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INSIGHT SECTION

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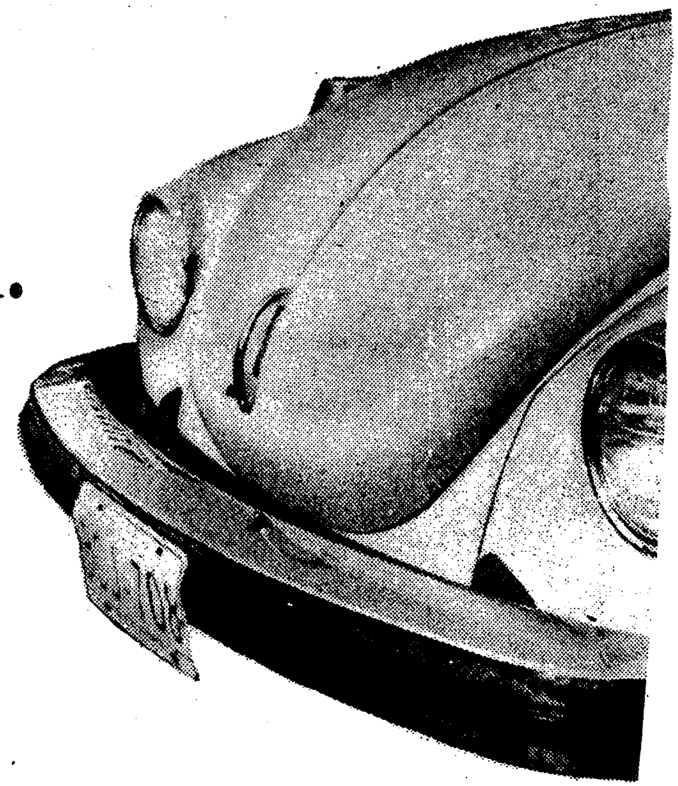
LITHOGRAPHED IN CANADA BY K. M. MACDONALD, QUEEN'S I

CAR INSURANCE

In Toronto it costs $227 to insure this Volkswagen. In Vancouver, under government insurance, it costs only $145.



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By JOHN DOIG
Star staff writer

If you're a typical Metro car owner with a good driving record, you'll probably be paying almost 60 per cent more for your auto insurance this summer than you would if you lived in Vancouver.

You'll also be paying more than motorists do in Manitoba and Saskatchewan, where, as in B.C., auto insurance is sold by the government.

In Toronto, your private insurance company is virtually certain to put up the price in July. In Vancouver, the government company won't. In fact, it's charging most of its customers less that it did last year.

It's plain that when auto insurance bills arrive in Ontario this summer there will be renewed agitation for a public auto insurance plan in this province. The reason is apparent in a glance at the chart on this page.

The figures show clearly that most motorists in the three provinces with public auto insurance—British Columbia, Manitoba and Saskatchewan—are paying less than is charged elsewhere by private companies.

Hiding costs

Private insurance industry spokesmen in Ontario accuse the three New Democratic Party governments in the western provinces of hiding the real costs of their auto insurance from the public.

It's true that the three socialist governments are prepared to subsidize their insurance programs from tax revenues; two of them already are doing so. It's also true that the B.C. and Manitoba schemes are carrying deficits.

However, officials of the public plans point out, if actual and proposed subsidies are reflected in the chart—and if premiums were raised to balance the books—the cost of insurance is still less in the NDP provinces than in any of the other seven.

And the differences will be more marked in the summer.

PRIVATE VS. PUBLIC INSURANCE

	1974 Ford Galaxie 500	1973 Chevelle	1974 VW Beetle
Quebec City	$380	348	321
St. John's	369	334	302
Moncton	304	310	254
Charlottetown	282	258	236
Hamilton	271	251	234
Toronto	263	243	227
Halifax	252	230	212
Edmonton	243	224	206
Winnipeg	198	185	170
Vancouver	196	159	145
Regina	175	155	145

Premiums are those paid by a married man over 25 for third party liability of $100,000, collision deductible of $100 and comprehensive deductible of $25. Private insurers' premiums are based on a three-year accident free record.

CHEAPER PREMIUMS are charged in three western provinces where NDP governments have introduced plans for automobile insurance.

There are other aspects to be considered.

Across Canada, the "fault" element of auto insurance has been removed in most cases of personal injury.

But unlike the other seven, the NDP provinces are not interested in who is to blame when it comes to paying claims for everyday collisions, because both parties are insured by the same (government) company.

Rival companies

In the provinces where auto insurance is run by private industry, there is still time-consuming and costly negotiation between rival companies over who is at fault in accidents of the bent-fender variety.

The public schemes also have removed the more overt discriminatory aspects of auto insurance. They do not levy punitive premiums simply because a beginning driver is young or single. The approach is to let every motorist start with a clean sheet and then pay according to his record.

Private companies, on the other hand, usually set premiums according to risk—worked out from accident statistics. For example, no matter how skillful a driver may prove himself, he first has to pay a higher premium if he is young or if he is single.

There is, of course, a price for the privileges motorists enjoy under public auto insurance. They have had to give up the freedom to buy basic insurance coverage from any company of their choice. The question Ontario car owners must face, sooner or later, is whether that privilege is worth the price.

Auto insurance, it's agreed, is a complicated business. Comparisons between various rates and various regions are difficult to make—but not impossible.

For the accompanying chart figures were obtained from both public and private sources.

In the case of the public schemes, premium ratings were supplied by the responsible government agencies.

For the other provinces, the rates were quoted by the Insurers' Advisory Organization of Canada, which has 55 member groups. The organization's figures are recommended, not actual premiums. Some companies will quote lower rates, others higher ones. The figures do, however, represent fair averages, according to industry spokesmen.

The public plan rates do not reflect subsidies, drawn from gasoline taxes, now in effect in Saskatchewan and Manitoba and planned for British Columbia late this year or early next year.

These subsidies do not represent an additional charge—"hidden" or otherwise—to the motorist, because they are drawn from existing government revenues. However, if an amount, calculated on the basis of miles travelled by the average driver, is added to the premium, the public plan rates remain lower than those for an other province.

Alternately, if premiums were raised sufficiently to wipe out the auto insurance deficits in B.C. and Manitoba, their premiums still would be lower than those quoted in the chart for the "private enterpise" provinces.

By the same token, the private insurance figures in the chart do not reflect increases planned for July 1 this year. Industry spokesmen in Ontario this month estimated that the increases in this province will average about 15 per cent.

Since renewing their insurance last July, most Ontario motorists have had their premiums increased 20-30 per cent.

The opposition party leaders in the Ontario Legislature recently suggested that private insurance companies should justify proposed rate increases at public hearings.

That's probably not necessary.

Ted Belton, president of the Insurers' Advisory Organization, explains why. There is nothing mysterious about how the private insurers adjust their premiums. Belton says (just as there is nothing mysterious about how governments finance auto insurance).

The difference is that private companies do not provide a public service at cost. They are there to make profits.

Like the public auto insurance companies in the West, the private insurers in the rest of the country took a beating from inflation last year. The cost of car repairs rose sharply across the country, as did the rate of accidents and insurance claims. Private insurers found it increasingly difficult to maintain the 2.5 per cent profit they say they require in their underwiting busines.

The object of premium increases last year and this year, says Belton, is simply "to provide a 2.5 per cent profit on the underwriting business."

Insurance companies, he adds, make their real profits by re-investing income from premiums at "eight, nine or ten per cent."

The government auto insurance agencies in the West also re-invest income. But instead of putting the money into, say, a foreign real estate development, they channel it to public undertakings such as hospitals and schools.

Profits from these investments are turned back into the auto insurance plan. The public auto companies are not concerned with making a profit on their underwriting dealings.

As a result they are able to use a greater portion of the premium dollar to pay claims and hold down premiums, a fact established by a Quebec royal commission that studied the matter.

In Ontario, says Belton, 72.9 per cent of the premium dollar goes back to insured motorists in the over-25 age category. The remaining 27.1 per cent accounts for administrative expenses and profits.

In B.C., after its first full year of operation, the public insurance corporation reported it had returned 83 per cent of the premium dollar to motorists and needed only 17 per cent for administration.

Belton is adamant.

"I don't think governments can do anything efficiently," he says.

But Robert Strachan, the minister responsible for auto insurance in B.C., has a different view.

He was able to point out that the 17 per cent of revenues needed by the province's Autoplan to cover its administrative expenses was exactly half the portion historically taken by the private industry in the province for expenses and profits on underwriting.

Private insurers are quick to point to the deficits of two of the three western public auto insurance plans—about $34 milllion in British Columbia and $19 million in Manitoba.

The public corporations of those provinces enjoy a privilege unavailable to private companies. They are not obliged to balance the books on the theoretical basis that they may go out of business tomorrow. So deficits can be carried in the anticipation of a reduction in expenses this year as the economy adjusts under the impact of recession. Car repair costs are not expected to rise at last year's dizzying pace; there is also some evidence that when times are hard, people tend to drive more carefully, so this year should see a proportionate drop in the number of accidents.

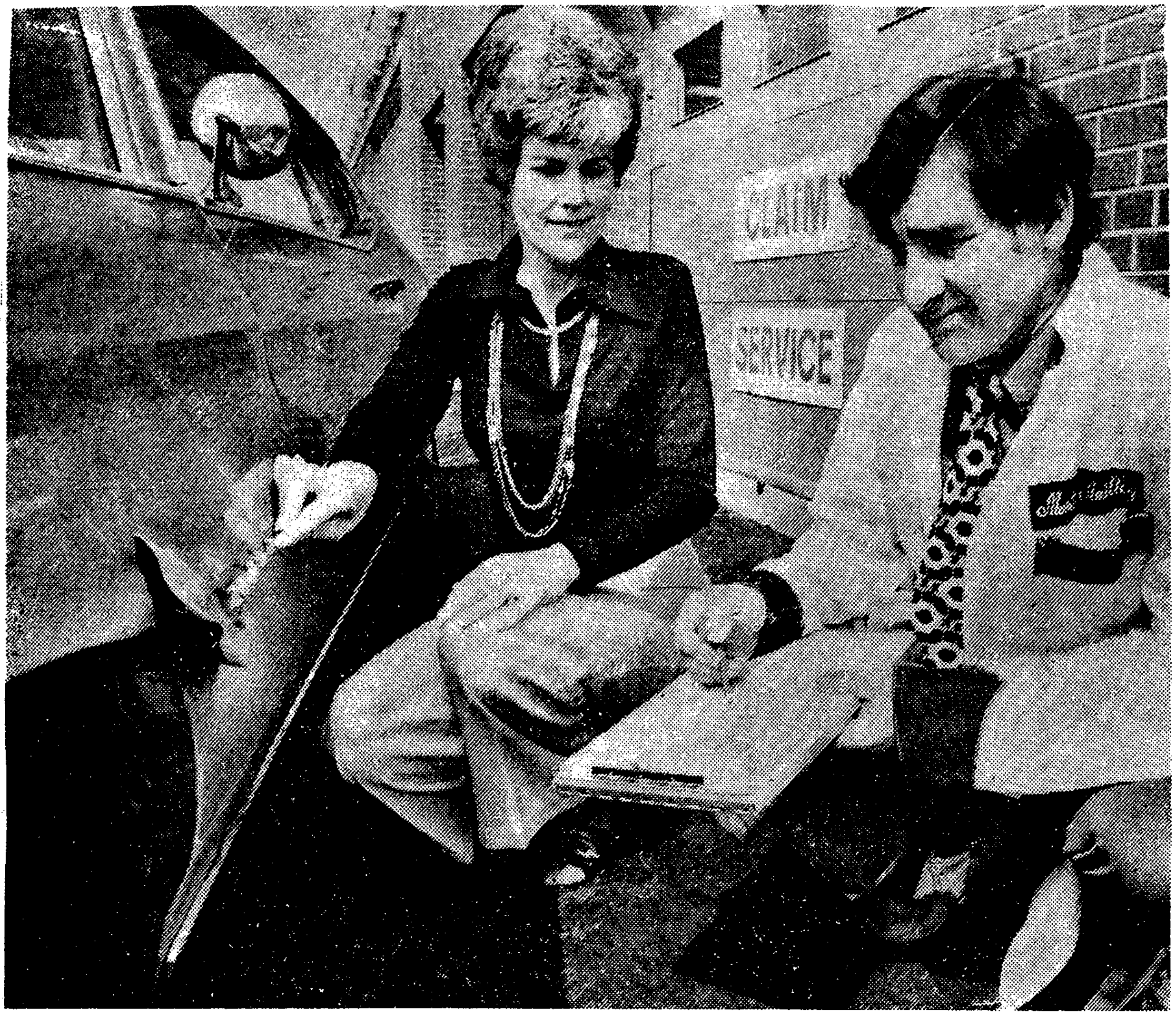
The "hidden" charges the NDP plans are supposed to contain consist of subsidies in the form of revenue from gasoline taxes.

Saskatchewan last year started siphoning three cents a gallon from its gas taxes to supplement auto insurance funds; Manitoba will start diverting two cents on Monday, and B.C. has cleared the way to use up to 10 cents.

Public auto insurance officials in the western provinces calculate that the average motorist drives 10,000 miles a year and gets 15 miles to the gallon.

By that reckoning, the Regina motorist in the chart is paying about $20, indirectly, to support his auto insurance, and the Winnipeg motorist about $13. They're still paying less than anyone east of the Prairies.

When the B.C. government introduced auto insurance in 1973 it promised a refund to any motorist billed more than he was in the last year of private coverage. Two per cent qualified for the refund.



—Star photo by Dick Darrell

DRIVE-IN CLAIMS CENTRE is operated near **Highway 401 in Toronto** by State Farm car insurance. Here motorist Betty Rockall shows her damaged car to a claims service representative, James W. Shelton.

This year, most B.C. motorists are paying lower premiums as a result of a government move to reduce regional disparities in insurance rates.

The direct-charge premiums shown in the chart will go down $10 this year as the B.C. driver's certificate fee is phased out.

"There should be no further argument," says Ontario NDP leader Stephen Lewis, "that public auto insurance means lower rates for all."

Belton and other spokesmen for the private industry argue that favorable driving conditions, climate and traffic densities have historically made auto insurance cheaper in the West.

Stephen Lewis replies: "They're saying God and Nature and highway planners have all conspired to bring about this happy state of affairs in B.C., Manitoba and Saskatchewan. How come they left out Alberta?"

The chart on this page deals with adult drivers who have not had an accident for three years. If younger motorists are considered, the differences in rates are much more dramatic.

Generally speaking, the public schemes in the West set equitable rates for all drivers, then adjust the premiums according to accumulation of demerit points.

Private insurers set stiff, if not exorbitant, premiums for young drivers before they ever set hand on a steering wheel.

Take that 1973 Chevelle in the

chart. If the owner lives in Winnipeg and wants his 18-year-old son to have occasional use of the car, the son will have to pay $30 for basic insurance coverage. Quote from a Toronto company for the same arrangement: An extra $296 on the father's premium.

Belton concedes: "It seems fair that you start on the basis of being innocent until proved guilty."

But it is a basic principle of insurance, Belton adds, that "each should pay into the pot according to his particular level of risk" and "for rate-making purposes, we're all categorized—there's no other way."

At the urging of Premier William Davis, who has conceded that Ontario can learn something from public auto insurance in the West, the private industry in this province has proposed a form of limited no-fault insurance for accident damage to cars.

It is similar, in some respects, to the western public plans, and industry spokesmen have predicted it would bring about savings ranging from 5 to 15 per cent on premiums.

Any such plan seems a long way off, though, because consumer groups, private insurers and lawyers—who have a stake in actions arising from automobile collisions—cannot agree on the details.

Elma Maund became the first person to make a claim on British Columbia's government auto insurance plan when another car rammed the back of her Volvo on Lion's Gate Bridge in Vancouver.

"Within an hour an adjuster was looking at my car. Not bad service at all." she said.

In Toronto, it would have taken a lot longer. Just how long would depend on what private insurance company Elma Maund dealt with.

Some insurance agents say it would take two to three days; one says his firm is happy if it can handle a claim in a day.

A feature of the three government auto insurance plans in the West that is admired by many spokesmen for the private insurance industry in Ontario is the speed with which the government plans process claims.

Because the government is the sole provider of basic insurance, there is no need to establish blame in accidents involving two cars before repairs are authorized.

Similarly, government adjusters calculate the time needed for repair work, so the car owner is not required to submit estimates from two or three body shops.

According to auto insurance officials in B.C., Manitoba and Saskatchewan, most accident claims are settled within half an hour of a motorist's arrival at a government claims centre.

If a car cannot be driven to a claims centre, the government company will pay the towing expenses or send out an adjuster.

There are more than 30 claims centres in B.C., 12 in Manitoba and eight in Saskatchewan.

The idea of drive-in claims centres is gaining acceptance in Ontario, where several private companies operate them, but most motorists here have yet to see one.

The typical Toronto car owner who's involved in an accident will phone his agent and wait for an appraiser to come and examine his car.

Jack Milne, an agent with 25 years' experience in auto insurance, says it usually takes at least two days before an insurance company will authorize repairs in an accident involving two cars.

Maurice Audet, who processes claims for the Toronto office of a large insurance broker, says it's "not unreasonable" for a driver to wait two or three days for a visit from an insurance company appraiser.

Brian Bloye, a divisional claims superintendent with the State Farm company, which has operated drive-in claims centres in Ontario for about two years, says: "If we can process a claim on the same day it makes us very happy."

Bloye, who has visited government centres in Manitoba and Saskatchewan, says: "This is the direction the private companies must go in."

Apart from giving the driver speedier services, he says, the system helps keep down repair costs.

Experienced adjusters can accurately estimate the cost of repairs in most cases, Bloye says, and save companies from having to rely on estimates provided by body shops, "which can range from, say, $100 to $400."