VOLUNTARY PLANS FOR GRANTING AUTOMOBILE BODILY INJURY AND PROPERTY DAMAGE LIABILITY INSURANCE TO RISKS UNABLE TO SECURE IT FOR THEMSELVES

BY

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Despite the very considerable publicity afforded Automobile Voluntary Assigned Risk Plans now in effect in ten states, at the times that they were initiated, widespread misinformation respecting the purposes, scope and functioning of these plans seems to exist. This misinformation or misunderstanding is general not only on the part of the public and the insurance authorities of some states, but also on the part of producers and agents, and even the insurance carriers themselves.

The primary purpose of this paper is to cite briefly the history, scope and development of Automobile Voluntary Assigned Risk Plans.

First, and most important, it should be thoroughly understood that Automobile Voluntary Assigned Risk Plans for affording coverage to eligible risks unable to secure it for themselves are not "pools"; that is, insurance carriers subscribing thereto, accept assigned risks for their own account—and the hazard assumed for each such risk by each subscribing carrier is that carrier's alone. The experience of risks assigned under the Plan is not "pooled"—that is, is not shared by all subscribers of the various Plans.

The administrative office of each Plan functions solely as a central medium or agency whereto applicants for coverage forward the necessary papers. The application form and accompanying papers are reviewed to insure their completeness according to the provision of the Plan and are then assigned in an orderly manner to subscribing carriers.

The necessity for the considered adoption of such plans for automobile bodily injury and property damage liability coverage to eligible risks, arose from several developing conditions of the casualty business—but arose primarily due to the "tightening-up" and enforcement of the provisions of state financial responsibility laws requiring the filing of proof of financial responsibility by owners and operators in order that they might continue to own or operate a motor vehicle after the occurrence of certain accidents or convictions arising therefrom. In addition, in some few States, carriers have been confronted with the necessity of adopting some means whereby any risk in good faith entitled to insurance but unable to secure it for itself could be granted coverage—even although the risk in question was not required to file evidence of financial responsibility. These complaints arose

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Mr. VanderFeen submitted this paper on invitation.

from varying causes, due to physical disability of the owner or operator, occupation, or age of applicant, etc.

Despite the highly competitive situation for automobile insurance existent in all States by the many private carriers—varying in number from seventy to over one hundred and fifty in various States—an increasing number of complaints were being made to insurance department officials by individuals and owners who believed they were in good faith entitled to obtain insurance and in most instances were required to file evidence of financial responsibility, but who could not obtain insurance coverage for themselves on a voluntary basis from licensed private carriers.

The only procedure available in such instances was for the insurance department to present each complaint to one or more of the larger carriers operating in the State, or to the chief official of any organized group of carriers, with a plea that coverage be granted by some carrier in the individual instance cited. Obviously this method was most unsatisfactory and unfair to all parties concerned. This situation led to the conclusion that practical relief could only be obtained by enactment of legislation whereby the state itself would set up machinery to furnish insurance to members of the public who might otherwise be unable to obtain insurance from private carriers, or might mandatorily require carriers to write all applicants and perhaps pool their experience. Both such alternatives, and most other alternatives were obviously undesirable to private insurance carriers.

In order to solve an analogous problem as respects risks required to carry workmen's compensation coverage, carriers in many states had developed and put into effect so-called "Voluntary Assigned Risk Plans for the granting of Workmen's Compensation Insurance." These plans were and still are meeting the problems in connection with the insurance of so-called undesirable or extra-hazardous workmen's compensation risks, satisfactorily.

Accordingly, a similar plan was suggested for affording automobile bodily injury and property damage liability coverage as it was believed that this same type of plan could be made applicable to the problem involved in obtaining coverage for so-called undesirable risks which wished to obtain automobile insurance but were unable to secure it for themselves. The provisions of the original and initial Assigned Risk Plan for the State of New Hampshire was based on the general form and provisions of the Workmen's Compensation Voluntary Plan. Since that time as specific problems have arisen in connection with the administration of the various Plans, committees representing all types of carriers have met with insurance authorities, committees representing insurance producers, and others, and as a result have adopted constructive changes in the original New Hampshire Plan, and arrived at certain basic provisions which it is believed should be common to all Plans.

The present provisions of the New York Plan, which was put into effect November 1, 1941, reflect all of the changes agreed to to date between insurance authorities and company and producers' committees and it is believed that the provisions of the New York Plan are equitable and practicable and should serve as a basic model for all similar plans.

It should be stressed that these plans are "voluntary"—that is, carriers voluntarily subscribe to them, and every carrier authorized to write automobile bodily injury in the State concerned must subscribe to any such plan before it can become effective; further, that any plan remains in effect only so long as all carriers authorized to write automobile bodily injury and property damage in the State subscribe and remain subscribers thereto. Any carrier may resign from any plan at any time, but in such event that plan immediately terminates as respects the subscription not only of the resigning subscriber, but as respects all other subscribers, and in such event all carriers must reconvene to try to solve the problem and re-adopt some new form of plan.

To insure a clear understanding of many of the following sections of this paper, it is recommended that readers thereof have before them a copy of the existing New York Automobile Assigned Risk Plan.

PLANS IN EFFECT AND ADMINISTRATIVE OFFICES

State	Eff. Date	Administrative Office
N. H.	5-10-38	Maine Branch of Nat'l Bur. of Cas. and Sur. Und.
Mass.	11-16-39	Massachusetts Automobile Rate Administrative Bureau
Maine	2-1-40	Maine Branch of Nat'l Bur. of Cas. and Sur. Und.
Conn.	7-15-40	60 John Street, New York, N. Y.
Ill.*	10-1-40	175 W. Jackson Blvd., Chicago, Illinois
Wash.*	1-13-41	Seattle Branch, Nat'l Bur. of Cas. and Sur. Und.
Vt.	3-1-41	Maine Branch of Nat'l Bur. of Cas. and Sur. Und.
N. J.	4-1-41	60 John Street, New York, N. Y.
Va.	3-15-41	Virginia Auto Rate Administrative Bureau
N. Y.*	11-1-41	60 John Street, New York, N. Y.

* Plans are administered by a Governing Committee.

Note that for all states except Illinois these Plans are being administered from an existing office, thus keeping the costs of administration to a reasonable minimum. Further, as far as practicable, administrative offices have been "centralized" to further reduce administration costs and increase the efficiency of operation of administering the Plan—for instance, the National Bureau's branch manager at Portland, Maine, administers Plans for the three adjoining New England States of New Hampshire, Maine and Vermont; Plans for the adjoining States of New Jersey, Connecticut and New York are administered from a single office by the manager of several stock company workmen's compensation pools. A separate office for administering an Automobile Assigned Risk Plan has been set up only in the single State of Illinois, necessitating comparatively heavy administrative costs.

In determining the location of administrative offices for any Plan, primary consideration has been and will continue to be given to utilizing the part-time facilities of any competent existing office maintained by insurance carriers, either in the particular state, or in a nearby adjoining state, rather than to set up exclusively new and costly units of administration for any one state.

Massachusetts. An Assigned Risk Plan became effective in the State of Massachusetts on November 16, 1939. This Plan is administered by the Massachusetts Automobile Rating and Accident Prevention Bureau, but in view of the compulsory automobile law in Massachusetts and the peculiar circumstances leading to the inception of this Plan as compared to conditions and circumstances in other states, the Massachusetts Plan will not be considered further in this paper, apart from a brief citation as to its inception and its latest available report of operation.

Scope of Plans

The purposes of all voluntary plans are to provide a means by which a risk that is in good faith entitled to automobile bodily injury and property damage liability insurance in the State but is unable to secure it for themselves, may be assigned to an authorized insurance carrier, and to establish a procedure for the equitable distribution of such risks amongst all carriers.

The following is a summary citing the scope of the various plans:

New Hampshire, Maine, Connecticut

Applicable to all risks unable to secure automobile bodily injury and property damage liability insurance for themselves.

Vermont, New Jersey

Applicable only to risks required to carry financial responsibility insurance by any law of such States and unable to secure it for themselves.

Washington

Applicable only to risks subject to the Washington Financial Responsibility Law and unable to secure automobile bodily injury and property damage liability insurance for themselves.

Illinois

Applicable only to risks subject to the Illinois Financial Responsibility Law or the Illinois Truck Act and unable to secure automobile bodily injury and property damage liability insurance for themselves.

Virginia

Applicable only to risks required to carry insurance and unable to secure it for themselves and required by state law, city rules or ordinances, etc., or other state, county or city requirements which make it necessary for them to post evidence of financial responsibility in order to operate a motor vehicle in the state, county or city.

New York

Applicable to all risks not specifically excluded from the New York Motor Vehicle Safety Responsibility Act and unable to secure automobile bodily injury and property damage liability insurance for themselves. (This excludes risks as defined in Section 94FF of the New York Act.)

Basic Provisions of All Automobile Assigned Risk Plans

All plans now include the same major basic provisions in the same order, paragraph by paragraph. The exact wording differs slightly in the various plans due to variances which must be provided for as respects rate-regulated States as compared to non-rate-regulated States; and other variances due to the extent and nature of the respective plans and scope of coverage.

1. *Determination of Effective Date*

Voluntary Automobile Assigned Risk Plans become effective only when *all carriers* writing automobile bodily injury liability insurance in the State have subscribed thereto and remain subscribers thereto. (Exception: companies which write reinsurance or excess coverage exclusively, or classes of automobile business not subject to the Plans, are not required to be subscribers thereto.)

It should be noted that even carriers writing only a nominal volume of business and in some instances carriers which may be licensed or authorized to write automobile bodily injury but which actually have written no business are nevertheless required to subscribe to any voluntary plan before it can be put into effect. This is because any such carriers may at any time decide to materially increase their premium volume. As a practical result, carriers writing only a nominal volume or no volume of automobile bodily injury will have no risks assigned to them since risks are assigned by the managers of the Plans proportionate to carriers' premium volumes.

2. *Eligibility of Applicants*

All Plans incorporate specific rules defining risks that are in good faith eligible under the plans. An applicant must qualify by furnishing written

evidence of declinations from at least three carriers dated not more than sixty days prior to the date of his application; an applicant is deemed in good faith and entitled to such insurance provided that during a three-year period immediately preceding the date of application he has not been convicted more than once or once each for two or more of a cited list of major offenses involving the operation of a motor vehicle; provided he has no major mental or physical disability; provided that during the preceding 12 months he has not intentionally registered a motor vehicle in the State illegally; and provided that during the preceding 12 months he has not failed to meet all obligations to pay automobile bodily injury and property damage liability insurance premiums contracted for during that period.

All conditions determining "whether or not the applicant is in good faith entitled to insurance" are not and cannot be cited specifically in the plans; however, the plans contain the above specific provisions which are deemed to be logical and justifiable to bar from the Plan applicants who cannot qualify under such provisions. It is obvious that many applicants who might qualify by these specific provisions may be deemed ineligible if they deliberately misstate their past records when applying for coverage, or when, in the interests of public safety, the proper authorities determine that they should be barred from operating a motor vehicle on the roads of the State.

3. *Rates*

Each Plan provides that risks assigned under the Plan shall be subject to the rules, rates, minimum premiums and classifications in force and to the rating plans applicable thereto, and that the manual rates be increased by the application of a multiplier of 1.10 for certain specified classes of risks (varying according to the scope of the Plans in the various states), and for all others a multiplier of 1.15. In rate-regulated States reference is made to the "manual in force" while in non-rate-regulated States necessary reference is to the rates, etc., which the company to which the risk may be assigned uses in such States.

The increase in the rate is primarily for the payment of commissions and field supervision costs properly loaded for the amount of taxes for such additional charges; also it is believed desirable and necessary to charge some reasonable penalty to assigned risks in order to provide incentive for them to insure their own removal from the Plan as promptly as possible; further, to provide the carriers some little leeway to pay the administration costs of the plan (which on the basis of 1941 figures amount to approximately 12% of the total premium volume developed on all assigned risks) and to provide a further necessary amount of dollars for costs of investigating the records of the applicants.

All Plans also provide that carriers may charge increased rates and mini-

mum premiums commensurate with the greater hazard of certain risks, subject to approval or final review by the insurance authorities of the states concerned. Such increased rates have been found necessary in a comparatively few instances due either to the use of the car or the assured's past driving record.

4. *Commissions*

All Plans, except the Virginia Plan, provide for the payment of commissions to producers of record of assigned risks. The commission rates prescribed, and approved by the Acquisition Cost Conferences, are 5% for long haul trucking or public risks, if eligible under certain state Plans, and 10% for risks of all other classes. In all Plans other than Virginia and New York it is stated that the additional charge of 10% or 15% is made to provide for payment of commissions to producers of record designated by the assured, and for 2½% for field supervision allowance to the company to which the risk has been assigned or to its licensed agent—the balance being a rounded figure to provide for sufficient allowance for taxes in the amount of such additional charge.

Although assigned risk plans for workmen's compensation insurance carry no provision for commission payments to producers, the carriers have believed that as respects Automobile Assigned Risk Plans, producers are entitled to a nominal payment for their services in obtaining coverage for applicants as in many instances such coverage will be the only insurance such applicants purchase. It should be noted that the commission rates for producers of assigned risk business are appreciably less than the normal commission rates—thus providing a further incentive to producers of record designated by the applicant to attempt to obtain voluntary coverage for the applicant as soon as possible or in any event upon each renewal date of his coverage.

5. *Assignment Procedure*

All Plans provide that assignments shall be made by the Manager or Governing Committee proportionate to the respective automobile bodily injury premium writings of each carrier in the State. It is deemed most equitable to base such assignments exclusively on automobile bodily injury premium writings, due to the practices of some carriers in writing their property damage coverage directly in running-mate fire companies. It is believed most equitable and desirable to distribute risks on the basis of the net direct automobile bodily injury premium writings—in rate-regulated states adjusted to a standard manual basis.

6. *Administration Costs*

Until January, 1941, existing Plans (with the exception of Connecticut) contained no definite provision respecting administration costs. This was due to the fact that the existing Plans other than Connecticut were in the States of New Hampshire and Maine, and were being administered from the Maine Branch of the National Bureau, which Branch administers workmen's compensation for all carriers, both stock and non-stock; thus, the cost of administering those Plans up to December 31, 1940, was absorbed and assessed to carriers proportionate to their workmen's compensation premium volumes for such States. Effective with revisions of those Plans put into effect January 1, 1941, and now in all Plans (except Virginia), a standard provision is included to provide that cost of administration will be apportioned to all subscribers proportionate to their net automobile bodily injury premium writings. Illinois provides for a minimum assessment of $5 per carrier annually, and up until a pending revision of the Illinois Plan effective April 1, 1942, levied such costs on automobile bodily injury and property damage premium writings. Effective with calendar year 1942 costs will be levied in Illinois only on net direct automobile bodily injury premium writings. The cost of the Virginia Plan is absorbed in the cost of the Virginia Automobile Rate Administrative Bureau. Administrative costs of other Plans are apportioned on automobile premium writings adjusted to a manual basis in rate-regulated States. Only the New York and Illinois Plans have separate funds and separate bank accounts under the control of the Manager and Governing Committee—the funds for other States being handled in the interest of economy and efficiency by the Cashier's Division of the Home Office of the National Bureau (see Exhibit "C").

7. *Renewal Procedure*

All Plans now cite standard provisions for the treatment of assigned risks on expiration and renewal. Any assigned risk which is dissatisfied with a designated carrier may request reassignment for its renewal coverage on or before expiration. The standard provision for renewal reads as follows:

> "Every carrier insuring a risk under the Plan shall notify the Manager with copy to the producer of record at least THIRTY days prior to the expiration date whether the company will
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> i. write the renewal of the business voluntarily for its own account at the rates and classifications normally applicable to risks not subject to the Plan;
> ii. accept the renewal assignment of the risk under the Plan;
> iii. refuse the renewal assignment of the risk giving reasons therefor."

The problem of adopting an equitable and practical procedure for removing assigned risks from the Plan upon expiration and renewal, if their experience during the period of assignment has been normal, has not been finally solved; but recommendations are under consideration by company committees and by the Special Committee of the Insurance Commissioners appointed to study this problem.

It is generally believed that the existing provisions in the Plans must be revised to avoid retaining indefinitely in the Plans a great number of assigned risks; such retention would be unfair to many of such risks whose records during their period of assignment might turn out to be better than normal. Recommendations being considered for incorporation into all Plans as soon as possible will probably provide for the present procedure to be followed at the first and second renewals of assigned risks, and a separate and distinct procedure after a risk has been carried as an assigned risk for three years. At that time, subject to certain specific conditions, it is believed the risk should be written at normal rates.

8. *Cancelations*

All Plans provide that designated carriers may cancel risks assigned to them if it develops that the applicant is not or ceases to be in good faith entitled to coverage under the Plan, but in all such instances the carrier must advise the Manager of the cancelation together with reasons supporting its action.

9. *Form of Plan*

Plans for all States are printed in manual-size pages, loose-leaf. (Exception: Virginia Plan is printed in rotaprint letter-size form and it is available in limited quantities from either the Virginia Bureau or the State Corporation Commission.) Plans for all other states (except Massachusetts) are available at cost upon order from the Purchasing Division of the National Bureau which prints these Plans in quantity in the interests of economy and efficiency.

It is proposed that at the next revision of each Plan the revised Plans will be sent out automatically through the Central Distribution Division of the National Bureau to holders of the respective state manuals located in each State, as state exception pages to manuals are now sent. This will result in the Plan being placed in the hands of all holders of the state manuals concerned. In addition, company home or branch offices may order such additional quantities of the Plans as they desire, direct from the Bureau.

As of April 1, 1942, the Illinois Plan which heretofore had been on letter-size form, has by authority of the Governing Committee of that Plan been

reprinted in manual-size loose-leaf form with all of its basic provisions amended to the standard language. Thus the Virginia Plan is the only Plan which is not available in the standard manual-size form.

10. *Application Form*

The application forms for all state plans with the exception of Virginia and Illinois are standardized on form W.C.2330B; quantities of these forms may be obtained at cost upon order from the National Bureau which prints same in the interest of efficiency and economy. Application forms for Virginia and Illinois may be obtained upon order direct from the Administrative Offices of such Plans.

Copies of the Massachusetts Plan and necessary forms may be obtained upon order direct from the Administrative Office of that Plan.

Major Differences in Existing Plans

Major differences now existing may be cited as follows:

1. *Producers of Record*

Maine and Virginia Plans refer to "broker of record"; in Virginia no mention is made of any producer of record since applications must be submitted in the first instance to the Insurance Department. In all other states plans refer to "producers of record." It is believed that "producer" is a better term than "broker" in that "producer" can apply equally to any licensed agent or licensed broker.

2. *Approval or Review of Special Rates, Refusals to Issue Policies, Cancelations, etc.*

Plans for Connecticut, New Jersey and Vermont cite that special rates, refusals, cancelations, etc., are subject to final review by the insurance authorities of those states. In other plans provision is made requiring the approval of the state insurance department authorities, in view of the full or limited rate-regulatory powers in authorities of such states.

3. *Premiums Used as Basis for Assignment of Risks and for Assessing Costs of Administration*

New York, Virginia and Illinois Plans now require net direct automobile bodily injury premium writings; New York and Virginia further require such writings to be adjusted to a standard basis by the amount of any approved deviation. Washington requires net automobile bodily injury pre-

mium writings adjusted to standard basis by amount of approved deviations. New Jersey requires net direct automobile bodily injury premium writings and Plans for Connecticut, Maine, New Hampshire and Vermont provide for net automobile bodily injury premium writings. On the next revision of all plans an endeavor will be made to have these provisions standardized so as to provide that all will be based on net direct automobile bodily injury premium writings—adjusted to a standard basis by the amount of approved deviations in rate-regulated States.

4. *Additional Charges for Assigned Risks*

All Plans (except New Hampshire and Washington) provide for these additional charges which amount to 10% for long haul trucking and public automobile risks if eligible under the Plan, and to 15% for risks of all other classes. (Exceptions: New Hampshire and Washington, for both of which proposals have been made to change from the present single charge of 15% to the standard charges of 10% and 15% at the time of their next revision.

5. *Commissions*

All Plans (with the exception of Virginia, New Hampshire and Washington) provide for the payment of 5% commission on long haul trucking and public automobile risks if eligible under the Plan, and 10% on risks of all other classes. Existing exceptions are for the States of New Hampshire and Washington where commission of 10% are payable on all classes but recommendations have been submitted to bring the procedure in these Plans into conformity with that of other states. In Virginia no commissions are applicable to assigned risks as covering letters sent out with the Plan to subscribers made the definite statement that no commissions are payable to producers of record but that a designated carrier may pay a commission to its designated agent—apparently to a maximum of 15%—for counter-signature and servicing the risk.

This particular Virginia provision was drafted and put into effect by the Virginia Insurance Department, but under such provision the applicant's producer of record receives no remuneration whatsoever, while the agent of the designated carrier which issues the policy under the Virginia Plan can be given some remuneration for servicing a risk after the policy is written.

6. *Deposit Fee—Virginia Plan*

Effective with revision dated July 22, 1941, applicants must submit a certified check for $15 which the designated carrier may use to investigate the eligibility of the applicant. If the carrier issues a policy, this $15 applies on the premiums due for such policy. If the carrier declines to issue policy,

and such declination is sustained by the Manager and insurance authorities, carrier may retain all or part of the $15 to reimburse it for its costs of investigation, but must render an accounting of its expenditures to the Insurance Department. We understand this provision was adopted to preclude and to stop a large number of risks who submitted applications but apparently had no money with which to pay this premium. Experience in all plans to date indicates that approximately 20% of all applications submitted are "not taken" by the applicant even although the carriers have advised them that they are willing to issue a policy for a stated premium.

It is the opinion of most carriers that this particular provision is not desirable as the amount of bookkeeping and accounting involved more than offsets the expense of handling applications from applicants for insurance under the Plan who apparently are unable to pay the required premium.

7. *Right of Appeal*

The New York Plan includes a specific provision respecting right of appeal by any applicant or subscriber to the Governing Committee, and final appeal to the Superintendent of Insurance. When the New York Plan was instituted it was deemed most desirable to incorporate this new provision, although no similar provision exists in other plans. In the States of Illinois and Washington, whose Plans include provision for a Governing Committee, appeals are actually considered by such Committee and to date have been handled successfully without any explicit provision in such Plans. In all other States the Managers of the respective Plans handle grievances after consulting with the insurance authorities of such states.

8. *Recertification of Operator's License of Applicant*

The Illinois Plan (since its revision as of April 1, 1942), and the New York Plan cite a provision providing that at the option of the designated carrier such carrier may request the Motor Vehicle Commissioner or other proper authority to recertify the ability of the applicant to continue to hold an owner's or operator's license, and such applicant will not be eligible under the Plan until he is recertified as competent to hold and use an operator's license either by a driving test or such other means as may be required.

It is believed that this provision should be included in all Assigned Risk Plans.

9. *Letters of Declination*

The New York Plan alone provides that declinations from at least three carriers, which must be filed by the applicant accompanying his application, may be signed by specially designated authorized representatives of such

carriers—in addition to the usual requirement that such letters can be signed by a full-time salaried employee. This provision in the New York Plan was included at the specific request of producers' representatives, and the committee in charge of drafting the New York Plan reluctantly agreed to it. It has been the general consensus of carriers that declinations should be signed only by full-time salaried employees in order to avoid any possibility of routine and hasty declinations.

10. *Administration of Plans—Governing Committees*

The Plans for Illinois, Washington and New York are administered by a Governing Committee, including at least one representative of each type of carrier licensed to write automobile bodily injury liability insurance in such States. In all other States the Plan is administered solely by a Manager without any Governing Committee. Both forms of administration have functioned satisfactorily to date. It has been found that the services of a Governing Committee are of real value only when the representatives of that Committee can be maintained as competent home office employees rather than Managers of Branch Offices. In theory it might well be argued that every Plan should have a Governing Committee to consider and rule on administrative problems which may arise and as and when it may become necessary to consider the adoption of Assigned Risk Plans in additional States it is probable that all such Plans will be administered by a Governing Committee and Manager.

11. *Eligibility Qualifications*

Effective July 22, 1941, carriers were advised by the Virginia Insurance Department of an amendment to the Plan reading as follows:

> "The Virginia Bureau of Insurance shall have the authority to refuse assignment under the Plan should in their opinion such action be justified after reviewing all information developed by the company or from other sources bearing upon the moral or other conditions of the risk."

The Virginia Bureau deemed this amendment necessary and essential in order that the carriers would not be forced to accept assignments and issue policies to applicants who, although otherwise eligible, were of notoriously bad moral character.

No other Plan contains this provision, although it has been considered by the Governing Committees of New York and Illinois. It can be readily understood that although theoretically such a provision might be deemed desirable, the refusal of any risks on such specific grounds might possibly involve serious dangers such as suits for libel, etc.

FORMATION OF PLANS

As can be readily understood, there has never been and is not now any concerted feeling amongst private insurance carriers that Voluntary Automobile Assigned Risk Plans should be initiated and put into force in every state. As a matter of fact, in the great majority of states the average applicant encounters no difficulty in obtaining insurance on a voluntary basis from any one of the numerous carriers licensed to write automobile insurance in such States. However, as concrete problems arise, casualty insurers are now in a position to meet with the proper state authorities and develop some type of assigned risk plan which will provide for an equitable distribution of risks unable to obtain insurance for themselves. In actual practice, such problems first come to the attention of representatives of the organized stock and non-stock carriers who suggest to the insurance and motor vehicle authorities that they appoint a company committee on which will be represented at least one carrier of each type operating in the State. Such committee then functions as a drafting committee, and after developing a plan which it is believed will meet the problem and which is satisfactory to the insurance authorities, recommends that such Plan be sent out to all carriers for subscription.

It should be noted that up until now all carriers have been required to subscribe to any proposed Plan without any reservations—apart from the single reservation approved for direct writing companies for the New York Plan. This reservation has been permitted in view of the fact that some companies write all their business direct and pay no commissions whatsoever. However, realizing that producers representing the applicant are entitled to some fee for the services which they rendered the applicant, such direct writing companies have become subscribers to the New York Plan with the following reservation which has been deemed acceptable:

> "This company's subscription to the New York Automobile Assigned Risk Plan is subject to the following reservation: this company will pay no commission on any risk assigned to it under the Plan. . . . This company will pay to the Manager of the Plan, to meet special costs of investigation and service which may be incurred on risks assigned to it, 5% of the total premium charged and collected from the applicant on long-haul trucking risks so assigned, and 10% of such premium on all other risks so assigned. Any special allowance to a producer of record for investigation and other services on risks assigned to this company must be arranged for between the producer and the manager."

In actual practice this reservation functions very satisfactorily as by its provisions all carriers in New York charge the same rates to assigned risks which rates appear uniformly on designated carriers' policies. Carriers filing with such a reservation remit to the Manager immediately their own check for the stated percentage of the premium collected from the applicant—the

Manager depositing such check and issuing the Plan's check to the producer for services rendered.

For Plans other than New York, direct writing carriers have not filed such reservations, but follow a procedure whereby the producer of record receives his remuneration direct from the applicant rather than from the designated carrier.

In all states problems have arisen respecting the legality of carriers paying commission to producers of record who may neither be holders of general brokers' licenses nor happen to be licensed agents of the designated carrier. In New York this problem was solved by amending Section 115 of the New York Insurance Law to provide specifically that an insurer participating in a plan for the assignment of automobile liability insurance, which plan has been approved by the Superintendent of Insurance, may pay commission to an adequately qualified agent who is licensed to act as agent for any insurer participating in such a plan, when such agent is designated by the assured as producer of record under an Assigned Risk Plan pursuant to which a policy is issued under such Plan.

In other states this problem has not been solved by amended legislation and undoubtedly studies should be made to propose similar legislation in other states.

After all subscriptions have been received and reviewed and checked with a list of all licensed carriers operating in any state, the insurance authorities can determine the effective date of the Plan and the carriers' committee can set up the necessary administrative office for the Plan's functioning.

History and Inception of Existing Plans

New Hampshire

This was the original Assigned Risk Plan and was deemed essential as a result of the numerous complaints reaching the Insurance Commissioner from risks unable to secure insurance and yet required to carry insurance under the terms of the New Hampshire Financial Responsibility Law. There existed a growing demand on the part of the public for relief through legislation, if necessary, and it was the contention of the Insurance Commissioner that although all risks were not insurable, a substantial proportion of them were insurable and that a plan should be adopted by the carriers to take care of such risks. After several conferences the basic provisions of a Plan were agreed upon and the Plan submitted to all carriers for subscription by the National Bureau as respects stock companies and the Mutual Bureau as respects non-stock companies. The Plan has been twice revised to incorporate more desirable and workable provisions and is functioning to the satisfaction of the public, the Insurance Commissioner and the carriers.

Maine

In February, 1940, after numerous conferences with the Insurance Commissioner, the carriers deemed it necessary to establish a voluntary Plan for the State of Maine, similar to the New Hampshire Plan. It was maintained that adverse legislation undoubtedly would be proposed unless the carriers got together on some such plan. Again, at the request of the Commissioner, the National Bureau and the Mutual Bureau solicited subscriptions to this Plan, which since its introduction has had one single revision to incorporate more desirable and workable provisions.

Connecticut

In early 1940 the Insurance Department advised the National Bureau and the Mutual Bureau that it was essential that carriers make some provision to grant coverage in an orderly fashion to Connecticut risks who were unable to obtain insurance for themselves. The Plan suggested was modeled upon existing New Hampshire and Maine Plans and put into effect in July, 1940, after subscriptions had been solicited and obtained by the National Bureau and the Mutual Bureau from stock and non-stock carriers respectively.

Illinois

In the summer of 1940, after the passage of the Illinois Truck Act, the Illinois Insurance Department urged the carriers to make express provision for the adoption of some plan whereby risks subject to the Illinois Truck Act or the Illinois Financial Responsibility Law be granted coverage if they were in good faith entitled to insurance. Representatives of all types of carriers operating in the State held several meetings with the insurance authorities and evolved the present Illinois Automobile Plan. Although the provisions in general are modeled on the existing New Hampshire Plan, a substantial departure was made in that the Plan in Illinois is administered by a Governing Committee, representatives of which function as an Assignment Committee. A new administrative office in Chicago has been set up to administer the Plan; headed by an appointed Secretary. The Plan is restricted to risks subject to the Illinois Financial Responsibility Law or the Illinois Truck Act.

Washington

An Assigned Risk Plan was made effective in Washington in January, 1941, at the specific request of the insurance authorities who had pointed out it was essential carriers adopt some such plan for all risks, subject to the Washington Financial Responsibility Law, in good faith entitled to insurance

coverage, but unable to secure it for themselves. A committee representing all of the leading carriers of various types operating in Washington, drafted a plan modeled in part on the existing New Hampshire Plan and in part on the existing Illinois Plan. The Washington Plan is administered by a Governing Committee and a Manager appointed by that Committee (the Manager appointed being the National Bureau's Branch Office Manager in Seattle, Washington).

Vermont

The Vermont Plan (effective March 1, 1941) is administered by the Branch Manager of the Maine Branch of the National Bureau. The Insurance Commissioner of Vermont had advised carriers that a serious problem was arising in Vermont as respects risks required to carry financial responsibility insurance by any Vermont law and unable to secure it for themselves. A committee representing the various types of carriers met in the Commissioner's office in Montpelier and adopted such a Plan for Vermont, restricted to risks required to carry financial responsibility insurance by any law of that State.

New Jersey

In early 1941 the New Jersey Department advised that they were encountering an increasing number of risks who were required to carry financial responsibility insurance by any law of the State and who were unable to secure it for themselves. At that time definite legislation had been introduced and was pending in the New Jersey Senate to set up a mandatory pool for automobile assigned risks. Accordingly, a committee of representative carriers met in the Commissioner's office at Trenton and agreed on the basic provisions of an assigned risk plan, restricted to New Jersey risks required to carry financial responsibility insurance by any law of the State of New Jersey. This Plan was subscribed to by carriers in response to direct requests from the Insurance Department and put into effect in March, 1941.

Virginia

The Virginia Insurance Department, in early 1941, through the medium of the Virginia Automobile Rate Administrative Bureau, advised carriers that steps must be taken promptly to adopt an assigned risk plan for Virginia as respects risks required by state law or city rules and ordinances, or other state, county or city requirements which made it necessary for such risks to post evidence of financial responsibility in order to operate a motor vehicle

in the state, county or city and which risks were unable to secure insurance for themselves.

Several meetings were held in Richmond and New York City by company representatives and representatives of the Insurance Department and producers' organizations. As a result of these meetings, a Virginia Plan was adopted effective April, 1941, applying to all risks required to carry insurance and unable to secure it for themselves. The provisions of the Virginia Plan were generally modeled on other existing assigned risk plans, but vary as respects the following major provisions:

(a) Administration is by the Manager of the Virginia Automobile Rate Administrative Bureau, subject to approval of the Governing Committee of that Bureau and the State Corporation Commission, and

(b) The applicant must apply directly to the Bureau of Insurance who first passes upon the eligibility of the applicant before referring the risk to the Manager for assignment. Further, the additional premium charge on Virginia assigned risks must be used to compensate the agent of the company to which the risk is assigned.

The Virginia Plan was revised on July 22, 1941 to provide that applications must be accompanied by a certified check in amount of $15 which deposit may be used by the designated carrier in making its investigation to determine if the risk is insurable under the Plan. If the risk is acceptable, the deposit is deducted from the annual premium charge. If the risk is found uninsurable, or ineligible, the unused portion of the $15 is returnable to the applicant, the carrier being required to make a proper accounting to the Bureau of Insurance on any portion retained.

New York

With the passage of the revised New York Financial Responsibility Law, which became effective January 1, 1942, carriers' representatives were definitely advised that they would have to adopt and put into effect a voluntary Plan for granting insurance to all risks not specifically excluded from this New York Motor Vehicle Safety Responsibility Act. The Motor Vehicle Department and Insurance Department representatives stated that unless such a plan were put into effect on or before the inception date of the revised Act, a mandatory plan or pool would be drafted as an amendment to this Act. Accordingly, during the summer of 1941 numerous meetings were held by carriers' and producers' representatives, as a result of which provisions of an acceptable New York Plan were agreed upon. The Superintendent of Insurance sent out the Plan for subscription to all carriers in September, 1941, and the Plan was finally put into effect on November 1, 1941. It is applicable to all risks unable to secure automobile bodily injury and property damage insurance for themselves and which are not specifically excluded from the New York Motor Vehicle Safety Responsibility Act.

Massachusetts

The Massachusetts Plan was first put into effect on November 16, 1939. Its inception was caused by a number of circumstances; however, the closing of two local mutual companies by the Massachusetts Department at the end of 1938 undoubtedly crystallized the need of an organized method of providing insurance for undesirable risks if the companies were to expect to remain in business in this State. The Plan was adopted "in the interest of public service."

The original plan, effective November 16, 1939, was revised on October 25, 1940. All members of the Massachusetts Automobile Bureau individually subscribed to the plan by filing a "Notice of Acceptance."

The plan is administered in such a manner that it is not possible to quote figures of annual cost of operation. Some clerks are considered to be the permanent operating staff of the Plan but at peak loads the Plan's operation requires the borrowing of Bureau employees at irregular intervals. It is stated that this method keeps the cost of administering the plan below what it otherwise would be if it were necessary to maintain a trained and independent staff for automobile assignment purposes only.

> Total assignments for policy year 1940 were 11,092 and in 1941 up to October 11, 1941, a total of 13,186. Non-renewal notices credited for policy year 1940 amounted to 556, and for policy year 1941 to October 11, 1941, to 634.

The only assigned risk experience available to date was developed under the 1940 policy year and totaled as follows:

> Earned Car Years—6,523.32, Compulsory Premium—$319,027, Loss Ratio—145.5%.

Due to the compulsory law in Massachusetts, the basic provisions of the Massachusetts Plan vary to a considerable extent from the basic provisions of all other plans. The Massachusetts Plan does not apply to any coverage other than compulsory coverage under the Massachusetts statutes; nor does it apply to public automobiles. The basis of assignment is pro rata of the total Massachusetts compulsory premiums as reported to the Bureau by its member companies and for each calendar year's assignments the compulsory premiums for the first six months of the preceding calendar year is used as the basis. Due to the unique situation in Massachusetts, it is believed neither practicable nor feasible to standardize the Massachusetts Plan to conform to the basic provisions of plans in other states, or vice versa.

Operation Reports of Assigned Risk Plans

A standard form of "operation report" has been adopted for each Plan and these reports are distributed to all subscribers and to the insurance

authorities of the states concerned semi-annually as of June 30 and December 31. Such reports not only reflect the overall operations of each Plan from its inception, but cite for each subscriber to the Plan the number of risks assigned for which policies have actually been issued, together with the type of cars covered and the written premium volume. Thus, every subscriber has a definite check upon the equitable distribution of risks made by the Manager or the Assignment Committee concerned. In addition, all subscribers receive annually a report of the administration costs of each Plan.

Exhibits A and B attached to this paper show for each separate Plan (other than Massachusetts) a summary of the operation reports from the inception date of each Plan up to and including report for calendar year 1941. Exhibit A cites the number of applications received and handled, the number of applications and reassignments either rejected for cause, not taken by the applicant, or voluntarily written by carriers, together with a statement showing the number of assignments and reassignments completed for which policies have actually been issued. Exhibit B cites the written premium volume of assigned risks for which policies have been issued.

It is interesting to note that apart from applications pending as of December 31, 1941, out of 3,998 completed items handled, 68.3% were offered and accepted coverage under the Plan, 3% were voluntarily written by carriers. 8.1% were rejected for cause, and 20.6% were not taken by the applicant.

Experience of Assigned Risks

At this time no credible developed experience for risks assigned under Automobile Voluntary Plans is available. This is due to the fact that most of the Plans were initiated during the past 24 months and completed experience of assigned risks can only be obtained on fully earned business for completed policy years.

The only experience called for and compiled to date has been that of New Hampshire, for policy years 1938 and 1939, each developed to 24 months. New Hampshire policy year 1938 experience on 59 assigned risks developed earned premiums of $3,049 and incurred losses on 7 claims of $1,826—a loss ratio of 59.9% bodily injury and property damage combined. New Hampshire policy year 1939 experience on 184 risks developed earned premiums amounting to $9,880 with incurred losses on 19 claims totaling $3,576—a loss ratio of 36.2% bodily injury and property damage combined.

Neither of these reports are conclusive due to the comparatively small number of risks involved. This year experience calls have been sent by the Managers of the Plans for New Hampshire, Maine, Connecticut and Illinois, requiring the filing of experience on assigned risks for policy year 1940, developed to 24 months. Compilation of these data will be available some time in July, 1942.

It will thus be seen that it is rather too early to draw any conclusions concerning the good or bad experience of assigned risks and any possible effect their experience may have in rate level calculations for the states concerned; and also to determine any additional justification for surcharges.

Policies written for assigned risks are not designated by any special or peculiar statistical classification code, and thus the experience will be reported to ratemaking boards and bureaus and included with the experience of all risks written on a voluntary basis for determination of rate levels and general rate revision purposes.

However, all carriers have been warned to specially designate assigned risks in their accounting and experience records so that they may be in a position to file separate experience on such business with the Managers of the respective Plans. Administrative offices are in a position to furnish any subscriber with the policy numbers of risks assigned to them for which policies have actually been issued, but due to the increasing number of risks in the Plans, it has been deemed essential for carriers to identify same so that experience might be readily available. Most carriers have developed a procedure whereby they assign a single producing office code in a special field on their punch cards, which, in conjunction with the state code, enables them to obtain this experience readily. Other carriers have set up a special individual risk experience on each assigned risk from which they can furnish the experience data.

Written Premium Volume

Exhibit B, attached, cites for each calendar year during which one or more state plans have been in operation, the net written automobile bodily injury and property damage combined premiums on assigned risks for which policies have been issued. Such premiums in 1941 totaled $102,330.71.

Administration Expenses

Exhibit C attached cites the latest available data on administration expenses for calendar year 1941 for each Plan and also cites estimated expenses for calendar year 1942. Expenses incurred were determined on the basis of detailed time studies kept by the Managers of the various Plans —which basis was used in offices where the administration of Plans is a part-time function on the part of the Manager and staff. The resultant figures indicate that for each application or reassignment handled costs average between $3.00 and $3.75.

Costs for the Illinois Plan are not comparable since that Plan is administered from an independent office whose sole function is the administration

of the Plan. Indicated costs for New York are not credible due to the fact that the Plan went into effect only from November 1, 1941.

Estimated costs for 1942 have been based on the increasing trend of number of assigned risks in the various Plans.

Justification of Rates and Surcharges

At various times queries have been raised as to the justification for charging all assigned risks the usual manual rates or rates at which companies would write voluntary business, increased in every instance by the application of a multiplier of 1.10 or 1.15. A study has been made of the 1941 operations of the New Hampshire, Maine, and Vermont Plans, which are administered from a single office. During 1941, 1,008 applications and reassignments were handled for the three plans combined, developing written premiums for policies actually issued of $33,866. If it is assumed that all of these premiums represented 1.15 of normal premiums, the carriers thus obtained additional premium of $4,417 by application of such surcharges. Using the normal acquisition allowance of 25% on the unsurcharged premium, it might be held that carriers had, in addition, $7,362, or a total of $11,779 over and above the normal amounts in the rates required for losses and expenses other than acquisition.

The actual costs of these three plans in 1941 was $3,071. 10% of the total premium collected paid as commission to producers of record would have amounted to $3,387. Taxes on the amount of surcharge premium collected would have been approximately $100. In addition to these expenses, it would seem reasonable to assume that each carrier incurred expenses of at least $5 per application handled due to the necessity of special investigation costs and correspondence in connection with the issuance of the policy—for the 1,008 applications, this would total to $5,040. Thus, it can be reasonably estimated that for these three plans in calendar year 1941 carriers incurred total expenses of $11,598 for acquisition costs, special investigation costs, and administration costs of the Plan. This amount closely approximates the $11,779 which carriers collected as additional surcharge premium plus an allowance of 25% for acquisition costs in the normal premium; so that in effect, despite charging all assigned risks their normal premiums times a multiplier of 1.10 or 1.15, and despite the reduced commission paid on the total premiums collected on those risks, carriers retain only the same amount of dollars to pay all other normal expenses and losses that they would retain if such business had been voluntarily written. It should be further noted that multipliers of 1.10 and 1.15 were originally determined and based upon commission rates of 5% for public passenger carrying vehicles and long-haul trucking risks, and 10% for all other risks, together

with 2½% as field supervision allowance to the company to which the risk has been assigned or to its licensed agent—and such amounts, loaded for taxes on the amount of the surcharges, were rounded to these multipliers of 1.10 or 1.15. In the foregoing calculations no allowance has been made for the 2½% of the surcharge premium which many companies undoubtedly incurred as field supervision allowance on such risks; further, it can be seen from this calculation that despite the definitely "sub-standard" type of most assigned risks and the extra hazards which, as a group, they entail, carriers actually do not receive any more premium dollars for losses on assigned risks than they do on normal business voluntarily written.

Administrative Recommendations Promulgated and in Effect

Attached to this letter is a separate memorandum summarizing recommendations and rules adopted and put into effect in various Plans by the Managers and Governing Committees of such Plans. Arrangements have been made whereby Managers of all Plans are automatically advised of the adoption of any rule or recommendation in any single Plan so that the Manager of each separate Plan may be in a position to administer the plans in a uniform manner in so far as possible.

Contemplated Program for 1942

1. A Special Committee of the Insurance Commissioners was appointed at their last Convention to study and report on desirable provisions of all assigned risk plans with particular stress to determine a practicable and equitable procedure as respects treatment of expirations and renewals of assigned risks. The Committee is headed by Commissioner Blackall of Connecticut, the remaining members being representatives of the Insurance Departments of the States of New York, New Hampshire, New Jersey and Illinois. The Governing Committee of the New York Plan, together with representatives of the National Bureau and Mutual Bureau, will consult and advise this Special Committee in its work, so that it may be in a position to make a report at the next meeting of the Insurance Commissioners.

2. It is proposed that as soon as a satisfactory solution of the expiration and renewal procedures have been determined, recommendations be made that all plans be revised to include such provisions and at the same time all plans be amended and standardized as follows:

(a) All Plans to be reprinted in manual size on white paper and distributed through the Central Distribution Division of the National Bureau so that they will automatically reach holders of state manual pages located in each respective state (this will insure a widespread

distribution of the Plans amongst producers and avoid current criticisms that the existence of such Plans are not generally known in the field.

(b) Each Plan to contain a supplementary page citing concise instructions for the proper completion of application forms and their submission, accompanied by proper documents, from producers' offices.

(c) All Plans to be amended to provide for assignment of risks and distribution of administration expenses, based on carriers' net direct automobile bodily injury premiums written (adjusted by approved deviations in all rate-regulated states).

(d) Incorporation in all Plans of a provision similar to that now existing in New York and Illinois Plans respecting optional recertification of applicants under the Plan at the option of the designated carrier.

3. It is believed that consideration should also be given to eliminating from the present provisions of all Plans the requirement that applications must be accompanied by copies of the applicant's letters to three separate carriers soliciting coverage. In actual practice it has been found that this requirement seems to be of little practical value and causes very considerable delay and correspondence. Also, a study should be made as to the necessity of amending state licensing laws in all States other than New York to permit the payment of commission to producers whether or not they are holders of brokers' licenses or are agents of the designated carriers. Lastly, every possible measure should be taken to speed up investigations of applicants by designated carriers so that within 30 days at most from the date of application, provided payment is received by the designated carrier, coverage under the Plan may be granted to eligible applicants.

Conclusion

The initiation of an Assigned Risk Plan in any State necessarily results in many practical problems of administration, the majority of which cannot be anticipated in full.

First and foremost, a successful functioning of any Plan is to make certain that producers and company underwriters thoroughly understand its provisions and submit applications and investigate same as respects all essential requirements. Thus producers and subscribing companies have an obligation to aid any applicants to obtain letters declining coverage in the form and manner prescribed by the Plan, with such letters properly signed. Producers must guard against soliciting declinations as such and must make a real effort to secure voluntary coverage rather than ask that a risk be declined.

Approximately 80% of all applications received for coverage under the various Plans are received incomplete in one or more particulars. Although most of the information is not of vital importance, a great deal of really

essential underwriting information is consistently omitted, resulting in delay and correspondence. All of this delay can be avoided if applications are fully completed.

Secondly, the administrators of Plans must guard against taking an arbitrary stand as respects technical compliance with every single requirement as a great deal of incomplete and unessential information can be developed by the designated carrier when it investigates the risk.

Subscribing carriers receiving risks assigned to them under the Plan should make a real effort to complete their investigation within the prescribed period of 15 days in order to avoid complaints of undue delay in granting coverage.

State officials in charge of Motor Vehicle Departments, Licensing Departments, and Insurance Departments should continue to cooperate by refusing to license or re-license owners and operators on the roads of the State if investigation develops that in the interests of public safety they should not be permitted to drive motor vehicles—whether or not they can obtain insurance voluntarily or under any Assigned Risk Plan.

It should be remembered that from every viewpoint each and every applicant for coverage under an Assigned Risk Plan is definitely "sub-standard" in one or more respects as they have each been declined coverage from at least three licensed carriers.

The largest single group of applicants are those required to file evidence of financial responsibility as distinct from those who do not have to meet such requirements, but simply desire insurance protection. In States where "broad" plans are in effect the largest single group of applicants comprises those who are physically disabled either through deafness, whole or partial, loss of use or loss of one or more limbs, or who have other physical deformities. Another large group of applicants comprise those who have had one or more accidents during recent months for which they have been convicted. The majority of such applicants are those who have been convicted at least once for intoxicated driving, while a smaller group includes applicants with a recent high accident frequency. A surprising number of applicants under the Plan are individuals aged 70, 80 or more, and a smaller group comprise individuals who conduct questionable or possibly illegal business enterprises.

It may be truthfully stated that the Automobile Assigned Risk Plans now in effect have been and are receiving the fullest cooperation on the part of all private insurance carriers which have voluntarily subscribed to them; and although a few practical problems remain to be solved, the Plans as a whole have satisfactorily solved the problem of granting insurance coverage to eligible risks in good faith entitled to insurance but who were unable to obtain it for themselves.

ADDENDUM

Proposed California Assigned Risk Plan

In view of an increasing number of complaints because of the inability of automobile owners and operators in California who are required to furnish evidence of insurance under either the Safety Responsibility Law or the Highway Carrier Law of that State, to secure such coverage, the Insurance Commissioner of California called a conference of representatives of all classes of insurers in San Francisco on January 19, 1942. It was the consensus at that conference, which was attended by the Director of Motor Vehicles, that immediate steps should be taken to the end of setting up an Assigned Risk Plan for California. The appointed drafting committee completed their work in late March, and on April 2, sent out to all carriers licensed to write automobile bodily injury in California, a proposed California Plan to become effective within fifteen days after all carriers subscribe thereto.

The proposed Plan will be administered by a Governing Committee and an appointed Manager, the tentative administrative office of the Plan being cited as Room 421, 315 Montgomery Street, San Francisco, California.

The Plan is restricted to a risk required to furnish proof of financial responsibility pursuant to and as required by the California Vehicle Code, or that is required to furnish evidence of bodily injury and property damage liability insurance to the California Railroad Commission (except risks exclusively carrying passengers for hire or compensation), that is in good faith entitled to such insurance in the State, but is unable to secure it for itself.

In general it can be stated that the Plan has been modeled upon the existing New York Plan, including all of its standard provisions; for instance it permits signatures on letters of declination accompanying applications for coverage to be signed by specifically designated authorized representatives of carriers as well as salaried employees; includes a provision for recertification of operator's license; and cites a specific provision for handling of appeals. Copies of the Plan and application form may be obtained upon requisition to the Manager.

Only two major differences from other existing Plans are incorporated in the proposed Plan. The first of these deals with the eligibility of the applicant as respects "convictions." The California Law is unique in that upon first conviction for misdemeanor or drunk driving the operator loses his license, but may secure probationary license for a period of one year. If he is convicted a second time either during the probationary period or subse-

quently, his license is again suspended and remains so until he files proof of financial responsibility. In other words, the operator is allowed one prior conviction for misdemeanor, drunk driving or reckless driving where injury to person actually results therefrom, but upon a second conviction for either of these offenses he must file proof of financial responsibility.

The Drafting Committee, the Insurance Department and the Motor Vehicle Department agreed that any plan that would make ineligible an applicant who has two "drunk driving convictions" during the three-year period immediately preceding the date of application would not solve the acute problem which exists in California. Accordingly, the proposed California Plan differs from all other existing Plans in that it states that a risk shall not be considered in good faith entitled to coverage if the applicant or anyone who will drive the motor vehicle has during a three-year period immediately preceding the date of application been convicted more than twice for one, or more than once each for two, of the following offenses growing out of separate violations of the Law of California

(1) driving a vehicle while intoxicated or under the influence of intoxicating liquor in violation of Section 502 of the Vehicle Code;
(2) driving a vehicle in a reckless manner where injury to person actually results therefrom.

The California Plan does contain the usual standard provisions as respects other major convictions during the three-year period immediately preceding date of application and for such cited convictions, if applicant has been convicted more than once of one or once each for two or more of the specific offenses he will be deemed ineligible for coverage under the Plan.

The second unique provision proposed in the California Plan is that each application for insurance must be accompanied by an investigation fee of $5 in the form of a certified check or money order which shall be paid to the Plan and credited against the premium if the risk is assigned and accepted, and the applicant pays the balance of the premium in accordance with the Plan; if not, the fee is not returnable.

The Drafting Committee believes that this provision will estop a great number of applications for coverage from applicants who do not have the necessary monies to pay the premium.

Although not cited as a specific provision of the Plan, the Drafting Committee has adopted the following resolution, with the understanding that it will be re-adopted if and when the Plan becomes effective:

> Resolved: Where an applicant for assignment under the Plan is of Japanese extraction, acceptance of the assignment shall be optional with the designated insurer.

It is believed probable that the California Plan will become effective some time during the month of May, 1942.

New York Automobile Assigned Risk Plan

Report of Operations to April 9, 1942

Since the New York Plan only became effective November 1, 1941, its operation report as of December 31, 1941, is of slight, if any, value. As of April 9, 916 applications had been received from inception of the Plan on November 1, 1941; 353 policies have been issued; 159 applications were not taken by the applicants either for non-payment of premium or because voluntary coverage had been secured, or the application had been withdrawn by the applicant for other reasons; only 26 applications were declined or rejected as not in good faith entitled to coverage under the Plan; 5 applications had been received from applicants ineligible for assignment; 295 assignments were being investigated by the carriers; and premium had been quoted the applicants on 118 of these; the balance of 78 applications were pending in the administrative office for receipt of missing information necessary before assignment could be made.

Automobile Assigned Risk Plans — Exhibit A

Summary of Operation Reports to 12-31-41

State and Inception Date of Plan	Cal. Year	Applications Received			Applications and Reassignments			Assignments Completed		
		New	Renewal	Total	Rejected for Cause	Not Taken by Applicant	Voluntarily Written by Cos.	New	Renewal	Total
New Hampshire 5-10-38	1938	108	—	108	18	30	2	58	—	58
	1939	264	25	289	26	69	—	170	24	194
	1940	325	182	507	34	134	4	203	132	335
	1941	351	378	729	26	151	91	243	218	461
Maine 2-1-40	1940	81	—	81	15	20	—	46	—	46
	1941	150	45	195	17	75	2	131	36	167
Connecticut 7-15-40	1940	133	—	133	11	25	1	94	—	94
	1941	326	49	375	36	67	4	175	48	223
Illinois 10-1-40	1940	28	—	28	3	—	1	8	—	8
	1941	347	6	353	20	64	8	184	4	188
Washington 1-13-41	1941	1,001	—	1,001	49	106	—	730	—	730
Vermont 3-1-41	1941	84	—	84	10	18	—	48	—	48
New Jersey 3-15-41	1941	278	—	278	37	57	5	128	—	128
Virginia 4-1-41	1941	72	—	72	16	7	—	47	—	47
New York 11-1-41	1941	179	—	179	5	1	—	6	—	6
Total (All Plans)	1938	108	—	108	18	30	2	58	—	58
	1939	264	25	289	26	69	—	170	24	194
	1940	567	182	749	63	179	6	351	132	483
	1941	2,788	478	3,266	216	546	110	1,692	306	1,998
Total		3,727	685	4,412	323	824	118	2,271	462	2,733

SUMMARY — ALL PLANS — 1938-41 INCLUSIVE

	Number	% of Total
New and Renewal Policies Issued	2,733	68.3
Rejected for Cause	323	8.1
Not Taken by Applicant	824	20.6
Voluntarily Written by Designated Carrier	118	3.0
Total Assignments Completed	3,998	100.0
Assignments Pending (incomplete 12-31-41)	414	
Total Applications and Renewals Handled	4,412	

AUTOMOBILE ASSIGNED RISK PLANS Exhibit B

Exhibit of Premiums Written on Assigned Risks (B.I. & P.D. Combined)

Plan	Effective Date	1938	1939	1940	1941	Total
New Hampshire	5-10-38	4,299.68	9,938.26	22,359.86	25,298.13	61,895.93
Maine	2-1-40	—	—	2,408.02	7,093.92	9,501.94
Connecticut	7-15-40	—	—	7,317.57	15,326.19	22,643.76
Illinois	10-1-40	—	—	353.65	8,375.25	8,728.90
Washington	1-13-41	—	—	—	29,455.36	29,455.36
Vermont	3-1-41	—	—	—	1,474.22	1,474.22
New Jersey	3-15-41	—	—	—	8,483.80	8,483.80
Virginia	4-1-41	—	—	—	6,511.91	6,511.91
New York	11-1-41	—	—	—	311.93	311.93
TOTAL		4,299.68	9,938.26	32,439.10	102,330.71	149,007.75

NOTE: Average 1941 B.I. & P.D. Combined Premiums on Risks Assigned = $51.67.

AUTOMOBILE ASSIGNED RISK PLANS Exhibit C

Exhibit of Administration Costs — 1941

State	Effective Date	1941 Period Covered in Months	No. of Risks Handled	Administration Costs 1941	Average Cost per Risk Handled	Estimated Expenses 1942
New Hampshire	5-10-38	12	729	1,788.54	2.46	1,800
Maine	2-1-40	12	195	790.07	4.05	1,000
Connecticut	7-15-40	12	375	1,346.21	3.59	1,500
Illinois	10-1-40	12	353	3,405.96	9.65	3,500
Washington	1-13-41	11½	1,001	3,000.24	3.00	4,000
Vermont	3-1-41	10	60	492.61	Min.	500
New Jersey	3-15-41	9½	278	974.75	3.50	1,200
Virginia	4-1-41	9	72	(d)	—	(d)
New York	11-1-41	2	179	807.05	4.51	10,000
TOTAL			3,242	12,605.41	3.88	23,500

NOTES:

(a) New Hampshire Costs for 1938-39-40, and Maine Costs for 1940 were absorbed in the Cost of maintaining the Maine Branch of the National Bureau and charged to all carriers, subscribers to that branch.

(b) Connecticut Costs in 1940 were $429.40 assessed to subscribers.

(c) Illinois Costs are for 12 months ending 9-30-41. Costs are comparatively high due to an independent administering office.

(d) Virginia Costs are unobtainable, being absorbed in the costs of the Virginia Automobile Bureau.

(e) 1942 Estimated Costs are based on trends of an increasing number of assigned risks and additional work involved in handling renewals.

AUTOMOBILE ASSIGNED RISK PLANS Exhibit D

Administrative Recommendations Promulgated and in Effect

There is cited below a brief summary of recommendations and rules adopted and put into effect. Managers of all Plans are advised of such rulings in order that Governing Committees and Managers of each separate Plan may consider adopting similar rules and thus insure uniform administration of all Plans.

1. *Records of Applicants for Coverage, by Producer*

All offices maintain a card record of applications by "named producers" and are thus in a position to take action respecting any producer who submits an unusually large number of applicants under the Plan and thus seems to be soliciting assigned risks.

2. *Identification of Assigned Risks on Carriers' Records*

All subscribers have been advised to specially identify assigned risks so that they will be able to comply with special calls for experience.

3. *Two or More Convictions Arising Out of a Single Accident*

The New York Plan has adopted a rule whereby two or more convictions arising out of one accident, occurrence or arrest are to be considered as only a single conviction. The sole exception pertains to two convictions arising out of a single accident, one of which pertains to driving without an operator's license or driving with an illegal registration.

4. *Renewal Assignments*

Upon declination of a designated carrier to issue a renewal policy to an assigned risk for the Maine, New Hampshire and Vermont Plans the applicant is required only to complete a new application form which, accompanied by a single letter from the carrying company under the Plan declining to renew it, is then sent to a new designated carrier for the renewal policy. In similar cases for risks in Connecticut, New Jersey and New York, the applicant is being required to obtain two additional letters of declination if his reassignment is declined by the carrying company. This latter procedure is believed desirable as it forces both the applicant and producer of record to make a real effort to obtain voluntary coverage rather than to take the easy way by remaining in the Plan as an assigned risk.

5. *Physical Disabilities*

(A) The New York Governing Committee has approved the following rules which have been promulgated to all subscribers to the New York Plan:

> Partial or total deafness does not constitute a major physical disability for the purposes of the Plan provided that special equipment is

installed on vehicles which such applicants will operate and it is understood such applicants operate with restricted drivers' licenses.

Loss or loss of use of part or all of an arm or leg if a member is replaced by an artificial limb, or special equipment on the motor vehicle is provided, and provided the applicant passes a special driver's license test of the State at the request of the designated carrier does not constitute a major physical disability for the purposes of this Plan.

Loss of one eye does not constitute a major disability for the purposes of the Plan.

Loss or loss of use of all or part of two legs, two arms or one arm and one leg shall be considered a major physical disability for purposes of the Plan. Possibly exceptions may be made in special unique cases.

Applicants subject to epilepsy or cardiac or similar conditions may be considered but should submit satisfactory certificates from at least two qualified medical doctors.

(B) The Illinois Governing Committee has ruled (a) that impaired vision or loss of one eye is not a major disability if risk is licensed by the State; (b) impaired hearing is not a major physical disability if risk is licensed by the State; (c) loss of part or all of an arm or leg if a member is replaced by an artificial limb and the applicant passes a special driver's license test given by the State, is not a major physical disability; (d) loss of two arms, two legs or one arm and one leg shall be considered a physical disability.

6. *Letters of Solicitation for Coverage*

The New York Governing Committee has agreed to waive this technical requirement and permit the Manager to assign risks without withholding assignment for missing letters of solicitation if same do not accompany application.

7. *Enemy Aliens*

The Massachusetts Governing Committee has adopted the following rule:

"In those instances where the Bureau is able to identify an applicant for assignment under the Massachusetts Motor Vehicle Assigned Risk Plan as being an enemy alien, assignment for coverage is not to be made. Such an assignment made unknowingly by the Bureau may be rejected in accordance with the provisions of Rule 4 under Section IV of the Plan."

The New York Governing Committee considered this matter, and after discussion, believed the problem will ultimately solve itself by action of the Federal Government and agreed that no specific resolution be adopted respecting enemy aliens as to the status of applicant under the New York Plan.

Managers of all other plans have been advised of these actions of the Massachusetts and New York Governing Committees.

8. *Convictions Respecting Violations under "Blackout" Laws*

The New York Committee recommended that convictions for such offenses should undoubtedly be reported but that they should not constitute major convictions in connection with the operation of a motor vehicle as cited in Section I, Paragraph 2 of the New York Plan.

9. *Requests for Assignment to a Named Carrier or Specified Type of Carrier*

The New York Governing Committee has unanimously agreed that the Manager must abide strictly by the rules of the Plan and assign risks to designated carriers impartially according to their proportionate premium volume and that he cannot agree to assign any specific applicant to any named carrier or to a carrier of any specific type.

10. *Eligibility of Applicants*

(a) *Non-Payment of Premium*

The Washington Committee has ruled that applicants rejected for non-payment of premium are ineligible for subsequent assignment under the Plan until one year has elapsed.

(b) *Risks Rejected for Cause*

The New York Committee has ruled that an applicant under the Plan rejected for cause, and rejection sustained, is not eligible to reapply for coverage under the Plan until a period of one year has elapsed from date of the rejected application.

11. *Signatures on Letters of Declination Accompanying Applications for Coverage*

The New York Committee has ruled that letters of declination signed by a single salaried employee on behalf of two or more so-called "running mate" companies are not acceptable on behalf of more than one company.

12. *Non-Owners*

The Washington Committee has ruled permitting the carrier to charge twice the *X* rate in cases where it can be found that an applicant ordinarily not owning a car has purchased a car not in operating condition, merely to procure a lower premium charge.

13. *Adjustment of Rates Due to Changes in Assured's Status*

The Washington Committee has adopted a rule permitting carriers to charge proper manual rates in all cases where subsequent to assignment and certification the applicant acquires additional equipment or the nature of his business changes to warrant re-rating.