

THE RELEVANCE OF EXPERIENCE-RATING IN AUTOMOBILE INSURANCE

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[Synopsis: This research paper seeks to analyze various underwriting factors in automobile insurance in general, but with particular reference to the human factor and more importantly relating to the driver's experience.

The paper attempts to deal comprehensively with the probability of auto accidents being directly or indirectly caused by the acts of omission and commission by the driver, in other words all acts of negligence caused by the driving habits or instincts, in short the pattern of driving behavior exhibited in the past by particular drivers.

Once we have looked into the vast number of probabilities as above as well as real life accidents/incidents, the majority of which have been reportedly caused by driver error, it is only the next logical step to recommend modification of premium rates

based on loss experience. This experience rating is not something new to the insurance world. It is followed in almost all modern civilized countries, howsoever effective or ineffective in discouraging disastrous loss experience it may have been in individual countries.

The main purpose of this thesis is to

- (i) emphasize the relevance of experience rating in automobile insurance,
- (ii) to spell out a detailed program of action to implement this concept

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