FILE NAME: Insurance Industry (INS)

DATE: 1932

DOC#: INS008

DOCUMENT DESCRIPTION: Article from The National Underwriter - Send Out Rules on Disease Coverage

Send Out Rules on Disease Coverage

Procedure and Rating Method in Covering Occupational Hazard Effective Dec. 31

AFFECTS MANY STATES

Different Treatment Required Under Various Laws Explained in Bulletin on New Program

The new occupational disease "hazard weight" program of the National Council on Compensation Insurance filed with many states becomes effective Dec. 31, on new and renewal policies only in Illinois, Indiana, Iowa, District of Columbia, Connecticut, Louisiana, Michigan, Idaho, Montana, Nebraska, New Mexico, Rhode Island and Alaska, where approval by state supervising authorities is not required. Insofar as Iowa, Nebraska and Indiana are concerned, the plan and rates are advisory only. Bulletins detailing the procedure and rules have been broadcast by the council and the National Bureau of Casualty & Surety Underwriters.

Workmen's compensation laws of the various states differ materially in treating occupational disease cases, some definitely covering all such claims, others referring to certain specified diseases and still others precluding payment of claims under the compensation act, leaving any liability that there may be outlined in the common law clause (1-B) of the standard compensation policy.

Different Methods of Treatment

Occupational disease coverage is provided by the state compensation act or by court interpretation in California, Connecticut, District of Columbia, Hawaii, Maryland, Massachusetts, Wisconsin and under the United States harbor workers' and longshoremen's compensation act.

Occupational disease coverage is not provided either by state law or court interpretation in Alabama, Alaska, Arizona, Colorado, Delaware, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Michigan, Montana, Nebraska, New Hampshire, New Mexico, North Carolina, Oklahoma, Pennsylvania, Rhode Island, North Dakota, Tennessee, Texas, Utah, Vermont and Virginia.

Partial occupational disease coverage is provided by law in Illinois, Minnesota, New Jersey and New York, certain specified occupational diseases being covered by the compensation act and any remaining liability lying in the employers liability portion of the policy, or at common law. In Missouri the compensation act provides an employer may elect to bring occupational disease under the compensation act. Otherwise it is not covered by law.

Since occupational disease hazards depend largely upon raw materials used in a manufacturing process, special provision must be made in the chemical and dye stuff rating plan to meet the situation. The National Council sent out a memorandum outlining changes proposed in the plan to cover this condition, various hazards being given hazard weights in a scale ranging from 2 to 100.

Rating Method Employed

When any of the chemicals shown in the list is employed, the occupational disease loading is determined on the basis of a 1 cent loading in rate per unit

(CONTINUED ON PAGE 32)

Pennsylvania Insurance Men Are Interested in Legislation

PHILADELPHIA, Dec. 28.—The first Monday in January will find the new Pennsylvania legislature in session. The thought of Commissioner Armstrong was a recodification of insurance laws. To that end he asked various insurance organizations to suggest laws dealing with their end of the business.

The main question confronting all the organizations is qualification of agents. Views differ. One group of fire and casualty agents wants a law where new agents work under a licensed broker or agent for five years before being permitted to go into business for themselves. This suggestion, however, will naturally meet with much opposition in and out of the business.

Fire men are mainly concerned with a qualification law that will keep the non-policy-writing agent in check. It is possible that $25 license fee may be revived. This failed of passage at the last session two years ago but may meet a better fate now in view of legislators seeking new ways of raising increased revenue. Agents feel that an increased fee for licenses will keep out of business all except bona-fide insurance men.

DEPOSITORY BONDS

The most pertinent subject in Pennsylvania today is depository bonds. Recent court decisions have aided in that. First was the decision in which the court held that companies cannot cancel bonds on deposits made prior to cancellation notice. Second was the dismissal of the suit brought by the National Surety stockholder in which the court congratulated the company from refraining from being a party to suit and then dismissed the action seeking to enjoin the National Surety from paying the state before the state had exercised its priority rights in closed banks. Companies charge banks the same rates as individuals, said the court. Therefore, there should be no discrimination in making the state exercise a priority right before collecting from the company.

While both court actions were victories for the commonwealth, the first has greatly perturbed state officials for the state has interpreted the law as being one where companies can refuse to accept responsibility on new deposits and where liability of companies decreases as withdrawals are made.

The situation from the state viewpoint is grave at this time. On deposit in state banks is some $43,000,000. Soon to come in are large sums from automobile licenses. Should companies refuse to accept added liability by issuing new depository bonds, the state must find banks having sufficient government bonds to cover deposits. Furthermore, withdrawals soon to be made will greatly decrease the amount of $43,000,000 now bonded by the companies.

Indications are that the state administration will draft a new depository bond law to remedy this situation and it is more than possible that the new law will give companies greater advantages, perhaps permit issuing of cancellation notice on previous deposits.

BURGLARY LOSS RATIO

Unemployment is being reflected in burglary loss ratio. The National Bureau of Casualty & Surety Underwriters in some cities has made an increase on all inside robbery risks. In others, only on a partial list of risks. In Philadelphia, the increase, which is 100 percent, is mainly on stores connected in some way with food. The old rate had been $5 a thousand with a minimum premium of $10.

Underwriters say that were it not for inside robbery, burglary business would show a nice profit. But holdups of small stores keep the loss ratio up. New York and Chicago are the worst spots. Philadelphia continues to show pretty good loss ratio. Companies are still being careful in Kansas City and on risks they are taking are not having any the best of it.

Underwriters complain also of increased number of small open stock losses, especially in grocery stores. Losses today, they say, are not as large as they were but are more frequent. Companies are showing increased tendency toward more careful underwriting but officials do not think the situation will be much improved until the unemployment situation shows great improvement.

Companies Complete Case in Omaha Auto Rate Complaint

LINCOLN, NEB., Dec. 28.—Casualty companies complaining of the rate the Northwest Casualty of Seattle is offering Omaha postal clerks completed their case before Commissioner Herdman with the filing of a brief in which it is contended that the commissioner can fix rates under the broad, general powers of the insurance code. They argue that the insurance business now stands, before the courts, in the same situation as railroads and public utilities and is susceptible to regulation and supervision in like manner.

Not Legislative Function

The companies insist that making of rates is not a legislative function, but administrative in character and hence laws lodging power with the commissioner to make rules and regulations and directing him to interpret, extend and apply those rules against rebating, discrimination and misrepresentation need not specifically delegate power to fix rates. Attention is also called to the fact that the power to approve or disapprove of policies carries with it the right to determine what constitutes rebating, and it is argued that the fact that the terms and rates appear on the face of the policy complained against does not relieve the company from the charge of rebating since it is using a fictitious classification having no reasonable relation to the character of the hazard or the risk assumed.

Michigan Definition of Good Health Most Elastic

LANSING, MICH., Dec. 28.—A most broad construction may be placed on the term "good health" by a jury, if there is evidence to support it, without furnishing basis for supreme court action to vacate a judgment under a health and accident policy, the Michigan supreme court finds in Louis Ligrow vs. Abraham Lincoln Life.

The jury found that Ligrow was in "good health" when he took out the policy, although he was taking treatments at the time, was under care of a physician, and was collecting benefits from another company at the time when the policy was issued. His physician testified that the ailment was of a temporary character, having nothing to do with a later illness for which claim was filed, and that he did not consider the earlier indisposition of a sort that would impair the "general soundness of the system" as required under a definition of good health.

Expect C[illegible] to Acce[illegible]

May Rest Conte[illegible] cent Higher[illegible] Rates i[illegible]

EXTRA FACT[illegible]

Approved Scale F[illegible] Percent Filin[illegible] lowanc[illegible]

The 60 stock a[illegible] writing workmen'[illegible] Missouri and affilia[illegible] Council on Compe[illegible] expected to accept [illegible] advance for 1933 [illegible] Superintendent Th[illegible] immediate attempt [illegible] although they did [illegible] vance in schedule[illegible] based his ruling [illegible] perience of compa[illegible] all other rate fact[illegible] companies in supp[illegible] tion.

Asked 31 Pe[illegible]

The council had [illegible] advance for stock c[illegible] cent for mutuals. [illegible] panies asked an a[illegible] for "wage factor," [illegible] of business becaus[illegible] and 4.3 percent ext[illegible] factor" because of [illegible] its effects on the [illegible] cases of incapacity [illegible] factors were ignore[illegible]

In a letter to [illegible] "Since workmen's [illegible] ance in Missouri i[illegible] sory so far as t[illegible] cerned, it is obvio[illegible] have complete pub[illegible] confidence, which [illegible] enjoyed, is on the [illegible] due in a large mea[illegible] the carriers thems[illegible]

"I refer particula[illegible] agreement on a un[illegible] disagreement has [illegible] dispute between th[illegible] constitutes rate a[illegible] grams presented ha[illegible] by the arguments [illegible] who have asked t[illegible] proval and have [illegible] cated by addition[illegible] which fail to supp[illegible] proposals.

"I believe the e[illegible] necessary to produ[illegible] sonable rates, and [illegible] increase in Missour[illegible] disapprove all addit[illegible]

New Sched[illegible]

Missouri has abo[illegible] under workmen's [illegible] will be necessary [illegible] schedules for all o[illegible] schedules when fin[illegible] then be submitted [illegible] for approval. Wh[illegible] vance will be 16.8[illegible] will not be uniform [illegible] classifications.

The depression [illegible] duced the ranks of [illegible] Missouri has had [illegible] compensation prem[illegible] totaled $6,000,000, [illegible] 000, and about $3,2[illegible] ures for 1932 are n[illegible] further slump in [illegible] enced.

Superintendent [illegible] has not met with [illegible]

(CONTINUED

CASUALTY ASSOCIATION NEWS

Seek to Check Racketeering

Cleveland Casualty Association Takes Action—Company Support Sought to Check Inimical Legislation

CLEVELAND, Dec. 28.—A racketeering wave in Cleveland has stimulated a call to action for insurance men as well as other interests affected by the destruction of property. The Cleveland Casualty Association recently held both open and closed meetings. President Edward Sweet of the association and W. F. Long, general manager Associated Industries of Cleveland spoke. Various insurance men with claims resulting from racketeer operations, told of their experiences and the various problems were discussed. Considerable plate glass as well as other property has been destroyed.

Word has been received from some of the casualty companies that they will support the defensive stand of the insurance agents. The Cleveland association has appointed a committee of three to work with the Associated Industries' committee.

The Cleveland association has taken up the matter of securing company support for legislative matters at Columbus. Many new issues are expected to arise when the law makers convene again in January and insurance interests wish to be well protected especially in a defensive way. A committee has been appointed by the Cleveland body to work with other state association representatives. James Millikan of Cincinnati, and Charles Harris, New Amsterdam, Cleveland, and John Gillespie, Maryland Casualty, Columbus, traveled to New York to meet the company men. The lobby situation has also been discussed with insurance organizations outside of the casualty field.

Ontario Adjusters Elect

TORONTO, Dec. 28.—At the annual meeting of the Ontario Insurance Adjusters Association, these officers were elected: President, G. A. Buchanan, Travelers; vice-president, H. R. Magill, Employers Liability; secretary-treasurer, L. R. Freeman, Zurich; executive committee, R. Curtis, General Accident; M. Lennox, A. E. Wilson & Co.; J. McDonnell, Canadian General, and S. Wilson, Northern.

Expect Companies to Accept Advance

(CONTINUED FROM PAGE 29)

throughout the state, as was indicated by editorials in some leading newspapers, which looked upon this as adding a large burden to industry. The St. Louis "Star & Times" estimated that the higher rates will cost industry $500,000 more a year, and stated that all business is suffering, and the remedy for insurance companies is not raising prices, but reducing expenses.

KANSAS DEADLINE JAN. 13

Commissioner Hobbs of Kansas has allowed until Jan. 13 for industries to submit a reply to the application of casualty companies for a 35.9 percent advance in workmen's compensation rates. The companies filed a new schedule covering all lines and nearly every rate has been increased, on some classifications as much as 60 percent. The Associated Industries has filed a protest against the schedule and is gathering information with which to combat it.

Yorkshire Indemnity Increase

President F. B. Martin of the Yorkshire Indemnity announces an addition of $150,000 to the capital of the company, increasing the item to $750,000, and the payment of $350,000 additional to surplus account.

Send Out Rules on Disease Coverage

(CONTINUED FROM PAGE 29)

of hazard weight, subject to regular limitation of 10 percent of manual rate for the particular code number to which the loading applies. In cases where more than one of the chemicals on the list is employed, the loading is based on the chemical with the highest hazard weight and an additional loading of 1 cent in rate shall be included in each block of the chemical and dye stuff rating plan to provide for dermatitis and other miscellaneous occupational diseases. Generally for occupational disease classifications with specific hazards the manual rates include a loading of 1 cent for each unit of hazard weight, provided that in classifications where the rate is less than 48 the occupational disease loading does not exceed 10 percent of the manual rate. The loading may be removed by the bureau having jurisdiction, providing conclusive evidence is shown there is absolutely no exposure to the specified occupational disease hazard in any individual risk and also that in no case shall the nominal 1 cent loading for miscellaneous occupational diseases be excluded from the rate.

Rules governing application of this program for various states have been sent out pending preparation of manual inserts.

In Illinois where specified occupa-

tional diseases are covered by the state compensation act, the policy coverage affecting specified diseases in the act is limited only by provisions of the compensation act. The coverage for risks involving no classification shown in the rate sheet shall be unlimited as respects occupational disease claims. For risks involving one or more classifications, two alternative forms of coverage are available:

1. Workmen's compensation and employers liability with an endorsement entirely eliminating all obligations upon the part of the carrier to indemnify the employer against loss on account of claims arising from occupational disease under the employers liability clause of the policy, and, 2. similar coverage obligating carriers to indemnify against such claims, with certain limitations.

The rates indicated on rate sheets sent out provide for standard limits of $5,000 on each individual claim and, subject to that amount per claim, to $25,000 for the aggregate of all occupational disease claims arising during the term of the policy, not exceeding 12 months. No policy should be written for limits below the standard limit. If higher limits are desired, the occupational disease loading in the rates will be increased by certain percentages:

Table of Limits

Single Case Limit	Aggregate Limit $25,000	$50,000	$100,000	$200,000
	%	%	%	%
$ 5,000	..	25	50	75
10,000	15	44	73	101
20,000	25	56	88	119
50,000	..	69	103	136

On any single policy only one form of coverage under the employers liability clause is permissible. The occupational disease coverage for the entire policy shall be governed by the coverage applicable to the classification or classifications which carry a specific occupational disease loading, this rule applying regardless of whether the coverage eliminates obligation for occupational disease claims or provides for limited coverage either at standard or increased limits.

In Illinois the general manual rules relating to minimum premiums apply to risks involving occupational disease coverage, the minimum premium on rate sheet being calculated to provide occupational disease coverage when written under the provision of the state act or at standard limits, as the case may be.

May Remove Loading

In Connecticut, the District of Columbia and under the United States longshoremen's act, the occupational disease loading for a specific disease involved may be eliminated, subject to approval of the bureau having jurisdiction, if absolutely no exposure to the specific disease exists in any individual risk. If the indicated loading is removed, there still remains the standard loading in the manual rate covering the general occupational disease hazard.

In Alaska, Idaho, Indiana, Iowa, Louisiana, Michigan, Montana, Nebraska, New Mexico and Rhode Island occupational disease claims are not covered by the state compensation act or by court interpretation. The coverage in these states is that previously mentioned in connection with the Illinois rules. The treatment of the risks involving definite hazards as respects specified occupational diseases involving such classifications as raw materials, processes or products which create diseases, is as follows:

If the policy is endorsed entirely to eliminate all obligation on the part of the carrier to indemnify the employer against loss on account of claims from occupational disease under the employers liability clause of the policy, the entire occupational disease loading shall be deducted from the rate for all classifications on the policy. In case of classifications whose code numbers are followed by the letter (d) on the rate sheet (requiring special treatment), the amount deducted from each rate shall be 1 cent greater than the specific occupational disease loading, and for all other classifications, 1 cent.

If the policy is endorsed obligating carriers to indemnify against occupational disease loss under the employers liability clause, the procedure where higher standard limits is desired, is as previously explained in reference to coverage, and if no exposure to this specific disease exists in any individual risk, the loading for the disease may be eliminated. Subject to approval of the bureau having jurisdiction, a supplemental occupational disease loading in an amount determined by the bureau may be added to the rate for any individual risk where the occupational disease hazard is abnormal.

Removal of occupational disease loading from the rates for any risk, as previously mentioned, is governed by rule, some classifications not being subject to consideration, for removal of loading, by the board or bureau having jurisdiction, and others being subject to consideration only upon evidence of entire absence of the hazard. These risks shall qualify for removal of loading for one policy period only. Partial removal of loading cannot be allowed for elimination of any one occupational disease hazard in classifications loaded for two or more such disease hazards, nor shall it be allowed to cover relatively low percentage employe exposure, or apparent suppression of hazard by preventive measures.

The occupational disease exposure in any risk covered by classification for which hazard weights are given will be considered as non-existent only when the material or chemical listed as producing such occupational disease is not present, not used or not processed in the risk.

Rules on Loading Removal

No risks involving asbestosis, anthrax infection or caisson disease shall qualify for removal of loading. Risks involving silicosis shall qualify for removal only where silica (silicon dioxide) is not present as quartz, either in the process, manufacture or in materials used. Risks involving lead poisoning shall qualify for removal only where no metallic lead, alloy lead, lead compounds or lead ores are used. Risks involving chromium poisoning shall qualify for loading removal only where no chromium ores or compounds are used or no chromium plating performed. Risks involving benzol poisoning shall qualify for loading removal only where benzol is not used in any form, either alone or as a constituent of other materials.

Risks involving mercury poisoning shall qualify for loading removal only where no metallic mercury or mercury compounds are used, and risks involving radium poisoning shall qualify only where no radioactive substances are used.

Service Section Knocked Out

INDIANAPOLIS, Dec. 28.—The section of an act passed by the 1931 Indiana legislature, providing that out-state defendants in automobile accident cases may be sued through the service of process on the secretary of state, has been held unconstitutional in superior court here, in the case of Robert Fry vs. Cincinnati, Middleton & Dayton Rapid Transit Company. Automobile insurance companies had been watching the case closely.

The court held that the defendant must be served personally while in Indiana or the suit must be filed in a court of the state where the defendant is domiciled. He declared that the title of the law relates only to the financial responsibility of truck or automobile operators and that financial responsibility does not mean financial liability.

The name of the **Oklahoma Travelers Association of America** of Oklahoma City has been changed to the Oklahoma Travelers Life. R. E. Brown is president; Oscar Justus, vice-president, and H. O. Brown, secretary-treasurer.