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CASUALTY AND SURETY

Three Months Test Period Ordered By Pink for "Dust Disease" Rates, N. Y. Superintendent in Approving Silicosis Plans Recognizes Need for Experimentation Before Satisfactory Scientific Plan Is Worked Out

After a careful study of the entire "dust disease" situation and due recognition to the experience available in certain other states, Superintendent of Insurance Louis H. Pink has decided to approve temporary compensation premium rates in New York State for silicosis covering a "test" period of three months dating from September 1. On that date an amendment to the law becomes effective which extends the benefits of the compensation act to workers who may be disabled or die as result of the occupational disease known as silicosis. The Superintendent's decision, which proved one of the topics of conversation in casualty circles this week, views being both pro and con, followed a two-hour hearing in the State Office Building, 80 Centre Street, New York, last week at which the proposed rate schedule submitted by the Compensation Insurance Rating Board was fought tooth and nail by industrial employers.

The approved rate schedule, with charges averaging lower than the board's proposal, is based upon the assumption that the affected factories and plants are standard risks which are well maintained and in which steps have been taken to prevent any extraordinary or unusual silicosis hazards. Recognition of the fact that some risks will be entitled to lower rates and others should bear higher rates is given in the decision of the Superintendent by a provision that departures from the approved rates may be made in individual cases by the Rating Board subject to the approval of the Superintendent of Insurance.

Further Review at End of 3 Months

Because these rates are based to a large extent upon judgment rather than experience, the Superintendent has decided that at the expiration of three months a further review and study will be made with a view to making whatever modifications conditions at that time may require.

The point is made in the Superintendent's decision that both industry and the insurance companies should bear in mind that the sudden transition which brings silicosis under the compensation law will require considerable experimentation before a final accurate rating basis can be devised. During the temporary period necessary to work out a satisfactory scientific plan, full cooperation on all sides is essential. The matter is of vital importance to the industries and work-

ers affected as well as to the insurance carriers. The situation must be viewed primarily from its social aspects and if that be done, it is believed that the many problems which will arise during the next few months may be satisfactorily solved.

L. S. Senior's Explanation

Immediately following Mr. Pink's decision the Compensation Insurance Rating Board through Leon S. Senior, its general manager, advised its member companies as to the approved rates for coverage under the two plans submitted. It was explained that "the expense loadings have been modified so as to provide an allowance for acquisition and field supervision of 4% under Plan I and 10% under Plan II. The per capita deposit is not subject to any expense loading."

Mr. Senior gave added emphasis to the fact that the rules will permit carriers to make application for departure from the published rates so as to provide a supplemental surcharge where there exists an abnormal hazard, or the elimination of the occupational disease charge where the hazard is non-existent. He suggested: "Application for departure should be filed with the Board with the supporting data and will be granted where justifiable upon approval by the Insurance Department."

"Studies designed to provide a system for schedule rating foundries and other risks in the dust hazard group are under way and will be announced when perfected."

"Manual rules and appropriate endorsements to be used in connection with both plans are in the course of preparation and will be sent out within the next few days."

Basis for Approved Rates

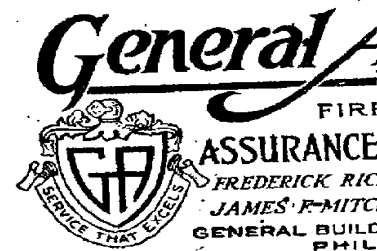
In reaching his decision Superintendent Pink was motivated by the fact that certain inconsistencies were apparent in the development of the rates submitted by the Board. His decision reads at this point:

"Although under both plans the carrier is primarily liable for the full benefits and must perform the same functions except for the differences in partial reimbursement from the assured, the expense loading in both plans has been calculated as a percentage of the pure premium. Since the pure premium in Plan II is based on net cost after reimbursement, it is materially lower in terms of the payroll rate than under Plan I. Granting, therefore, that under both

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Typical Examples of Proposed and Approved Rates

Industry	PLAN I Rate Proposed by Compensation Insurance Rating Board per \$100 of payroll		Rate Approved by Superintendent of Insurance per \$100 Payroll	
Foundry	\$ 8.00		\$ 4.63	
Quarrying and Rock Excavation ..	9.00		5.21	
Silica Grinding	20.00		11.58	
Stone Cutting and Polishing	18.00		10.42	
Sand or Gravel Digging	2.00		1.16	
	PLAN II Proposed Rates Per \$100 Payroll		Approved Rates Per \$100 Payroll	
		Per Capita Deposit		Per Capita Deposit
Foundry	\$2.35	\$127.	\$1.88	\$64.
Quarrying & Rock Excavation ..	2.65	143.	2.12	72.
Silica Grinding	5.88	317.	4.70	159.
Stone Cutting and Polishing	5.29	285.	4.23	143.
Sand or Gravel Digging	.59	32.	.47	16.



40th Anniversary of Loyal Protective

A. & H. COMPANY IN BOSTON

Milestone to be Celebrated at Agency
Convention from Aug. 27 to 29;
Finish President's Month Drive

The Loyal Protective of Boston is forty years old this month and in observance of this milestone an agency convention is being held at Boston from August 27 to 29 inclusive with approximately eighty in attendance from United States and Canada. Business sessions



JOHN M. POWELL

will be held each forenoon with entertainment in the afternoon and evening. One of the features will be a lobster dinner combined with historical sightseeing. Other features will be boat rides, baseball and golf.

As Loyal Protective has just organized an associated life company, namely, Loyal Life Insurance Co., educational work will be conducted along life insurance lines during the convention.

The company has also just completed a successful President's month contest in honor of its leader, John M. Powell, who is widely known in accident and health circles. Indicative of the return of better times there was more than double the number of accident and health applications turned in during the contest as compared with the same period last year. The campaign ran from July 20 through August 20.

President Powell began his insurance career with the Travelers in 1915 and after five years' service with that com-

Dwight Mead Leader On Coast For 25 Years

NEW PRESIDENT OF A. & H. ASS'N

Has Been Pacific Mutual's General Agent in Seattle for Quarter Century; His Prominence

Dwight Mead, recently elected president of the National Accident & Health Association, is observing this year his thirtieth anniversary in the business. His present post is with the Pacific Mutual Life as general agent of its commercial accident department at Seattle, Wash., and his connection with that company



DWIGHT MEAD

Grady

dates back to 1910 when the late Danford M. Baker, then vice-president of the Pacific Mutual, induced him to come out to the coast. Prior to 1910 Mr. Mead had been with Moore & MacElwee, then general agents of the Fidelity & Casualty in Washington, D. C.

Mr. Mead stands high in Pacific Coast life insurance and accident and health circles, having occupied many executive position in association work during the past twenty-five years. Earlier this year he was chairman of the All-State Life Congress conducted by the Seattle Life Underwriters, Inc. Since 1912 he has served this organization as secretary, vice-president and then president (in 1914), and as general chairman of the orthopedic endowment campaign which was conducted ten years ago. In 1916 Mr. Mead obtained national prominence when he was elected chairman of the membership committee of the National Association of Life Underwriters.

In accident and health activity he was the organizer of the Seattle Accident & Health Managers Club in 1928 and served as its first president. When the National Association of Accident & Health Managers' Clubs was getting under way he served as second vice-president, then first vice-president and last year was re-elected to this office. Under his leadership as president the association is expected to enjoy an active, constructive growth.

INDIANA SAFETY DRIVE

A campaign to reduce accidents on Indiana highways has been launched. Brake and light tests on automobiles will be made by state police who also will look for other mechanical deficiencies. The accident ratio in Indiana has been high this year.

FITZPATRICK VACATIONING

Leo F. Fitzpatrick, National Surety Corp., who is office manager at its 118 William Street, New York, branch office, is now on his vacation in the far West. His itinerary includes Yellowstone Park, Banff and Lake Louise.

Forming Arex Indemnity

The proposed formation of the Arex Indemnity Co. of New York became known this week. It is sponsored by Ernest W. Brown, Inc., attorney and manager of the Associated Reciprocal Exchanges, who for some years past has been urged by subscribers to enter the casualty business. The new company, which will be organized on a participating stock plan, will serve the insurance needs of subscribers of the Associated Reciprocal Exchanges and will not undertake a public business.

The Arex Indemnity will start off with \$1,000,000 capital, and its incorporators, directors and officials will be chosen "from outstanding individuals in industry and trade." In the formation of the company President Ernest W. Brown has had as his adviser William B. Mann, for many years with the Ocean Guarantee & Accident, and a widely known casualty and surety executive.

W. B. Joyce

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cases, and for the enormous sum (estimated) of \$2,500,000,000 to \$3,000,000,000, of which there were more than 70,000 administrators, executors, guardians, other fiduciary and court bonds, with a liability of more than \$50,000,000.

The plan preserved the reinsurance exchanged between various other companies and the National, both ways, involving an estimated amount of more than \$1,500,000,000. It does not require a very active imagination to realize what would have happened had such companies lost all of such reinsurance.

Not only would the companies have been required to buy new reinsurance, but much of it could not have been obtained at any price. Not to be protected on losses under that huge amount of reinsurance, might have been a serious matter to some of the companies.

It assured all patrons 100 cents on the dollar for losses occurring on and after May 1, 1933, and this amounted to several million dollars. These losses would have been borne by the obligees, and assureds, unless they expended, probably, several million dollars for premiums on bonds in other companies to take the place of those which would have been valueless and further, no other company would have made all such bonds retroactive, which was done by the National Surety Corp.

Saved \$1,000 to \$2,000 National Surety agents, their agency connection enabling them to continue their business with only a little interruption, and with little loss of confidence on part of their patrons. Had liquidation taken place then, many agents and insurance brokers would probably have felt a moral obligation to protect their patrons against loss for a large part of the (approximate) \$8,500,000 of unearned premiums, which, with other financial difficulties, agents and brokers were then having, would probably have seriously crippled many. It is estimated, of those which would have been valueless, each would, if they so decided, return \$100,000 to \$200,000 as unearned premiums to their clients, and many others of \$25,000 and upward. It can clearly be seen this would have meant disaster in the agency field.

Saved \$12,000,000 Premium Income

Kept in force (estimated) over \$12,000,000 (annual and term) of profitable premium income (the bulk of which was from term income) for the new corporation. The profits now enjoyed by the new corporation are made possible largely, if not entirely, because of such old company business, which undoubtedly will continue to make, in future years with large profits. Thus it retained almost the same clientele built up largely by me, over a thirty year period, a conservative estimate being one hundred thousand patrons, loyal to the new corporation, who were loyal to the old company!

After terminations and cancellations, and giving effect to any new premiums obtained, the new corporation wrote for the eight months of 1933 (it started business May 1, 1933) about \$5,714,000 and, nearly \$9,000,000 for the entire year of 1934; thus around 75% of the \$12,000,000 above mentioned, seems to have been held. In 1935 and future years it should increase very materially.

The actual underwriting and investment income for 1934 was more than one million dollars, and for the first six months of 1935 was about \$600,000. The increase in surplus, including appreciation was about \$800,000 for the first six months of 1935.

It seems clear, had the new corporation not been so created, the creditors would have lost, as a minimum, the total sum for which the stock of the new corporation will be sold. The value of the new corporation was appraised at more than \$8,000,000.

SEEK HOLD-UP RATE CHANGE

The Investment Dealers' Association of Canada is negotiating with the Canadian Casualty Underwriters' Association for more uniformity in hold-up insurance rates, which now vary widely according to the location of an office in any one building.

"Dust Disease" Rates

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plans there is an accrued loss to be considered in the rate it appears only proper that the loading should be based upon the proportion of the rate representing the hazard of future exposure and development to a claim status. Under these circumstances the expenses that are not required in a fixed ratio to the premium should be adjusted to a comparable basis in both plans. This results in a reduction in the expense loading to 20% in Plan I.

"The average cost of a death and permanent total disability claim should be fixed at \$7250 based on New York State experience. After credit for the employer's contribution in Plan I this becomes \$6950. This would result in a basic rate for the foundry classification of \$5.79 under Plan I. Permission has been requested, however, for authority to increase the rate where the occupational disease hazard is abnormal. Under the circumstances it must be assumed that the standard risk for which basic rates are established is for industrial plants in which abnormal hazards are not present and in recognition of this fact the basic rate should be 80% of that indicated herein for the average before the exclusion of the abnormally hazardous exposure. The resulting basic rate for foundries should be \$4.63."

Plan II

"Plan II involves an assumption of double the primary benefit costs used in Plan I as an arbitrary method of producing a net premium sufficient to bear the burden of losses exceeding the average cost per claim and as a means of remedying the maladjustment of expense loadings. Reconstructing this rate on the basis of the same factors used in Plan I and loading the rate sufficiently to defray losses in excess of the amount upon which the assured contributes, would produce a rate of approximately the same amount. As in Plan I recognition should be given to the fact that plants involving an abnormal hazard will be submitted for surcharge. The basic rate after recognition of this fact, by a discount of 20% from that proposed by the Board, should be \$1.88.

"The standard per capita deposit for the basic foundry classification should not, however, be based upon assumed loss costs and other factors greater than those underlying the rates in Plan I. This per capita deposit should be \$64 instead of \$127 as contained in the Board's proposal. The per capita deposit, which shall be returnable to the assured in full or in proportion as it is unused for the payment of claims and specific allocated claims expenses assessed against the assured under Plan II, will be varied by the Board subject to the approval of the Superintendent where the hazard of the risk and the circumstances of the assured justify such adjustment."

1936 Auto Rates in Mass.

May Be Late in Filing

Present indications are that the 1936 automobile liability rates in Massachusetts under its compulsory law may be later than usual in filing due to the delay of the state legislature in passing the guest-rider elimination bill. The Bay State's insurance department is now working overtime to get the new rates in such shape that tentative announcement may be made of them right after Labor Day. They must be announced under the law so that final promulgation may be made by September 15 for the ensuing year.

It looks as though there will be a 4% average increase in the rates over those in force this year, and possibly the elimination of a number of zones, but no official information has as yet been given out by Commissioner De Celles on what will be done.