

Mr. SMITH. I bring this up just to point out how we in the insurance industry, Mr. Chairman and gentlemen of the committee, are interwoven in the liability system and how certain things can come about as a result of the operations of that system which we really are not responsible for but we try to improve the situation, being related to it.

Mr. WATKINS. I agree with you; you are not responsible for it.

Mr. SMITH. Thank you, sir.

Accordingly, more than 5 years ago the alliance began looking for ways to accomplish that objective. We discovered that there was very little available in the way of authoritative data on which valid judgments could be based.

In an effort to overcome this information gap, we embarked in 1962 on a research project involving detailed analysis of about 26,000 auto accident claims.

While the project was underway, other researchers were turning up additional information—on the economics of automobile injury reparations, on the attitudes of claimants, on the effectiveness of the American jury system, and on such related subjects as court congestion.

A high-level committee of alliance company executives began working with this new body of information, evaluating the present system and looking for ways to improve it. One result was a report strongly urging the need for change and suggesting a number of already tested measures which could be taken to get more people paid.

Since then, we have embarked on a bolder and more imaginative approach to auto insurance reform with the development of a test program called guaranteed benefits.

The alliance, plus a number of nonmember insurance companies, both stock and mutual, already are experimenting with this new claims-handling program in two Illinois counties.

Another major experiment will start in the near future in New York State. There has been widespread favorable reaction to the guaranteed benefits experiment from legislators, the press, members of the public, and officials in many States.

The whole idea of the guaranteed benefits experiment is to find out from auto accident victims themselves what kind of changes they want made in the present automobile insurance system and what effect those changes would have on the cost of insurance.

Our objective is to perfect a new way of handling claims that will pay more people, pay them quickly and equitably, and eliminate the irritants which have created dissatisfaction with the present system. We also hope to stabilize the cost of automobile insurance for all categories of motorists.

We believe that these objectives can be accomplished without sacrificing the desirable features of the present system. Just as our system of government has evolved within the basic framework established in 1789, we believe that the practical changes desired in the handling of auto accident claims can be made within the basic framework of our long-established legal system.

For example, the guaranteed benefits plan preserves the right of every claimant to have his day in court, if he desires one. Our experimental plan also preserves those aspects of the present system which