

Our Changing Economy

Take Time to Shop On Auto Insurance

By Philip Stoddard Brown

IF YOU could go out and just buy things when you need them and confidently accept the sellers' advice, how much easier life would be. It's in "spending" that "we lay waste our lives."



Brown

Buying automobile insurance is one of those chores that shortens life—or, at least, the time for enjoyment of life. All that confusing, technical jargon. Comprehensive insurance turns out not to be comprehensive. Collision insurance covers more, and also less, than you might suppose. And liability insurance—well, that's just tricky.

Then, there are those decisions. How much protection do you need against the claims of others? Do you want expensive insurance against damage to your car, or do you want to take a chance on being able to collect from the other fellow if you have a really bad accident?

Insurance is no petty expenditure. Partial insurance against claims for bodily injury and property damage to others costs at least \$80 in the District, if you drive your car to work and allow a son under 25 to use it. Most companies charge more—perhaps \$94.

Some Spend Too Much

Many owners of cars buy coverage they don't need, or which isn't worth the cost. Some who have good driving records pay too much for the coverage they get. This often happens when you buy a car "on time." Insurance commissions and high interest charges enable a finance company to make a good profit and also to pay the auto dealer for throwing the business its way. (You don't have to buy your auto insurance through the company or dealer that does the financing.)

W. C. Fields' injunction is still the creed of many businessmen, despite those pious platitudes on office walls. So don't be too trusting "and add these few precepts in thy memory":

★ If you and your family have no record of accidents, driving-while-drunk, or speeding and if you haven't children (especially sons) under 25 that use your car, it may pay you to shop around. The 75 stock companies, members of the Association of Casualty and Surety companies, will quote you the same rates, but other companies have rates that may be 10, 20, even 30 per cent less on particular policies.

For example, the rates of Government Employees Insurance Company—which now sells to people who aren't government workers—are consistently lower than "Bureau Rates" because expenses of this company are lower; it employs no salesmen to whom commissions of 10 to 25 per cent must be paid. Many other underwriters also sell below the rates of Bureau members.

"Bureau rates" for protection against claims up to \$10,000 for injury to one person and up to \$20,000 for injury to two or more persons in a single accident, and for up to \$5000 for property damage, are as follows:

	D.C.	Md.	Va.
1 b. Family car used for driving to work (less than 10 miles) . .	\$71	\$51	\$35
2 a. Same, but car also driven by unmarried male under 25 years old . .	94	76	56

★ If you aren't accepted by one low-premium company, try another. Some underwriters are prejudiced against foreign cars; others, against Negroes. Two companies admittedly won't insure people (regardless of color) who live in the Second Precinct, and others may secretly take account of the neighborhood in which you live. Some don't like to insure cars driven by young unmarried men, even though the premium is high.

Standards Vary

There are about 400 companies selling casualty insurance in Washington and, though they exchange information, there is a lot of competition for "good risks." They don't all agree on what constitutes "a good risk." The criteria of some are less arbitrary than others.

★ If several companies deny you insurance at a favorable rate because of some criterion that is unfair in your case, try this technique. Offer a package deal—for auto, house and maybe even life insurance—to the agent of a company whose rates are acceptable.

★ If your record is actually bad, recognize this and take insurance where you can get it. You may even have to apply for assignment to a company.

Good drivers pay too much; bad drivers, too little. Since bad, or careless, drivers predominate, underwriters of automobile insurance, as a group, have lost money in all but three postwar years. In 1957, the claims they paid and the expenses they incurred exceeded premiums by \$250 million. They may have been greater in 1958.

Rates have been raised repeatedly, but traffic congestion, higher speeds and the crazy design of cars have increased the size of claims and also the number of claims, relative to the number of cars insured. A fender that cost \$8.50 to replace in 1939 costs about \$175 to replace on a 1959 model of the same make of car. It is said to take 22 hours to install a quarter-panel of a fender these days; in 1939, a new fender could be installed in an hour and a half. And fenders are more vulnerable today.

Padded Bills, Hostile Juries

Then too, insurance companies are bilked by garages and juries, perhaps more than they used to be. (Incidentally, one national underwriter says its principal interest in knowing the racial descent of an applicant is to be forewarned so that it can arrange a settlement, rather than let a case go before a Southern jury.)

The problem of rate regulation has been to protect good risks from being overcharged and yet provide insurance to everyone. This is probably impossible.

One recent noteworthy development is the controversial "merit-rated" policy offered in a few states, but not in this area, by Nationwide General. Under this policy, the car owner gets a series of reductions in his premium, if he goes without accidents; conversely, his premiums are boosted by accidents for which the company has to pay claims.

The great unsolved problem of auto insurance is initial appraisal of risk. A responsible family man who is a good citizen, etc., may be a menace on the highway, and vice versa. One under-25 young man may be a superior driver; another, a frightful hazard.