

Society to make available to its members in English much more of the European literature in this area and in the more general area of collective risk theory. Professor Dickerson does not state outright, but does imply that European actuaries are substantially ahead of American actuaries in this field. In my mind, there is no question that this is true. However, we would be a lot further behind European actuaries in this field were it not for the recent papers by such individuals as Bailey, Dropkin and Simon. I hope we can look forward to many more papers of this general type in our *Proceedings* in the near future.

COVERAGE AND UNDERWRITING ASPECTS OF BURGLARY INSURANCE

BY

WALKER S. RICHARDSON AND RICHARD J. WOLFRUM

Volume XLVII, Page 87

DISCUSSION BY T. E. MURRIN

At a time when an increasing frequency of crimes has adversely affected underwriting results for Burglary Insurance, Messrs. Wolfrum and Richardson are to be commended for their timely and valuable contribution to our *Proceedings*. That this is the first paper presented to the Society on the subject, "Burglary Insurance—Rates and Ratemaking," should, as the authors suggest, help raise the veil of mystery that has shrouded this form of insurance. Furthermore, the paper should serve as a useful reference to the students of the Society preparing for its examinations.

The authors have chosen to limit their discussion to non-banking commercial sublines, noting that the trend in providing coverage on banks and individuals is towards the indivisible package policies.

A substantial part of this paper deals with a description of the various commercial contracts, and based on my review it appears that the authors have covered the subject matter clearly and completely. The summary exhibit of the many burglary forms is unique for its clarity and simplicity and should be of great assistance to one not familiar with the various relationships of the different burglary policy forms. Some comments on our part at this point might be helpful.

The authors state that burglary underwriters have generally refused to offer insurance for the disappearance peril on merchandise outside the insured's premises. This is due to the fact that the nationwide definition of forms and coverages consider this inland marine coverage and thus is provided under appropriate inland marine policies.

The authors further point out that coverage for money in some cases includes coverage for other property, such as merchandise, but this coverage is incidental. Undoubtedly, there are many cases where there is a heavy mer-

chandise exposure, as a retail establishment which will have a heavy money exposure—hence the need for coverage on both merchandise and money. A good illustration is a supermarket. There are also instances where the insured is interested in insuring damage to his safe, in addition to its contents, since damage to the safe may in many cases be more costly than the loss of the contents.

In the second section of the paper, captioned "Rates and Rating," the authors recognize the problems that exist in determining rates for burglary insurance, principally because of the limit volume developed for these various policy forms. As an illustration of this point, for the safe burglary subline of insurance the premium volume developed, countrywide, for National and Mutual Bureau companies amounted to slightly more than \$2,000,000. Splitting this premium by state, and sub-dividing it into approximately 150 territories, affords the ratemaker only extremely sparse experience having little credibility. The authors further observed that expected loss costs for areas within given statistical territories may vary, and suggest that further refinement to some statistical territories be considered. They then correctly note that in a low credibility line such as burglary insurance the cure could be worse than the disease.

In the commercial lines of burglary insurance, rates vary by use classification or the actual business of the insured. Mr. Wolfrum and Mr. Richardson discuss the basis of the use classification relativities and conclude that judgment has probably played a larger part than experience in determining the present rate differentials. Exhibits of available classification experience were utilized to support the adjustment of classification relativities when submitted to supervisory officials for consideration in 1955.

In that filing which became effective countrywide, use classification experience for the Mercantile Open Stock and Money and Securities Broad Form Loss Within Premises coverages was available through calendar year 1952, and for Mercantile Safe and Interior Robbery (now called Mercantile Robbery inside Premises) use classification experience was available through 1950. The first two coverages developed a volume of experience by use classification which forms a satisfactory basis for a review of relativities. For mercantile open stock, nine of the eleven groupings by use classifications that were considered had at least 5000 claims in the 5-year period reviewed, and in the case of broad form money and securities, ten of fourteen groups had at least 1000 claims. The mercantile safe and interior coverages developed somewhat less volume by use class, but since the coverage provided under these two forms and the money and securities policy are related, simultaneous study of three sets of class experience produced revised differentials based largely on the experience.

The authors note that effective January 1, 1961, the Bureau Statistical Plan was revised to provide for detailed reporting of data by class of business, by alarm systems, and by types of safes. It did not provide for the separate reporting by number of watchmen or for the less important types of protection, and this is felt to be a weakness in the current statistical plan. However, when the question of detailed coding was considered by the un-

derwriting specialists comprising the Burglary Rating Committee of the National Bureau, it was the judgment of this committee that more detailed statistical data should not be collected for these less important subdivisions.

To supplement the authors' paper, this reviewer feels an explanation of how rate level data for the burglary lines are developed from company reports would be informative and helpful not only to students who will be using the *Proceedings* as a reference, but also to some members of the Casualty Actuarial Society who may be unfamiliar with this procedure.

Burglary Insurance experience is reported to the National Bureau on a unit transaction basis. These reports are submitted monthly and contain the full detail required by the Burglary Insurance Statistical Plan. Thus, the punch cards show the codes for policy form, term, territory, etc., as well as the written premiums and incurred losses. From these data we calculate the portion of the written premiums that is earned in the current year, as well as the contribution to the earned premium of subsequent years, depending on the effective date and the term of each policy. To reflect changes in manual rates, the earned premium summary cards for policies written prior to the date of the revision are separated from those for policies written subsequent to the date of the change. The rate change factors are applied to the earned premium contributions from policies written prior to the effective date of the change, but no adjustment is needed for the earned premium arising from policies written subsequent to the date of the change because such premiums already reflect the revised level of rates.

In conclusion, may I again say that Mr. Wolfrum and Mr. Richardson are to be congratulated on their excellent and valuable addition to the *Proceedings* of the Casualty Actuarial Society.

DISCUSSIONS OF PAPERS READ AT THE
MAY 1961 MEETING
RESERVES FOR REOPENED CLAIMS ON WORKMEN'S
COMPENSATION

BY

RAFAL J. BALCAREK

Volume XLVIII, Page 1

DISCUSSION BY R. E. SALZMANN

Mr. Balcarek has presented a very interesting and thorough study on Reserves for Reopened Workmen's Compensation Claims. He is to be commended for contributing a paper to the *Proceedings* of the Society on loss reserves because very few papers have been presented on this subject in the past several years. Even though his paper pertains to only a small segment of the general subject, it is a welcome addition to the *Proceedings*.

The author sets forth a sound method of measuring the reopened claim