

imaginary quantities; and that extraordinary mathematical abstraction commonly labeled "t" but known to mere *hoi polloi* as time came to the rescue of all participants and non-participants and the session was adjourned, with the Chairman expressing silent thanks that he has already received credit for passing the mathematical sections of the examinations for admission to the Society.

## GUARANTEED RENEWABLE AUTOMOBILE INSURANCE

(Summation by Leo M. Stankus, Actuary, Allstate Insurance Company)

The subject was introduced by presenting the details of two plans—the Allstate Plan and the National Bureau Plan proposed for New York. Both plans guarantee that, except for certain specified reasons, the Liability coverages will not be canceled during the guarantee period. For Allstate, the guarantee period is five years for new business. Under the Bureau Plan, the guarantee period is for one year; however, the policyholder is also guaranteed that he may renew his policy unless a notice of intent not to renew has been mailed to him at least 45 days prior to the renewal date.

For new business, both plans incorporate a "qualification period" during which the underwriter can check the inspection report and Motor Vehicle Department records in order to determine that accurate information has been given on the application. Also, under both plans the Company retains the right to cancel the Liability coverages for certain specified reasons—mainly "public policy reasons" which involve conduct on the part of the policyholder which is detrimental to the public interest.

A good deal of the discussion was devoted to the underwriting problems that are involved in providing this type of a guarantee. When this program had been introduced by Allstate, it was made applicable to all policies which had been in force for at least 90 days on the effective date of the plan, and to all recently issued policies as they complete their 90-day "qualification period." However, for administrative reasons the guarantee periods for in-force policies varied from one to five years, depending upon how long they had been insured with the Company.

The question as to the actuarial aspects of establishing the cost of Liability insurance issued on a guaranteed-renewable basis revealed that the consensus was that such insurance should be issued with some form of "merit rating" plan. All of the Allstate plans have been issued in conjunction with a merit rating plan, and it is understood that the Bureau program in New York also contemplates merit rating.

The possibility of extending a guarantee to coverages other than the Liability coverages was also discussed. It was explained that the guarantee was first offered with respect to the Liability coverages because of the far greater need for this form of protection—both on the part of the policyholder and for the protection of the general public.