

## A COMPARISON OF AUTO LIABILITY EXPERIENCE UNDER A COMPULSORY LAW AND UNDER FINANCIAL RESPONSIBILITY LAWS

BY

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DISCUSSION BY L. W. SCAMMON

In his paper "A Comparison of Auto Liability Experience Under a Compulsory Law and Under Financial Responsibility Laws," Mr. M. G. McDonald, Fire and Casualty Actuary of the Massachusetts Insurance Department, has set forth private passenger and commercial car experience for Massachusetts, a compulsory law state, and for Connecticut and New Jersey, financial responsibility law states. In order to make a direct comparison of the experience of these states, it was first necessary to adjust the Massachusetts compulsory experience inasmuch as compulsory coverage in Massachusetts is limited to coverage on the public ways of the Commonwealth and does not include coverage for guest occupants of the insured's automobile.

After making the necessary adjustments to include guest losses and losses off the public ways of Massachusetts, Mr. McDonald very concisely points out that (1) the Massachusetts pure premiums are higher than the New Jersey or Connecticut pure premiums, (2) that the Massachusetts average claim costs are lower than the New Jersey or Connecticut average claim costs, (3) that the Massachusetts claim frequencies are much higher than the New Jersey or Connecticut claim frequencies, and (4) that frequency is, therefore, the reason for the comparatively poor experience for Massachusetts under a compulsory law. Mr. McDonald then quotes from the Report of the Special Commission, Senate No. 466, which investigated automobile insurance in Massachusetts, to the effect that claim consciousness of the inhabitants of the Commonwealth is the reason for the higher claim frequency. Without so stating, therefore, the implication is that the reason for the comparatively poor experience in Massachusetts is the claim consciousness resulting under a compulsory law.

I find myself in substantial agreement with this implication. The Massachusetts figures which Mr. McDonald has cited are no flash results. Comparable figures have been indicated for many years as Massachusetts Compulsory Automobile data have been analyzed. Those of us close to the Massachusetts figures have come to expect a comparable pattern year after year.

Perhaps it should be stated objectively that obvious as it appears to be that claim consciousness under the compulsory law is the principal cause of the comparatively poor experience in Massachusetts, there may be other contributing causes. For example, may not some increase in claim frequency be expected when all vehicles must be insured? It would seem that in a non-compulsory state those who do not carry insurance are somewhat the irre-

sponsible drivers whose irresponsible attitudes must carry over to their driving habits. The frequency of such drivers could well increase the total frequency.

Another possibility of the cause for the higher frequency under a compulsory law is the difference in state enforcement practices. For example, much is made of the New Jersey "no fix" traffic ticket. Safety experts are agreed that where the enforcement index is high the accident index is low and vice versa. Further backing to this possibility is provided by the contraction of claim frequency for nearly a year in Massachusetts with the passage of Merit Rating legislation in July 1953 during which time the threat of accumulation of points against individual driving records served to reduce the number of accidents reported.

While it is generally believed that weather conditions should affect the three states of New Jersey, Connecticut and Massachusetts in reasonably the same way, the flood of claims in Massachusetts in March of 1957, a month when an excess of snow and extremely slippery driving conditions prevailed in Eastern Massachusetts, suggests the thought that the concentration of traffic that exists in and around Boston when subjected to quickly changing winter driving hazards contributes to higher claim frequencies to a greater extent than in the other two states. Two-thirds of the private passenger cars in Massachusetts are concentrated within a thirty mile radius of Boston with its narrow, twisting, cow-path streets. Old New England as typified by Boston and environs was not laid out with an eye to 20th-Century automobile traffic conditions. It is little wonder frequencies of accident are high here.

In other words, although claim consciousness is probably the major reason for the higher claim frequency in Massachusetts under a compulsory automobile insurance law, there may be other reasons contributing to the higher frequency. However, after hearing legislators at a public hearing on compulsory automobile rates state that they cannot blame people for making claims when the opportunity arises because they have to get back the money they paid in premiums due to the high compulsory rates, one cannot help but get the impression that the people are somewhat claim-conscious.

## OASDI COST ESTIMATES AND VALUATIONS

BY

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DISCUSSION BY W. RULON WILLIAMSON

Before commenting directly upon Mr. Myers' current paper, I shall set down certain background remarks on "Social Security" and the segment called OASI. I shall largely omit both the Disability segment, with its separate trust fund and tax-base, as well as Medical Care currently being discussed as the next addition to what is called the "Insurance Part" of Social Security.