

The Mutual Insurance Rating Bureau, an automobile liability insurance rating organization, estimates that, in 1967, there were 5,700,000 claims paid or reserved involving property damage. Cases which are closed without payment are not reported to the rating organizations, so there is no known figure as to the countrywide number of cases closed without payment. Knowledgeable people estimate that the number of cases closed without payment, however, is approximately 30% of the total. Therefore, the total number of property damage cases, including those which are closed without payment, those on which there is a payment, and those on which there is a reserve held, would be approximately 8,143,000. Property damage cases are rarely involved in court procedures and consequently are not considered in the balance of the data furnished you herein.

In 1967 the Bureau estimates that there were 1,600,000 claims paid or reserved involving bodily injury or death. Using the same 30% estimate in order to arrive at the number of total claims, including those that are closed without payment, results in a figure of 2,285,000 total bodily injury or death claims in 1967 in the U.S.

In our preceding testimony, Mr. Smith mentioned that 97 to 98% of all automobile accident claims are settled without the necessity of a trial. This referred to bodily injury or death claims.

Thus, Mr. Chairman, the 2 to 3% which do go to trial would amount to 45,000 to 68,550 cases per year, on a countrywide basis. As has been pointed out in our testimony and that of others, the delay which occurs is primarily in a relatively small number of our larger urban areas. Therefore, the number of cases which do go to trial and which are subject to delay is obviously less than the total number of cases which are settled through the trial procedure. We would emphasize that the above figures are our best estimates.

Mr. SMITH. On the matter of cancellations, the principal stock and mutual rating bureaus have had in effect for the past five years a program of voluntary restrictions on the right of their members and subscribers to cancel private passenger automobile liability policies.

As of January 1, 1968, the right to cancel was further restricted to just two allowable reasons: Nonpayment of premium or loss of driving privileges.

In addition, the guarantee against cancellation was extended to other coverages such as collision, fire, and theft.

The alliance has publicly declared that it will support State legislation requiring all companies writing automobile insurance to meet a similar standard.

The alliance likewise has been responsive to criticisms of the automobile liability system, which sets the ground rules for the settlement and adjudication of claims.

While the insurance industry is not basically responsible for that system, we are nevertheless deeply involved in it. Our companies felt that they had a responsibility to participate in efforts to make the system more responsive to changing public needs and expectations.

Mr. Chairman, if I may interject, I would like to come back to the discussion between Professor Conrad and Mr. Watkins about the pain and suffering.

You see, this was brought about by the legal system.

Professor Conrad commented about how we—and I don't know whether it was meant critically or not—are charging to take care of the pain and suffering which we would pay out on behalf of our policyholders' liability. But you see, we are caught up in the legal system. We think we are providing a service here.

Mr. Moss. I think the professor made it quite clear that it was his opinion that that portion of the recovery normally went for counsels' fees and he did not attempt to assess blame. He merely explained the evolution of the system without assessing blame.