

high cost coupled with large numbers of cancellations, which are generally a function of price, have been the catalysts precipitating the many investigations that have taken place or are taking place currently. Claim settlement problems have not been a predominant factor in the call for such investigations.

Accordingly, I believe that any solution which the industry might settle on must attack the problem of cost at the outset. It may well be that the insurance industry is unable to materially affect the cost of automobile insurance without substantial changes in driver licensing practices and in law enforcement practices. However, this, if fact, must be made abundantly clear to the authorities in order that all concerned may work together effectively.

Thus, using cost reduction as the measure of success of Inverse Liability, I must conclude that it falls short of the objective. In all fairness to Mr. Murray, he did not suggest that the total cost of automobile insurance would be reduced. Rather he offers Inverse Liability as a form of complete accident protection for the insured, to cover the myriad of instances where recovery for personal injury damages are unavailable. While this is an admirable goal, the cost considerations seem to me to be more imperative.

In conclusion, I congratulate Mr. Murray on the ingenuity of his idea and suggest that Inverse Liability, in my opinion, is a better choice than any of the other plans yet proffered to deal with the social problems of automobile liability insurance. I further suggest that the insurance industry would be well advised to study Mr. Murray's proposal quite carefully even though the question of cost cannot be ignored.

AUTHOR'S REVIEW OF DISCUSSIONS

I welcome the opportunity to thank reviewers Jack Moseley and Jerry Hillhouse for their comments on the subject of Inverse Liability.

They have pointed out two important areas where further research is indicated. The most important of these is the question of cost and I certainly hope some of the members will respond to Jerry Hillhouse's challenge in this respect. I have suggested the affinity of Inverse Liability to third party bodily injury, and since bodily injury claims are separated from property damage claims in the United States it should be possible for you to produce more accurate estimates of average cost than we can in Canada, where bodily injury and property damage are indivisible.

In my estimate of \$60 for \$100,000 coverage in Ontario I did not take

into account the value of subrogation recoveries, and we should not lose sight of the fact that Inverse Liability includes Medical Payments (limited only by the sum insured) and Uninsured Motorist coverage (not limited to statutory minima). It would also be my recommendation that Inverse Liability be excess insurance over any specific accident, disability, major medical, or other insurance, so that Inverse Liability would be an umbrella coverage designed to take care of major losses. If consideration is given to these factors the net cost should be reduced to something under \$40.

I also recommend that a deductible coverage be offered provided the insurer can still retain subrogation rights for his proportion of the loss paid, in the same manner as presently obtains under deductible collision coverage.

I agree with Jack Moseley's comments on the question of compulsory insurance. However, his comments are equally applicable to Uninsured Motorist coverage which as you know is now compulsory in several of the states.

The other matter I wish to touch upon briefly is the proposed method of settlement of claims, that is, by agreement with the insured, or, failing agreement, then by arbitration. One of my critics in England has pointed out, and rightly so, that under the present system we sometimes see very widely divergent awards for virtually the same injuries, and that Inverse Liability would engender the same problems. I agree with this comment but believe it should be viewed in the perspective that 98% of third party bodily injury claims in Canada are settled out of court. There will always be those who are difficult to deal with. There will always be a small percentage of people who will fraudulently exaggerate their claim against an insurance company. Loss adjusters tell me their greatest settlement difficulties usually arise with small claims under residence fire and burglary policies, so Inverse Liability is breaking no new ground in this respect! I remain hopeful that the right to call for medical examinations at any time will help to keep problem cases to a minimum.

In conclusion let me say that I am gratified that the broad outline of Inverse Liability is gaining acceptance both here and in Canada. The essence of the problem is to provide first party insurance for an amount which will give the insured an indemnity for economic losses arising out of automobile accidents, without the necessity to change our age-old law of torts, and by a vehicle which will be operated by the private insurance industry. To the best of my knowledge Inverse Liability is the only current proposal which accomplishes all these aims.