the effect of the bill would be higher rates on all auto insureds, good and bad risks alike, and its ultimate effect would be to shift responsibility and the *financial burden to the federal government without helping the consumer.* We oppose this because we sincerely believe this to be a state responsibility that can and will be met by the states.

I believe that a careful and concerned study will find other solutions at levels of government closer to the people and less expensive to the federal government.

Last July your chairman requested Secretary Boyd of the Department of Transportation to prepare a preliminary report setting forth guidelines and techniques necessary for this study of the automobile insurance system. In his letter your chairman indicated four areas to be included in such a study; (1) an analysis of the present United States system of compensation for vehicle induced accident losses; (2) an examination of existing governmental supervision of auto insurance; (3) a comprehensive review of the existing system as it affects the insured motorist; and (4) an examination of alternatives to the existing system of compensation such as the Keeton-O'Connell plan.

Such a study is a sound approach to the complex problems which must be resolved. A dispassionate searching examination would do much to cure the misconceptions which have recently been presented to the public and have gained a certain amount of acceptance by Congress and the press.

THE HOUSE JUDICIARY ANTITRUST SUBCOMMITTEE STAFF REPORT ON AUTOMOBILE INSURANCE

At the request of Congressmen Peter W. Rodino, Jr. and William T. Cahill of New Jersey, the chairman of the House Judiciary Antitrust Subcommittee directed that the staff report relating to its six-week investigation of the automobile insurance industry be published. The staff report recommended that the House of Representatives pass a resolution authorizing the FTC to conduct an investigation of the automobile insurance system and of state regulation of the industry.

As part of the report a large amount of statistical data was included. This data is misleading and founded up improper assumptions. Lest these assumptions be accepted by this Committee and the study group which will be formed, I wish to discuss some of these erroneous assumptions that appear in both the Dodd Staff Report and the House Judiciary Staff Report.

I. Insurance companies' insolvencies

Both staff reports on automobile insurance contain seriously misleading statistics with regard to insurance companies' insolvencies. Specifically, insurance company insolvency totals used by the Dodd Staff Report and cited by the House Judiciary Staff Report pictured 300 thousand automobile claimants "seeking" an estimated $600 million out of collectable assets of $25 million." It is noteworthy that both of these reports use the $600 million amount within the context of automobile claimants even though each of them must be fully aware that the total includes the wildest sort of payments for almost any type of business debt.

Reliable data obtained from receivers or trustees by state insurance departments shows that figures used in the staff study are wholly unreliable. Moreover, such estimated losses do not necessarily represent the amount which would or might have been recovered from the insurers, in the ordinary course of business, if the particular insurers had not become insolvent. Rather the figures used are apparently based upon *the damages demanded by the claimant.* The reports received indicate that this figure is inflated by over 500%.[1] During the period 1960–1965 actual losses paid by all insurers to automobile policy-holders and claimants aggregated $21 billion. Even on a most liberal basis, the ultimate policy loss to claimants from insolvency with regard to automobile insurance is approximately $6 million annually. Actual losses to automible claimants of insolvent companies have not been great when compared to the total losses paid or to the premium volume of the insurance industry. Both staffs were provided with this information, yet their reports do not reflect these figures.

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[1] On the basis of information obtained from receivers and trustees total bodily injury and property damage claims totaled $106,836,636 from automobile accidents, and estimated claimant loss was $16,725,488. These figures are a far cry from the $600 million cited in both staff reports. These figures can be expected to be reduced with the changes in state legislation.