

DISCUSSION BY CARL L. WILCKEN

Mr. Wittick's article is an important addition to our *Proceedings* as it is the first published information on this coverage, which I prefer to call Basic Bodily Injury Accident Benefits.

Mr. Wittick has outlined fully the history behind the coverage in his opening remarks. The quote from the Ontario Government Select Committee contains some of the controversial public-responsibility arguments for this type of coverage. There is some question whether the Insurance Industry should agree with these philosophies or not. Regardless, it is hoped the coverage will provide for our Industry a highly improved public image as regards immediate payment of basic Bodily Injury benefits and in many cases, Property Damage benefits. This intangible benefit to the Industry in conjunction with potential knock-for-knock savings, on which Past-President L. H. Longley-Cook remarked in his Presidential Address of November 1962, makes this coverage a potentially dominating one in North American Automobile Insurance.

Mr. Wittick merits congratulations for first, accepting the request to cost this new coverage and second, doing so in a very short time with little factual information. There are less than a handful of experienced Casualty Actuaries in Canada. As a result Mr. Wittick could neither defer to other Actuaries nor bring many actuarial minds together on the problem. Mr. C. H. Fredrickson, F.C.A.S. retired, reviewed Mr. Wittick's thinking when this initial research was done. The basic approach was agreed upon and it appears to me to be logically sound.

The paper outlines quite clearly the method used to cost the five benefits, if the ten exhibits are followed in sequence. The difficulty I found in understanding some of the exhibits was that Mr. Wittick is often too succinct in his column headings and footnotes. In one respect this adds a note of interest to some exhibits, as the reader must make assumptions and then do some detective work. Usually these assumptions can be verified by interlocking information in other exhibits or the main article. However, to assist the reader in this detective work I have listed at the end of this discussion the Death Benefits for which Average Values are determined in Exhibit E.

There are numerous areas in Exhibits C through J where judgment was used, often of necessity. In this sense, the over-all costing might be criticized as not being rigorous enough. Undoubtedly other individuals would

develop different costs, using the same method, for one or more of the five benefits. Individuals who are primarily concerned with the Accident and Health class of business may disagree extensively with some of Mr. Wittick's values. However, to use a British Canadian phrase, the Industry expects the "swings and roundabouts" to play their part in this initial cost estimate.

My experience in Accident and Health is very limited and the only two areas I would comment on are the following. In Exhibit E, there are six age groups in the Male and Female Single-Other columns and the two 65 and over age groups in the first column which contain no costs. Some cost is incurred in all eight of these ranges for the small percentage of deceased who had dependents. These costs are undoubtedly small but nevertheless costs. Reference to my list of Death Benefits for Widows, Widowers, or Unmarried Persons outlines these benefits. Even those 65 and over may have living dependent parent(s), Godchildren or children in this age of medicine. In Exhibit F, both % of Claims and No. Weeks might be varied by age and sex, producing varying Values, rather than constant ones, for the Average Value calculations.

The statement that the "cost of accident benefits would vary by class of risk" is not as evident to me as the author suggests. For example, it seems unlikely the automobile of the underage single male will incur three and one-half times as much driver or passenger accident cost as the automobile of those who don't drive to work, and are over 25. The former automobile has few occupants who qualify for dependent death benefits. Also a high percentage of occupants are single and not employed and therefore qualify for no, or minimal, principal sum death benefits and no disability income at all. It is true that frequency is the major factor, but severity is also important. In this same sense there may be less spread in territorial severity for the scheduled benefits of this coverage. In general the class and territory differential spread may be less than the present Bodily Injury spread of differentials. However, given the choice of tying costs to current third party pure premiums or a flat Provincial pure premium per automobile, I prefer the former as being far less discriminatory than a single average premium.

If all Provinces in Canada make this coverage mandatory, all Canadians will be covered for these scheduled benefits by either the Insurance Industry or Provincial Unsatisfied Judgment Funds. Certainly there is apprehension as to the dangers created for the Industry by this blanket

coverage of the public. This risk may be heavily outweighed by the following and similar points:

1. A high percentage of small Bodily Injury claims will be settled at cost, or scheduled benefit levels, rather than at today's inflated out-of-court, immediate-release levels.
2. The number of Bodily Injury actions taken for excess of Accident Benefits, should be a fraction of the number of Bodily Injury actions taken now. This should reduce adjustment expenses appreciably.
3. The majority of Bodily Injury actions taken should be settled in much less time and for lower cost per claimant as each claimant receives immediate primary benefits and the courts are far less congested.
4. Many Property Damage claims may be settled more quickly at real-cost and real-liability levels. Claimants will not be able to claim minor Bodily Injury conditions to expedite and inflate Property Damage claims.
5. A British insurance executive remarked that many passengers in Great Britain accept realistic knock-for-knock settlements without further pressure on their driver's insurance company. Also, if these passengers take further liability action, they are more reasonable with their driver's insurer than they would be with the insurer of the driver of the other automobile. Similar changes in attitude of our injured occupants may result, though not to the extent of a full knock-for-knock system.

Many in the Insurance Industry in Canada hope the risk is well taken. In addition some feel Canadians will have the finest Automobile insurance coverage in the world, when this coverage is marketed.

LIST OF DEATH BENEFITS

Deceased		Death Benefits (ex Funeral)	
Description	Age (Years)	Principal Sum	Additional Sum for each dependent Child (i)
Child with parent living.	4 and under	\$250	None
	5 through 17	\$500	None
Married Male	through 59	\$5000	\$1000
	60 " 69	\$3000	\$1000
	70 and over	\$2000	\$1000
Married Female	through 59	\$2500	None
	60 " 69	\$1500	None
	70 and over	\$1000	None
Widow, Widower, or Unmarried Person:			
(a) with Dependent children	through 59	\$4000	\$1000
	60 " 69	\$2000	\$1000
	70 and over	\$1000	\$1000
(b) with Dependent Parent(s) only	All ages	\$1000	None
(c) with no Dependents.....	18 and over	None	None

(i) Children under 18 and children 18 and over who are fully dependent due to physical or mental infirmity.