



Current Articles 2008 – March

Underinsurance (Part 2)

I recently renewed a subscription to a magazine that I had subscribed to before but was discontinued. It is now back up and running and my subscription is to a magazine called "Reminisce". That gave me an idea to also "reminisce" to a previous insurance era. Some of you may not have been here or certainly not in the insurance business in this time frame. On the other hand, I am sure that there are a few who will recall my comments.

In the early 60's automobile insurance was not compulsory. Most responsible drivers did buy auto insurance as the cost was no where near what it is today. There were no Accident Benefits, which is a major cost to today's policies. In those days you had a choice to buy Medical Payments for a limit of \$1,000. per person for \$2.00 or for \$2,000. per person for \$4.00. Although coverages could be selected most good drivers bought auto insurance in a package form. Package #1 included Third Party Liability - \$100,000, Medical Payments - \$1,000 per person, Collision - \$100.00 deductible and Comprehensive -\$25.00 deductible. Package #2 included Third Party Liability - \$300,000, Medical Payments - \$2,000. per person and All Perils with a \$25.00 deductible. According to my 1962 rate manual Package 1 for a new Chevrolet would be \$63.00 per year and for Package 2 - \$75.00 per year. You could also reduce the Comprehensive deductible to 0 for an additional \$5.00!

Habitational Insurance was written on a 3 year term basis and could be made subject to annual instalments. There were no Homeowners Policies as we packaged coverages using a Composite Dwelling Policy. This included as a minimum, building coverage, contents coverage and a personal liability coverage. When all 3 were included a 10% discount was taken from the total, the building and the contents could be written on a Fire and Extended Coverage basis and with a \$50.00 deductible applying only to the extended coverages. The contents could also be written on a Householders Policy (B3) which added crime and transportation coverages and with no deductible. If the building was insured for \$20,000 (and that was higher than normal in those days) the contents would be for \$8,000. The additional premium to change to the broader Householders coverage for the contents would have been \$24.50 **for 3 years**. A Composite Dwelling Policy for a building value of \$20,000 and including a Householders policy for \$8,000 and a Comprehensive Liability policy for \$10,000 might develop a 3 year premium of less than \$150.00 and an annual instalment of less than \$50.00! I can remember delivering annual instalments with a premium of \$30.00.

Hard markets in those days had the same effect on consumers – unhappiness! One year we had a 20% increase in auto rates and our phones went off the wall! The 20%, on average meant an increase between \$15.00 and \$20.00.

Commercial insurance was principally on a fire and extended coverage basis until the introduction of the Commercial Property Floater which insured the stock and equipment on an All Risk basis. Later a Commercial Building – Broad Form was introduced to affect all risk coverages on the building. There was no Commercial General Liability or even a Comprehensive General Liability. We had available a Premises, Property and Operations Liability (P P & O), an Owners, Landlords and Tenants Liability (O,L & T), and a Manufacturers and Contractors Liability (M & C). Product and Completed Operations was NOT included and had to be added by endorsement. Most policies were written with split limits as low as \$10,000/\$20,000/5,000. I recently found a policy for a one

day fashion show with limits of \$50,000/\$100,000/\$1,000 and with a minimum premium of \$11.34.

How times have changed and how inflation has affected our business. Where will limits, premiums, coverages, government requirements take us in the next 20 years?

James E. Bonnay,
C.I.P., C.C.I.B.
Insurance Consultant

Phone 905-333-1727
Fax 905-333-0683
E-mail - jamesbonnay@cogeco.ca