FILE NAME: Insurance Industry (INS)

DATE: 1933 Feb 2

DOC#: INS033

DOCUMENT DESCRIPTION: Article from The National Underwriter - Hazard Weights Plan Is Studied

The National Underwriter

February 2, 1933 CASUALTY AND SURETY SECTION Vol 37

Hazard Weights Plan Is Studied

General Revision of Method of Handling Occupational Disease Expected Before Long

MAY TAKE OFF LOADING

Dissatisfaction of Some Companies with Initial Program in Effect Dec. 31 Is Reported

The method of "hazard weight" rating occupational disease coverage in workmen's compensation undoubtedly before long will be changed by the National Council on Compensation Insurance in cooperation with the workmen's compensation department of the National Bureau of Casualty & Surety Underwriters, as a result of the disinclination of a number of companies to assume this hazard under the common law sections of state laws, even though they get an extra premium from loading.

The organizations are reported to be working on a revision which will be announced in a short time. It is understood that the hazard weight loading will be taken off all classifications save those which state laws require to be covered against occupational disease hazard. This will permit optional use of the coverage by companies without necessity to unload in case the company does not care to assume the risk. It is said to be easier to load the premium for the hazard than to unload it.

Some Assureds Objected

Another source of objection to loading was from some insureds, it being found that many do not want this coverage. All classifications are now loaded one cent per $100 of pay-roll to cover the occupational disease hazard, particularly from the standpoint of legal expense. The matter still is under consideration, but it appears assured that the one-cent loading will be taken off most of the classifications, to be replaced only in event the assured desires coverage against occupational disease claims. Otherwise an endorsement probably will be attached specifically excluding all such claims except those arising from diseases specified in statutes.

In Illinois, for instance, there are 121 classifications specifically loaded under the present rules for occupational disease hazard, only 41 of which are specified in section 2 of the occupational disease law as required to be specifically covered. The other hazards fall under section 1b, which sets up common law liability of the employer.

Illinois Situation Cited

There are something over 800 workmen's compensation classifications in Illinois, all except the 121 classifications carrying only 1 cent per $100 flat loading. Heretofore it has been the practice on most of the classifications on which there is no known occupational disease hazard to give this coverage by endorsement if desired without extra cost. This practice may be continued by some companies as a matter of service to agents and clients. While there is a small amount of risk involved, the experience shows it is very slight. A claim very infrequently may crop up on these non-hazardous classifications.

The endorsement now used to include occupational disease coverage in Illinois, modified to meet requirements in various states, agrees that the policy covers under paragraph 1b "with respect to occupational disease arising out of the business operation of the assured covered by such policy and resulting in occupational incapacity necessitating cessation of work during the policy period, anything in the policy to the contrary notwithstanding, and subject to the limit of liability hereinafter stated."

Urge Greater Recognition of Casualty Trend Factor

NEW YORK, Feb. 1.—Although the factor of trend is projected frequently in casualty rate discussions and negotiations, it has never gained the recognition as an absolute measure that the experience factor enjoys.

A number of the leading executives in the casualty field believe that the trend factor should be universally applied and should be given sound recognition, rather than being a matter of hit or miss. Supervising authorities, who do not have a profound knowledge of the business, perhaps are inclined to believe that the factor of trend is put forward by the companies in an attempt to get something extra and is not seriously advanced.

The trend factor exists in all forms of insurance. For instance, the trend in fire losses has been downward over a period of years because of improved construction, refinements of fire fighting and fire prevention propaganda. The mortality trend, in life insurance, except for current increase because of suicides among heavily insured persons, has been downward with the conquering of various diseases that formerly attacked the population periodically. The fire and life insurance companies have recognized these factors. The average fire insurance rate has constantly declined, while dividends of mutual life companies up until the present time, because of current conditions, have been increased.

Casualty Trends Up

On the other hand, there are factors in casualty insurance, affecting automobile liability and compensation, particularly, that are headed upwards. Because the companies have been forced to accept rates based largely on past experience, they have never been able to apprehend anything near a final rate or a rate that is stable over a very few years. The trend factor has mounted so rapidly that experience has fallen down completely as a yardstick.

For instance, there is the trend of medical cost. In the prosperous years doctors increased their overhead tremendously. Nurses were recommended more frequently. Specialists developed. Hospitalization reigned and hospital charges went up. There were special charges of all kinds. Doctors would charge for hospital calls on the same scale as calls to the home, no matter how many people were seen at one time at the hospital. A tremendous overhead was developed.

Bottom Dropped Out

Then the bottom dropped out, but the overhead continued on the same basis. Collections became extremely difficult for the doctors, who naturally turned from insolvent individuals for revenue to the insurance company. The doctors were permitted to assess the insurance companies, because injured persons demand the free choice of physicians. The companies were not permitted the saving that comes from the use of panel doctors.

In cases of controversy over medical fees, the doctors were not willing to submit their cases to arbitration committees of the various medical societies, but to the labor departments of the state governments where they found a friendly ear.

The medical trend is therefore an excellent example of the fact that the use of experience as a sole yardstick in projecting rates is fallacious. The companies feel that real recognition should be given to the question of trend. It is a somewhat elusive factor, of course, and it is much easier to base the rates simply on past results. But, although trend may be elusive, it is nevertheless real.

Failure to Pay Accident Damages Is Held Immoral

MILWAUKEE, Feb. 1.—Local city employes who fail to take out liability insurance on their automobiles show negligence that "comes close to being an immoral act," according to an opinion of Max Raskin, city attorney, in answer to a petition filed by a local attorney urging the discharge of an employe in the city water department because the employe went through bankruptcy to wipe out judgments against him. Under the city rules, the attorney points out, any employe who refuses to pay judgments against him is subject to dismissal. However, the city attorney declared that federal law, which permitted the city employe to go bankrupt, was superior to municipal law, decreeing discharge. Judgments totaling $6,277 were ordered against the city employe after his automobile ran down a woman and crippled her for life. Possessing no liability insurance, the city employe paid $777 and then went into bankruptcy.

Attorney Raskin said that the city employe "should make every effort to pay the damages" and asserted bluntly that "for a city employe to drive an automobile not indemnified for negligent acts comes close to being an immoral action," which alone, he said, warrants severe city discipline.

Broad... Bur...

National ...
New F... ber...

WORLD...

Theft of J... Insured... N...

NEW Y... broader fo... and larcen... has been ... National B... Underwrit... articles of ... anywhere ... an especial... demnity n... contract o...

The bro... specified ... gardless o... whom the ... dition, pr... money an... be given ... present r... the person... tinue to b... theft cove...

Lit...

Rates fo... larceny co... ises remai... lar city is... applicable ... will be pr... the assure... territories ... dence burg...

The ann... ranges fro... $5,000 of ... for the ne... IV, to $3... tively in ... in excess ... ply. A s... for insuri...

Bu...

In anno... National ... of its me... abreast of... ing rates ... where su... changes i... have been ... coverages ... The new ... with.

"The a... world-wi... elry or fu... $500 of s... be less th... coverage ...

(CO...