



COMMENT

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A newsletter for CLU designation holders focusing on risk management, wealth creation, and preservation.



DRIVEN TO DISTRACTION

Thanks to a clampdown on drunk driving, more use of seatbelts, and cars equipped with airbags and the technology to help avoid accidents, the number of deaths due to motor vehicle accidents has decreased over the past few decades. However, the risks of mortality and morbidity related to drunk driving are still essential risk factors to assess when underwriting insurance applicants.

Transport Canada reported more than 160,000 car accidents each year on average over the last decade in Canada (2008–2018), with 108,000 resulting in personal injury in 2018. Although the fatality rate (per 10,000 registered motor vehicles) dropped from 1.62 to 0.77 in 2018, that's still an average of eight fatalities per day. Victims in the 65 and up age group are most likely to die, followed by those aged 25 through 34, who are also more likely to be injured.¹

According to 2017 data out of the United States from Centers for Disease Control and Prevention, 45% of U.S. deaths in the 20 to 24 age group were attributable to accidents, and primarily motor vehicle accidents.² Inexperience, combined with a youthful sense of being invincible, are two contributing factors behind these statistics.

Young males tend to drive faster and typically have less experience in avoiding accidents. Alcohol is often a factor,

as is distracted driving. According to Statistics Canada, in 2015, 27% of deaths on Canadian roads resulted from speeding, and distracted driving increased the risk of an accident by 500%. Even with efforts to reduce impaired driving, 40% of drivers killed in a car crash in 2008 consumed alcohol before getting behind the wheel.³

The other age group of concern is those 65 and older. Here, driving too slowly is the problem. They may have slower reflexes and decreased confidence. Poor eyesight, particularly with night driving, may contribute, and they may also be on prescription medications that can impede their ability to react quickly.

For this reason, when underwriting for motor vehicle accident risk, the underwriter will look at several risk factors and pay particular attention to those under 30 and those 65 and older.

For the younger applicant under age 30, underwriters will note the applicant's occupation and consider whether it involves a significant amount of driving. Experience has shown that a poor driving history is a good indicator of an individual's future driving skills, so an applicant with a history of traffic violations will be more likely to have accidents in the future. Other behaviour patterns that suggest the applicant may have poor judgment include driving without a seatbelt, while using a cell phone, or without automobile insurance.



Underwriters will also consider the applicant's participation in hazardous sports or aviation, which may show a tendency for thrill-seeking and speeding. They'll also check whether there is past criminal history that would highlight a risk taker.

Since alcohol and drugs are involved in approximately half of all fatal auto accidents involving young adults under age 30, any concern about alcohol overuse or drug use, including cannabis, would be a significant red flag. An applicant with a charge of driving under the influence (DUI) with abnormal laboratory findings of alcohol overuse could be declined, as would a fairly recent history of more than one DUI.

The underwriter will be wary of habitual offenders, as frequency and severity of the offence are known risk indicators. For example, a repeat offender who drives 50 km per hour over the speed limit will be assessed as carrying more risk than someone who speeds 30 km per hour above.

For seniors over age 65, driving history remains a consideration, but the underwriter will focus more attention on how the applicant manages daily living activities, along with any medical impairments they might have, and any prescription medications being taken. Identifying those seniors who should not be on the road any longer may be a challenge for families and

physicians, but this is extremely important as they pose the greatest risk for motor vehicle accidents.


At all ages, underwriters will require motor vehicle reports whenever there is significant driving history, as it is the best tool available to assess driving risk. If there are concerns about alcohol or the applicant's ability to continue to drive, a blood profile and potentially a doctor's report may also be needed. A habitual offender may be declined coverage or offered a substandard policy, depending on the severity of the past infractions, recency, frequency, and any other contributing risk factors that may be present. ©

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¹ Source: Statistics Canada, CANSIM, Table 405-0004. From 1999 the licensed driver data were provided by each jurisdiction: <https://tc.canada.ca/en/canadian-motor-vehicle-traffic-collision-statistics-2018>

² Source: Verywell Health <https://www.verywellhealth.com/top-causes-of-death-for-ages-15-24-2223960>

³ Source: Canadian Association of Chiefs of Police quoting Statistics Canada and Transport Canada data: https://www.cacp.ca/index.html?asst_id=1626



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