

Be Competitive, Car Insurers Warned

By ALF STRAND

B.C.'s car insurance industry has been told to take a more competitive route or face the road to oblivion. The warning is contained in the report of the royal commission on automobile insurance.

Either shape up through more vigorous competition, the insurance companies are told, or face being shipped out via introduction of a government insurance scheme.

The commission makes it clear that government insurance should only be introduced as a last resort.

The report expresses confidence that effective competition is attainable in the automobile insurance industry, which it describes as having a tarnished public image.

The commission says the car insurance industry can be kept on the competitive road via closer government scrutiny.

Recommended by the commission is a board which with government representatives would oversee the automobile insurance industry.

The propose agency — the B.C. Automobile Insurance Board is the suggested name — would act in a watchdog role to protect the interests of the motoring public.

Its key aim would be to promote more competition in the industry through amassing and publicizing information on costs of claims and expenses in the car insurance field.

The insurance board would act also as an appeal board for the motoring public in disputes with insurance companies.

Gov't Could Take Over

If the industry refuses to go along with the recommendations, or at a later date demonstrates a lack of real competition, then the government should take over sole responsibility for automobile insurance, the commission says.

The proposed automobile insurance commission would play a key role in attempting to ensure fair play for motorists seeking insurance.

The proposed three-man board would be equipped with wide powers. It would establish each year the ceilings on compulsory basic accident policies.

It would act as an appeal board for motorists who are refused basic automobile insurance by an insurance company.

"If the driver's complaint is found justified, the board shall issue an order to the insurer concerned that insurance be issued," the commission says.

The board would have the power to recommend to the superintendent of insurance that licences of insurance companies or their agents be cancelled.

It would also hear appeals from motorists dissatisfied with compensation received or offered by insurance companies. The decisions of the board would be final.

To ensure competition among insurance companies, the board would keep an actuarial check on rates charged by the industry.

3-Member Board Urged

"To be assured of effective competition, and ensure that such competition blocks any return to conditions prevailing prior to the appointment of this commission, the commissioners are placing great reliance on the insurance board and its role as the B.C. statistical agency, responsible for gathering, analysing and publishing data on claims costs and particularly expense costs," the commission says.

The commission recommends the board, which would be appointed by the cabinet, should consist of a full-time chairman and two part-time members.

The commission rejects proposals for establishment of a government-operated car insurance scheme as has been recommended by the B.C. New Democratic Party.

While the commission has praise for the Saskatchewan government insurance plan it stresses there is no need for such a plan in B.C.

The studies of the commission have not shown guilt or improper conduct which would warrant government taking over a business which was initially pioneered at considerable risk," the report says.

It adds: "Should there continue to be discriminatory pricing and a lack of proportion between prices and marginal costs, or other evidence of less than effective competition, or should British Columbians again be subject to a tight market for automobile insurance for whatever cause, the commissioners would recommend establishment of a government insurance office (a government plan)."

Rate Variations Hit

The commissioners find that while there was a need for certain rate increases recently in B.C., the rate variations actually imposed lacked justification.

"Faulty judgment and inadequacies in rate-making techniques, to a considerable degree avoidable, resulted in some erratic pricing of automobile insurance.

"The commissioners believe that in the presence of more vigorous competition, such a situation would not have prevailed."

The report adds: "Massive overcharging has not been, and is unlikely to become the major problem in B.C."

The commissioners say effective competition is attainable in the automobile industry and that the industry is not a natural monopoly.

There is room for improvement, the commissioners say, in the industry's public image.

"The public . . . is to some extent deprived of improvements until it becomes policy on the part of the industry to please the public.

"This accounts in part for failure to improve the coverage available."

The report says the commission's proposed partial no fault insurance coverage is something which will be attractive to the public and hence improve the industry's "somewhat tarnished public image."

The commissioners take the industry to task for its attitude on compulsory insurance. They express dissatisfaction with the present system, under which the cost of compensating victims of uninsured drivers has placed an additional burden on responsible drivers and the public at large.

"This commission concludes that the patchwork of so-called 'voluntary' measures has not approached what is possible under universal compulsion and failed in other respects as well," they say.

Costs 'Out of Proportion'

By IAIN HUNTER

Sun Victoria Bureau

VICTORIA — The costs of

providing automobile insurance

in B.C. are out of proportion to

the effectiveness of the protection,

a royal commission has found.

The finding is contained in the

report of the royal commission

on automobile insurance,

released today.

The commission says the current

approach to automobile

insurance falls short of

achieving an adequate level of

compensation.

"More particularly," the docu-

ment states, "it was noted that

the present system discriminates

against personal injury cases,

with the level of bias being

greatest when losses are more

serious."

The commission finds that 97

per cent of losses in fatality

cases and 67 per cent in serious

injury cases are losses in

income, while 85 per cent of

losses in minor injury cases are

automobile damage.

"IRREFUTABLE"

"The conclusion that the present

compensation system discrimi-

nates against personal injury

cases becomes irrefutable,"

the report says. "Clearly,

the greatest burdens are being

borne by those more seriously

afflicted."

The commissioners find that

although tort settlements

process in law, in which victims

are entitled to compensation for

injury, were the largest single

source of reparation in cases

involving serious injury, they

represented only 17 per cent of

aggregate compensation for sur-

vivors of fatalities.

The report notes that fees

charged by lawyers, although

reasonable, are actually

diverted funds which would

under an alternative method of

compensation be available to

traffic victims.

LEGAL COSTS

"Through their insurance

premiums, motorists are paying

roughly \$1.60 for each \$1 of set-

tlements paid by automobile

insurers," the report states.

Among cost factors, the report

lists legal costs to claimants

and time lags from the date of

accident to compensation.

"A very real barrier to reha-

bilitation is the stress created

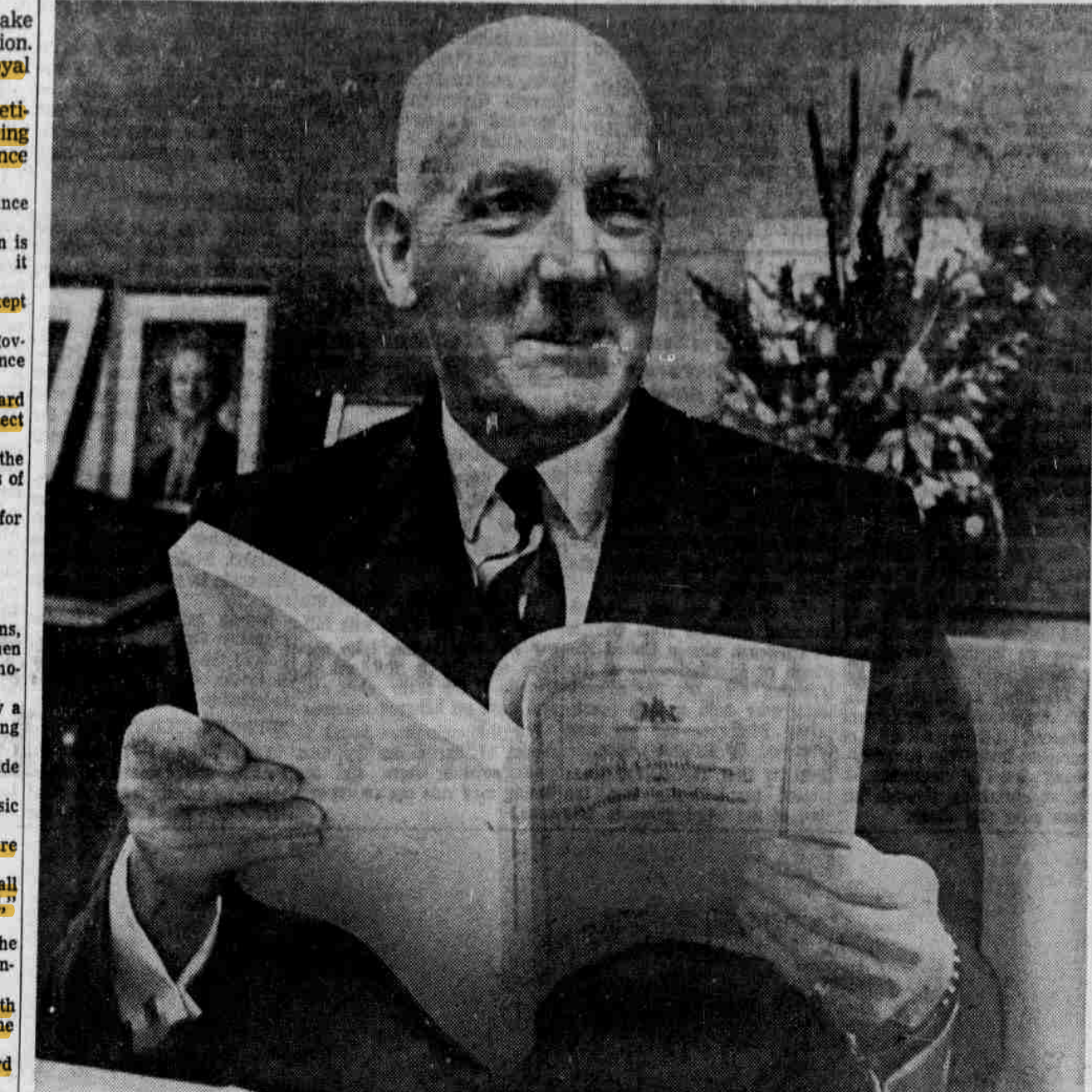
by controversy, bargaining,

extended litigation and the sub-

stantial delays which result."

Another factor in the cost to

the public is the size of the



MR. JUSTICE WOOTTON . . . holds up report

INSURANCE COMMISSION SAYS:

'Raise Driving Age to 18'

An immediate increase in the minimum driving age from 16 to 18 is recommended in the report of the royal commission on auto insurance.

But the commission would allow 16-year-olds to get a licence if they graduate from a driving school.

And the report says driving-school training should eventually be compulsory for everybody applying for a licence for the first time.

New drivers holding a certificate from a licensed school should start with the preferred risk rate on their insurance policies, it adds.

"The commissioners recommend that the minimum licence-issuing age in B.C. be increased immediately from age 16 to age 18 except where a potential driver between 16 and 18 years of age has obtained certification from a licensed driving school," the report says.

"As driving school facilities become available, driving school certification should be compulsory for all drivers applying for a driver's licence in B.C. for the first time.

"The commissioners are agreed that a certificate from a licensed driving school should eventually be required of all new applicants prior to any testing by the motor vehicle branch."

The commission says all private driver-training schools meet standards established by the B.C. Motor Vehicles Branch and that all instructors should pass branch tests.

The report recommends that only theory of driver courtesy and safety habits be taught as part of school curriculums.

In urging an age limit boost from the present 16, the report says 9.3 per cent of

381,823 licensed B.C. drivers in 1966 were under 21 and were involved in 17 per cent of the province's accidents.

Backing its plan for approved driver-training schools, the commission says: "There would be no resulting complaint because of the costs of such instruction in private driving schools being required, as these would be compensated for by lower automobile insurance premiums."

The commission praises existing driver-training and safety programs, but concludes high schools should not provide driving teachers because:

● An attempt to teach practical driving to all Grade 10 students would "appear to be neither administratively nor financially possible";

● Although Canadian car manufacturers offer free vehicles for school training, property owners "should not be expected to finance the salaries of the more than 200 driver-teachers that would be

required." (This figure is based on the current 27,500 Grade 10 B.C. students needing a minimum of six hours each at the wheel. Three students could be handled by one instructor — two listening and one driving);

● Grade 10 is one of the most important periods for students and the existing syllabus would not appear to allow time for complete driver training.

The commissioners give credit to existing driver-training and safety programs, but conclude they are "through their confliction, wasteful in time, energy and money."

Praised by the report are the B.C. Safety Council, the B.C. Automobile Association (which operates driver-training courses), the Vancouver Traffic and Safety Council (which now operates a Grade 10 driver-training course.

One break for the young driver's pocket is suggested.

Any under-18 licensed by an approved driving school should be insured "at a premium that would more than compensate for the expense of proper driving instruction."

If a driver's record became bad, higher insurance premium would be warranted.

B.C.'s present driver-testing system, the commission found, is good as far as it goes — more stringent and comprehensive than some other provinces' systems — but "basically it may be accomplished (particularly by young people) by memorizing of a booklet on theory dealing primarily with knowledge of traffic signs.

"This is followed by a short drive around a few blocks in which the important feature is the knowledge of how to park . . . and how to give the required turning and stopping signals.

"The applicant is not tested under conditions of traffic congestion or highway driving."

Commission Asks One-Piece Licence-Insurance Cards

By JACK BROOKS

One-piece drivers licences and insurance policies in four colors and prices are proposed by Thursday's report to the royal commission on auto insurance.

The color and the price would indicate the driving record of the holder, but each would provide the same coverage — \$20,000 for death and \$50 a week for life for disability.

The proposed scheme would work this way:

The motor vehicle branch would assess a driver's record according to a demerit system — points given for each traffic violation or accident.

WHITE SLIP

Up to three demerits would permit him to have a white licence-insurance costing \$16.76 a year. (The report estimates 98 per cent of present drivers would get a white.)

Between three and five demerits means a green licence at \$21.36; five to seven demerits is a yellow, \$23.91; and seven to 10 a red at \$26.48.

Over 10 and the driver is barred.

Also to be considered is a credit system for accident or violation-free periods enabling drivers to improve their driving image and get a cheaper rating.

Each year on his birthday the motor vehicle branch would send a driver an application form in the appropriate color. (This replaces the present five-year period for drivers' licences.)

The driver would take it to his private insurance company which would endorse it to show a policy has been issued at the rate indicated by the color.

GIVEN LICENCE

The driver would then be given his licence.

The report concedes that the

\$20,000 basic coverage may be less than many drivers will require, but says anything more will have to be bought privately by the driver from the industry.

"The commissioners expect industry to offer consumers, at relatively low cost, multiples of the basic indemnities . . . competition in packaging may well see included such extras as the cost of ambulance services the other out-of-pocket expenses," it says.

The report gives no figures on what this might cost.

It concedes that B.C. drivers going out of the province will have to buy third-party-liability coverage for their trip.

It suggests this could be done on an annual or per-trip basis but, again, gives no indication of cost.

WOULD BE COVERED

(Out-of-province drivers involved in a B.C. accident, barred, like locals, from suing in the courts, would be covered for personal injury by a special compensation fund to be set up if they have valid regular insurance from their home provinces.

(They would get free hospital treatment under BCHIS but not medicare, on the premise that most people now have some form of medical insurance.

(Neither would the visitor's car be repaired under the scheme and he would be unable to sue for damages to it in B.C. courts.)

AN INCENTIVE

On collision insurance for B.C. drivers the report suggest it should be at least \$100 deductible — "an incentive to practise defensive driving" — and a continuation of the present premium differentials between, say, Cadillacs and Volkswagens.

But it says because third party action would be barred and all collision costs would be

borne by the driver's own policy, the cost of the collision section of any policy would likely increase by about 30 per cent.

However, the report says, more than this would be saved on the over-all policy by not having to take out third party insurance and other savings.

LISTS TABLES

The report lists several tables illustrating the differences between a policy at 1968 rates and the proposed basic (\$20,000 for death) plus collision policy.

They include:

An unmarried man in Vancouver driving a 1968 Galaxy or Impala with \$50,000 third party liability and \$100 deductible collision;

Under the present scheme he would pay \$56 third party plus \$85 collision to a total of \$151.

Under the proposed scheme he would pay \$17 for his white licence and basic insurance plus \$88 for new collision to a total of \$105.

On the surface this appears to be a saving of \$46 a year.

But if driver were married and the car was driven by others of his family each of them would have to have his own basic insurance at a cost relative to his driving record.

And if they drove outside the province they would have to take out regular third-party coverage for the period.

The tables printed in the report do not indicate the cost of such coverage, dealing only with unmarried men.

Neither do they show the difference between the present cost of insuring a car for unlimited drivers compared to the new plan of insuring each driver plus the extras.

A high government official who had seen the report in advance was asked if he could pinpoint this comparison.

He replied: "That's a good question. If you can find the answer in there you tell me."

CHILDREN WOULD GET DISABILITY BENEFITS

The proposed basic policy covers a driver for \$20,000 for death and \$50 a week for life if necessary, for disability — but applies only to 18-year-olds and over.

The following tables show the proposed coverage for those under that age:

AGE	DISABILITY BENEFITS	BENEFIT
0-5 years	\$10 per week
6-9	15
10-11	20
12-15	25
16-17	40

AGE	DEATH BENEFITS	BENEFIT
0-5 years	\$1,000
6-9	3,000
10-11	5,000
12-15	10,000
16-17	15,000

In death benefits beneficiaries have the option of lump sum payment or the actuarial equivalent on a weekly basis.

CAR INSURANCE

Probers Support Demerit System

By NAT COLE

A demerit point system reflecting a driver's record of both accidents and traffic violations is urged by the royal commission on auto insurance.

The system would determine both the status of the driver's licence and the premium he would pay for his basic insurance coverage.

A motorist would lose points according to the seriousness of a traffic offence or the number of accidents, regardless of cause, in which he was involved.

At the same time, he would be credited with points for periods of accident-free and violation-free driving.

A driver accumulating more than 10 points would automatically be suspended from driving.

The point system recommended by the commissioners for traffic offences closely follows the one now used by the motor vehicles branch.

DEMERIT POINTS.

Under this system, a motorist is assessed 10 demerit points for Criminal Code offences such as criminal negligence, failing to remain at the scene of an accident, impaired driving and driving while under suspension.

Lesser offences mean the loss of fewer points, down to a minimum of two for such violations as driving through a red light, failing to yield right-of-way or improper parking.

Following each year free of traffic violations the commission recommends the driver be credited with four points.

"If during the year a driver amasses fewer than four demerits, the difference will be credited," the report states.

The demerit system for accident involvement would follow the commission's no-fault approach to compensation — in other words, a driver could lose points for being involved in an accident caused by someone else.

ONE ACCIDENT

No points would be assessed against a driver involved in only one accident over a period of a year or more.

Two accidents in one year would result in three demerit points; three accidents would mean six points; four would mean nine points and five accidents within a year would mean suspension.

The points are scaled down for the same number of accidents over longer periods.

Explaining the thinking behind the system, the commissioners state:

"A driver involved in one accident (irrespective of cause) should not be penalized by the demerit system, but . . . he should be penalized if by repeated accidents, accident proneness is indicated.

"This thinking parallels that underlying the new approach to compensation.

IDENTIFY PEOPLE

"The commissioner's thinking in this regard stems from a concern to identify people who for a variety of reasons (such as belligerency) drive within the law but have a tendency to be involved in accidents."

The report says the four-point credit for violation-free driving would not apply against accident demerits.

The commissioners recommend a rigid suspension code, with no hardship clause allowing a suspended driver to drive to and from work.

They also recommend that licence suspensions be left entirely to the superintendent of motor vehicles.

The commission also lists suggested compulsory periods of suspension for amassing more than 10 demerit points and committing specific offences.

These would range from a one-month suspension for more than 10 points plus one impaired driving conviction to a three-year suspension for three or more Criminal Code convictions within three years.

Research Lab Plan Welcomed

A proposal that the government establish a safety research laboratory to determine the causes of traffic accidents was welcomed Wednesday by B.C. safety experts.

"If such a laboratory would reduce accidents, it would be money well spent," said safe-driving crusader Robert E. Malkin, a director of the Vancouver Traffic and Safety Council.

He said the safety research laboratory recommended by the royal commission on auto insurance could play a vital role in reducing the number of highway deaths.