Other facilities incidental to its use have been hard pressed to match the pace; and highway systems, parking facilities, facilities for manufacturing fuel, tires, accessories, etc., and for providing services, had to be developed; and whole new systems of marketing these products and services have evolved to accommodate the almost universal public use of the automobile.

Many of these allied products and services did not develop in an orderly fashion. The pace was hectic, and development was frequently disorderly. Competition demanded a high degree of innovation and efficiency. Experimentation has been essential; false starts have had to be abandoned; and radical changes have had to be made in systems which became obsolete before they could be completed.

The insurance industry reacted to the automobile as did many other industries. Existing companies broadened and adapted their facilities; whole new specialty companies emerged; and the insurance industry provided policies for insuring the car, its equipment and accessories, towing and road service, loss of use, accidental injury or death, and, most important, policies for insuring legal liability arising out of the ownership and use of the automobile. All of these insurance facilities are part of the existing compensation system for motor vehicle accident losses and, therefore, are part of the subject of the proposed study.

As in other competitive industries, all of these insurance facilities are constantly being changed and improved; that is, all but one—legal liability insurance.

By its nature, legal liability insurance protects the assets of the insured against depletion through legal liability and the cost of defending lawsuits. The coverage afforded under this particular insurance system varies, therefore, in accordance with changes in the method by which legal liability is ascertained and measured; in the case of the automobile, tort law.

This system is, of course, beyond the power of the industry to change unilaterally. Maintenance of the orderly rule of law precludes the false starts, experiments, and innovations by which other industries have reacted to the rapid evolution of the automobile, but the tort liability law by which legal liability is ascertained and measured is fundamentally unchanged from that which applied before the automobile became common.

The acknowledged public dissatisfaction directed at the automobile liability insurance field is, in fact, a criticism of the tort liability system.

The public has come to accept a substantial number of automobile accidents as virtually unavoidable, and is obviously willing to accept the physiological consequences as part of the cost of using automobiles, but it has also come to expect that all victims of these accidents be compensated.

To be sure, insurance which will individually provide such compensation is readily available in the form of accident and sickness insurance. A great variety of coverages, tailored to suit the individual needs of the purchaser, are available, and new coverages are readily devised as new needs emerge.

But the public has come to look to automobile liability insurance, rather than accident and sickness insurance, as the source of compensation for accident victims, perhaps because they are virtually compelled to buy this form of insurance, or perhaps because having accepted the accident toll as "unavoidable," they feel that some absolute liability should attach to the operation of the automobile. In any event, purchase of both accident insurance and automobile liability insurance is too expensive and usually results in a duplication of coverages. One of the facts which should be developed in the course of this study is the reason for the public attitude toward automobile liability insurance and the extent to which the general public demands that it perform as a no fault compensation system.

Another major area of discussion and criticism of the insurance industry has centered about its ratemaking, underwriting selection, and cancellation practices.

In my opinion, most of these criticisms are traceable to a single factor, and that is the public regulation of insurance rates and underwriting practices which has the effect of substituting regulatory authority for the more effective forces of competition.

Insurance companies deal in matters involving the economic survival of individuals and family units, as well as businesses and industries, and in these dealings they commit themselves to performance and obligation in the future. Public regulation of such activity is clearly warranted to assure that companies are economically capable of performing and do, in fact, perform as they have contracted to do.

However, it appears to us that considerably more attention has been given to ratemaking data and insurance ratemaking than to regulation for solvency.