

Without Helmet Laws, Who Pays?

Insurance Risk Pools and the Social Burden Theory

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Motorcyclists are a social burden. Insurance rates are going up. Everybody pays the price for non-helmeted motorcyclists. That's what we all hear. This is what the public believes, because an agency of the government says so, it must be true! Ah, but is it true? What is the reality of the social burden? This article will hopefully explain a couple of the realities of property and casualty insurance (automobile, homeowners, health, and motorcycle insurance to name a few). The article will use government statistics on health care to help dissolve the social burden theory. The next time some one makes the claim motorcyclists are a social burden and everyone will be paying the price for motorcyclists freedom of choice, you can drop some well timed questions on them and see what they have to say. My guess is they will be stumped for a good answer.

The first reality: Insurance companies are in business to make money!

The bottom line at the board meeting is, the company had better be operating in the black and showing a profit. If certain lines of insurance are consistently in the red, operating at a loss, those lines will have premiums increased or possibly be discontinued from the products offered by the company.

The second reality: Insurance is written based on risk pools.

Automobile insurance is a risk pool. Motorcycle insurance is a risk pool. Health insurance is a risk pool. (Remember this for later.)

Insurance is supposed to restore the injured party to whole as if the injuring occurrence never happened. Insurance is not to make you rich, just make you whole. As an example, most homeowner's policies are based on replacement cost. The company is obligated to replace your loss, not pay the limit of the policy. If the company can put your house back after a fire for eighty thousand dollars even though you may have one hundred thousand in coverage, eighty is what you are going to get. Remember the first

reality!

Insurance is basically a bunch of people putting their money together to protect against the losses that can occur to some of the members of the whole group. The idea here is that not everyone will have a loss, so not all the premium money will be used, thus the profit for the stockholders. The losses of the few that need it will be covered through the proportionate premiums paid in by the whole group (the risk pool).

Many factors go into determining the premiums paid by members of the risk pool. In looking at motorcycle insurance all those questions you answered when you applied for your policy supplied the information to place you in the actuarial table of the motorcycle risk pool. Driving record, age, gender, marital status, type of motorcycle, size of motorcycle, annual miles driven, rider education, and area of primary operation are factors that determine your premium rate. By calculating what type of risk you are, based on your actuarial information, you are then apportioned your share of the premiums. That money then goes into the motorcycle insurance risk pool to pay for losses of the group.

Have you ever had an insurance company tell you, "We don't write motorcycle insurance any more"? That particular company's motorcycle line of insurance failed to make a profit for them. Raising premiums only priced them out of the market so fewer and fewer people bought their insurance, thus reducing the number of policyholders in the risk pool. Profit is one of the reasons for motorcycle insurance being handled more and more by specialty carriers, condensing the risk pool so that there are enough policyholders to cover the risk of the group. Remember reality number one.

Based on the above reasoning, motorcyclists pay into their own risk pool to pay for their particular losses. If the risk pool fails to collect enough premiums to cover the losses of the risk pool, the pool operates at a loss, and the company

and has to go outside the risk pool to pay for the losses. That is not the fault of the motorcyclist. It is however, poor underwriting on the part of the insurance company. It is not the motorcyclist's place as the insured to set the price of insurance.

The idea that everyone else's insurance goes up because of motorcycle crashes, is another problem unsupported by reality number two. Since motorcyclists pay into their own risk pool the only reason for someone's automobile insurance to go up (other than the poor underwriting circumstances) would be if the automobile driver were at fault in the crash. Unless I'm mistaken, **that is what insurance is for**. Insurance is to restore the injured party to whole as if the occurrence never happened. When people use increased premiums as a line of reasoning to claim you, as a motorcyclist, are a burden, ask them why they are blaming the victim. Motorcyclists in this case are either the victim of someone else's negligence or the victim of poor business practices. In either case, **don't blame the motorcyclists**.

Many people, who believe everyone else's insurance will go up, will also buy into the proposition that most motorcyclists are uninsured. That is simply not the case. In many states it is required, in order to renew your license plates, to show proof of financial responsibility, usually liability and uninsured motorist coverage. Anyone who has financed the purchase of a motorcycle, new or used, knows the bank requires full coverage on the bike.

"But what about health insurance? That's where the real social burden comes from." In 1992, the University of North Carolina Highway Safety Research Center published a study titled: *An Examination of Motorcyclist Injuries and Cost Using North Carolina Motor Vehicle Crash and Trauma Registry Data*. The study revealed the following:

1. Motorcyclists admitted to trauma centers for treatment of crash related injuries were just as likely as other road trauma cases to be medically insured, and considerably better insured than non-road, cases.
2. Motorcyclists had the highest insurance payment rate of all groups.
3. Motorcyclists relied on Medicare and Medicaid considerably less than any other

groups.

4. Motorcyclists had a higher rate of self-pay than any other group.
5. Motorcyclists' average medical costs were less than other road trauma cases.

To summarize the North Carolina study, motorcyclists have lower medical bills from accidents, are better at paying with insurance, are better at paying with their own money when they do not have insurance, and rely on Medicare and Medicaid less than all other trauma victims.

The National Center for Health Statistics has on its web page, <http://www.cdc.gov/nchswww/default.htm>, a connecting link to FASTATS A to Z. In this A to Z statistical Rolodex under the category of "Health Insurance Coverage" one of the quick facts is the Percent of Persons Under Age 65 *Without* Health Insurance: 16.5% (1995). The inverse of this statistical statement is the percent of persons under age 65 *with* health insurance would be 83.5%. The percentages of insured include coverage from private insurance and private insurance obtained through the work place, as well as Medicaid or other public assistance. If these percentages apply to all segments of the U.S. Population that they were drawn from, they should also apply to motorcyclists.

What happens to the medical bills that are paid by the public (the actual social burden)? Public assistance money such as Medicaid comes from tax dollars. These are the same tax dollars we all pay, not just those taxes paid by non-motorcyclists. Those motorcyclists who, for whatever the reason, may not have insurance at the time of their injury have worked at some point in time and paid into the "public health care risk pool" through their taxes. Should motorcyclists be singled out and excluded from the public health risk pool we all pay into?

Without helmet laws who pays? We all do. **With** helmet laws who pays? We all do. The point is motorcyclists are just as insured as everyone else. We participate in the motorcycle insurance risk pool with our premiums and the public insurance risk pool with our taxes. Motorcyclists themselves as it should be, pay for any financial burden created by injured motorcyclists.