



What's all this about no-fault car insurance?

There's a lot of confusion about no-fault car insurance. Even the term "no-fault" means different things to different people.

The Consumers Association of Canada* feels many people don't really understand what's involved. Professor Allen Linden†,

Osgoode Hall Law School, York University, agrees. In response to this growing concern about no-fault, CIAG INSURANCE is offering you some information and a chance to voice your opinion.

Is there a single best answer?

Please consider the following questions, then complete and return the coupon to indicate your views. CIAG will report the response to the Ontario Ministry of Consumer and Commercial Relations.

What does "fault" mean in auto insurance?

The "fault" principle goes back beyond Biblical times. The idea of an eye for an eye, a tooth for a tooth, was adapted by English common law to mean the guilty must pay. In auto insurance it means if someone damages your car or injures you by negligent driving he must pay for your loss. Most motorists carry third party liability insurance to pay for losses they cause.

Over the years insurance programs have developed which ignore fault. Workmen's Compensation, for example, pays for loss regardless of who's at fault. In traffic accidents, however, many people still feel the guilty should compensate the innocent.

The fault system theory is that careless drivers must pay for the accidents they cause and its purpose is to encourage drivers to be careful. Insurance premiums are calculated to cover the cost of claims for which drivers in different rating groups are responsible. According to a recent study the average liability claims cost for married males over 24 was less than half that for married males under 20. The liability coverage premiums for each group reflect this difference.

How about no-fault?

No-fault automobile insurance describes the insurance plan that exists when fault law does not apply to auto accidents. Motorists no longer rely on getting payment from another motorist for vehicle damage or injury but must provide their own protection. Each company pays its own policyholder regardless of blame.

Pure no-fault automobile insurance does not exist in North America. The so-called no-fault plans in some states and provinces are only partial no-fault programs.

By the way - don't confuse no-fault insurance with government insurance. Although limited no-fault coverage is part of government automobile insurance plans in western Canada, no-fault benefits have been offered by automobile insurance companies in Ontario for some years. CIAG was first to do so through additional coverage introduced in 1959.

What do we have now?

Motorists insured in Ontario have no-fault benefits broader than those offered in most other provinces and states and also have the right to sue a guilty party for loss.

No-fault death and disability coverage is part of all liability insurance policies issued in Ontario. It provides:

- Total disability benefits for:
 - an employed person (or unemployed person age 21 to 65 who has worked six of the previous 12 months) - 80 percent of wages up to \$70 weekly, for up to 104 weeks, or for life if disability is permanent
 - a principal unpaid housekeeper - \$35 a week, for up to 12 weeks
- Death benefits for:
 - head of household - \$5,000 (plus \$1,000 for each living dependent after the first)
 - a spouse - \$2,500
 - any dependent child - \$1,000
- Medical and rehabilitation benefits:
 - up to \$5,000 a person (four-year time limit) and up to \$500 funeral expenses

If an injured person receives accident benefits from his insurance company and recovers from the responsible party, recovery is reduced by the benefits received. But future weekly payments are not affected.

What's wrong with our present system?

The fault principle served well in the early years of the automobile. Now, with masses of vehicles, complex roads and higher speeds, even a split second counts and it's sometimes difficult to decide who's to blame and to what degree.

You might think it's easy: bad drivers cause accidents. Yes, they do. But good drivers cause accidents too. And bad weather and poorly designed roads and unsafe cars cause accidents. When we try to find the cause of an accident, we can't look only at the driver.

Who is paid? Only the "innocent" can recover the full amount of their losses. Where responsibility is divided, others may recover part of their loss. Where a driver is judged responsible for the accident, he and often his passengers recover nothing from the other party. But they may suffer loss of wages, vehicle damage, serious injury requiring rehabilitation or a change in lifestyle - all from a momentary lapse of judgment. Their recovery is limited to accident benefits provided by their own policy.

A committee appointed by the Ontario Minister of Consumer and Commercial Relations in 1970 to inquire into claims adjusting practices concluded:

"The public simply does not understand the nature of insurance coverage (and auto insurance particularly) nor do they understand the manner in which claims are settled. . . . Most of the complaints which we received had to do with automobile damage claims and we think that much of the problem and public resentment which may exist against insurers results from the adversary system of resolving such disputes."

Ninety percent of accidents involve vehicle damage only and account for 70 percent of total claim payments.

Consumerism, the law, and competition among insurance companies have not created satisfactory claims service because of a crucial gap in the system. When you are involved in an accident you deal with the other person's company - not the one you chose yourself.

Many people feel automobile insurance costs too much. But how does it relate to other costs? In major metropolitan areas it can cost twice as much to park a car (\$2-\$3 per day) as to insure it; 15 hours auto repair time at current rates of \$10-\$15 costs as much as the average annual insurance premium. People may be more concerned about paying automobile premiums because they feel they have nothing to show for it until they have an accident.

Why are people talking about no-fault?

- The Ontario government has announced its intention to extend the no-fault benefits now in existence.
- People hope that no-fault will reduce or control the rising cost of automobile insurance.
- Publicity in the United States about no-fault plans as the solution to insurance problems has spilled over into Canada and caused confusion. American problems are not quite the same as ours. The U.S. legal system is different. Ontario automobile insurance costs are substantially lower.

1972 average annual premiums			
Toronto \$192	Hamilton \$194	Kitchener \$170	
Chicago 470	Buffalo 286	Akron 258	
Brooklyn 576	Minneapolis 263	Sacramento 284	

Some people believe the government can solve all our automobile insurance problems with a no-fault monopoly.

Times are changing rapidly - and so are social conditions. To keep pace, institutions are examined and modified more often.

The Insurance Bureau of Canada has proposed a no-fault plan to pay for vehicle damage and a substantial portion of wage loss and out-of-pocket expenses for personal injury. The plan would maintain the right to sue for additional expenses and for pain and suffering only in cases of severe injury. The proposed coverage would pay medical and rehabilitation expenses up to \$20,000 per person, lost earnings up to \$250 a week for up to three years, and a death benefit of \$1,000 for dependents under 18.

The Ontario Law Reform Commission has recommended compulsory, no-fault automobile insurance and the abolition of court action to determine blame for traffic accidents. The Commission recommends that all traffic victims be compensated for medical expenses, lost wages and property damage, but not for pain and suffering.

Is no-fault the answer?

The question of service: Will a change in the law improve insurer attitudes towards claimants? Taking the emphasis off the adversary fault system and having drivers deal entirely with their own insurers could help.

The question of rights: The fault system permits compensation of the innocent victim not only for actual out-of-pocket expenses, but also for pain and suffering. It denies compensation to the person at fault in the accident. No-fault seeks to rehabilitate all victims regardless of fault and the extra funds are provided by eliminating the right to sue in whole or in part.

While some rights may be lost, no-fault would bring new rights more important than money compensation, like the right to rehabilitation and help in adjusting to the new situation created by an accident. Rather than focusing on the allocation of guilt and innocence, no-fault emphasizes solving the victim's problems.

The question of responsibility: Advocates of the fault system suggest that when careless drivers must pay for the accidents they cause, they are more careful. No-fault supporters argue that a careless driver does not pay, but his insurance company does. They say because 95% of motorists are insured, merely making them theoretically responsible does not reduce accidents. Nor does an extra premium charge change the attitude of a person who has caused an accident.

The question of cost: The cost of automobile insurance reflects the amount paid out for claims. No-fault will not reduce the number of accidents or the amount of damage - it's only a change in law.

Only entirely "innocent" traffic victims receive full payment for their injuries under the fault system. Under no-fault, more people will be compensated. If the guilty are also paid, the cost of insurance will rise. The Insurance Bureau of Canada and the Ontario Law Reform Commission recommend reducing or eliminating payment for pain and suffering and other "general damages" to provide funds for out-of-pocket losses of all injured motorists.

Under no-fault proposals, the young, single driver will pay relatively less in premiums and the middle-aged husband and father may pay slightly more. The reasons: the younger, unmarried person usually drives a lower-value car and has lower income. The older driver heals more slowly and because of generally higher income, must receive more and higher benefits. No-fault insurance rates for each rating group are based on the amount of benefits expected to be paid to each group.

Are you in favor of scrapping entirely the fault approach to vehicle damage claims? In other words, you and another driver would collect for vehicle repairs from your own insurers regardless of who caused the accident. This could avoid the delays that concern most claimants.

Premiums would reflect the benefits paid rather than who was at fault. If you're not satisfied with the service from your company you can change to another.

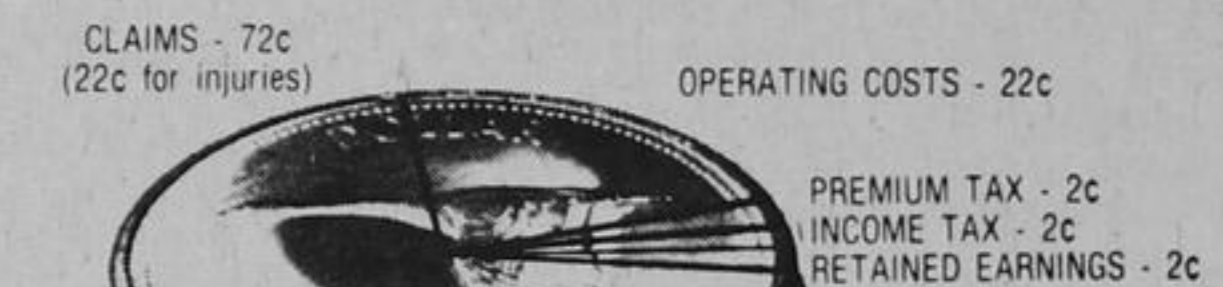
Would you favor removing the right to sue for pain and suffering in the case of some or all injuries? Each injured person would be paid out-of-pocket expenses, and trained for other employment if disability prevented his resuming a previous occupation.



CIAG, Ontario's leading automobile insurer, insures more than 320,000 Ontario vehicles. It is owned and controlled by democratic co-operative organizations - the Ontario Credit Union League, the Ontario Federation of Agriculture and United Co-operatives of Ontario. Among CIAG's primary objectives are:

- to provide policyholders with good insurance service and value
- to act honorably and to be fair to all claimants, whether policyholders or not
- to be a good corporate citizen, and to try to be known for enterprise, promptness, honesty and fairness

In 1973, CIAG used its earned premium dollar this way:



It isn't possible even in this full-page report to provide all the information you may want. You can get more from CIAG's local office or by mailing this coupon.

To: CIAG INSURANCE
No-fault Information
Priority Square, Guelph
N1H 6P8

From: name _____
address _____

I would prefer (for little change in premium):
 to keep the present insurance system in Ontario
 to have a broader no-fault plan (to be paid for vehicle damage and expenses of most injuries by my own insurer while keeping the right to sue for severe injuries)
 to have as complete a no-fault plan as possible (with my out-of-pocket loss paid by my insurance company regardless of who's at fault and giving up all right to sue)

My major concerns about automobile insurance are:
 delays in settling claims
 other people getting my money because I've never had a claim
 having to pay a deductible when I have a claim
 poor service from _____
 my agent
 my company
 my adjuster
 another company
 another company's adjuster

other _____
 I would like to have more information about no-fault car insurance.

*The Consumers Association of Canada, a nonprofit organization of consumers which brings their views to the attention of government and producers, publishes CANADIAN CONSUMER, which features product studies and buying guides.

†Allen Linden has studied and studied accident compensation systems for a decade. In the early Sixties he completed a study which preceded significant reforms in Ontario's system of auto insurance.

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