restricted their right to cancel a policy except for the following reasons:

1. Nonpayment of premium.
2. Obtaining insurance through fraudulent misrepresentation.
3. Violation of any of the terms or conditions of the policy.
4. Where the named insured or any customary operator of the automobile:
 - (a) Had his license suspended or revoked.
 - (b) Had epilepsy or a heart condition, subject to a physician's certification with respect to ability to operate a motor vehicle.
 - (c) Was convicted or forfeited bail during the previous 36 months for felony, criminal negligence from the operation of a motor vehicle, driving while intoxicated, hit and run, theft of a motor vehicle or made false statements in applying for a driver's license.

And now, as of January of this year, my Company and many others have agreed not to cancel an automobile insurance policy unless the insured has failed to pay the premium or has had his license or motor vehicle registration suspended or revoked. This pledge applies to all present insureds and, after the first sixty days, to all new insureds.

Returning to the subject of nonrenewal, my Company has not been willing to guarantee renewal of all of our present policies because such action could jeopardize our financial well-being and ultimately our solvency. To agree to sell a product indefinitely into the future in the absence of control over the price of that product would be foolhardy indeed. We did, however, earlier this year