

REVIEWS OF PUBLICATIONS

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Comprehensive Liability Insurance. E. W. Sawyer. The Underwriter Printing and Publishing Company, New York, 1943. Pp. 176.

At long last, liability insurers have accepted responsibility for the liability hazards of their insureds and the job of determining the hazards in the individual case as a basis for writing an adequate contract and naming a proper premium. Until recently it was only in the marine insurance field (where perhaps the function of insurance is best understood) that the insurer proceeded from an initial agreement to cover all the losses of the insured. It may be no mere coincidence that the insured and his broker have long dealt as equals with the marine underwriters and that comprehensive liability insurance has developed with the concentration of the insurance management and representation of large corporations in the hands of competent insurance specialists.

Sawyer's book is no primer for neophytes, though it is written in simple, clear and direct language. It conveys much more than appears on the surface of its pages. For complete understanding, the reader should be familiar with the history of liability insurance and with its contract forms, past and present. In fact, copies of the comprehensive policies and endorsements should be read with the text. For example, frequent reference is made to the policy definition of contractual liability, but the definition does not appear in the text.

The purpose of the text is "to discuss principles, purposes and methods" and, one suspects, to convert the unenlightened. With slight concessions, here and there, to the practical necessities, Sawyer cogently develops his thesis that comprehensive insurance should and will become really comprehensive; that exclusions, options and exceptions should be reduced to an absolute minimum and that standardized contracts should be used nationwide. The reviewer, lacking any responsibility other than the academic, agrees and suggests that consideration be given to an unlimited policy. In effect, liability insurers with reinsurance facilities at their command now refuse, by writing only policies subject to limits, to accept a catastrophe hazard which must be borne by the individual insured, and presumably the insurance carrier sometimes invests in the securities of that same insured. Among various proposals for innovations which have Sawyer's support is the continuous policy. Would it not be well to adopt, with such a policy, rating and commission programs that would recognize the economy of continuous relationships between insured, producer and insurer, as long as they are mutually satisfactory? If an insured desires to change his insurer, for

whatever reason, let him do so at a cost consistent with the necessity of making new arrangements.

The way of the innovator is hard. The problems of introducing comprehensive liability insurance illustrate this quasi-Biblical statement. Underwriters fear the loss of their customary safeguards and the unstated hazards and exposures to which they are subjecting themselves; incompetent producers do not like to expend the time and mental effort necessary to master and apply a contract which does a complicated and thorough job; insureds are impatient with insurance discussions and suspicious of attempts to sell coverage which may result in larger premiums; even state insurance departments are slow to approve a new method of doing business for which no experience has been developed.

This book points up the difficulties and the virtues of comprehensive liability covers; it shows what has been accomplished and what remains to be accomplished; best of all, it makes clear a method of approach to problems of insurance coverage and demonstrates a way of thinking fundamentally about such problems.

Since no reviewer's ego is satisfied without making suggestions for improvement, the following are submitted: it would have been helpful if the chapters had been dated, since they were written at various times from September, 1941 to January, 1943, a period during which comprehensive insurance was developing rapidly; the type should be larger—continuous reading of the text is difficult; the questions appended to each chapter might have been designed to bring out an understanding of the text rather than the student's capacity for memorizing.

But these are minor matters in a book which, for perhaps the first time, attacks a problem of contract drafting in terms of achieving the final goal of full protection of the insured and which presents a method refreshingly at variance with the bickerings and short-sighted manoeuvres which have characterized so much discussion of contract revision. And all of this is done with a complete awareness of the interests of insurance carriers and producers. Here, as has often been found elsewhere, interests which are divergent in the short run are discovered to be common when the long view is taken. Insurance may become a profession.

RALPH H. BLANCHARD.

Compulsory Health Insurance in the United States. Herbert D. Simpson. Northwestern University, Evanston, 1943. Pp. 89.

In this brief but penetrating appraisal of the status and implications of the present movement for compulsory health insurance, Professor Simpson examines the broader economic and social aspects of the problem and finds

them not altogether reassuring. After reviewing the background of the movement and the standard arguments in support of compulsory health insurance, the author analyzes and contrasts current proposals as represented by the Wagner Bill (1939), the Capper Bill (1941) and the Eliot Bill (1942). The incidence of payroll taxes is given expert attention (the author is Emeritus Professor of Public Finance of Northwestern University) and alternative methods of meeting the problem, which is essentially the wider distribution of available medical service, are systematically considered. Professor Simpson concludes that, while the time may be ripe for broadening the coverage of present social security legislation and extending the scope of old-age benefits to include permanent disability prior to age 65, we would be well advised to wait, at least until the war is won, before adopting a health insurance program involving commitments from which there would be no turning back.

OTTO C. RICHTER.

Lectures on Fire Insurance Accounting. The Insurance Society of New York, Wisdom Press, New York, 1943. Pp. 128.

This small but meaty volume comprises a series of lectures delivered before various groups of members and students of the Insurance Society of New York. The book is not offered as a text on fire insurance accounting but "merely as a collection of lectures on those aspects of the subject on which material is not readily or conveniently available."

It comprises 11 lectures, 10 written by officials of well-known fire insurance companies and one by the president of a statistical organization. The lectures are entitled: (1) Organization and Functions of Accounting and Statistical Departments; (2) Underwriting Income—Premiums; (3) Underwriting Income—Reinsurance Premiums; (4) Investment Accounting; (5) Disbursements—Losses; (6) Disbursements—Taxes and Other Expenses; (7) General Ledger; (8) Reserves; (9) Annual Statement; (10) Mechanical Equipment; (11) Statistics.

The lectures are very instructive. I was particularly impressed by the succinct manner in which the contributors have presented the basic pattern of fire insurance accounting. The lecture on *Mechanical Equipment* does not, in my opinion, measure up to the same standard of informative data as the others. I had anticipated the author would discuss: (1) the types of equipment, (2) the purpose for which they are used in fire insurance offices and (3) the basic reasons for their use. The lecture instead deals with the subject in a very abstract manner, the principal theme being the speed, card production and sorting technique, of tabulating equipment.

I heartily recommend this book to all interested in insurance accounting,

whether fire or casualty. Fire insurance accounting students will find it particularly valuable. The casualty accountant or student will find much of interest in observing how closely fire accounting practices sometimes parallel casualty, yet in other instances how divergent are the procedures in handling identical and similar problems.

It should have particular appeal to insurance accountants and students interested in fire and casualty "group" accounting. They will discover (as I have from extensive practical experience) that no real obstacles exist which will prevent the coordinated handling of fire and casualty accounts and statistics. For such persons, I suggest a study of this volume in conjunction with Mr. Tarbell's splendid contributions to the *Proceedings*, Volume XV, p. 141, and Volume XXVII, p. 294. This will provide an excellent starting point for more detailed travels into the intricacies of fire and casualty accounting.

W. H. CRAWFORD.

Man and the Motor Car. A. W. Whitney, Editor. Revised Edition, 1941. National Conservation Bureau, New York, 1941. Pp. xi, 287.

This book, first published in 1936, and now revised in the light of much practical experience, has been widely used as a high school textbook. The fact that more than a quarter million copies have been obtained by several thousand schools is evidence of its value in preparing young people in an intelligent way to operate automobiles. The emphasis is on safety, which is only natural in a publication sponsored by insurance interests.

The driver education program based upon this book has produced such satisfactory results that when the United States Army found it necessary to train huge numbers of men in motor transport work, it used much of this material in its classrooms.

JAMES M. BUGBEE.

Why We Have Automobile Accidents. Harry R. De Silva. John Wiley and Sons, New York, 1942. Pp. xvii, 394.

It is somewhat difficult to appraise the value of this book now because, while published in 1942, its statements and conclusions are largely based on studies of conditions existing between 1930 and 1941. The author has assembled a most comprehensive collection of data (there are more than 70 tables) in an effort to analyze the relationships between accidents and use of car, driving speed and other factors which influence highway safety in different parts of the country.

The value of all these figures is somewhat doubtful now because war-time conditions have changed the use of automobiles in such a radical manner. When the country returns to a peace-time economy, conditions will presumably be different from those of the 1930's and our author will have to compile new data.

Mr. De Silva is a psychologist and has approached the problem from the psychologist's viewpoint. He is a recognized authority in the field of the psychological bases of accident occurrence, and we know that he has spent a great deal of time for a number of years in making studies of this kind. However, some of his conclusions are theoretical. For example on page 9, in reference to hazards resulting from vehicular defects, it is stated:

Little or nothing has been done to find out how many accidents are prevented by lessening the hazards arising from defects in the vehicle and what types they are.

We agree that more accidents are occurring from mechanical defects than appear in the records and that more should be done in this direction. Yet at the same time from a practical standpoint, it is very difficult to ascertain which accidents have been caused by these defects. In the first place, the investigating police are not mechanics. Secondly, drivers are rarely willing to admit that mechanical defects were responsible for their accidents, as this would be an admission of liability. Moreover, after a motor vehicle is demolished in a serious accident it is not possible to determine the condition of the vehicle prior to the accident.

On page 14 the author says:

At present, we know practically nothing about the difference between hazards ordinarily encountered in necessity driving as compared with those met in recreational and social and other non-necessary types of driving.

While a further study of this subject might be interesting, we cannot understand what difference it makes from an accident prevention standpoint. The same is true with regard to the author's comment on speed on page 52. He deplores the fact that we do not know who are speeders and why they speed. We cannot see where it would be of a great deal of benefit to have such information. As Mr. De Silva mentions further on in his book, it has been found that the most effective measure of speed control is to have an adequate number of police and strict enforcement of speed regulations.

On page 30 a comparison is made between bus, truck, passenger car and truck-trailer accidents; and it is mentioned that truck-trailer accident rates are high. We have found as additional accident factors in our experience that truck-trailer units carry the heaviest loads, their braking systems are often inadequate for the loads carried, and the condition of their equipment is

generally poor compared with other motor vehicles because of the heavy duty and continuous service which permit little time for repairs. The truck-trailer or tractor semi-trailer combinations are extensively used on interurban freight lines providing overnight deliveries so that of those factors mentioned by the author as responsible for the high accident frequency, night driving conditions are probably most important.

On page 89 the author in passing on his opinion that the article, *And Sudden Death*, may have a good effect on some drivers, says that the witnessing of gruesome accidents will have a more lasting effect. We feel that the article mentioned does not make anyone a safer driver. And while we agree that witnessing serious accidents is not an effective safe-driving measure, it is because the experience makes drivers more nervous. Mr. De Silva is skeptical on the same point but because he believes repression of unpleasant experience produces carelessness.

From the insurance standpoint, the most interesting chapter is that on *Incompetent Drivers*. The tables and statements on this topic are helpful in reminding us that accident-repeaters have an accident expectancy much higher than the average driver; that drivers under 20 years have an above-average accident frequency; and that the rate goes up again for drivers over 60. In this chapter the author very briefly dismisses the several financial responsibility laws as probably having no tendency to reduce accidents. Surely the red-tape formalities required in order to comply with these laws and the premium surcharges have some deterrent effect on the future behavior of drivers who have received notice that unless they file evidence of responsibility within so many days they will have their right to operate a motor vehicle forthwith suspended.

The author leans toward compulsory liability insurance as financial protection to the public against bad drivers, but predicts the eventual development of automobile accident compensation systems with compulsory insurance provided either by private companies or state funds. Without doubt, this is a possibility that many members of the Society will have to study at some future time.

The author's general conclusion is that, to continue research on automobile accidents and to coordinate and plan accident prevention work, it is necessary for the Federal Government to provide the all-important financing. He feels that insurance interests along with automobile manufacturers and oil companies, in view of the loss to their own businesses from the killing and disabling of customers, would profit if accidents were drastically reduced and driving made safer and that it would be to their advantage and to the public interest if they would add their influence and perhaps their financial support to a scientific fact-finding program. The author seems to overlook entirely the time and effort expended by the safety engineers of the casualty

insurance companies on automobile safety work although practical experience shows that such work does reduce accidents.

The theory that we should look to the Federal Government to lead the way and provide the funds is not always sound. When we rely upon Washington or some other place to do the work, we lose the personal and immediate interest of local people. While it is true that the present accident control programs of the various states are not ideal, yet much has been done in this direction in recent years. Granted that there should be greater uniformity in compiling accident records so that the results in one state may be compared with those in another, it would seem that better results will come from efforts in the individual communities and the several states, each attacking the problem in its own way, than from uniform methods of procedure handed down from some central authority.

The author's bibliography with its 300 references is the most extensive we have seen in this field.

JAMES M. BUGBEE.

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The Insurance Broker-Agent. Harrison Law. Nutley, New Jersey, 1943. Pamphlet unpagged.

Practical Fire and Casualty Insurance. J. Edward Hedges. National Underwriter Company, Cincinnati, 1943. Pp. 10-278.

Hospital Malpractice Insurance. Gerhard Hartman. University of Chicago Press, Chicago, 1943. Pamphlet, 72 pages.