

ABSTRACT OF THE DISCUSSION OF PAPERS READ  
AT THE PREVIOUS MEETING

HEALTH INSURANCE HAZARDS REFLECTED IN OCCUPATIONAL  
HEALTH LOSS RATIOS—ARMAND SOMMER

VOL. XIII, PAGE 181

WRITTEN DISCUSSION

MR. JOHN M. POWELL:

Mr. Sommer has approached this problem in a very interesting manner. The results appear to be logical although, without doubt, there is room for considerable difference of opinion in the allocation of the individual occupations to the various groups. For example, in the case of teachers, would it not be natural to assume that in many cases an illness suffered during a vacation period would result in a greater claim than the same illness suffered during active employment? If this is the case then it would seem that teachers should be classified in Group III under the subjective hazard. As a matter of fact, however, the loss ratio for teachers is very satisfactory. Apparently, therefore, any such tendency is more than counterbalanced by other favorable characteristics.

The author refers to the fact that the experience under the larger weekly indemnity policies was very unfavorable. In an attempt to measure the effect of this on his groupings we calculated the number of weeks' total disability in the respective groups for each year of exposure and found them to be as follows:

<u>Objective</u>		<u>Subjective</u>	
Group I	.63	Group I	.61
Group II	.73	Group II	.70
Group III	.78	Group III	.90

From these figures it will be noted that the relative spread is greater between Groups I and III than it is in the tables submitted by the author. This would seem to indicate that, excluding the effect of large policies, the differences resulting from the occupational factors or the characteristics of the insured have an even greater effect than that brought out in the table.

Again using the same groupings that the author has used we applied this to the report of the Committee of Five for the year 1924 alone, the results being very consistent with those appearing

in this paper, although in the case of the subjective groupings the difference was somewhat less marked.

Apparently, the author feels that no attempt should be made to establish classifications of occupations according to health hazards, although later he states that further investigation may indicate that some occupations should probably bear a higher rating as a group. If by this he means that no great refinements should be made but that there should be two or three broad groups, it would seem that there would be considerable justification for this view.

It is to be regretted that a sufficient volume of statistics was not available to warrant the author in making the combination of the objective and subjective factors to which he refers.

#### AUTHOR'S REVIEW OF DISCUSSIONS

##### MR. ARMAND SOMMER:

Mr. Powell's few paragraphs on my article are both interesting and appropriate to the subject. It is very true that there is room for discussion and controversy over almost any one of the occupations as far as grouping is concerned, and the factors influencing our choice must of necessity be considered academically rather than empirically.

Taking teachers as an example, I believe there is no occupation that presents a less moral hazard, and whereas it is true that all teachers have a period of what might be termed "unemployment" in the nature of their comparatively long vacations every year, these vacations are not the hazard of the usual manufacturing or mercantile or even professional vacations. A teacher does not arrange a vacation with the utter abandonment of the thoughts of his occupation that is characteristic of other occupations, but rather plans a both busy and profitable interim between teaching periods. The percentage of teachers who take educational trips or who study in summer courses or even who instruct during vacation in locations foreign to their regular teaching is very great. We believe that the combination of the moral integrity and the busy vacation season unquestionably places teachers in group one from the subjective standpoint. The same course of reasoning with a different line of logic, of course, could be applied to any of the occupations.

Mr. Powell's remarks about large indemnity policies and groupings by accidents of total disability bears out the results I obtained and is a very desirable amplification to my data.

It was not my intention to recommend a grouping of classifications for different health insurance ratings at this time, although I believe our experience indicates that such a grouping is possible. My article merely hinted at the possibility of working out a plan to obtain more complete and more detailed statistics on health premiums and losses with the possibility in view of arranging a very few broad groups of health classifications according to the needs shown by a careful analysis of a much greater statistical spread. A resurvey along the lines of my article, made in such a way as to eliminate any possible deviation due to personal judgment and compiled from years of detailed data, should be interesting and profitable to the Health Insurance business.

COMPULSORY AUTOMOBILE INSURANCE—WILLIAM J CONSTABLE  
VOL. XIII, PAGE 188  
WRITTEN DISCUSSION  
MR. FRANK R. MULLANEY:

One of the purposes of the Society that is served through the medium of its *Proceedings* is the creation and maintenance of an historical record of the casualty insurance business. The latest important development in that field is the enactment of compulsory motor vehicle insurance laws and as has happened before in other social legislation Massachusetts is again a pioneer and lights the way for other states by being the first state to pass a compulsory insurance law which applied to all motor vehicles, other states having enacted such laws but limiting their application to certain classes of motor vehicles only, principally public vehicles carrying passengers for hire. It is to be expected therefore that the results obtained under the operation of the Massachusetts Law will be carefully watched and undoubtedly other states will follow by enacting similar laws. Mr. Constable, through his excellent paper, has presented to the insurance fraternity and to the public, the first authoritative record on the subject which will most probably be referred to many times in

the future in any discussion of compulsory automobile insurance rate making.

In order that an insurance company may operate successfully it must, through its underwriting department, exercise its right to select from those offered to it, the risks which it desired to insure. When the compulsory motor vehicle insurance law was first considered and also after it was passed there was considerable apprehension among underwriters as to how they could continue to select their risks, considering the fact that the law in compelling all motor vehicle owners to insure must also provide to such owners the means to meet the requirements of such law. This problem was happily solved in Massachusetts in the real American manner of settling controversial questions—arbitration—by the requirement that a Board of Appeals be created to whom any motor vehicle owner could appeal in the event that he was unable to obtain insurance. The writer agrees with Mr. Constable that the Board of Appeals has been fair and sincere in their consideration of the cases brought before them. It must be admitted that under a new set of conditions which might well be termed an experimental stage, difficulties will arise and some mistakes may be made but experience will be of considerable assistance to the Board of Appeals as time goes on.

As Mr. Constable points out, the rating authorities were faced with a very difficult problem in determining rates as the only experience available was that developed under a voluntary system of insurance. The question naturally arose as to whether or not the uninsured cars produced more accidents than the insured cars; whether the bulk of uninsured cars were owned by persons financially irresponsible and therefore losses would not have been paid or judgments, when obtained, not collected or satisfied; whether the attitude of claimants and juries would result in increased damages in view of the fact that the law compelled every owner to provide financial security, by means of an insurance policy, bond or deposit of securities; all of these questions had to be answered on the basis of judgment, not only by the insurance companies, but also by the Insurance Commissioner. The former came to the conclusion that a factor of increased cost under the new law should be included in the rates but the Insurance Commissioner decided such a factor was unnecessary. Justification of the position taken by either will of

course be found later when experience under the law is available, but until such data has been accumulated, the positions taken must be considered a difference of opinion.

One of the accomplishments of the Governing Committee of the Massachusetts Bureau was the revision of the territorial divisions which had previously been used under the voluntary system of automobile insurance. Consideration of the local situation demonstrated absolutely the futility of numerous divisions. As a matter of fact, some of the committee were and probably still are of the opinion that two territories might have served as well as three. The writer can not agree with the proponents of the proposal to have no territorial divisions in the state as it has been proven from past experience that accident hazards in the rural sections are considerably different from those existent in towns and cities.

Undoubtedly there will be considerable interest manifested in the tabulation of Massachusetts automobile experience which will be compiled in the late spring of 1928 covering the first complete year of operation under the Act. It will also be interesting to compare the results with the predictions made by various underwriters. The writer has never felt pessimistic as to the situation and although the data for the year 1927 is not yet available, feels that the great fears of some will not be realized.

It is claimed that the cost of claims arising out of automobile accidents has shown an increase country-wide during the last year or two. As this condition has developed under a voluntary system of insurance, the data for Massachusetts under a compulsory insurance system will provide a most interesting comparison, not only as to claim cost but also accident or claim frequency. The Bureau, companies and state organizations have cooperated to the fullest extent in an accident prevention campaign in Massachusetts and good results are expected. Dependable data on this feature of the automobile situation in Massachusetts are not yet available but with the accumulation of complete statistics from company records we should be able to determine with reasonable accuracy whether or not accidents and claims are being reduced and also as to the effectiveness of compulsory insurance as an accident prevention medium.

In closing, Mr. Constable is to be commended for his very

complete paper and it is to be hoped that when the Massachusetts experience is available he will present another paper setting forth the developments in the situation and thereby keep our members authoritatively informed on the subject of compulsory automobile insurance. To those who have in the past expressed some doubts as to the results to be obtained under the compulsory insurance system, may I use the words of President Coolidge, uttered when Governor of the state—"Have faith in Massachusetts."