

III. Automobile insurance premiums

The study prepared by the staff of the House Judiciary Antitrust Subcommittee to demonstrate the high automobile insurance premiums included Albany, New York in a comparison of passenger car liability rates of the 50 state capitals. The defect in the comparison is obvious and arises from specifying *one* rating territory of a state instead of the average statewide liability rate. Another inherent fallacy in such a comparison which is not so obvious is the particular *rating classification* specified by the Committee staff. In this case, about 7% of the nation's cars are in the specified rating classification, while 90% are subject to lower rates and only 3% are subject to higher rates.

The Albany, New York comparison typifies the misleading nature of prior studies and in this particular situation led one columnist to observe that there had been a 38% increase in all of New York State's liability premium rates. In fact the average liability rates for New York State, including Albany, for a seven-year period increased only 11.3% and in New York City rates only increased slightly less than 1% for the same seven-year period. The staff of the House Judiciary Committee and I both obtained this information from the National Bureau of Casualty Underwriters, yet there is this disparity in the figures presented.

One other point which I would like to make before moving to another topic is the claim that insurance rates are too high. Certainly the above mentioned staff reports would seem to support that claim. But what is the frame of reference for this allegation? For the same seven-year period just mentioned the Consumer Price Index rose 13%. For the seven-year period from 1960-1967 hospital costs have increased about 64%, medical costs have grown by some 25%, while per capita income itself has moved up some 32%.

Insurance costs like other living expenses have been caught in the cost spiral. In addition to these comparisons, the following figures should be noted:

Automobile thefts have increased 111% in the period from 1956-1966, some 535,225 cars were stolen in 1966 and property loss as a consequence has increased commensurately. The increased traffic statistics are staggering. In 1966 there were approximately 94 million motor vehicles registered, a 24% increase over 1961. In 1966, 52,500 people were killed in automobile accidents and almost 2 million people injured, an increase of over 36% since 1961. This increased loss of property and injury to life and limb has necessarily meant increased costs. Yet insurance rate increases have been moderate. A recent study conducted by the Texas Insurance Department concluded after a nationwide review that the national average premium *paid* for private passenger car basic bodily injury liability insurance at 10/20 limits in 1966 was only \$3.60 per month.²

The study which has been proposed by Senator Magnuson and Congressman Moss should look into these problems, not merely for the purpose of pointing an accusatorial finger at the automobile insurance system and state regulation, but to ascertain the precise facts.

STATE REGULATION

It is unfortunate that reports such as the House Judiciary Committee Staff Report have as a general proposition stated that state regulation of this industry is inadequate. I for one am appalled at such a "shotgun" statement and frankly I believe that this is one area which should be studied to clear the air of the innuendo. The implication that State Insurance Commissions are not objective or are overly sympathetic to the industry which they are charged with regulating is simply not justified. I suppose this kind of charge can be leveled at any government agency, indeed it is frequently raised against federal agencies.

The states are constantly improving themselves in this area of regulation as is demonstrated by changing statutes with regard to uninsured motorists, insolvency coverage and the establishment of guidelines for cancellations and nonrenewals. By its very nature insurance deals with local problems—hail in Louisiana, floods in Florida, droughts in Texas, etc.—and local people. Accordingly, it is better regulated by people who know the local problems.

I should now like to make a brief reference to the McCarran-Ferguson Act, P.L. 15, 79th Congress, 1945. The purpose of this enactment was to preserve the role of the state in the insurance industry and it has effectively done so. The states have responded to the provisions of the McCarran-Ferguson Act, and its

² It should be noted that due to variation in basic limits, amounts between the states and rating formulae, most insureds pay less than the \$3.60 average.