Jewelry as Tiffany & Co.*
money

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How to slash car insurance

Face it: The current system for injuries

By Stephen D. Sugarman
Special to The Bee

FOR MORE than a year now, Stephen Sugarman is a professor of law at the University of California, Berkeley, and the presenting the details, some background information may be helpful.

Four things are seriously wrong.

1. Car insurance companies are losing money.
2. Injuries are not properly compensated.
3. The system is not equitable.
4. The system is not efficient.
for injury liability is a mess

Jim Chaffee

On the one hand, the details, some background information may be helpful. Things are seriously wrong somewhere. On the other hand, at least where a deep pocket is available, our legal system pays enormous sums to the very seriously injured. To be sure, there is likely a silver lining: social security, medicare, sick leave, disability insurance and the like. The upshot is either inappropriate double recovery or the burden of taxpaying on the working poor and middle class. The prospect of the current system
Face it: The current system for injury

By Stephen D. Sugarman
Special to The Bee

Stephen Sugarman is a professor of law at the University of California, Berkeley, and the author of Doing Away with Personal Injury Law (Quorum Books).

Despite the details, some background information may be helpful.

Four things are seriously wrong with the existing system. First, we award successful personal injury law plaintiffs an extravagant amount of pain and suffering damages. Indeed, more than half the money paid out in personal injury claims is for pain and suffering. At one end, people whose pain is long gone by the time they collect (if they ever had any pain at all) are handsomely bought off because of the nuisance value of their legal claims and the insurers' desire to close the books on them. At the other end, we pay pain and suffering to people who are very few indeed. The existing lawsuit lottery is very unequally distributed. People who suffer injuries should not be treated as if they were birds in a cage that are valuable only if we can catch them. If, however, they do find their way to the lawyers, they are in for a windfall.

Second, the system hampers the prevention of injury. It is not the victim who pays for injuries, it is the entire community. In the past, people were forced to bear their losses. Now, we pay for the losses of other people.

Tell us a story

By Neil Postman

NOW THAT the thunderstorm ignited by the celebrated texts of E.D. Hirsch, Jr. (Cultural Literacy) and Allan Bloom (The Closing of the American Mind) has passed over the land and appears to present no further danger to our intellectual landscape, it may be useful to review, under clearer skies, the lessons to be drawn from the drenching.

For those who have not read Cultural Literacy, I should say that much of the book's popularity is attributable to its appendix, which consists of a list of 5,000 names, dates, aphorisms and concepts that Hirsch and some of his colleagues believe a literate person ought to know. Americans love lists, especially lists compiled by experts; Americans also love tests, and Hirsch's list is easily transformed into a kind of cultural-literacy test that can be administered anywhere, including the living room and the classroom.

Aside from the fact that Hirsch is a lucid and sometimes elegant writer, very little else in the book can account for its success either with teachers or with the common reader: To paraphrase an old saw, what is true in Hirsch's book is not startling, and what is startling is not true.

Let us start with what is true. Hirsch believes that the more one knows, the more one can learn — a proposition with which few would disagree. He also believes that you can't read reading. You have to read about something. And therefore, to be literate, you have to know about the things you are reading about. There is no disputable.

See STORY, Forum 2
Now it’s the Ukraine’s turn

By Bill Keller

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HARKOV, U.S.S.R. — If President Mikhail S. Gorbachev is alert to the omens of his decomposing empire, he may have noticed the strong election-day showing of Genrikh O. Altunyan and Yegor I. Kravtsov, two former political prisoners who campaigned in Kharkov on a platform of full independence for the region.

This is the relentlessly Russified eastern Ukraine, where conventional wisdom holds that the Communist Party has things well in hand, in contrast to the rambunctious western part of the republic, where independence is a popular notion.

But the election outcome in Kharkov on March 18 was one of many signs during visits last week to the eastern and western Ukraine that this divided and eco-

nomically indispensable republic poses a growing challenge to Soviet unity.

Kravtsov, whose uncompromising platform included an independent Ukrainian army and a separate foreign policy, lost his runoff election for the Ukrainian Parliament two years ago by a scant five votes of 55,000 cast.

This near-victory could yet become a full one. Kravtsov can verify his accusations of flagrant cheating by the Communist Party machine.

Altunyan, who favors a gradual liberation of the restive republic, now faces a bitter contest. See RESTLESS, back page, Forum 2.
I HAVE A better idea that could eliminate automobile liability insurance premiums entirely.

Here's how:

People injured in auto accidents would no longer be able to bring lawsuits against other drivers. As a result there would simply be no need for auto liability insurance for bodily injury.

Instead of filing lawsuits, auto accident victims would file claims against a newly created public Auto Accident Compensation Corporation (“AACC”). As described below, the AACC would generously compensate auto accident victims for their actual losses after obtaining its revenues from the motor public in new ways.

The AACC’s first revenue source would come from a modest increase in the state gasoline tax — a few cents a gallon. This approach generally makes those who drive more pay more, and that seems fair since those drivers, other things being equal, are more likely to be in more accidents. At the same time, this approach gives a deserved reward to those with fuel-efficient cars.

Second, car registration and driving license fees would be increased. Not only would this be a revenue source for the corporation, but perhaps more importantly, in terms of perceived fairness, those fees could be adjusted to reflect both past driving behavior and the likelihood that someone will be in an auto accident in the future. For example, those with moving violation tickets, those who are new (and typically young) drivers and those who live in congested areas would be asked to pay more. Moreover, a system of differential license fees based upon past driving behavior would promote punishment and safe driving goals more effectively than does the idiosyncratic imposition of premium increases that insurers employ today.

Third, there would be a tax on new car sales. More than a mere source of revenue, this tax could provide an extra incentive for drivers to conserve fuel.

I TURNS TO the benefits side, under my proposal the AACC would pay for all reasonably incurred and otherwise not reimbursed medical expenses of up to $500,000 per person. It would cover, for so long as necessary, otherwise unreimbursed income losses of up to $4,000 a month (which is more than what 90 percent of Californians earn). And it would pay for other reasonably incurred expenditures for rehabilitation, replacement services and medical care.

The AACC would be funded by the higher gasoline tax, the increased registration and license fees, and the new car sales tax. As a result, the federal government would be able to substantially reduce the tax burden on the American people and still provide a comprehensive safety net for auto accident victims.

As an added benefit, auto insurance premiums would no longer be so high, and the courts would be less burdened with tort lawsuits. The result would be a win-win solution for all involved.
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Second, car registration and driving license fees would be increased. Not only would this be a revenue source for the corporation, but perhaps more importantly, in terms of perceived fairness, those fees could be adjusted to reflect both past driving behavior and the likelihood that someone will be in an auto accident in the future. For example, those with moving violation tickets, those who are new (and typically young) drivers and those who live in congested areas could be asked to pay more. Moreover, a system of different license fee increases based upon past driving behavior would promote punishment and safe driving goals more effectively than does the idiosyncratic imposition of premium increases that insurers employ today.

Third, there would be a tax on new car sales. More than a mere source of revenue, this tax could be varied to reflect the accident history of the car model in question. This approach would reward manufacturers and consumers of safer cars and impose higher costs on more dangerous cars (those that are more often in accidents and tend to lead to more bodily injuries).

In addition, there would be enormous administrative savings in such a plan. Think of the reduction in auto insurance advertising expenses, in commissions for insurance agents and brokers, and, most importantly, in lawyers—since there would rarely be any sort of lawsuit brought in connection with an auto accident.

Although motorists would save a great deal of money now spent on insurance, they would, of course, have to fund the AACC. But the sum of their contributions to the corporation's revenue sources would be dramatically less than what motorists now pay for auto liability insurance for bodily injury.

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Moreover, if this were desired, the plan could afford to pay moderate sums for pain and suffering (up to, say, $50,000) to those auto accident victims who suffer a serious disfigurement or a substantial permanent impairment, or who are

Hey, what this country need

Continued from Forum 1

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prevented by the accident from substantially returning to their normal activities for more than three months.

As in workers’ compensation and the Social Security disability program, benefits would be paid to auto accident victims regardless of who caused their injury (although there would, of course, be exclusions for intentionally self-inflicted injuries and, if this were desired, for an alcohol- or drug-impaired driver whose impairment causes the injury). As compared to the present system, many auto accident victims who now go without compensation (because they can’t prove fault or the defendant is uninsured) would be compensated by the AACC.

Simply replacing lawsuits against motorists for personal injuries with compensation from the AACC would leave motorists still needing auto liability insurance in case they cause property damage. But additional features of my proposal would largely eliminate the necessity for that coverage, too.

Following the successful Michigan experience, car owners could no longer sue for auto property damage. Instead, people who wish to protect their own vehicles against the financial risk of damage caused by either others or themselves will have to purchase their own protection — as a majority of motorists already know now do by buying “collision” insurance.

Under my proposal, however, rather than buying a separate auto “collision” insurance policy, many people would probably be able simply to list their automobile (along with jewelry and musical instruments, for example) as a separately “scheduled” item on their homeowner’s or renter’s insurance policy.

Motorists would, under my proposal, continue to have residual tort liability for carelessly damaging someone else’s property (other than another car). But most people would probably be able to insure that liability risk through the general personal liability insurance coverage that routinely comes along with homeowner’s and renter’s insurance policies.

There is, of course, some danger that, as a public organization, the AACC would become politicized or inefficient. But with careful planning, these risks could be minimized.

For example, the Social Security Administration has run the Social Security system for more than 50 years on a cost-effective basis and with remarkably little scandal. So, too, in those states (not California) where the government is the sole provider of workers’ compensation insurance, the scheme’s administration is not thought to be inferior to that in states using private insurers. And, we have generally favorable reports from the western Canadian provinces, where a state entity is the sole seller of basic auto insurance.

Under my proposal the AACC would have an independent corporate status, perhaps like the Corporation for Public Broadcasting or the Regents of the University of State. The AACC would be appointed by the governor subject to the approval of an appropriate screening panel on which the insurance commissioner, among others, would sit.

Moreover, so as to avoid the hiring of state employees to process claims, the AACC could be directed, as Medicare does today, to draw upon the expertise of the private sector by contracting out to insurance companies, on a competitive-bid basis, the claims administration function.

Were my proposal adopted, Proposition 103’s goals would actually be achieved — and then some — through a plan that sharply reduces underlying costs of insurance company overhead, of lawyers, of duplicate recovery and of excessive payments for pain and suffering.

Of course, a significant portion of the auto insurance business would disappear. But since nearly all the insurers are coping that they
compensation (because they can't prove fault or the defendant is uninsured) would be compensated by the AACC.

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Motorists would, under my proposal, continue to have residual tort liability for carelessly damaging someone else's property (other than another car). But most people would probably be able to insure that liability risk through the general personal liability insurance coverage that routinely comes along with homeowner's and renter's insurance today. These motorists would not need separate auto insurance at all.

'Lord, help us fight hunger, keep peace in the world and please lower insurance rates.'

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Of course, a significant portion of the auto insurance business would disappear. But since nearly all the insurers are crying that they are losing money on that business, they could hardly complain, could they?

needs is a good story

to make better use of information? How can we keep them from being driven insane by information?

An answer of sorts is suggested, indirectly, in Allan Bloom's The Closing of the American Mind. Bloom is a professor on the Committee on Social Thought at the University of Chicago, and to the astonishment of everyone in the publishing industry, his book was a runaway best seller. The astonishment of these nations believes its story now - and woe unto both if they do not find some other. Nations need stories, just as people do, to provide themselves with a sense of continuity, of identity.

BUT A story does ever more than that. A story gives us direction by providing a kind of theory about how the world

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