

DISCUSSION BY ERNEST T. BERKELEY

In reviewing Mr. Harwayne's paper I found it necessary to go over the Keeton-O'Connell Automobile Basic Protection Plan again, as I had read it originally some time ago. The Plan has so many details, however, that even after I had read it the second time and started reviewing the cost analysis, I had to refer to the Plan time after time to refresh my memory. I can assure you this is a worthwhile educational process, even though the knowledge acquired may be somewhat temporary in nature.

I must say that I would have found the reading of this paper much easier had it started with a summary of the Keeton-O'Connell Plan. I do not advance this as a criticism of the paper, as I am sure it was written on the assumption that the Plan had already been read, which is entirely logical. I understand that when printed in the Proceedings the paper will be preceded by the Plan itself or a summary thereof.

As I read Mr. Harwayne's paper, it became apparent very quickly that actuarial judgment must be exercised to a very unusual extent. Many times I found myself wondering whether a somewhat different value could have been assigned to a particular factor, but on reflecting how this might be justified in an objective manner, I realized that much more information would have to be developed, probably from sources not readily available, such as studies based on individual insurance company records.

It also soon became apparent that the best policy was to accept the author's valuations and then consider his final conclusions in the light of different valuations in various places. I could not help feeling that the conclusions he states in the body of his paper are based on assumptions that generally are overly conservative. The less conservative—and to me more realistic—assumptions and conclusions are set forth in Appendix A. Obviously in a situation of this kind where there are so many variables that are difficult to evaluate objectively, it is impossible to reach a conclusion that can be firmly supported. Nevertheless, I cannot find concrete evidence to contradict Mr. Harwayne's conclusion that the Keeton-O'Connell Plan would cost less than the present system, even though I do not feel so sure of the extent of the saving.

I still have some reservations about the cost of the Plan in actual operation, however, largely on account of a factor that is strictly subjective, the effect of which cannot be estimated in advance. I am referring to the effect on drivers of a system providing protection against loss regardless of fault. Is this going to encourage careless driving and thus result in an

increase in accidents and claims, and hence in costs? Only time can answer that question.

There are two subjects I feel could have been treated more fully in the paper, namely insurers' expenses and the offsets for benefits received from other insurance, etc.

Allocated claim expense is the only item of the expenses of insurers dealt with fairly completely and I am inclined to agree with the author's estimate in Appendix A that this particular expense would probably cost less under the Keeton-O'Connell Plan. On the other hand, other important items of expense, such as unallocated claim and general administration, have not been discussed.

It is easy to understand why the author does not go into these expenses, since any comments can only be a matter of opinion, due to the difficulty of developing any objective estimates until much more is known about the details of actual application and operation of the Plan, which would have to be evaluated by qualified insurance company personnel.

Despite this drawback, however, I think some observations in this area would have contributed an additional and worthwhile dimension to the paper.

The only offset for other insurance mentioned specifically is that for benefits received under the New York Disability Benefits Law. In addition to this, it seems as if some mention should have been made of other important and more familiar benefits such as those under the Workmen's Compensation Law, for example. I believe a reasonable approximation of the offset for workmen's compensation benefits could have been made from various statistics given in the paper. The lack of specific reference to benefits under private insurance plans is understandable, because of the probable difficulty of determining them easily in actual practice.

The author has assessed the value of the offset for all these other benefits by suggesting in Appendix A that the New York Disability benefits would represent only one-half the amount of recoveries obtained under the Plan.

I believe Mr. Harwayne has done a very commendable job with the statistics available to him and he has presented conclusions that are helpful, informative, and within the bounds of reasonableness.