

## Should Automobile Insurance be Nationalized in the Province of Quebec?

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## Should Automobile Insurance be Nationalized in the Province of Quebec?<sup>1</sup>

*by*

GÉRARD PARIZEAU

A good many people contend that the solution to the problems of automobile insurance in the province of Quebec lies in nationalization. A variety of arguments are brought forward. It is our intention to analyse some of them in this article, while trying to give as concise a picture as possible of the current situation, at the same time suggesting long and short term solutions which, without resorting to nationalization, would considerably alleviate the expenses and reduce the problems of this major industry, with which we are all directly or indirectly connected.

<sup>1</sup> M. Hussein Enan a bien voulu traduire ce texte, qui a déjà paru en français dans le numéro de janvier 1971 de la Revue. Je l'en remercie. G.P.

The main arguments used by the exponents of nationalization are :

a) The province of Saskatchewan has a government-run automobile insurance plan, which must produce good results since insurance in that province costs much less than in the province of Quebec.

160 b) Administrative expenses incurred in connection with automobile insurance are considerably lower in Saskatchewan (16.3%) than in Quebec (41%).

It is further argued that automobile insurance should be made compulsory.

Let us examine each of these three elements as objectively as possible.

The first is the comparison made between Saskatchewan and Quebec. Prima facie, the considerable disparity in the cost of automobile insurance between these province appears to be unjustified. However, a moment of thought leads to the conclusion that no valid comparison may be made between the two, since there is hardly any common denominator on which such a comparison can be based. Saskatchewan is a flat country and its roads were laid-out much more recently than those in Quebec, where the majority of secondary roads (by far the longest) for a long time only connected houses, and later villages; most of them have been improved, but not sufficiently. Only major highways conform to recognized standards. Furthermore, there is much less traffic in Saskatchewan than in Quebec, since the population of the former is much smaller, and urban centers are not as populated as those of Quebec. It should also be noted that while traffic circulates mostly on flat roads in the one instance, it is partly in hilly and mountainous country in the other. If a valid comparison is sought between two geographical areas, then Sas-

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katchewan should be compared to Alberta, where the soil, the population,<sup>1</sup> the design of cities and the density of traffic are practically identical. With this in mind, let us now turn to the findings of the Insurance Bureau of Canada study conducted in the province of Alberta, which mentions that, in many cases, Alberta rates are lower than those of Saskatchewan. As supporting evidence, here are a few examples : <sup>2</sup>

|                         | First Group<br>(1 or 2 drivers,<br>aged 25 or<br>more; 3 years<br>claim free<br>record) <sup>3</sup> | Second Group<br>(1 or 2 drivers,<br>aged 25 or more;<br>3 years claims<br>free record;<br>drive to work<br>less than<br>10 miles) <sup>3</sup> | Third Group<br>Farmers <sup>2</sup> | Fourth Group<br>(Business and<br>pleasure; no<br>drivers under<br>25; 3 years<br>claims free<br>record) <sup>3</sup> |
|-------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| 1) Alberta :            |                                                                                                      |                                                                                                                                                |                                     |                                                                                                                      |
| Calgary and<br>Edmonton | \$73                                                                                                 | \$ 91                                                                                                                                          | \$66                                | \$112                                                                                                                |
| Medicine Hat            | 70                                                                                                   | 79                                                                                                                                             | 63                                  | 96                                                                                                                   |
| Peace River             | 88                                                                                                   | 100                                                                                                                                            | 77                                  | 122                                                                                                                  |
| 2) Saskatchewan :       | 90                                                                                                   | 90                                                                                                                                             | 90                                  | 90                                                                                                                   |

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Saskatchewan rates are lower in respect of cars used for business and pleasure purposes, but with very few exceptions, they are higher in all other cases, despite the fact that automobile insurance is in the hands of private enterprise in Alberta. This weakens considerably the pro-nationalization arguments, especially considering that an identical situation

<sup>1</sup> In 1966, Saskatchewan had two cities with populations of more than 100,000; Regina (131,127) and Saskatoon (115,892). Moose Jaw was third largest with 33,417 inhabitants. Similarly, Alberta during that same year had two cities with a population exceeding 100,000 : Edmonton (376,925) and Calgary (330,575); the third largest was Lethbridge with 37,186 inhabitants.

<sup>2</sup> Based on three cars : Chevrolet Bel Air, Ford Custom and Plymouth Belvedere, 1969 models and coverage : bodily injury and property damage : \$35,000; medical expenses : \$2,000 death and dismemberment with a \$35 weekly indemnity; all risks with a \$250 deductible for collision and \$25 for combined coverage. In short, coverage is practically identical.

<sup>3</sup> The distribution among the four categories is as follows : pleasure only : 24%; pleasure, including driving to and from work (less than 10 miles) : 32%; farmers : 4%; business and pleasure : 4%.

prevailed in Manitoba, which is geographically comparable to Saskatchewan. It is true that the automobile insurance industry has just been nationalized in Manitoba as well, this step being taken not for technical reasons but rather to fulfill a pledge made as an electoral platform; moreover, it should be remembered that the law was passed with a majority of one vote only.

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A comparison may be made between the provinces of Quebec and Ontario although the disparity in premiums between the two is important. Thus, the respective premiums based on the 1970 rates in Montreal and in Toronto, for a Chevrolet Impala<sup>1</sup> were as follows :

Montreal : \$344 — Toronto : \$196

If the Toronto premium was 43% lower than the one applicable in Montreal,<sup>2</sup> there are many reasons to explain the difference. The first is of a statistical nature, and is obtained from the official figures compiled by the Canadian Underwriters Association in the "Green Book",<sup>3</sup> which gives the results of insurance companies in all provinces except Saskatchewan, the latter not being a member of the Association. Here are the comparative figures :

|                                                                    | Quebec | Ontario | Difference<br>in Quebec |
|--------------------------------------------------------------------|--------|---------|-------------------------|
| Annual frequency per 100 cars insured, in 1969 <sup>4</sup> ... .. | 12     | 8.7     | + 38%                   |
| Average cost of claim — same period ... ..                         | \$830  | \$752   | + 13%                   |

<sup>1</sup> Chevrolet Impala 1970, used for business and pleasure purposes; no drivers under 25. Coverage : Third Party Liability (\$100,000), Medical Expenses (\$2,000), Collision (\$100 deductible), Comprehensive (\$25 deductible). 1970 Rates.

<sup>2</sup> The difference is comparatively less, as 1971 rate increases are higher for Ontario than for Quebec.

<sup>3</sup> An annual publication of the Insurance Bureau of Canada, which, by using a uniform method, tabulates the statistical results of automobile insurance in all provinces except Saskatchewan.

<sup>4</sup> In respect of bodily injury and property damage caused by vehicles used for business and pleasure purposes — excluding farmers' vehicles. Other statistics based on different data, give us an even worse picture. Thus, in the Insurance Bureau

In Quebec, the claims frequency was 38% higher than in Ontario in 1969 and the claims cost 13% more during that same year. If the pure premium for bodily injury and property damage in Montreal and Toronto is computed (i.e. the number of accidents multiplied by their average cost, the product being divided by the number of insured vehicles), the following results are obtained :

|                             | Montreal | Toronto | Difference<br>in % |
|-----------------------------|----------|---------|--------------------|
| Average pure premium ... .. | \$102    | \$72    | 29,5               |

This is a first justification of the difference in premiums between Montreal and Toronto, so far as bodily injury and property damage are concerned; this being the most important element of the premium.<sup>1</sup>

There are other causes for the difference in premium however; some being of a judicial, and some of a technical nature :

i) In common law provinces — among which is Ontario — a driver is responsible towards his passengers only in cases of gross negligence. In the province of Quebec, the slightest fault may entitle a passenger to indemnity. It is difficult to say with certainty what this element represents in the total bodily injury losses, but it has been estimated that between 1961 and 1964<sup>2</sup>, it represented 14.4% of the indemnities disbursed for bodily injury in the province of Quebec, versus 1.1 % in Ontario. These figures emphasize the importance of an item which *prima facie* appears to be negligible.

of Canada's bulletin dated December 10, 1970, the following figures are given for the first half of 1970 :

|                                                              | Quebec | Ontario | % excess<br>in Quebec |
|--------------------------------------------------------------|--------|---------|-----------------------|
| Claims frequency per 1,000 vehicles<br>in circulation ... .. | 41.6   | 21.9    | 52                    |

<sup>1</sup> It is for this reason that we are dealing with this particular aspect only, in this article.

<sup>2</sup> Statistical Agency. 1966.

Another clue to its importance is the fact that amongst 418 randomly picked files of a large Insurance Company, 61 contained provisions for bodily injury to passengers in the insured vehicle : the anticipated loss amounting to \$375,800, or 30% of the total bodily injury reserve set up for the 270 files (out of 418) involving bodily injury claims. Proper importance must therefore be given to this element.

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ii) Insurers in the province of Quebec are responsible for the Highway Victims Indemnity Fund,<sup>1</sup> while in Ontario it is the subject of a special tax levied upon the issuing of a drivers' license. This element should not be ignored either, as in 1968 and 1969 total indemnities of \$5,112,382 and \$5,940,476, respectively, were disbursed by Insurers in the province of Quebec under that particular heading. To this must be added reserves set up in 1968 amounting to \$6,868,000, which were increased to \$8,779,000 in 1969 and to \$10,600,000 in 1970. Insurers' annual participation to the Fund thus amounts to \$8,225,000 approximately, as Insurers must take into account both actual payments and increases in reserves. Considering that written premiums in the province of Quebec are approximately \$271,000,000, this means Insurers are supporting the Fund at a cost of some three percent of written premiums. In comparison, Ontario Insurers have no such disbursements to take into account in their rating structure, since their government collects a special fee from drivers before their license is issued.

iii) Two other elements of the cost must be taken into consideration by Quebec Insurers :

a) The fact that interest on the sum awarded to a victim of an automobile accident by Quebec courts is calculated from

<sup>1</sup> Created by the Highway Victims Indemnity Act (S. R. 1964 C. 142 to 70: 9-10 Elizabeth II c. 65. to 1). The object of this Fund is to indemnify persons having suffered damages but who are unable to be indemnified thereafter by the motorist responsible for the damages.

the date of registering the plea, and not from the time judgment is rendered, as in Ontario. To estimate this new element, it should be borne in mind that it takes one to two years to obtain judgment from a Superior court, some three or four for a Court of Appeal decision, and up to seven or eight years for a Supreme Court sentence. This portion of the extrajudicial expenses can readily be visualized, even if it only involves simple interest.

b) Medical expenses. Theoretically, this item should no longer be taken into account, since the province of Quebec has introduced a compulsory accident and sickness plan, similar to the Ontario one which came into effect three years ago. The only remaining expenses are those not covered by the Health Plan, as well as expenses attributable to a third party's fault, which as such may be recovered by the Health Administration. Before November 1st of last year, however, medical expenses had to be taken into account in any comparison between Quebec and Ontario rates. The cost of medical expenses coverage in 1969-1970 was \$2 in Ontario, versus \$5 in Quebec. It has since been reduced to \$2 in Quebec, in view of the lower exposure and correspondingly fewer indemnities payable by virtue of the medical expenses endorsement. Under the same heading, I believe that the difference in hospitalization costs between Quebec and Ontario must be mentioned. Despite the fact that the gap closes from year to year, it remained considerable, as evidenced by the findings of the Investigative Committee on Health and Social Welfare,<sup>1</sup> from which are drawn the following figures, showing the comparative hospital costs between 1966 and 1968 for the two provinces :

| Cost per day of hospitalization | 1966           | 1967           | 1968           |
|---------------------------------|----------------|----------------|----------------|
| Quebec .....                    | \$43.96        | \$49.15        | \$52.54        |
| Ontario .....                   | <u>\$35.69</u> | <u>\$40.43</u> | <u>\$46.25</u> |
| Difference in percentage .....  | 23.10%         | 21.16%         | 13.60%         |

<sup>1</sup> Ann. 1, p. 15, 1969 Report.



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The difference diminishes from year to year. However, it has been substantial enough to be mentioned here as a cost and rating factor, at least as years prior to 1970 are concerned.

The doctor's bill should not be forgotten either. On the average it is considered to be about 5% lower in Ontario than in Quebec.

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As may be realized from the foregoing, before making peremptory judgments, one should be in possession of the full details. We beg to submit them to those people who do not want to reach any conclusions without having all the elements of an opinion based on facts.



Let us now turn to the second part of this paper : an analysis of the administrative expenses involved in automobile insurance. The following are figures compiled by the Insurance Bureau of Canada<sup>1</sup>

|                           | % of premiums     |
|---------------------------|-------------------|
| Province of Quebec .....  | 27.6 <sup>2</sup> |
| Province of Ontario ..... | 30.1              |
| Province of Alberta ..... | 31.6              |

As for Saskatchewan, the percentage is said to be 16.3%. However, not all the elements involved have been taken into account in arriving at this figure. For instance, to the cost of the basic coverage granted by the Saskatchewan Government Insurance Office should be added the cost of excess coverage; this brings the expense ratio to 24 percent, which is very close to the expense cost in the province of Quebec.<sup>3</sup>

<sup>1</sup> Bulletin No. 70-23, November 10, 1970.

<sup>2</sup> A sounding of several Insurers reveals that the percentage varies between 25.2% to 29%, inclusive of taxes; which lends credence to the figure of 27.6% quoted by the IBC.

<sup>3</sup> In "The Report of the Legislative Committee on Automobile Insurance to the Legislative Assembly of Alberta (March 1970)", it is stated that "The average ratio on all automobile insurance, written in Saskatchewan over the past 20 years, is 76% for claims and 24% for administration."

This ratio is far from the figure of 41%, which is often quoted by critics of the current automobile regime in the province of Quebec.

The Insurance Bureau of Canada's figures being compiled on a uniform basis, established by the Bureau, in order to make comparison valid, how can it be explained that administrative expenses are lower in Quebec? First, because the broker's commission is lower (e.g. 12½% versus 15%, in respect of private passenger automobiles). And secondly, because by removing this constant factor (which remains unchanged irrespective of the premium) the other variable elements have a decreasing importance in relation to the total premium. Thus, administrative expenses are not necessarily proportional to the volume of business, despite the fact that they are relatively unvarying. Barring inefficient administrative practices, a lower degree of mechanization or costly labor, expenses will be proportionally lower as premiums rise.

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There remains the question of compulsory insurance. This is indeed an important point. Compulsory insurance is supposed to solve the problem of automobile coverage, as only those who are insured are allowed to drive. From this point of view, Manitoba's compulsory insurance measures, expected to come into force in November 1971, seem appropriate. Only insured persons will be able to obtain a drivers' license, third party liability applying no longer to the vehicle and its owner, but to the driver thereof. This in itself is an excellent formula. Unfortunately, theory and practice are not always one and the same. There are those who will drive without a license, hence without insurance. There are drivers who come from another province or another country where no similar arrangements exist. It is therefore necessary to conclude that

<sup>1</sup> Le mot est écrit ici à l'américaine et non à l'anglaise. A.

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compulsory insurance is not a panacea, so much so that a Highway Victims Indemnity Fund is as necessary in the State of New York, where automobile insurance is compulsory, as it is in Quebec and Ontario, where it is not. It must once more be realized that no one solution is complete in itself.



168 Trade Unions and the public in general insist, with reason, that somehow the situation must be improved as automobile insurance in the province of Quebec is too expensive. It should be borne in mind that premiums reflect a state of affairs which itself is the result of indifference at all levels. What then could be done? In our opinion, there are a few elements which may bring about a solution to the cost problem. If they so wished, Trade Unions, Insurers, Public Authorities, Boards of Trade and other professional bodies could give our suggestions the importance they deserve, all the more so since the Government seems willing to make a serious effort.

1. The appropriate governmental authorities should be requested to apply Highway Code regulations as strictly as is necessary. While it cannot be said that the motorist at present drives in any manner that pleases him and that practically nothing is done about it, it is nevertheless true that the basic highway rules are violated with hardly any intervention. For example, speed limits are not observed on motorways, and motorists sometimes "forget" to drive in a straight line, and "fishtail" one another. Anyone regularly using motorways is aware of the haphazard manner in which some drivers operate their vehicles. Maximum speeds are also frequently exceeded on secondary roads, which is even more dangerous. In some instances, the maximum speed limit itself should be reduced, because of the condition and narrowness of the road.

In other provinces, such as Ontario, speed limits are very closely controlled. This is highlighted by the fact that many motorists accelerate on crossing the Quebec borders from Ontario. When questioned as to the reasons therefor, they simply reply, with a certain cynicism, that "in Ontario they risk getting a speeding ticket, the cost of which is in direct relation to the number of miles exceeding the speed limit: whereas in Quebec the risk is small and things can be arranged". It should not be possible for "things to be arranged", even for friends . . .

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The Government must see to it that the Highway Code is more strictly enforced. Otherwise nobody takes it seriously, and many act as though everything is permitted them. To demonstrate what is being done elsewhere, we would cite Nova Scotia where a Cabinet Minister had his license suspended following a major offence. Rules must be enforced all the way, failing which people have a tendency to ignore them.

Nor should enforcing the regulations be limited to speed; it must apply to all other violations, such as overtaking in a curve, racing, impaired driving, etc.

2. With few exceptions, people are allowed to drive their cars regardless of the condition in which these happen to be. The findings of investigative committees are alarming: thus, it was established that of 28,000 vehicles checked during the period between June 2nd to September 30th, 1969, only 47.4% were in good condition. And what about school buses, the examination of which has at times revealed the most unlikely facts? For example, in 1968 it was estimated that one third of all school buses did not conform to normal safety standards.<sup>1</sup>

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<sup>1</sup> Montreal Gazette : July 25, 1969.

Wherever accident frequency has been successfully reduced, the mechanical state of automobiles has been closely supervised, either with the help of mobile units and spot checks, or through obliging motorists to have their vehicles periodically examined. Brakes, headlights, tires, wipers, all these items must be checked regularly if a reduction in the frequency and seriousness of accidents is to be achieved.

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3. At the present time, it is difficult for a court to render judgment on a motorist in respect of such offences as impaired driving, speeding or overtaking in a curve or on a hill; because of lack of information on past offences, the magistrate cannot adequately form an opinion regarding the driving habits of that particular individual, and hence the seriousness of his case. The driver's license may contain an indication of past offences, but when it does the information is far from complete. In a certain number of provinces and states, however, a "point" system has been devised, whereby a motorist loses points following a traffic offence or other act prejudicial to his file. In order to better evaluate the case before him, all a judge has to do is ask for the remaining points, and he is immediately acquainted with the file; he can judge and sentence the motorist accordingly.

Some judges are too indulgent towards detainees. They maintain that justice must be clement, and that too harsh a sentence may deter the individual from earning his living: irreparable prejudice may be caused him, especially if he has a family to support. While judges should not be unduly harsh or unjust, they must however hand down sentences severe enough to discourage offenders from repeating their offence. Everybody occasionally does violate the Highway Code, but it is evident that if everyone is convinced that he can do exactly what he pleases and count on the leniency of the courts, it will never be possible to enforce laws and regula-

tions; which is a condition precedent to safety on the roads. A member of a safety tribunal concluded recently as follows: "Justice and charity should be at the base of any reform in our present system which provides for punishment following a violation of the highway code." This is good in theory, but in practice it is very dangerous for highway safety. Conversely, in a recent speech in which he praised Saint Louis on the occasion of the eighth centenary of his death, Maurice Druon so recalled the spirit which guided Saint Louis in his sentencing: "It would certainly have been easier for Saint Louis to pardon than to punish; his pious soul would not have been burdened by the heavy responsibility of the death of a fellow man, even if the sentence were just. Moreover, one receives many more praises by reprieving than by chastising. There is a kind of demagoguery of justice which, like all demagogueries, if they temporarily serve those who use them, is pernicious to the mass of people who support it. In this particular case, recorded by history, Saint Louis demonstrated that a King's spirit of justice must dominate all other considerations, including the spirit of charity".<sup>1</sup>

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If judges continue to exercise leniency towards motorists, except when it comes to sentencing those responsible for accidents to ever-increasing indemnities in favour of third parties, highway regulations will never be seriously adhered to, and premiums will continue to increase, as will the frequency of accidents and the cost of settling them. From this point of view, the courts have a responsibility which should not be depreciated. They should also consider the true importance of the breathalyzer tests.

4. More discrimination must be exercised in granting drivers' licenses. As supporting evidence, here are few cases drawn from insurance companies' files in 1968 and 1969,

<sup>1</sup> "La Revue des Deux Mondes", Décembre 1970, p. 528.

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which indicate the extent to which authorities can be generous, blind or curiously indulgent.

- A 95 year old driver is involved in two accidents, in December 1966 and August 1967.
- A motorist is convicted for impaired driving on four different occasions, namely :
  - in August 1959 : license suspended for 3 months;
  - in August 1961 : license suspended for 6 months and a \$50 fine is levied;
  - in May 1964 : license suspended for 3 months;
  - in November 1966 : license suspended for 3 months;

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The May 1964 violation was in conjunction with an accident, which caused damages, to third party property, valued at \$351.95. The Motor Vehicles Bureau cannot forbid this person to drive a motor car, since he has paid the price for all the violations he has committed.

- The motorist is 75 years old. According to information obtained from a report, the investigator had interviewed him and noticed that his eyesight was very weak. A medical examination confirmed the report. This information was forwarded to the Motor Vehicles Bureau, but nothing was done about it.
- A 49 year old motorist had his license suspended on the following dates :
  - April 1954 : 3 months, plus a \$50 fine, for impaired driving;
  - September 1954 : 6 months, for impaired driving;
  - October 1959 : 6 months, plus a \$50 fine, for impaired driving;
  - March 1964 : 3 months, plus a \$50 fine, for impaired driving;
  - September 1964 : 12 months, plus a \$50 fine, for impaired driving;
  - April 1966 : 4 months, plus a \$50 fine, this time for leaving the scene of an accident.
- A 57 year old driver is involved. A medical report states that he suffers from sclerosis which reduces a person's powers of equilibrium. Concluding a follow-up investigation, the investigator mentions that the person suffers from sleeping sickness and from dizziness.

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His movements are very slow; he relies on a walking-stick. This information was also supplied to the Motor Vehicles Bureau, which did nothing about it.

— A deaf-mute driver is involved in two accidents, in February 1966 and August 1966.

Furthermore, official figures indicate that there were 1,854 drivers aged 81 years or more in 1969, of which four were between 96 and 99 years old.

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As long as all this exists, it will be impossible to stop bad drivers from being a serious hazard on the roads and to reduce the claims frequency.

5. As we previously stated, courts can contribute to rendering roads much safer, and therefore help reduce the cost of insurance:

- a) by being very strict in cases involving repeated violations;
- b) by exercising extreme rigidity towards those who drive without a license. It is to be noted that the number of twelve-month suspensions of license for operating a vehicle during a suspension period, has constantly risen since 1965, as evidenced by the following figures:

| Year | Number of cases |
|------|-----------------|
| 1965 | 420             |
| 1966 | 919             |
| 1967 | 979             |
| 1968 | 1282            |
| 1969 | 1943            |

The strictest attitude should be taken towards those violators if we hope to clear them off the highways.

6. Courts should also try to expedite cases presented them. At the moment, a Superior Court judgment takes from



one to two years, a Court of Appeal judgment between three and four years, and a Supreme Court judgment may take seven or eight years. With all due respect to justice, one can but deplore the fact that its decisions take so long to come about.

174 No less precise recommendations should be made to the Insurance industry. Here are a few suggestions, which we give while renewing our plea for support by Trade Unions, Public Authorities, Boards of Trade and other trade or professional bodies. It is only through united action that results may be obtained:

i) For a long time, the classification and rating of automobiles has been carried out in a more or less immutable manner. Would it not be possible for insurers to commission disinterested researchers to investigate the technical and statistical aspects of the problem? Several hundred thousand dollars would certainly have to be spent for this purpose, but, on the other hand, new methods might be found. It would be worthwhile, since large losses have been borne by Companies in certain years due to the tardy discovery of rate inadequacies by the industry. Corrective steps are being taken, but they are, in our opinion, inadequate. Insurers must emulate large industries, which are constantly searching for new methods and processes, and which look upon the tremendous cost of research as a necessity.<sup>1</sup>

Could a solution not be found, for example, in adopting insurance rates based on the driver, instead of on the automobile itself, as regards third party liability? Also, couldn't a serious investigation of a "no-fault" plan be conducted? Saskatchewan has been practicing this type of insurance at the first level for long enough to justify an on-the-spot study

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<sup>1</sup> Mention must be made here, however, of the recent initiatives of I.B.C. in this field. G.P.

of its functioning. In Massachusetts, a new law recently came into effect, which ensures indemnity with no other possibility of discussion than the extent of damages.<sup>1</sup> There again the results of such a plan ought to be closely followed, with efficiency as the only consideration.

Moreover, there is the possibility of making Insureds share in Insurance Companies' profits. This might lead to the levelling-off of premiums, as has happened in the case of life assurance.

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ii) Settlement of claims should also be accelerated. Agreements of the "knock for knock" type should be generalized. Because of the high cost of automobile insurance, settlement of claims must be rapid, whereas at the present time it is, more often than not, slow and even extremely slow.

May we also request:

a) Lawyers to resort as often as possible to out-of-court settlements in order not to generate further expenses, and may we further request them not to ask for excessive fees? At the present time they have not the same requirements as their colleagues in the United States, but their fees still weigh heavily in the cost of settlements.

b) Insurance brokers to accept a remuneration corresponding to the services rendered by them. A well-organized brokerage house, capable of giving important and varied services to its clients, and as such having high overheads, should get a higher commission than the small firm which only concerns itself with the placement of business. This principle has been recognized in England, for example, where intermediaries are remunerated in accordance with their qualifications. If the broker personalizes insurance, it being the reason

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<sup>1</sup> In the province of Ontario, it has been announced recently that "no fault" provisions shall also become obligatory in certain cases.

for his existence, his remuneration must be justified by the very quality of the services rendered by him.

c) Garages to be reasonable in their demands. It is true that the average cost of labor has increased in the past few years: in Quebec, from slightly less than \$6 to \$8, and in Montreal, from slightly less than \$7 to \$9, as a result of pressure from trade unions.<sup>1</sup> It is also true that the cost of living has gone up in the same proportion since 1961. However, it remains a fact that garages' demands diminish in direct relation with the Insurer's insistence and checking. For instance, let us examine what happened to the following costs of repairs after the loss adjuster's visit to the garage: <sup>2</sup>

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|          | Sum quoted by<br>the garage | Sum accepted<br>after discussion | % of<br>reduction |
|----------|-----------------------------|----------------------------------|-------------------|
| Case 1 : | \$1,820.52                  | \$1,560.00                       | 14                |
| Case 2 : | 2,986.87                    | 1,754.02                         | 41                |
| Case 3 : | 344.93                      | 154.53                           | 55                |
| Case 4 : | 1,306.25                    | 787.37                           | 40                |
| Case 5 : | 2,570.56                    | 1,986.19                         | 23                |
| Case 6 : | 1,135.00                    | 676.06                           | 40                |

The reduction obtained by the Insurer is much too significant. It seems to indicate that garages accept to reduce their demands when they realize that they are closely checked.

d) Automobile manufacturers to build cars that can better withstand shocks. A large Insurer in the United States recently advertised a reduction in his collision rates if the car's bumper can resist, without damage to the car, an impact at five miles per hour. It is not much, but it must be borne in mind that the amount of damages to the front or rear ends increases in direct relation with the speed of the car

<sup>1</sup> Whereas during the same period (1965-69) the cost of insurance only increased by ten percent. "The influence of the cost of living on the automobile insurance industry", p. 6.

<sup>2</sup> Extracts from an article which appeared in "Assurance" January 1969 Edition. These six cases are drawn from eighty-one cases mentioned therein.

at the time of the impact<sup>1</sup>. The manufacturer's contribution could be to focus more on the strength of the materials used and protection of the car's body and passengers being transported, than on the lines of his product. If they decided on concerted action, Trade Unions, Insurers, Public Authorities, Boards of Trade and other such bodies could do much in this virtually ignored area of highway safety.



This is the file we wish to submit to our readers. We hope to obtain their support in connection with our requests to Public Authorities and Insurance technicians. By combining our efforts, it would be possible to obtain, instead of the nationalization of automobile insurance, a better understanding, a better administration and a better application of the laws and regulations governing motorists and their automobiles. When all interested parties begin to take the highway safety measures seriously, we shall have made a substantial step forward. If no more interest is shown than we can presently gather, then results will remain the same.

If no attempt is made to correct the existing frame of mind, we fear that no valid results will ever be obtained. In this context, we think that nationalization may prove to be the worse of two evils, for free competition, despite its shortcomings, has advantages which a government-run organization cannot, by its very nature, possess. With very few exceptions, a monopoly is a costly solution.

<sup>1</sup> According to the Insurance Institute for Highways Safety, an impact at various speeds can cause the following damages to a 1970 model :

at 5 miles per hour : \$262  
 at 10 miles per hour : \$659  
 at 15 miles per hour : \$975

It should be remembered that the front end of the car is rather fragile and that the bumper has to be considered as an essentially decorative part when it cannot effectively absorb the shock and prevent damage from being caused to the hood, tank, engine and accessories.