A HISTORY OF THE UNIFORM AUTOMOBILE ASSIGNED RISK PLAN

By
ELDEN W. DAY

Automobile Assigned Risk Plans have become one of the most important facilities of the Automobile Liability Insurance Industry. It is undoubtedly true that no facet of the business has consistently been the object of more interest and attention. The plans perform the extremely necessary function of bridging the gap between the voluntary insurance facilities and the needs of the insuring public. They are extremely sensitive to changes in market conditions and to general economic situations, and their populations generally rise and fall in keeping with the times. The structure of the plans has been subject to almost constant change to meet the demands placed upon them by public need and the resulting evolution has continued virtually unabated for nearly the last twenty years, and the ever changing complexion of the plans has been an interesting process.

During the last ten years much has been done by the Industry on a national scale to bring about a higher degree of uniformity in the major provisions of plans, including the development of a Uniform Automobile Assigned Risk Plan.

The quest for standardization grew out of the variations between plans and the various interpretations of their provisions. Much advantage and benefit would accrue from greater uniformity and the Industry has exerted major efforts in the attempts to attain that objective. That objective was attained and a Uniform Plan was developed.

It is the purpose of this paper to set down a historical account of the origin and evolution of assigned risk plans and of the things which lead up to the development of the Uniform Plan, as well as the amendments which have subsequently been made in it. As a matter of fact, this paper has been confined to that plan, and no attempt has been made to discuss other plans or to make comparisons between them except to the extent necessary in connection with plans which became effective prior to 1948.

Historically, the first automobile assigned risk plan was introduced in New Hampshire in 1938, and this account will begin with the developments entering into its creation.

The basic pattern of this plan was established in Workmen's Compensation Insurance in connection with the undesirable risk problem that existed in that field and which manifested itself with the enactment of workmen's compensation laws. These laws imposed liability on employers for injuries to employees sustained in the course of employment. The laws required employers to discharge their obligations

either through insurance or by qualifying as self-insureds. Most risks were able to satisfy the requirements through those methods but the remainder included those unable to insure and they created the rejected risk problem. Some of the compensation laws which had been enacted contained within themselves the means for compliance to the exclusion of any other methods. Those laws made insurance facilities available only through state funds created thereby. Such states became known as Monopolistic Fund States because they by law were given a monopoly on the compensation insurance business. Other laws created state funds but they also allowed the private carriers to operate competitively between themselves and with the state funds. Those states were referred to as Competitive Fund States. In all other states the furnishing of insurance facilities was left to the private carriers.

The Industry fully appreciated that the existing system of insurance could not and would not permit the uninsured risk problem to remain unsolved. It was felt neither desirable nor necessary from the Industry standpoint that compulsory legislation serve as a solution to the problem. Ensuing studies consumed considerable time and effort, and as a result assignment procedures felt to offer the most satisfactory solution were developed.

There was ready acceptance of the principle that the burden of providing insurance to such risks should be borne by all carriers. One possible means of handling the problem was through a pooling of premiums and losses on risks unable to insure through normal channels among all licensed carriers in the State.

Another method considered was a plan under which risks would be assigned to carriers and in which each carrier would retain all premiums and pay all losses for its own account. The latter method was preferred by the carriers.

The agreed plan was a voluntary undertaking participated in by all licensed carriers and which became effective when all licensed carriers had subscribed to its provisions.

There were two fundamental purposes of the plan. One was to make insurance available under certain conditions to risks which were unable to secure it for themselves and the other was to distribute those risks equitably among the carriers.

The compensation plans were made available to all risks who were in good faith entitled to insurance, except those engaged in underground coal mining. Good faith was the standard of eligibility for assignment but there were other requirements incident to assignment. They included a signed application which required complete rating and financial information of each risk; as evidence of the inability to insure, three letters of rejection from carriers; payment in advance of the estimated premium to the carrier before a policy would be issued; agreement to comply with reasonable safety requirements and to cooperate with the carrier in the reduction of losses, and a statement that they were not indebted to any carrier for compensation premiums contracted for in a prior period.

Risks were to be distributed among the carriers in proportion to the ratio which their individual premium writings for compensation insurance bore to the total premiums of all carriers. This method was deemed to be the most equitable means of spreading the volume of assigned risk business over the Industry.

Rules respecting cancellation of risks by the carriers were deemed necessary in the public interest and were therefore included.

The plan was to be administered by the National Council on Compensation Insurance or by a Rating Organization created by the statutes. The costs of administering the plan were to be borne by the carriers on the same basis that risks were distributed and assigned.

The plan made no provision for a commission or acquisition allowance to a producer for two reasons. First, the system contemplated that manual rates would be charged, and in anticipation of higher loss ratios on the class of business, that the entire premium dollar should be available for losses and company expenses. Second, because the Industry did not feel it was wise to pay commissions on business which carriers would not insure on a voluntary basis.

NEW HAMPSHIRE PLAN

The New Hampshire Plan was created to meet the rejected risk problem expected to develop as the result of the enactment of an Automobile Financial Responsibility Law. That law, like the compensation laws, imposed requirements on individuals who became subject to it for the furnishing of proof of financial responsibility for the future. And again like the compensation laws two means of compliance were available—automobile bodily injury and property damage liability insurance or through self-insurance by the deposit of money or securities in an amount stipulated by the State. Few risks had the financial ability to comply through the latter method and therefore as a practical matter insurance would furnish the only means of compliance.

Risks unable to insure complained to the Insurance Commissioner who at that time was the Hon. Arthur W. Rouillard. He felt that while not all risks were insurable, there were some who were, and accordingly conferred with the Industry, and after many conferences, a plan was agreed upon which closely followed the compensation plans. In the development of the plan the Industry relied heavily on their experience in connection with the workmen's compensation plan.

Eligibility—The major question which the conferences attempted to decide was with respect to what risks, out of those unable to insure, should be eligible for assignment. The final decision was as follows:

1. The Plan shall apply only to risks that in good faith are entitled to such insurance. A risk shall not be considered to be in good faith entitled to insurance nor shall coverage be extended in any case in which the applicant or any one who will drive the automobile has
   (a) Been convicted more than once during a three-year period

immediately preceding the date of application for any one or more of the following offenses:

Driving a motor vehicle while intoxicated.
Failing to stop and report when involved in an accident.
Homicide or assault arising out of the operation of a motor vehicle.
Driving a motor vehicle at an excessive rate of speed where injury to person or damage to property actually results therefrom.

(b) A major physical disability.

(c) Failed to meet all obligations to pay automobile bodily injury and property damage liability insurance premiums contracted during the previous 12 months.

This section of the Plan represented the thinking of the Industry in determining standards for assignment which differed substantially from the standards in the workmen's compensation plans. The standards thus erected were means by which applicants seeking insurance could be screened as the enforcement of motor vehicle laws could not be relied upon to accomplish the purpose.

This first eligibility section should be carefully noted because it is the section of succeeding plans that has been subject to most revision. The process began with the New Hampshire Plan and today nearly twenty years later it is still going on.

Distribution and Assignment of Risks—This was the next most important part of the plan and it was to distribute the risks equitably among all carriers. As in the compensation plans, premiums were deemed to be the best yardstick. Provision to accomplish that objective was set up as follows:

> "The Manager shall distribute the risks which are eligible for coverage under this Plan among all carriers, the distribution by premium to be made proportionate, so far as practicable, to the respective combined automobile bodily injury and property damage liability premium writings of the carriers in the State of New Hampshire. In making such assignments due regard shall be given to the exclusions under reinsurance agreements, treaties or contracts filed in writing with the Manager by the individual subscribing carriers."

Commission—While the compensation plans made no provision for commissions, the fact that the number of risks assigned under the Auto Plan would greatly exceed compensation assignments, and in order to have the Plan operate effectively, the assistance and cooperation of agents and brokers was extremely necessary. It was felt the efforts they expended should not go uncompensated. Yet, from the Industry standpoint, the anticipated higher loss ratios from the class of business would leave no room for commission payment out of the premiums collected. Recognition was also given to the fact that the

agents or brokers were actually operating in behalf of risks unable to insure, and it was therefore reasoned any acquisition payment to agents or brokers should be borne by the applicants in addition to the premiums which otherwise would apply. Out of the discussions the surcharges or additional charges as we now know them emerged in the following rule:

> Calculation of Premium, Commission and Surcharge—The designated carrier will determine the premium to be charged in accordance with Rule 8 of the Plan. Unless other special arrangements respecting commissions have been made with and approved by the Commissioner, the carrier shall add to the premiums determined in accordance with Rule 8 a surcharge to provide for commissions of 10% of the total surcharged premium to the licensed broker of record designated by the assured, and 2½% of the total surcharged premium, for countersignature, to the licensed agent of the company to which the risk has been assigned, together with sufficient allowance for taxes on the amount of the surcharge. Based on such commissions, and with due allowance for taxes, this amounts to a multiplier of 1.15 and is made in accordance with the following *approved* rule of procedure respecting commissions:
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> > "No commissions shall be payable on the premium for any risk assigned under this Plan except as may be provided by a surcharge approved by the Commissioner for that specific purpose; and if approval is given to a surcharge, the commissions shall not exceed 10% of the surcharged premium to a licensed broker designated by the assured, and 2½% of the surcharged premium, for countersignature, to the licensed agent of the Company to which the risk has been assigned."
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> Any special increase in rate approved by the Insurance Commissioner in accordance with Rule 8, shall be in lieu of the fifteen per cent (15%) surcharge permitted under the plan.

Other Provisions—As respects the other provisions, it seems desirable to show them in their entirety as they are not long, and furthermore because to a large degree they have gone into the makeup of every plan which has come into existence since that time. They were set up as follows:

> This Plan shall become effective when all of the carriers writing both bodily injury and property damage liability insurance in the State of New Hampshire have subscribed thereto and shall apply only to risks that in good faith are entitled to such insurance.
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> This Plan shall be available so far as non-residents of the State of New Hampshire are concerned, with respect to all automobiles registered in the State of New Hampshire; that

is, the place of registration rather than the residential address is to govern whether or not a risk is eligible for assignment under this Plan. Non-owners shall be eligible for assignment under the Plan provided they are required to have a New Hampshire license.

The following rules shall govern the insuring of New Hampshire risks which have been unable to obtain automobile bodily injury and property damage liability insurance.

1. Eligibility section already quoted.
2. No applicant shall be subject to this Plan unless within 60 days prior to the date of his application for insurance under this Plan he has applied for both automobile bodily injury and property damage liability coverage in writing to at least *THREE* carriers, including the carrying company if the risk is insured at the time of making the application, authorized to write such insurance in the State of New Hampshire and has been definitely refused coverage by such carrier in writing on the letterhead of the carrier and signed by a full-time salaried employee of the carrier.
3. The application for insurance under this Plan must be signed in every case by the applicant but may be submitted by the applicant or his broker. The application shall be filed on a prescribed form accompanied by copies of the applicant's letters soliciting coverage by such carriers, and the original letters refusing such coverage. Such application shall require:
   (a) Complete underwriting and character information; and complete financial information where the coverage sought is to be written on a basis requiring final adjustment of the premium subsequent to the expiration of the policy.
   (b) A statement by the applicant that he will maintain a complete record of his financial transactions in such form and manner as the carrying company may reasonably require and that such record will be available at all times to the carrier at a designated place. This statement shall be required only where the insurance is to be written on a basis requiring final adjustment of the premium after expiration of the policy.
   (c) That the applicant agrees to comply with all reasonable recommendations of the carrier made with the view to reducing the hazards of the risk.
   (d) That the applicant agrees upon being notified to remit within 15 days to the carrier a certified check, money order, or bank draft payable to the designated carrier for the full premium for his policy.

(e) Certification of the application by an affidavit to be sworn to before a Notary Public.

4. The Plan shall be administered by the Manager of the Portland, Maine Branch of the National Bureau of Casualty and Surety Underwriters (hereinafter referred to as the Manager).

5. Upon receipt of an application for insurance properly completed, signed and attested, the Manager shall designate a carrier to whom the risk shall be assigned and *so advise the broker of record.*

6. Within fifteen days after receipt of notice of designation from the Manager, the designated carrier shall notify the applicant either

   (a) That, if the full premium as stated within such notice is received within fifteen days or within such further reasonable period as the carrier may agree to, it will issue a policy to become effective 12:01 a.m. of the day following the day on which such premium as stated in such notice is actually received by the company, or

   (b) That it will not issue a policy for the reason that the applicant is not in good faith entitled to insurance under this Plan, *in which event the reasons supporting such action shall be filed with the Insurance Department of New Hampshire.*

   A copy of each such notice shall be furnished the Manager and in the event that the carrier refuses to insure the applicant a copy of the notice shall be furnished the Commissioner of Insurance of New Hampshire.

7. If after the issuance of a policy it develops that the applicant is not or ceases to be in good faith entitled to insurance or has failed to comply with reasonable safety requirements, or has violated any of the terms or conditions upon the basis of which the insurance was issued, or if unusual or unexpected circumstances develop, the carrier which issued the policy shall have the right to cancel the insurance in accordance with the conditions of the policy but in all such cases the reasons supporting such action shall be filed with the Manager and with the Insurance Department of New Hampshire prior to the effective date of cancellation.

   If default occurs in the payment of premium upon any policy subject to interim adjustment, such policy shall automatically be subject to cancellation in accordance with the customary five days' notice as provided in the policy. A statement of the facts in support of such action shall be furnished the Manager and the Insurance Department of New Hampshire.

8. All risks assigned under this Plan shall be subject to the rules, rates, minimum premiums, and classifications of the Manual in force and to the Rating Plans applicable. If the experience, physical or other conditions of any risk applying for coverage under this Plan are such as to indicate that the hazard of the risk is greater than that contemplated by the rates or minimum premiums normally applicable to the risk, the carrier may charge such rates and minimum premiums as are commensurate with the greater hazard of the risk, subject to approval by the Commissioner of Insurance.
9. If for any reason an assigned risk is cancelled, the risk shall not be eligible for further consideration until the Manager is fully satisfied that the risk is in good faith entitled to insurance under the Plan.
10. Any assigned risk which is dissatisfied with the designated carrier may request re-assignment upon expiration.
11. Every carrier insuring a risk under the Plan shall notify the Manager at least *THIRTY* days prior to expiration date when it is unwilling to renew the risk for its own account at the rates and classifications normally applicable. Any carrier may request discontinuance of an assignment on any risk by giving the Manager notice at least *THIRTY* days prior to expiration and giving reasons therefor.
12. If any carrier other than the one designated under the Plan wishes to carry the risk voluntarily at the rates and classifications normally applicable, such carrier may take over the coverage at expiration; or under the same conditions may take over the coverage at any time subject to agreement by the designated carrier.
13. No company shall issue a policy under this Plan for limits less than the standard limits of $5,000/$10,000 bodily injury, and $5,000 property damage, unless specific authorization is given in the individual case by the Insurance Commissioner of the State of New Hampshire, but no company shall be required to write a policy for limits higher than such standard limits unless they are required by the New Hampshire Financial Responsibility Law or any other Law of the State of New Hampshire applicable to such risk.

Mr. R. C. Shipley, Manager of the Portland office of the National Bureau, was appointed Manager of the Plan, and after the necessary subscriptions were received from the licensed carriers, it was put into effect on May 10, 1938. The volume of premium in the Plan in 1938 was $2,154 for bodily injury and $894 for property damage. The loss ratios were .585 and .633, respectively.

OTHER STATE PLANS

Following New Hampshire, Massachusetts was the next state to adopt a Plan which went into effect on November 16, 1939. A compulsory automobile bodily injury insurance law had been in effect in the state for several years, yet it had become apparent there would have to be some procedures devised for providing insurance to undesirable risks if the companies were to continue to furnish the only facilities for insurance. The Plan followed the New Hampshire Plan in many respects, but because of the unique situation in the state, it was necessary to draw the Plan agreeable to the actual conditions which existed. The Plan applied only to the coverage required by law which was bodily injury liability in limits of $5,000/$10,000 and applicable to accidents which occurred on the ways of the Commonwealth.

Maine was the next state where some risks were finding difficulty in insuring. The Commissioner of Insurance instituted conferences with the carriers as it became apparent that if a satisfactory solution could not be developed, legislation might be necessary to correct the situation. The Industry through the National Bureau and the Mutual Bureau drew up a plan similar to New Hampshire, which was subscribed to by all carriers and went into effect February 1, 1940. It was also administered by the Portland, Maine, office of the National Bureau and Mr. R. C. Shipley was made Manager of the Plan.

Problems of a similar nature had arisen in Connecticut, and to meet them the Industry introduced a Plan along the lines of the New Hampshire and Maine Plans and which became effective July 15, 1940. Its administration was placed under the National Bureau in New York.

The pressure for Plans continued to spread and in about a year plans similar to those already in effect were introduced in the following states:

Illinois	Effective	Oct.	1, 1940
Washington	"	Jan.	13, 1941
Vermont	"	Mar.	1, 1941
New Jersey	"	Apr.	1, 1941
Virginia	"	Mar.	15, 1941
New York	"	Nov	1, 1941

The Plan in Illinois became necessary as the result of the enactment of the Illinois Truck Act and it was made applicable to risks which became subject thereto or to the Illinois Financial Responsibility Law. While the Plan followed the pattern of the others which preceded it, there was a very substantial departure in that provision was made for its administration by a Governing Committee made up of representatives of the various types of carriers. That Committee also functioned as an Assignment Committee. Illinois thus became the first state where the plan made provision for a Governing Committee.

THE NEW YORK PLAN

New York, the largest insurance state in the United States, enacted an automobile financial responsibility law in 1941 and which went into effect on January 1, 1942. The Superintendent of Insurance requested the Industry to draw up a Plan to take care of risks not excluded from the law and who were unable to insure, and which would be in operation prior to the effective date of the new law. Throughout 1941 many conferences were held with the result that a Plan was put into effect when all carriers had subscribed thereto which was November 1, 1941.

The New York Plan followed the same pattern as the New Hampshire Plan but with some important changes and also desirable additional provisions.

The experiences under the existing plans demonstrated the need for expanding the Eligibility Rules, and also clarifying them with respect to disabilities. The section on "Convictions" was revised as follows:

(a) Driving a motor vehicle while intoxicated or "under the influence."
(b) Failing to stop and report when involved in an accident.
(c) Homicide or assault arising out of the operation of a motor vehicle.
(d) Driving a motor vehicle at an excessive rate of speed where injury to person or damage to property actually results therefrom.
(e) Driving a motor vehicle in a reckless manner where injury to person or damage to property actually results therefrom.
(f) Operating during period of revocation or suspension of registration or license.
(g) Operating a motor vehicle without authority.
(h) Loaning operator's license to an unlicensed operator.
(i) The making of false statements in the license application or registration application as to name or address.
(j) Impersonating an applicant for license or registration, or procuring a license or registration through an impersonation whether for himself or another.
(k) Any felony in the commission of which a motor vehicle is used.

Disabilities — The Disabilities Section was completely rewritten. As there will be subsequent references to that Section it is shown here in its entirety:

> "No risk will be eligible if the applicant or anyone who normally or usually drives the automobile or anyone who drives it with knowledge of the applicant has a major mental or physical disability.
>
> Partial or total deafness, or total deafness and dumbness

does not constitute a major physical disability for the purposes of the plan, provided that special equipment (generally convex or full-view mirrors) is installed on vehicles which will be operated. It is further understood that such individuals' operators' licenses are endorsed to the effect that the operator may only drive a motor vehicle so equipped: such applicants should cite the special equipment in use and information respecting any restriction in operator's license when submitting application for coverage.

The loss of one eye does not constitute a major disability for the purpose of the Plan.

The loss or loss of use of part or all of an arm or leg, if the member is replaced by an artificial limb, or special equipment on the motor vehicle is provided, and the applicant passes a special driver's license test of the State, does not constitute a major physical disability for the purposes of the Plan: such applicants should cite any special equipment in use and information respecting any restriction in operator's license when submitting application for coverage.

Applicants subject to epilepsy or cardiac or similar conditions, are subject to investigation and required to submit satisfactory certificates from at least two qualified medical doctors, before assignment to a designated carrier or acceptance of such risks under the provisions of the Plan.

The 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 the purposes of the Plan: however, such risk will be given individual consideration."

Illegal Registrations — A section on illegal registrations was added to the effect that risks would not be in good faith entitled to insurance if the applicant had during the twelve months preceding the date of application intentionally registered a motor vehicle in the state illegally.

Distribution and Assignment of Risks — This section was changed to more clearly state the basis for assignment of vehicles not excluded from the Safety Responsibility Law. Provision was also made for adjusting premium writings of deviating carriers to the standard manual basis. The revised section was set up as follows:

"The Manager shall distribute the risks which are eligible for coverage under the plan among all carriers. The net direct automobile bodily injury premium writings of any carrier permitted approved deviations from standard manual rates in this State shall be adjusted to the standard manual basis by the Manager. The Manager shall then use the adjusted premium writings of carriers permitted approved deviations and the actual net direct premium writings of all other carriers, and shall distribute risks to all carrier subscribers to the plan by those adjusted premium writings, pro-

portionate as far as practicable to such respective automobile bodily injury net direct premium writings, adjusted or actual, of all carrier-subscribers to this plan in the State. 'Net direct premium writings, adjusted or actual' as referred to in this paragraph shall exclude premiums on motor vehicles for the operation of which security is required to be furnished by Section 17 of the Vehicle and Traffic Law of the State of New York. In making such assignments due regard shall be given to the exclusions under reinsurance agreements, treaties or contracts filed in writing with the Manager by the individual subscribing carriers."

Re-certification of Operator's License — An entirely new section on re-certification of the applicant or principal operator of the vehicle was inserted in the articles on Eligibility. Re-certification procedures were contained in the Financial Responsibility Law, and the objective of writing them into the plan was to give the subscribers the privilege of requesting the Commissioner of Motor Vehicles to re-examine risks with unfavorable operating records as a result of which reasonable doubt existed as to whether such risks should continue to be licensed to operate a motor vehicle in the State. Risks which were not re-certified would no longer be eligible for assignment. However, carriers were obligated to issue policies to eligible risks before filing any re-certification requests with the Motor Vehicle Bureau.

Governing Committee — It was expected that the risk traffic through the plan would be much greater than in any plan then in effect. There would be more risks assigned and more risks cancelled. Numerous questions in connection with good faith would be raised as well as questions in connection with other provisions. The expenses of the plan would be fairly substantial and provision for their control and supervision would have to be made.

It was recognized that differences of opinion between the plan and parties in interest — carriers, applicants and producers of record — would arise and that there would have to be some facility created to consider individual cases and to render decisions on them.

The circumstances dictated the formation of a committee which would be responsible for the administration of the plan and do everything necessary to assure its operation on a sound and equitable basis.

Accordingly, provision was made for a Governing Committee to be composed of two stock carriers and two non-stock carriers and to be elected by the subscribers.

The Governing Committee was given power and authority with respect to the budgeting of expenses and the levying of assessments therefor, and to pay all the expenses of administering the plan. It was given power to select and appoint a Manager. It was required to meet as often as necessary to perform the general duties of administration of the plan.

As respects disputes which would inevitably ensue, any party in interest was given the right to appeal from a decision by the plan or from an action by a subscriber. The Governing Committee was deemed to be the proper agency to hear such appeals and, accordingly, was given that power. It was also deemed advisable to provide for appeals to the Superintendent of Insurance from decisions by the Governing Committee. That was done, and in such cases the decision of the Superintendent was to be final.

No carrier was required to write a policy for limits higher than $5,000/$10,000 bodily injury and $5,000 property damage unless such limits were required by the New York Safety Responsibility Act and the assigned carrier was required to comply with the filing requirements applicable to the risk under such law. It should be noted that while there was no obligation on the part of carriers to make limits higher than those required by law available, there was nothing to prevent a carrier from doing so.

Expiration and Renewal of Risks — The plan was further expanded to include provisions with respect to expiration and renewals of assigned risks. Carriers would be required to renew eligible risks as assigned risks for two renewal periods, that is, the first and second renewals, and apply the proper additional surcharges. As respects third and subsequent renewals, carriers were expected to carry as normal business at the rates applicable to such business, risks which had a record of no conviction for a felony or for any of the offenses stated in the plan, or had not been involved in a bodily injury accident or two or more property damage accidents on which the carrier had made any payment or had set up any loss reserves and did not have a civil suit pending against them. In such cases the carrier would be given a premium credit under the plan for one year only after the three year period of assignment.

Risks which could not meet the above requirements would continue to be assigned until they were able to insure as normal business or decided not to carry automobile liability insurance any longer. Carriers were obligated to offer insurance so long as risks remained eligible but were privileged to appeal to the Governing Committee for relief from any renewal assignment after three years. These provisions were included to prevent "freezing" risks in the plan indefinitely.

Surcharges — There was also a substantive change in these provisions. While the 15% charge was retained it was made inapplicable to public automobile and long haul trucking risks. As respects such risks the additional charge was changed to 10%.

Calculation of Premium and Commission — Likewise a substantive change was made in provisions with respect to these rules. The commission on long haul trucking risks was fixed at 5% and at 10% on all other risks. However, reference to an allowance for counter-signature was eliminated and the following wording inserted:

"and 2½% of the total premium charged and collected from

the applicant as field supervision allowance to the company to which the risk has been assigned or to its licensed agent."

The other provisions in the plan were practically the same as in the New Hampshire Plan.

PLANS IN ADDITIONAL STATES

Following the introduction of the New York Plan there was a slowing down in the spread of plans to other states, and in the next five years only four states put plans into effect — Michigan, Nebraska, North Dakota and Pennsylvania. This didn't mean that some risks ceased to have difficulty in securing insurance. Rather it was because the Industry was unwilling to put a plan into effect in any state where no financial responsibility law had been enacted. However, as rapidly as the individual states enacted such laws, the Industry cooperated fully and promptly made assigned risk plans available in the public interest.

The New York Plan was the model on which subsequent plans were based and though departures therefrom made in individual states recognized local conditions and reflected the views of the carriers in such states, the variations were generally limited to provisions with respect to eligibility and the distribution of risks. A few plans made provisions for investigation fees to be paid by applicants independently of other premiums.

While these plans were introduced coincident with financial responsibility laws, their availability was not restricted to risks subject to the laws. For one thing, the absence of insurance at the time of accident made an owner or operator subject to the law, and many risks insured in order to avoid becoming so subject. Therefore, it was agreed the plans should be available to risks under those conditions as it didn't seem logical to deny plan facilities to risks not subject to the law, and then assign the same risk after conviction for some offense as a result of which they were required to file evidence of financial responsibility for the future. In the opinion of many underwriters, risks wishing to insure in order to avoid the certification provisions of the law were better risks than those who had become subject to the law for one reason or another.

There is appended hereto an exhibit showing the dates on which an assigned risk plan in each state became effective and also the dates of the latest amendments.

GOOD FAITH

As the plans began to expand, and new problems and situations developed, there was a corresponding increase in the number of appeals by risks from actions by the plans and by the carriers with respect to rejections and cancellations. Applicants were being rejected and risks were cancelled by carriers because they were held not to be in good faith. The carriers were required to state their reasons in each case, and if an appeal was made, the Governing Committee

would have to review the facts and determine whether the action by the carrier on the risk was justified. If the decision was in the affirmative, the carrier's action would be sustained. If not, the appeal by the applicant would be upheld and the same carrier required to reinstate coverage for the risk. Good faith as stated in the plan apart from the reference to specific conditions was not defined, and this lack of definition created uncertainty and difficulty. This was particularly true in the New York Plan which had the heaviest traffic of any plan in the Country.

The Governing Committees worked diligently and impartially in handling the cases, but frequently their decisions were unfavorably received by the subscribers and the risks when the Committee ruled against them. The number of appeals to the Insurance Departments increased as a result.

It had been the practice of the National Bureau and the Mutual Bureau to assist Managers of newly constituted plans as much as possible in connection with their administrative operations. They drafted a set of recommendations for the guidance of Managers consisting of a series of memoranda based on the experience and handling of Automobile Assigned Risk Plans in other states. These memoranda contained recommendations in connection with every phase of plan operations, including suggested forms to be used.

It was felt that the situation respecting good faith could be improved if an interpretation of the term were developed and circulated to all plans through that medium. Accordingly, an interpretation of good faith was prepared and submitted to the Governing Committee of the New York Plan who approved it. The interpretation was a long one but it did spell out the meaning of the term in some detail. It outlined the position of the Industry on the responsibilities of applicants which was simply that if the Industry in equity was making insurance available the applicant in similar equity should come into the assignment proceedings with clean hands. It is quoted in its entirety as a vital part of this record and to which further reference will be made later on in this paper.

INTERPRETATION OF "GOOD FAITH"

"The plan cites certain specific conditions respecting convictions, illegal registration, and failure to pay automobile insurance premiums and definite statement is made in each of these sections that a risk which does not qualify according to such rules shall not be considered to be in good faith entitled to insurance under the plan. However, no attempt has been made to set forth in the plan each and every condition or situation which would classify the risk as being in good faith or not being in good faith entitled to insurance.

It is deemed neither feasible nor desirable to attempt to define or attempt to enumerate all acts which constitute good faith or bad faith on the part of the applicant. The purpose of the plan, as of all assigned risk plans, is clearly set

forth in Section 1 of the plan. The intent and object of the adoption of the Voluntary Plan is to help only those applicants whose conduct, both past and present, indicates that they were or are denied insurance for reasons other than those attributed to absence of proper appreciation of their responsibilities to the State, and to their fellow men.

If it were the intent to interpret 'good faith' as meaning only the absence of enumerated offenses, it would not be possible to deny the application of the plan to the automobile owner or operator who, although not guilty of enumerated offenses, is engaged in a business definitely illegal and contrary to the expressed policy of the State. Certainly the plan is not intended to keep on the highways of the State persons whose use of the automobile is in the business of smuggling, illicit sale of merchandise, or promoting illegal gambling. Neither is it the intent of the plan to help the applicant who misrepresents the facts in order to mislead insurers and those charged with the administration of the plan. Perjury is a more heinous offense than the violation of a traffic law because it involves a much higher degree of moral turpitude. The same is true of illicit business.

The plan should be construed and administered as in the nature of equitable relief and the ordinary principles of equitable relief should apply. No one may seek equitable relief who has not done equity, and no one has a standing in equity who does not come into equity with clean hands.

The plan is not intended to aid the carrying on of illicit trades and practices and neither is it for the benefits of the persons who, by misrepresentation or perjury, conceal material facts. Rather it is to help those who, through no serious bad faith on their part, are inequitably deprived of insurance.

Instances of false statements that have arisen in the administration of the plan involve apparently deliberate omission of statements pertaining to prior convictions or suspension of licenses, false statements respecting ownership of motor vehicles, false statements respecting the registration of vehicles and the license of operators, and false statements respecting the occurrence of prior accidents. In many such instances the omission of such essential information required in the application form, or actual misrepresentation, apparently indicated that the risks were eligible for coverage under the plan. However, investigation by the designated carrier and reconciliation of developed facts with the records available from the Motor Vehicle Bureau of the State disclosed apparently deliberate attempts on the part of the applicant to obtain coverage through false statements. In these and all similar instances it is the opinion of the Committee that such applicants are not exercising that

degree of good faith which entitles them to coverage under any voluntary automobile assigned risk plan."

The statement was of much assistance in most respects but it did operate to create new problems. Carriers resorted to it more and more and as a consequence the Governing Committees in the plans with the heaviest traffic were finding it increasingly difficult to handle appeals and to maintain consistency in the process.

DISTRIBUTION OF RISKS

This very important provision of the plans also created administrative problems which were frequently difficult to handle. The provision required the Manager, among other things, to distribute risks among the carriers "with due regard to the facilities of the carrier for servicing the risk". Many carriers interpreted that section as referring to safety engineering services. Carriers lacking such services felt the plan should not assign them any vehicles of the type generally subject to such services, such as public automobiles and commercial cars, particularly those used in trucking operations.

These provisions are mentioned here as examples of some of the major problems which the plans were experiencing and which pointed up the desirability of amending them in such a way as to improve the general situation.

TREND TO UNIFORMITY IN ASSIGNED RISK PLANS

The National Association of Insurance Commissioners has always had an active interest in assigned risk plans. As early as 1942, it created a Special Committee headed by Commissioner Blackall of Connecticut and made up of Insurance Department representatives of New York, New Hampshire, New Jersey and Illinois. The Governing Committee of the New York Plan together with the National and Mutual Bureaus was directed to consult and advise the Special Committee in its work so that it could make a report at the next meeting of the N.A.I.C.

The Special Committee specifically recommended 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 appli-

cation forms and their submission, accompanied by proper documents, from producers' offices.

(c) All plans to be amended to provide for assignment of risks and distributions 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 re-certification of applicants under the plan at the option of the designated carrier.

It was also recommended that consideration be given to the elimination of the requirement that copies of the applicant's letters soliciting coverage be attached to the application. Further, there should be a study of the need for amending state laws to permit payment of commissions to producers whether or not they are brokers or agents of the designated carriers.

Finally, that all possible measures be taken to speed up investigations and the issuance of policies so that within 20 days from the date of application and provided payment is received by the carrier, coverage may be granted to applicants.

The matter of uniformity was also being discussed in Industry circles. Whenever a state enacted a Financial Responsibility Law and an assigned risk plan became necessary, the Industry used the latest plan available and changed it to reflect the needs in the new state plus any other changes the Industry felt were desirable. In 1944 in connection with the drafting of a revised plan in Virginia, the latest revision of the New York plan was used as the basis for discussion.

As an example of how changes were developed, there was a lengthy discussion of epileptics. Under the provisions of all then existing plans, risks with records of epilepsy were required to submit medical statements respecting their conditions from two qualified physicians. Invariably, the statements in such cases would indicate the condition existed, and that the risk continued to have seizures, whereupon the Governing Committee would rule the risk should not be assigned or that the carrier should be permitted to reject or cancel the risk. The Committee reasoned that rather than to require risks to go through that procedure with the same result the plan should not make insurance available to such risks. Accordingly, it was agreed that an applicant or anyone who usually drove the automobile subject to epilepsy was not entitled to insurance.

That action reflected the latest thinking on epilepsy, but there was no medium by which such action would be given to other plans. This was true of other provisions as well. Any new plans would be apt to reflect the latest changes, but existing plans were not changed unless some one recommended new amendments.

The work on the Virginia Plan was done by an Advisory Committee of the Industry consisting of R. C. Meade of the State Farm of

Bloomington, J. J. Hart of the Travelers, A. E. Spottke of the National Bureau, J. M. Muir of the Mutual Bureau and the writer. After the three days of the meeting and on the way back to New York, the group discussed the wide variations in existing plans and procedures, including interpretations of various provisions, and there was agreement that such variations created considerable uncertainty and confusion. The differences were conducive of results which were detrimental to the best interests of the carriers, and as a solution it was reasoned that much of the present difficulty could be eliminated if there was a greater degree of uniformity among all the plans. Mr. Meade was strongly of the opinion that greater uniformity was highly desirable and of substantial advantage for many reasons, and his suggestion was to create a committee for uniformity composed of carriers operating on a national basis and fully conversant with the undesirable risk problem which was just about the same from state to state. Such a committee would be able to reflect the thinking of all segments of the Industry and that being the case aggressive support for the committee recommendations in the several states would be expected to produce the desired uniformity. There were geographical frictions in the picture too, which a national committee might be able to overcome to a substantial degree.

As frequently as opportunity permitted, discussions of the subject were continued, and each time the participants became increasingly convinced of the desirability of a national advisory body. However, things like that move very slowly in our Industry, and take much time for development. Unfortunately, not long after the Virginia meetings, Mr. Meade passed away and was unable to see the degree of uniformity that was reached in the ensuing years. Mr. Hart of the Travelers has also since passed away. Those two gentlemen were truly stalwarts in their fields, and much of the present uniformity in plans is due to their constructive efforts.

Activity in the direction of uniformity began to manifest itself again formally in the National Association of Insurance Commissioners. The N.A.I.C. had created an Automobile Assigned Risk Plan Committee of which Commissioner Parkinson of Illinois was Chairman. At the June, 1945, meeting of the Association held in St. Paul, Commissioner Parkinson made the following statement in his report:

> "A committee from the Industry was authorized to recommend at the next meeting of the N.A.I.C. a plan for setting up a National Advisory Committee for the purpose of recommending steps that would achieve uniformity in the administration of Automobile Assigned Risk Plans in states where such plans are now in operation."

The record from then on contained no references to such a committee, but in July of 1946 Mr. William Leslie, Manager of the National Bureau, sent a memorandum to the Association of Casualty and Surety Executives suggesting the creation of a committee to

serve as a clearing house and to facilitate cooperative action among carriers belonging to the following organizations:

Association of Casualty and Surety Executives
American Mutual Alliance
National Association of Independent Insurers

The Committee would be called the "Advisory Committee on Voluntary Automobile Assigned Risk Plans" and would have no official connection with any of the Assigned Risk Plans. Recommendations emanating from the Advisory Committee would be submitted to each plan and it was expected that representatives of the three named organizations serving on any such Governing Committees would strive to have the recommendations adopted. It was further recommended that each of the organizations name two representatives to make-up of the Committee.

The subject was discussed with the American Mutual Alliance and the National Association of Independent Insurers, both of which approved the suggestion. The National Association of Independent Insurers appointed Mr. H. E. Curry, Actuary of the State Farm Mutual Automobile Insurance Company, and Mr. C. B. Kenney, Vice President of the Allstate Insurance Company. The American Mutual Alliance appointed Mr. C. S. Lancaster, Assistant Secretary of the Liberty Mutual Insurance Comany and Mr. E. W. Day, Resident Secretary of the Lumbermens Mutual Casualty Company. The Association of Casualty and Surety Executives appointed as their representatives Mr. A. R. Goodale, Secretary of the Travelers Insurance Company and Mr. J. P. Crawford, Vice President of the Indemnity Company of North America.

Thus was created the National Advisory Committee on Automobile Assigned Risk Plans and it began to operate in 1946. At its first organizational meeting Mr. Richard C. Wagner of the Association of Casualty and Surety Executives was elected chairman, and he has functioned in that capacity since that time. The only changes in the Committee have been made by the N.A.I.I. who have now named the Government Employees Mutual Insurance Company as their representative in addition to the Allstate Insurance Company.

UNIFORM AUTOMOBILE ASSIGNED RISK PLAN

The first job the Committee took upon itself was to draft an assigned risk plan that would be agreeable to the various segments of the Industry and which would overcome many of the difficulties the Industry was having with existing plans. A definite objective was a plan that would be as clear as possible in every detail so that all parties in interest — the plan, the subscribers, the risks, the producers and the Insurance Departments — would be able to have a better understanding of the assignment procedures and thereby function to greater advantage.

It would not be possible to set down here a record of the many days and hours which were spent in discussing the various provisions.

However, it was a job that had to be done and the Committee was prepared to work as long as necessary to draft a plan that would be mutually satisfactory.

A major objective was to draft a clean cut eligibility section not necessarily to be tied entirely to good faith. The interpretation of good faith which has previously been outlined was used as a basis for the section and a comparison of it with the first Uniform Plan will indicate that everything except which might be termed "hearsay" has been included.

It was desirable that the section should be strong enough to stand by itself, and to clearly indicate what risks would be eligible for assignment. The section as developed included convictions for motor vehicle offenses and convictions for non-motor vehicle offenses. As respects the latter, factual information on convictions taken from police or court records was required. There was a specific provision against risks engaged in illegal operations. Conviction of a felony made an applicant ineligible. The then existing plans referred to convictions for a felony in the commission of which a motor vehicle was used. The final result was a section of greater strength and clarity.

As to good faith it was, of course, retained but restricted to two things. One was a certification by the applicant that within 60 days prior to the date of application he had attempted to obtain insurance and had been unable to secure it. Up until that time two or three letters of rejection of the risk signed by salaried company representatives of carriers were required, and the general opinion was that such a procedure was losing its effectiveness.

The other point was the application form. The interpretation of good faith contained a statement to the effect that anyone entering into equity should come in with clean hands. Therefore, it was reasoned the least that an applicant could do in return for the facilities which the plan would give him would be to give correct and truthful information about himself and those who would usually operate the automobile, including his operating and motor vehicle record as well as convictions for any non-motor vehicle offenses. All this was deemed to be material information, and so long as it was all reported in the application form the applicant was considered to be in good faith entitled to insurance provided he did not come within any of the other prohibitions or exclusions which were outlined in the plan. The completed section represented a very forward step and the benefit of uniformity in that respect proved to be very substantial.

The Distribution and Assignment of Risks section was truly the most difficult of all to construct. The efforts to reconcile the great variety of viewpoints and differences of opinion required almost endless discussion and infinite patience. The complexities of the situation seemed to defy solution, but finally things began to take shape to the point that a mutually satisfactory section emerged.

The end result was obtained by setting apart the types of risks

which definitely required safety engineering and inspection services, such as buses and truckmen operating interstate and subject to I.C.C. regulations and truckmen operating beyond a radius of 150 miles from the point of domicile. Such risks were to be assigned to those carriers who at the time of subscription were writing or were willing to write such risks, and who had facilities for inspecting and servicing them. And in order to give carriers an incentive to accept such risks, as well as to achieve a broader distributional base, the carriers so writing were to be given a credit of $2.00 for each dollar of premium for such vehicles assigned.

As respects vehicles of all other classes, risks of less than five cars were to be assigned to all carriers.

Risks of more than five cars would be fleets and in the assignment of them due regard would be given to the ability of the carrier to serve the risk.

It was also recognized that certain hazardous classes could involve a concentration of exposure and in such cases, and also to avoid over-assignment, provision was made so that risks involving more than one vehicle of any class could be assigned to more than one carrier, with the further proviso that no subscriber should be required to accept an assignment of more than one unit of a given risk.

The Uniform Plan carried all of the usual provisions but with major changes in some of them.

Rates — As respects rates, the new plan clearly stated that all risks were subject to the rating systems of the designated carrier, but of greater importance was the increase in the additional charges, or surcharges as they are commonly called. The plan provided for a surcharge of 25% on all risks in recognition of the unfavorable loss ratios developed by assigned risks.

Period of Assignment — Another major change had to do with the period of assignment. It was limited to three years and no carrier would be required to carry any risk for longer than three years. The provisions with respect to third and subsequent renewals were eliminated for the reason it was not felt to be the function of an assigned risk plan to state what risks should be carried by subscribers as normal business. Any risk at the end of any policy period or during any policy period was free to negotiate its insurance in the normal market, but failing to do so would be assigned to one carrier for three years. If at the end of that time the risk was unable to secure insurance it could reapply to the plan as a new risk and if eligible be assigned to a different carrier. This was a substantive and welcome change as it is a matter of record that some plans were being administered to require carriers to afford insurance outside the plan indefinitely under certain conditions to risks because they had carried under the plan for three years.

The Uniform Plan continued to give the carriers the usual fifteen day period in which to conduct their investigations and give applicants notice of acceptance or rejection.

The Uniform Plan was presented in tentative outline to the National Association of Insurance Commissioners at the December, 1947, sessions in Miami Beach. The plan was well received although some Commissioners voiced objections to the higher surcharges. The National Advisory Committee was directed to continue their efforts and to make a further report at the sessions the following June.

By that time the plan was entirely completed and copies of it had been sent to all Commissioners in accordance with the directives given at the December meeting. In the process of drafting the plan, it was necessary to change the surcharge provisions to meet the objections which had been raised. The result was that the higher surcharge would be applicable to risks convicted of certain offenses and required to file evidence of financial responsibility, while all other risks would pay the usual surcharges.

The National Advisory Committee submitted their report to the Casualty and Surety Committee of the N.A.I.C., together with the completed plan. That report was as follows:

> "At the meeting of your Committee in December 1947, Mr. E. W. Day presented a tentative outline of the revised Assigned Risk Plan developed by the National Advisory Committee on Automobile Assigned Risk Plans. Following that meeting, the National Advisory Committee held several meetings to consider the views expressed at the meeting of your Committee and other matters relating to the problem. The final draft of the revised plan is attached hereto, together with a brief statement of the important changes therein. In accordance with its understanding as to the procedure to be followed, copies of the revised plan were sent on March 1, 1948 to the Commissioners of Insurance in all states having an Assigned Risk Plan in effect, with the suggestion that if approved it be made effective May 1, 1948. There has been some suggestion that the action taken by the National Advisory Committee in this respect should have been withheld until after the revised plan had again been considered by your Committee at this meeting. If that was the intention, the National Advisory Committee regrets its action and assures the Commissioners that its action was due solely to a misunderstanding of the procedure to be followed. In any event, its action has served to bring the plan to the attention of the Commissioners in advance of this meeting and thus permits a full discussion of the matter.
>
> As of the date of this report, the revised plan had been adopted and subscribed to in the following states: New York, Alabama, Iowa, Wyoming and South Carolina, the latter limited to risks required by law to carry insurance. It has also been distributed for subscription after having been approved, in some cases with some modifications, by the Insurance Commissioners in the following states: Colo-

rado, Idaho, Indiana, Michigan, Maryland, Minnesota, Mississippi, New Mexico, Oregon, Utah, Connecticut, New Jersey, Pennsylvania, Rhode Island, West Virginia, Delaware. In the remaining states where the plan has been submitted either no action has as yet been taken or the plan is under consideration.

Several members of the National Advisory Committee are present today and will endeavor to answer questions as to the plan. In view of this, we will not attempt to go into detail in this report as to the various provisions of the plan, but will merely attempt to comment on some of the provisions concerning which certain questions have been raised.

The most serious questions raised thus far are with respect to the manner of distribution of risks under Section 6 of the Plan. May we, at the outset, point out that the method therein provided, since it is the most controversial provision in the plan, received the most serious consideration of the National Advisory Committee. The method therein employed, in the judgment of the Committee, represents the most equitable compromise between the two conflicting viewpoints—the one being that all carriers should be obliged to accept all risks by assignment regardless of the class of risk—the other being that carriers not equipped to service certain risks, such as buses and long haul truckers, should not be obliged to accept these risks by assignment. In endeavoring to reconcile these conflicting viewpoints, it will be noted the Committee adopts the principle that all carriers should be required to accept assignment of any risk of less than five cars, other than (1) buses, (2) interstate truckmen subject to Interstate Commerce Commission regulations and (3) motor vehicles of truckmen operating beyond a radius of 150 miles. It is the belief of the Committee that risks of less than five cars, other than above enumerated, present no special problem that cannot be met by all carriers.

It will also be noted that Section 6 provides that with respect to the classes of risks just enumerated and risks of five or more public automobiles of all classes, they are to be assigned to those companies which are writing or are willing to write them, and in recognition of the extra hazardous nature of these risks for every dollar of premium for such risks assigned the carrier will be credited $2.00 of premium under the plan of distribution. Section 6 also provides that risks involving more than one car may be assigned to more than one subscriber when necessary and that a subscriber need not accept by assignment more than one unit of a given risk.

One of the criticisms of Section 6 is that since provision

sion should be made for those companies specializing in the writing of certain of these risks from having to accept risks which they do not ordinarily write, such as taxi-cabs and private passenger automobiles. It is submitted, however, that the justification for the one treatment is not applicable to the other. The present wording of this section gives recognition to the contention that some companies are not equipped to render the claim and engineering service necessary to the enumerated classes of risks. No such problem is involved in the case of private passenger cars. If the National Advisory Committee were to give recognition to this criticism, it would be equally valid to refine the method of distribution even finer so as to allow companies to decline the assignment of risks which under their rules of underwriting they do not write. For example, it would be just as logical to allow a company to decline the assignment of motorcycles if under its underwriting rules it does not write motorcycles. Any such treatment of the problem would, in the judgment of the Committee, cause a complete breakdown of the plan.

Another criticism is that Section 6 will not be workable because of the possibility in a given state that there might not be any company willing to write taxi-cab risks and, therefore, there would be no company to which to assign them. In answer to this, as heretofore pointed out, all companies are required to accept such risks of less than five cars. Insofar as risks involving more than five cars of this class are concerned, we believe it is likely that it will be found there are some companies writing this class or willing to write them. As evidence of this fact, in a large number of states in which the revised plan has been distributed for subscriptions, the subscriptions are being returned by a large majority of the companies indicating that they write, or are willing to accept by assignment, buses, long haul trucks, taxi-cabs and other public automobiles.

Another criticism is to the provision in Section 6 that permits a company to decline to accept more than one vehicle of any particular risk. Presumably, it is felt that this provision will cause difficulty, particularly with respect to Interstate Commerce Commission filings. It is submitted, however, that this provision merely follows the practice adopted in the operation of many of the existing plans, and according to our best advices has not caused any difficulty in administering. In instances where the risk is split up among more than one carrier, the carriers may make suitable arrangements between themselves for the handling of the risk and in some cases it is believed a single carrier will prefer to accept the assignment of the entire risk.

It has further been contended that the test under Section 6

as to whether a carrier should accept the enumerated classes of risks, should be whether they have the facilities to render the necessary service required on such risks rather than whether they are writing this class of risks. It is submitted, however, that such a method would involve serious administrative difficulties, such as the setting up of standards to determine whether a carrier is so equipped and the application of these standards by the Manager of the plan. It seems to the Advisory Committee that the best evidence as to whether a carrier is so equipped is the fact that it is writing the class of risk.

There has been criticism of some other provisions in the plan, but they have been of a relatively minor nature and in order to keep this report within the bounds of brevity, comment on same will be omitted. Except as herein indicated, by and large, no serious objections to the revised plan have come to the Advisory Committee's attention, and we believe there has been general approval of many of the changes, such as the elimination of the letters of declination, the requirement of a fee to accompany the application for assignment, the method of handling the risk after the three year assignment period has expired, the waiver of the 15 day provision for accepting a risk in the case of public automobiles and long haul trucking risks where prior to the application to the plan they had been insured in a carrier which had become insolvent, and the increase in surcharge to certain risks involved in accidents, convictions, or financial responsibility law filing requirements.

Mention should be made, however, of one further point, namely, the provision in Section 16 which reads, "If a carrier is assigned a risk in a class for which he has no rates on file, a carrier may file or promulgate a reasonable rate for such risk or class subject to the provisions of the law of the State." The Committee's attention has been called to the fact that some companies having no filings or rates for a particular class of risk have been informed that they would not be permitted to make individual filings but would have to file class rates. In view of the fact that the revised plan contemplates that carriers be required to accept risks of less than five cars, although they may not write the particular class of risks assigned and, therefore, have no rate filings for them, it is respectfully submitted that the individual filings of such companies be accepted.

In conclusion, may we say that no claim to perfection is made as to the revised plan. The Advisory Committee, however, believes it is a substantial improvement over the plans now in existence and earnestly recommends its favorable consideration."

ORIGINAL UNIFORM AUTOMOBILE ASSIGNED RISK PLAN

The Plan submitted with the foregoing report was set up as follows:

THIS PLAN IS A VOLUNTARY AGREEMENT FOR GRANTING AUTOMOBILE BODILY INJURY AND PROPERTY DAMAGE LIABILITY INSURANCE TO RISKS UNABLE TO SECURE IT FOR THEMSELVES

Sec. 1. Purposes of Plan

The purposes of the Plan are:

(a) To make automobile bodily injury and property damage liability insurance available subject to the conditions hereinafter stated.

(b) To establish a procedure for the equitable distribution of risks assigned to insurance companies.

Sec. 2. Effective Date

The Plan shall become effective when all carriers writing direct automobile bodily injury liability insurance in the State have subscribed thereto.

Sec. 3. Non-Residents

The Plan shall be available to non-residents of the State only with respect to automobiles registered in the State.

Sec. 4. Administration

The Plan shall be administered by a Governing Committee and a Manager. The Governing Committee (hereinafter referred to as "The Committee") shall consist of five subscribers, one from each of the following classes of insurers:

National Bureau of Casualty Underwriters
Mutual Casualty Insurance Rating Bureau
National Association of Independent Insurers
All other stock insurers
All other non-stock insurers

Annually, on a date fixed by the Committee, each respective group of insurers heretofore described shall elect its representative to the Committee to serve a period of one year or until a successor is elected. Twenty days notice of such a meeting shall be given in writing to all subscribers to the Plan. A majority of the subscribers shall constitute a quorum and voting by proxy shall be permitted.

Sec. 5. Duties of Governing Committee

The Committee shall meet as often as may be required to perform the general duties of administration of the Plan. Three members of the Committee shall constitute a quorum.

The Committee shall be empowered to appoint a Manager, budget expenses, levy assessments, disburse funds and perform all duties essential to the proper administration of the Plan.

The Committee shall furnish to all subscribers to the Plan, a written report of operations annually in such form and detail as the Committee may determine.

Sec. 6. Distribution and Assignment of Risks

The Manager shall distribute, on the basis of premium, the risks which are eligible for coverage under the Plan as far as practicable, to insurers in proportion to their respective net direct automobile bodily injury premium writings with due regard to exclusions under reinsurance agreements, treaties or contracts filed in writing with the Manager.

(a) Risks of less than five cars of all classes other than (1) buses, (2) interstate truckmen subject to Interstate Commerce Commission regulation and (3) motor vehicles of truckmen operating beyond a radius of 150 miles from the limits of the city or town of principal garaging, shall be assigned to all carriers.

(b) Risks involving (1) buses, (2) interstate truckmen subject to Interstate Commerce Commission regulation, (3) motor vehicles of truckmen operating beyond a radius of 150 miles from the limits of the city or town of principal garaging, and (4) risks of five or more public automobiles of all types, shall be assigned to those companies which are writing, or are willing to write, such risks at the time of subscription to this plan, with due notice to the manager to that effect. Assignment of these risks shall be made with due regard to the state insurance licenses held by the company.

(c) As respects all public automobiles, and truckmen described in (2) and (3) of paragraph (b) above, for every dollar of premium for such vehicles assigned, the company shall be credited $2.00 of premium under the plan of distribution.

(d) Risks involving more than one car of any class may be assigned to more than one subscriber when necessary. However, a subscriber shall not be required to accept an assignment of more than one unit of a given risk.

For assignment of risks during the 12 months beginning July 1 of each year the Manager shall use the net direct automobile bodily injury premiums in the State for the calendar year ending December 31 immediately preceding. Net direct premium writings shall mean gross direct premiums including policy and membership fees less return premiums and premiums on policies not taken — without including reinsurance assumed and without deducting reinsurance ceded.

Sec. 7. Cost of Administration

Each subscriber to the Plan shall pay a minimum annual fee of $5.00 and all expenses incurred in excess of the mini-

mum fees shall be apportioned to all subscribers in such proportion as their net direct automobile bodily injury premium writings in the State bears to the total of such premium writings in the State of all subscribers during the calendar year.

Sec. 8. Convictions

The term "conviction" wherever used in this plan shall be deemed to include a forfeiture of bail.

Sec. 9. Eligibility

As a prerequisite to consideration for assignment under the Plan, an applicant must certify, in the prescribed application form, that he has attempted, within 60 days prior to the date of application, to obtain automobile bodily injury and property damage liability insurance in the State and that he has been unable to obtain such insurance.

An applicant so certifying shall be considered for assignment upon making application in good faith to the Plan. An applicant shall be considered in good faith if he reports all information of a material nature, and does not willfully make incorrect or misleading statements, in the prescribed application form, or does not come within any of the prohibitions or exclusions listed below.

A risk shall not be entitled to insurance nor shall any subscriber be required to afford or continue insurance under the following circumstances:

(A) If the applicant is engaged in an illegal enterprise, or has been convicted of any felony during the immediately preceding thirty-six months or habitually disregards local or state laws as evidenced by two or more non-motor vehicle convictions during the immediately preceding thirty-six months.

(B) When during the immediately preceding thirty-six months the applicant or any one who usually drives the automobile has been convicted or forfeited bail more than once for any one, or once each for two or more of the following offenses.

1. Driving a motor vehicle while under the influence of intoxicating liquor or narcotic drugs.
2. Failing to stop and report when involved in an accident.
3. Homicide or assault arising out of the operation of a motor vehicle.
4. Driving a motor vehicle at an excessive rate of speed where injury to person or damage to property results therefrom.

5. Driving a motor vehicle in a reckless manner where injury to person or damage to property results therefrom.
6. Operating during period of revocation or suspension of registration or license.
7. Operating a motor vehicle without state or owner's authority.
8. Loaning operator's license to an unlicensed operator.
9. The making of false statements in the application for license or registration.
10. Impersonating an applicant for license or registration, or procuring a license or registration through impersonation whether for himself or another.

(C) When the applicant or anyone who usually drives the automobile has intentionally registered a motor vehicle in the State illegally during the immediately preceding twelve months.

(D) When the applicant or anyone who usually drives the automobile has failed to meet all obligations to pay automobile bodily injury and property damage liability insurance premiums contracted during the immediately preceding twelve months.

(E) If the applicant or anyone who usually drives the automobile is subject to epilepsy.

The carrier to which a risk is assigned shall not be required to afford insurance if the condition of the applicant's automobile is such as to endanger public safety, except that the carrier shall afford insurance provided the applicant makes such repairs to his automobile as may reasonably be required.

Risks with physical disabilities involving heart ailments or mental or nerve illnesses shall be subject to investigation and shall submit for consideration of the Committee satisfactory certificates from at least two qualified doctors giving their diagnosis of such disabilities or their opinions with regard to the likelihood of such disabilities interfering with the risk's safe operation of an automobile.

Sec. 10. Extent of Coverage

No subscriber shall be required to write a policy for limits in excess of the minimum limits required by law. If no such limits are applicable no subscriber shall be required to write a policy for limits in excess of basic limits of $5,000/$10,000 bodily injury and $5,000 property damage.

The subscriber to which the risk is assigned shall make such filings of policies and certificates as may be required by law.

Sec. 11. Application for Assignment

The application for insurance under the Plan must be submitted to the Manager on a prescribed form in duplicate accompanied by an investigation fee of $5.00 per car subject to a maximum of $50. per risk. Checks or money orders shall be made payable to the Automobile Assigned Risk Plan. The investigation fee shall be credited against the premium if the risk is assigned and accepted and the applicant pays the balance of the premium in accordance with the terms of the Plan. If the applicant fails to pay the balance of the premium, the fee is not returnable. If the risk is ineligible for assignment, the fee shall be returnable.

Sec. 12. Designation of Carrier

Upon receipt of the application for insurance properly completed, the Manager shall designate a carrier to which the risk shall be assigned and shall so advise the applicant and the producer of record. The Manager shall forward to the designated carrier the original copy of the application form and the investigation fee.

Sec. 13. Three Year Assignment Period

A risk shall not be assigned to a designated carrier for a period in excess of 3 consecutive years. If a risk is unable to obtain insurance for itself at the end of the 3 year period, reapplication for insurance may be made to the Plan. Such reapplication shall be considered as a new application.

Sec. 14. Carrier's Notice to Applicant

(A) ORIGINAL POLICY — Within 15 days after receipt of notice of designation from the Manager, the designated carrier shall notify the applicant that

(a) A policy will be issued provided the premium stipulated by such carrier is received within 15 days or within such further reasonable period as the carrier may agree to, such policy to become effective 12:01 A.M. on the day following the day on which such premium is received by the carrier, or

(b) A policy will not be issued for the reason that the applicant is not entitled to insurance under the Plan.

Where notice of designation from the Manager involves a public automobile or truckmen risk, required by law to furnish evidence of insurance as a prerequisite for operating, which risk immediately prior to its application to the Plan had been insured in a carrier whose authority to do business has been terminated because of insolvency, the des-

ignated carrier, notwithstanding other provisions of this section, shall immediately give notice to the applicant that a policy will be issued provided the premium stipulated by such carrier is received within 15 days or within such further reasonable period and upon such terms as the carrier may agree to, such policy to become effective 12:01 a.m. on the day following the day on which such premium is received by the carrier, or that a policy will not be issued for the reason that the applicant is not entitled to insurance under the Plan.

A copy of each notice of acceptance or rejection of an assignment shall be furnished the producer of record. In the event the carrier rejects the assignment the reason supporting such action together with copy of said notice shall be filed with the Superintendent of Insurance of the State and the Manager.

If the Governing Committee finds that any carrier, without good cause, is not complying with the provisions of this Section, it shall notify the Superintendent of Insurance.

(B) FIRST AND SECOND RENEWAL POLICIES — At least 45 days prior to the inception date of the first and second renewal policies the designated carrier shall notify the applicant that

(a) A renewal policy will be issued provided the renewal premium stipulated by such carrier is received at least 15 days prior to the inception date of such policy, or

(b) A renewal policy will not be issued for the reason that the applicant is not entitled to insurance under the Plan.

A copy of such notice shall be filed with the producer of record. In the event the carrier will not issue a renewal policy the reason supporting such action together with copy of said notice shall be filed with the Superintendent of Insurance of the State and the Manager.

(C) *THIRD RENEWAL* — At least 45 days prior to the expiration date of the second renewal policy the carrier shall notify the risk that the period of assignment under the Plan will terminate on said expiration date.

A copy of such notice shall be sent to the producer of record.

Sec. 15. Carrier's Notice to Manager

Upon issuance of the original policy and the first and second renewal policies the designated carrier shall file with the Manager the policy number, the effective date and expiration date of the policy, and the amount of premium for which

the policy was written. In the event changes in such policies involve additional or return premium, the carrier shall file with the Manager the amount of such premium.

If the applicant fails to pay the premium stipulated by the carrier, thereby refusing to accept coverage, the carrier shall so notify the Manager with copy to the producer of record.

Sec. 16. Rates

All 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, in use by the designated carrier, subject to the following additional charges:

1. An additional charge of 10% for public passenger carrying and long haul trucking risks and 15% for all others, for all risks which do not come within (2) below.
2. An additional charge of 25% shall be made if the applicant or any one who usually drives the motor vehicle has during the three year period preceding the date of application
   (a) been involved as an operator or an owner in more than one motor vehicle accident resulting in injury to or death of any other person or damage to property of another.
   (b) been convicted of any of the violations specified in Paragraph B of Section 8 of this Plan.
   (c) been convicted more than once of any violation of the Motor Vehicle Code other than specified in Paragraph B of Section 8 of this Plan and other than convictions for parking.
   (d) been involved as an owner or operator in a motor vehicle accident as a result of which he has been required to furnish proof of financial responsibility under a Financial Responsibility Law, or
   (e) been required under a Financial Responsibility Law to furnish proof of financial responsibility for any reason other than having been involved in a motor vehicle accident.

If a carrier is assigned a risk in a class for which he has no rates on file, a carrier may file or promulgate a reasonable rate for such risk or class subject to the provisions of the law of the State.

Sec. 17. Surcharge

If a hazard of a risk is greater than that contemplated by the rate normally applicable under the Plan, the carrier may apply to the Superintendent of Insurance for an increase in such rate. Any increase in rate approved by the Superin-

tendent shall be deemed to include the additional charges contained in Section 15.

Sec. 18. Cancellations

If after the issuance of a policy it develops that the insured is not or ceases to be eligible or in good faith entitled to insurance or has failed to comply with reasonable safety requirements, or has violated any of the terms or conditions upon the basis of which the insurance was issued, or if the insurance was obtained through fraud or misrepresentation, the carrier which issued the policy shall have the right to cancel the insurance in accordance with the conditions of the policy but in all such cases the reasons supporting such action shall be filed with the Manager and the Superintendent of Insurance of the State ten days prior to the effective date of cancellation. Such notice of cancellation shall contain or be accompanied by a statement that the insured has a right of appeal to the Governing Committee of the Plan.

If default occurs in the payment of premium upon any policy subject to interim adjustment, such policy shall automatically be subject to cancellation in accordance with the required notice as provided in the policy. A statement of the facts in support of such action shall be furnished the Manager and the Superintendent of Insurance of the State within ten days after the effective date of cancellation.

A copy of each such cancellation notice shall be furnished to the producer of record.

Sec. 19. Right of Appeal

An applicant denied insurance or an insured given notice of cancellation of insurance, under the Plan may appeal such action to the Committee. A subscriber to the Plan shall also have the right of appeal to the Committee.

The action of the Committee may be appealed to the Superintendent of Insurance of the State.

Sec. 20. Re-Eligibility

An applicant denied insurance under the Plan after appeal to the Committee shall not be eligible to reapply for assignment until 12 months after the date of the application. An assigned risk cancelled under the provisions of the Plan shall not be eligible to reapply for assignment until 12 months after effective date of cancellation.

Sec. 21. Commission and Field Supervision Allowances

Unless other arrangements have been made with the Superintendent of Insurance the commission and field supervision allowances under the Plan shall be allocated as follows:

(a) For long haul trucking risks and public passenger carrying vehicles, 5% of the policy premium for commission to a licensed producer designated by the insured, and 2½% of the policy premium for field supervision to the carrier or its licensed agent.
(b) For other risks, 10% of the policy premium for commission to a licensed producer designated by the insured, and 2½% of the policy premium for field supervision allowance to the carrier or to its licensed agent.

Sec. 22. Re-certification of Operator's License of Applicant or Principal Operator of the Motor Vehicle

If the designated carrier after investigation of the experience, physical or other conditions of any risk applying for coverage under this Plan, believes that reasonable doubt exists as to whether such applicant should continue to be licensed to operate a motor vehicle in this State, such carrier to whom the risk has been assigned may request the Motor Vehicle Commission to re-certify the ability of such applicant to continue to hold an operator's license; such applicant will not be eligible under this Plan until and unless the applicant is re-certified by the Motor Vehicle Commissioner as competent to hold and use an operator's license, either by a driving test or such other means as the Motor Vehicle Commissioner may require.

Designated insurers under this Plan must issue policies of insurance and give same to the applicant upon payment of the required premium, in accordance with the provisions of this Plan, as respects all eligible assigned risks who are required to file evidence of Financial Responsibility in order to retain or regain their operator's license or motor vehicle registration, before filing any request for re-certification of such applicant by the Motor Vehicle Commissioner.

Requests for re-certification must be made on a standard form agreed to as satisfactory by the Commissioner of Motor Vehicles. The form must be prepared in triplicate: the original sent to the Commissioner of Motor Vehicles, with duplicate copy sent to the Manager of the Plan.

The Casualty and Surety Committee received the report of the National Advisory Committee together with the completed Plan. In so doing, however, they indicated their feeling that it would not be proper for them to approve the Plan because they believed that approval was a matter for individual state action, and to facilitate the matter ordered copies of the Plan and the report of the National Advisory Committee be made available to all states through the records of the Association or from the Secretary.

The Uniform Plan was well received and within about a year

became effective in about twenty states. Since its introduction and particularly with respect to the Eligibility and Distribution of Risk Provisions, it has produced a stability which apart from being remarkable is greatly to be desired.

There is little question about the success of the Uniform Plan which is now effective in some twenty-six states. As for the Advisory Committee it has striven to fulfill its objectives and live up to its expectations. It is purely an advisory committee, without power and without connection with any plan.

It receives suggestions from the Plans, Insurance Departments, Rating Organizations, and Carriers. It meets as often as necessary to consider any matters before it. Excerpts from its minutes are sent to Plan Managers, and whenever amendments are drawn up for the Uniform Plan they are sent to all plans for consideration together with explanatory memoranda of the changes. It has become the medium through which all discussions with the National Association of Insurance Commissioners of assigned risk plan matters are conducted.

Practically all plans are currently operating on the basis of referring matters of major importance having a bearing on plan operations to the National Advisory Committee with the view to maintaining or establishing uniformity. There is attached to this paper a chart analysis of the individual state plans as of April, 1955, compiled by the Association of Casualty and Surety Companies, and it indicates that the important provisions of the individual plans in most states are comparable to those of the Uniform Plan.

AMENDMENTS TO THE UNIFORM PLAN

Distribution and Assignment of Risks —(Sec. 6)— Amendments in this section were necesary to more adequately take care of the risk which was subject to a state or federal authority regulating motor carriers of persons or property. Those risks required filings by a single carrier, and by virtue of a filing on their behalf, the carrier became liable for every piece of equipment the risk operated. The risks involved were sometimes quite large and because of the nature of the filings they could not be distributed between more than one carrier unless re-insurance and servicing arrangements were entered into by the insuring carriers. Such arrangements were not practical for various reasons, with one of the most important being the matter of time, as it was not deemed feasible to hold up assignments pending the completion of such arrangements. As respects such risks, therefore, the Plan provided that they be assigned to one carrier.

As time went on carriers became more and more inclined to avail themselves of one provision of the section by not accepting more than one car on certain types of risks, and as a result, small risks were being assigned to and insured by several carriers. The practice increased to the point where it reached the attention of some Insurance Departments who raised objection on the ground that such action was not in the public interest and that insureds should not

be compelled in certain cases to deal with a different carrier for each vehicle assigned.

The section was amended in 1950 to take care of both situations in the following manner:

"The Manager shall distribute, on the basis of premium, the risks which are eligible for coverage under the Plan as far as practicable to insurers in proportion to their respective net direct automobile bodily injury premium writings with due regard to exclusions under reinsurance agreements, treaties or contracts filed in writing with the Manager.

A. Risks of less than five cars of all classes other than (1) buses, (2) interstate truckmen subject to Interstate Commerce Commission regulation and (3) motor vehicles of truckmen operating beyond a radius of 150 miles from the limits of the city or town of principal garaging, shall be assigned to all carriers.

B. Risks involving (1) buses, (2) interstate truckmen subject to Interstate Commerce Commission regulation, (3) motor vehicles of truckmen operating beyond a radius of 150 miles from the limits of the city or town of principal garaging, and (4) risks of five or more public automobiles of all types, shall be assigned to those companies which are writing, or are willing to write, such risks at the time of subscription to this plan, with due notice to the manager to that effect. Assignment of these risks shall be made with due regard to the state insurance licenses held by the company.

C. As respects all public automobiles, and truckmen described in (2) and (3) of paragraph B above, for every dollar of premium for such vehicles assigned, the company shall be credited $2.00 of premium under the plan of distribution.

D. No risk of less than five cars shall be assigned to more than one carrier.

E. The assignment of risks of five or more cars shall be subject to the following:

(1) If the risk be one other than those described in Paragraph B, due consideration shall be given to the ability of the respective carrier to serve the risk.

(2) No risk shall be assigned to more than one carrier unless it is inequitable to assign it to one carrier by reason of the unusual hazard or unusual accident record of such risk.

(3) If the unusual hazard or unusual accident record of a risk requires assignment thereof to more than one carrier, no carrier shall be obligated to

accept an assignment of more than four units of such risk.

(4) A risk subject to the requirements of a state or federal administrative authority regulating motor carriers of passengers or property shall be assigned to one carrier.

For assignment of risks during the 12 months beginning July 1 of each year the Manager shall use the net direct automobile bodily injury premiums in the State for the calendar year ending December 31 immediately preceding. Net direct premium writings shall mean gross direct premiums including policy and membership fees less return premiums and premiums on policies not taken—without including reinsurance assumed and without deducting reinsurance ceded."

Carrier's Notice to Applicant — (Sec. 14) — A major amendment in this section of the Uniform Plan became necessary and which represented a distinct departure from well established assigned risk customs. The Plan provision specified the time allowed the designated carrier to investigate the risk and to give it notice of its intentions. That had always been 15 days. There was constant complaint of the length of time required to complete assignments, and cases were cited where the delay amounted to two or three months. There was equally constant effort by the Plans to speed up such procedures (without any amendments) and while there was some improvement, it was not sufficient to overcome the situation.

A study of assignments indicated that for the most part notices of acceptance and premium requests by the carriers were being sent out within the required time, but that delays continued in a goodly number of instances. It was further indicated that a very small number of total assignments were rejected for cause. The Uniform Plan made eligibility determination a relatively simple matter and thus the Plans were able to reject many applicants upon receipt of the application for assignment. That served to reduce the number of risks not entitled to insurance, and it was assumed the remainder of such risks rejected for cause would be small. Considerable time was spent in exploring possible solutions, and the ultimate decision was that the time had come to eliminate the 15 day provision and insert an immediate coverage provision in its place. The revised section required a higher deposit premium—30% of the estimated premium for private passenger cars and higher amounts for other classes. The designated carrier, within two working days following receipt of the assignment was required to either issue a binder or policy and on sending one or the other to the applicant to state the balance of the premium due and request payment of that amount. As a protection to the carriers, there was a further provision that if the carrier did not receive the balance of the premium within 20 days or within the longer period as stated by the carrier, the

carrier would be permitted to cancel the insurance and determine the short rate earned premium, subject to a minimum earned premium of $10.00 per car. The amendment operated to overcome the problem and carriers are currently operating under it without undue difficulty.

These new provisions were included in the following amendment which was introduced in the middle of 1950.

"A. *Original Policy* — Upon receipt of the notice of designation and the premium or deposit from the Manager, the designated carrier shall, within two working days

(1) issue a policy or a binder if all information necessary for the carrier to fix the proper rate is contained in the application form, such policy or binder to become effective 12:01 A.M. on the day following the second working day, or

(2) bind the risk if all information necessary for the carrier to fix the proper rate is not contained in the application form, such binder to become effective 12:01 A.M. on the day following the second working day, or,

(3) in the event such carrier does not have on file rates applicable to the risks assigned to it, make the necessary filing and immediately upon its becoming effective issue a policy or binder, such policy or binder to become effective 12:01 A.M. on the day following the second working day following the effective date of the filing.

In the event the carrier finds the risk eligible for insurance under the rules of the Plan, notice shall be given the applicant to pay the balance of premium within fifteen (15) days or within such further reasonable period agreeable to the carrier, giving full credit for the deposit submitted with the application.

The day on which the notice of designation and premium or deposit are received from the Manager shall be deemed the first working day, whatever may be the time of such receipt.

No Saturday, Sunday, or legal holiday in the place of receipt, shall be deemed a working day.

The producer of record shall be notified as to the disposition of the assignment in accordance with the foregoing Paragraphs (1)-(3).

An assignment to any carrier contrary to the provisions of Section 6 shall be returned promptly to the Manager for reassignment."

THE "CLEAN RISK" PROBLEM

Another important amendment concerned the additional charges. The critical rate situation that manifested itself some time after World War II operated to tighten up the normal market and had

the effect of forcing many risks wishing to insure into the assigned risk plans. Agency terminations and a general reluctance to appoint new agents during the period also forced many risks to seek the facilities of the plans. Many of the risks were without accident or conviction records and were not required to file certificates of proof under Financial Responsibility Laws. Such risks came to be known as "clean risks". There was mounting resistance to the practice of requiring those risks to pay the customary additional charges. This reached the point where the insistence of several Commissioners convinced the Industry some changes would have to be made. Accordingly, as respects those risks who had had no accidents of any kind and who had not been convicted of any motor vehicle offenses other than parking, or for a non-motor vehicle offense with a penalty of incarceration for five or more days, or fined $50.00 or more, the Plan was amended so that such risks would not be required to pay any additional charge, and producers would receive the stated percentage of the policy premium as commission. This represented a significant departure from the long established principle of the Industry with respect to payment of commissions on assigned risk business out of the premium dollar.

Sec. 16—Rates—was amended as follows to carry out the intent:

"All 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, in use by the designated carrier, subject to the following:

A. An additional charge of 10% for public passenger carrying and long haul trucking risks and 15% for all others shall be made if the applicant or anyone who usually drives the motor vehicle has, during the thirty-six months immediately preceding the date of application for assignment, and in the case of renewal, during the thirty-six months immediately preceding the effective date of the renewal policy

(1) been involved as an operator or owner in a motor vehicle accident resulting in injury to or death of any other person or damage to property of another, or

(2) been convicted of any violation of the Motor Vehicle Code other than specified in Paragraph B of Section 9 of this Plan and other than a conviction for parking, or

(3) been convicted of any non-motor vehicle offense and sentenced to imprisonment for five or more days, or fined $50.00 or more.

B. An additional charge of 25% shall be made if the applicant or anyone who usually drives the motor vehicle has during the thirty-six months immediately preced-

ing the date of application for assignment, and in the case of renewal, during the thirty-six months immediately preceding the effective date of the renewal policy,

(1) been involved as an operator or an owner in more than one motor vehicle accident resulting in injury to or death of any other person or damage to property of another, or

(2) been convicted of any of the violations specified in Paragraph B of Section 9 of this Plan, or

(3) been convicted more than once of any violation of the Motor Vehicle Code other than specified in Paragraph B of Section 9 of this Plan and other than convictions for parking, or

(4) been involved as an owner or operator in a motor vehicle accident, or been convicted of an offense, or has had a judgment entered against him as a result of which he has been required to furnish proof of financial responsibility under a Financial Responsibility Law, or been required upon any other ground under a Financial Responsibility Law to furnish proof of financial responsibility.

If the carrier is assigned a risk in a class for which it has no rates on file, the carrier may file or promulgate a reasonable rate for such risk or class subject to the provisions of the law of the State."

This amendment was introduced in November, 1950.

OTHER AMENDMENTS

Subsequently amendments were made in other sections of the Plan. In June of 1952, and subsequently, several sections were amended, and rather than to spell out the amendments in detail here, a brief statement of the nature of the amendments follows:

Sec. 2 — Effective Date. This was revised to make clear that the Plan and amendments thereto became effective when all carriers had subscribed thereto.

Sec. 3 — Non-residents. Revised to take care of military personnel stationed in the state and owning vehicles registered in other states.

Sec. 6 — Revised to except school buses from "buses" in Paragraph A. Effect of change recognized general practice of carriers writing school buses freely, and that such writings would not require the acceptance of assignment of other types of buses. Paragraph B amended by removing "at the time of subscription" with respect to the writing or the willingness to write the types of risks specified, thus making it a continuing condition rather than a condition which existed at a definite time.

Sec. 9 — Eligibility. Revised to include anyone who usually drives the automobile.

Sec. 10 — Extent of Coverage. Revised to require subscribers to provide limits of liability adequate to comply with the minimum requirements of law; also to make the necessary filings of policies and certificates for the applicant, or for the spouse if eligible under the plan.

An optional paragraph was drafted for insertion in this section to provide that upon request of any applicant the assigned carrier shall afford limits adequate to comply with the provisions of the financial responsibility law of any state in which the motor vehicle will be operated. It was intended to be applicable only where the problem of exposure in states having higher limits had become acute.

Sec. 13 — Three Year Assignment Period. As respects military personnel, the assigned carrier was not required to renew if risk is located in another state where carrier is not licensed.

(Note: This section was further amended later to relieve the designated carrier of affording renewal coverage if the risk is stationed in another state and his automobile is not registered in the state where original assignment was made.)

Sec. 19 — Right of Appeal. This section amended to make clear that an appeal does not operate as a stay of cancellation and also to state the duty to be performed by a carrier when cancellation is not sustained by the Plan or by the Superintendent of Insurance. This section was also later revised to provide that carrier not obligated to issue policy on reinstatement unless premium for such policy is paid as required by Section 14—Carrier's Notice to Applicant.

There is attached the latest draft of the Uniform Plan as revised to May 7, 1954. A comparison of that material with the original plan and amendments as outlined herein will indicate the extent and manner in which the various sections have been revised.

CURRENT DEVELOPMENTS

Recently the National Advisory Committee has been giving consideration to further amendments in the Eligibility Section as well as the section dealing with the Distribution and Assignment of Risks.

As respects the Eligibility Section, it is being revised to recognize moving traffic violations, such as speeding, violating rules of the road, etc., and in connection therewith there has been no accident resulting in injury to persons or damage to property. As the Plan is presently drawn there is no limit to the number of such convictions

an applicant may have and still be eligible, providing they are declared in the application. Therefore, after a careful review of the situation the section is to be amended by regarding three such convictions as one major conviction for the purposes of eligibility. An applicant having been convicted once for any of the offenses specified in Paragraph B of Section 9 and in addition having three convictions for moving violations will henceforth be ineligible for assignment. Also an applicant having a record of six convictions for moving violations only will likewise be ineligible. The section is also being revised to overcome difficulties resulting from convictions for more than one of the specified offenses arising out of one accident.

It is not a rarity for a risk to be convicted of several offenses in connection with a single accident, and investigations have disclosed that in a significant number of cases the risk has been the victim of circumstances.

As a solution it was decided in the public interest, that multiple convictions arising out of a single accident should be treated as one conviction for the purposes of the Plan. However, this procedure does not apply to convictions dealing with registration of a vehicle, owner or operator, and such convictions will be regarded separately as they are not related to accidents.

As respects the Distribution and Assignment of Risks Section, amendments of it have been drafted and recommended for the purpose of effecting a more equitable distribution of risks. It is based on the premise that assignments should be made in such a manner that each carrier will receive the same ratio of the total volume of assigned risk premiums which their premium writings bear to the total premium writings of all carriers in the state. That procedure will result in a more equitable distribution of assigned risk business, and produce a much higher degree of uniformity among plans as respects distribution and assignment procedures.

The Advisory Committee is also recommending in connection with the distribution section that each plan go on a fiscal year basis beginning July 1st of each year using the net direct automobile bodily injury premiums for the calendar year ending December 31 immediately preceding. This procedure will key the assignment quotas and procedures to one set of calendar year premiums and eliminate any distortions that have existed with respect to assignments on a calendar year basis with assignment quotas adjusted as of July 1 or some other date on the basis of premium writings for the immediately preceding calendar year then available.

UNIFORM RATES

In the last few years the matter of uniform rates for assigned risks has come in for considerable discussion. One reason advanced in their behalf is that many risks have followed the practice of discontinuing insurance made available to them through the plan when they were assigned to a Bureau carrier. Subsequently, they would reapply in the hope of being assigned to a carrier using lower

rates, and repeat the process until they realized their objective. Another argument or rather example is where a risk denied insurance by carriers with higher rate levels applies to the plan and frequently becomes assigned to a carrier using lower rates. Another reason is the unfavorable loss experience on assigned risks.

The term "Uniform Rates" is something of a misnomer because in the popular interpretation it means the rates of the National Bureau. A "uniform rate and rating system" would be one which would be applicable to all carriers on assigned risks without regard to the rates they used on normal business.

However, in a few states some carriers using rates lower than those of the National Bureau as well as differing classification plans on their normal business have filed, and secured approval for, the rates and classifications of the National Bureau on assigned risks. In such filings the carriers have made no attempt to define "Assigned Risks". Thus in approving those filings the respective Insurance Departments have agreed that the use of the term is sufficiently definitive.

The National Advisory Committee has taken cognizance of the foregoing practice and has now developed an amendment to the Uniform Plan to provide that where a carrier is using rates on assigned risks which are higher than their rates applicable to normal business, their premium writings for assignment and assessment purposes shall be adjusted to the level of such higher rates. The studies also included the manner in which such adjustments may be made.

The Bureau carriers have a different problem. Their rate levels are higher than the non-bureau carriers. Their experience on assigned risks is also unfavorable, but no higher rate levels are available which they can endeavor to apply to assigned risks. Therefore, in order to achieve higher rates on assigned risks, changes in the present rating systems are necessary. Several possibilities suggest themselves, one of which is to increase the additional charges. Another is to get the assigned risk experience into state rate levels again following its elimination after the Uniform Plan with its higher additional charges was introduced. This is most desirable in any event.

Another possibility is to set up separate rates for assigned risks through the use of classifications or otherwise such as the application of a factor to manual rates, and to eliminate the additional charges in the process. Studies of the problem are being carried on currently by the National Bureau and the Mutual Bureau with the view of changing the rating system so as to produce more adequate rates for assigned risks.

GROWTH OF ASSIGNED RISK PLANS

All plans have grown steadily since their inception, and in the process have generally been sensitive to market conditions. In times when the carriers are underwriting their business very carefully, there is an immediate reflection in the increase in the number of applications to the plan. While automobile rates have risen steadily

since World War II, the volume of assigned risk premium has increased and generally there has been a steady rise in the ratio of assigned risk premium volume to the total writings of all carriers. To illustrate the extent of the growth which has occurred there is shown some data from a few of the plans which is a representative sample of what has taken place. The data is made up of the calendar year writings of all carriers for the immediately preceding year, the number of new applications received and the ratio of assigned risk premium to the total writings for calendar years 1950 through 1955, except North Carolina which is through 1954.

NEW YORK

(1) Cal. Year	(2) Net Direct B. I. Premiums	(3) Number of New Applications Rec.	(4) Total Assigned Risk Premiums Written†	(5) Ratio (4)/(2)
1950	147,850,572	16,739	2,983,001	.0202
1951	160,585,516	31,236	3,337,246	.0208
1952	198,566,775	89,553	6,752,185	.0340
1953	226,768,283	125,341	16,002,512	.0705
1954	274,824,936	124,534	36,313,133*	.1320*
1955	287,649,354	109,470	25,210,391	.0876

*These figures include a substantial number of 1953 assignments which were not included in the report for that year.

VIRGINIA

1950	23,792,636*	5,758	411,724	.0173
1951	26,010,242*	8,648	504,317	.0193
1952	28,708,925*	12,854	771,467	.0268
1953	31,554,711*	15,813	1,121,500	.0356
1954	37,841,793*	18,092	1,375,796	.0363
1955	39,732,145*	19,918	1,561,469	.0394

*Net Bodily Injury and Property Damage Premiums.

NORTH CAROLINA

1950	10,968,101	5,200	414,055	.0377
1951	11,007,049	7,775	519,829	.0472
1952	12,007,276	10,847	862,671	.0718
1953	14,743,504	18,841	1,234,313	.0837
1954	18,608,804	19,208	1,276,225	.0686

CALIFORNIA

1950–1951	95,043,067	10,603	966,092	.0102
1951–1952	99,568,652	27,774	1,574,983	.0158
1952–1953	114,156,037	48,586	3,810,228	.0330
1953–1954	155,297,818	45,618	4,402,645	.0283
1954–1955	179,766,744	40,120	4,055,579	.0226

†Bodily Injury and Property Damage.

It is encouraging to note in this connection that of the eligible renewal volume, on the average about 50% of it is actually renewed, and the remainder is apparently able to secure insurance in the normal market.

EXPERIENCE OF AUTOMOBILE ASSIGNED RISK PLANS

Ever since 1938 when the New Hampshire Plan became effective there has been a steady increase in the total volume of assigned risk premiums. This has been due in part to new plans coming into

existence and the volume changes in the individual states, which with the exception of an occasional year or two has been consistently upward. Loss ratios on bodily injury have had an almost constant upward trend, while on property damage they have shown more fluctuation.

A summary of the total experience for all plans and all companies combined from policy year 1938 through 1953 is shown below. The data included in the consolidation was compiled under Official Calls issued by the Assigned Risk Plan Managers.

EXPERIENCE OF ALL AUTOMOBILE ASSIGNED RISK PLANS

SUMMARY — ALL COMPANIES COMBINED

		Bodily Injury			Property Damage		
	Policy Year	Earned Premium	Incurred Losses*	Loss Ratio	Earned Premium	Incurred Losses*	Loss Ratio
Total (Excl. Mass.)	1938	2,154	1,260	.585	894	566	.633
	1939	7,007	1,545	.220	2,874	2,031	.707
	1940	15,444	9,734	.630	5,739	1,838	.320
	1941	64,886	41,177	.635	22,665	13,110	.578
	1942	141,791	97,541	.688	49,435	27,541	.557
	1943	158,846	124,089	.781	66,246	42,141	.636
	1944	218,609	179,743	.822	89,123	58,001	.651
	1945	277,356	320,127	1.154	116,180	90,238	.777
	1946	592,933	439,883	.742	274,183	193,537	.706
	1947	2,305,165	1,411,294	.612	1,019,931	603,809	.592
	1948	4,985,231	3,191,032	.640	2,423,065	1,407,742	.581
	1949	6,142,051	4,486,844	.730	3,242,299	2,062,553	.636
	1950	5,892,077	5,023,822	.853	3,395,186	2,618,796	.774
	1951	7,872,785	7,505,029	.953	4,272,696	3,904,370	.914
	1952	17,855,200	17,183,723	.962	9,356,074	7,563,506	.808
	1953	30,617,604	30,130,506	.984	16,626,156	12,238,262	.736
	Total ...	77,149,139	70,147,349	.909	40,952,746	30,828,041	.753
Mass.**	1940-41 .	701,575	1,019,692	1.453	—	—	—
	1947-49 .	1,406,846	2,016,325	1.433	204,020	131,571	.645
	1950 .	608,280	1,261,325	2.074	123,182	147,385	1.196
	1951 .	755,393	1,392,068	1.843	254,130	305,116	1.201
	1952 .	1,340,765	2,391,604	1.784	528,960	419,123	.792
	1953 .	2,233,848	3,119,872	1.397	1,120,577	841,054	.751
	1954 .	2,645,719	3,201,964	1.210	1,004,271	794,021	.791
	Total ...	9,692,426	14,402,850	1.486	3,235,139	2,638,270	.816

*Including allocated claim adjustment expenses (excluding allocated claim adjustment expenses for Massachusetts Bodily Injury).

**Private passenger cars only for all policy years except 1940 and 1941. Bodily Injury data are not available for policy years 1942 through 1946. Property damage data are not available for policy years prior to 1948.

CONCLUSION

Assigned Risk Plans are a vital facility of the Automobile Liability Insurance business. Actually, they are indispensable. They make insurance facilities available to risks which are unable to insure and

in that respect have functioned so effectively that in no state has there been any necessity for the enactment of legislation to take care of risks unable to insure. This is not to say the plans are perfect, but they are reasonable and in the public interest.

As time goes on new demands will be placed on them and so the process of revision will, of course, go on and on. These demands will be met by the Industry just as they have in the past — through the mutual and cooperative efforts of all segments of the business. Long ago the Industry recognized its obligations and responsibilities in this respect and the plans which have been developed and amended have clearly demonstrated that private insurance can, and will, continue to make automobile liability insurance available to deserving risks under reasonable plans and procedures.

EFFECTIVE DATES OF STATE PLANS AND DATES OF LATEST REVISIONS

State	*Effective Date*	*Latest Revision*
Alabama	May 17, 1948	July 1, 1955
Arizona	January 1, 1952	February 15, 1953
Arkansas	September 1, 1947	October 26, 1953
California	January 19, 1948	September 1, 1953
Colorado	July 1, 1948	January 15, 1955
Connecticut	July 15, 1940	September 15, 1954
Delaware	September 4, 1947	July 15, 1955
Dist. of Columbia	June 1, 1953	June 1, 1953
Florida	February 21, 1949	October 1, 1955
Georgia	July 1, 1951	January 1, 1954
Hawaii	January 1, 1950	March 1, 1955
Idaho	November 1, 1949	August 1, 1954
Illinois	October 1, 1940	November 15, 1951
Indiana	December 10, 1948	January 1, 1952
Iowa	June 15, 1948	September 1, 1955
Kansas	November 20, 1950	October 1, 1952
Kentucky	August 20, 1948	August 1, 1954
Louisiana	November 1, 1949	July 1, 1955
Maine	February 1, 1940	August 8, 1953
Maryland	July 1, 1949	January 1, 1955
Massachusetts	November 16, 1939	January 1, 1956
Michigan	August 12, 1943	February 1, 1955
Minnesota	January 1, 1949	December 1, 1954
Mississippi	July 19, 1948	July 1, 1955
Missouri	July 1, 1949	May 1, 1953
Montana	October 9, 1951	November 1, 1954
Nebraska	July 1, 1946	January 1, 1953
Nevada	February 15, 1950	September 15, 1954
New Hampshire	May 10, 1938	March 1, 1953
New Jersey	March 15, 1941	January 1, 1955

New Mexico	July 1, 1948	January 15, 1955
New York	November 1, 1941	January 1, 1955
North Carolina	July 1, 1947	April 1, 1955
North Dakota	June 1, 1945	February 1, 1955
Ohio	January 1, 1949	July 1, 1955
Oklahoma	January 1, 1950	October 20, 1952
Oregon	October 15, 1948	January 1, 1951
Pennsylvania	May 15, 1943	April 1, 1955
Rhode Island	July 28, 1947	November 1, 1954
South Carolina	June 1, 1952	September 1, 1955
South Dakota	July 1, 1949	March 1, 1955
Tennessee	June 1, 1949	July 1, 1955
Texas	January 1, 1952	November 1, 1954
Utah	February 15, 1949	November 1, 1954
Vermont	March 1, 1941	October 1, 1953
Virginia	July 1, 1952	April 1, 1955
Washington	January 13, 1941	July 25, 1953
West Virginia	July 31, 1947	April 1, 1955
Wisconsin	October 1, 1949	January 1, 1954
Wyoming	July 1, 1948	January 15, 1955

UNIFORM AUTOMOBILE ASSIGNED RISK PLAN
(REVISED TO MAY 7, 1954)

THIS PLAN IS A VOLUNTARY AGREEMENT FOR GRANTING AUTOMOBILE BODILY INJURY AND PROPERTY DAMAGE LIABILITY INSURANCE TO RISKS UNABLE TO SECURE IT FOR THEMSELVES

Sec. 1. Purposes of Plan

The purposes of the Plan are:

A. to make automobile bodily injury and property damage liability insurance available subject to the conditions hereinafter stated, and

B. to establish a procedure for the equitable distribution of risks assigned to insurance companies.

Sec. 2. Effective Date

The Plan and amendments thereto shall become effective when all carriers writing direct automobile bodily injury liability insurance in the State have subscribed thereto.

Sec. 3. Non-Residents

The Plan shall be available to non-residents of the State only with respect to automobiles registered in the State, except that non-residents who are members of the United States military forces shall be eligible with respect to automobiles registered in other states provided such military non-residents are stationed in this State at the time application is made and are otherwise eligible for insurance under the Plan.

Sec. 4. Administration

The Plan shall be administered by a Governing Committee and a Manager. The Governing Committee (hereinafter referred to as "the Committee") shall consist of five subscribers, one from each of the following classes of insurers:

National Bureau of Casualty Underwriters
Mutual Insurance Rating Bureau
National Association of Independent Insurers
All other stock insurers
All other non-stock insurers

Annually on a date fixed by the Committee, each respective group of insurers heretofore described shall elect its representative to the Committee to serve for a period of one year or until a successor is elected. Twenty days notice of such meeting shall be given in writing to all subscribers to the Plan. A majority of the subscribers shall constitute a quorum and voting by proxy shall be permitted.

Sec. 5. Duties of Governing Committee

The Committee shall meet as often as may be required to perform the general duties of administration of the Plan. Three members of the Committee shall constitute a quorum.

The Committee shall be empowered to appoint a Manager, budget expenses, levy assessments, disburse funds and perform all duties essential to the proper administration of the Plan.

The Committee shall furnish to all subscribers to the Plan, a written report of operations annually in such form and detail as the Committee may determine.

Sec. 6. Distribution and Assignment of Risks

The Manager shall distribute, on the basis of premium, the risks which are eligible for coverage under the Plan as far as practicable to insurers in proportion to their respective net direct automobile bodily injury premium writings with due regard to exclusions under reinsurance agreements, treaties or contracts filed in writing with the Manager.

A. Risks of less than five cars of all classes, other than (1) buses, except school buses, (2) interstate truckmen subject to Interstate Commerce Commission regulation and (3) motor vehicles of truckmen operating beyond a radius of 150 miles from the limits of the city or town of principal garaging, shall be assigned to all carriers.

B. Risks involving (1) buses, except school buses, (2) interstate truckmen subject to Interstate Commerce Commission regulation, (3) motor vehicles of truckmen operating beyond a radius of 150 miles from the limits of the city or town of principal garaging, and (4) risks of five or more public automobiles of all types, shall be assigned to those companies which are writing, or are willing to write such risks, with due notice to the manager to that effect. Assignment of these risks shall be made with due regard to the state insurance licenses held by the company.

C. As respects all public automobiles, and truckmen described in (2) and (3) of paragraph B above, for every dollar of premium for such vehicles assigned, the company shall be credited $2.00 of premium under the plan of distribution.

D. No risk of less than five cars shall be assigned to more than one carrier.

E. The assignment of risks of five or more cars shall be subject to the following:

(1) If the risk be one other than those described in Paragraph B, due consideration shall be given to the ability of the respective carrier to serve the risk.

(2) No risk shall be assigned to more than one carrier unless it is inequitable to assign it to one carrier by reason of the unusual hazard or unusual accident record of such risk.

(3) If the unusual hazard or unusual accident record of a risk requires assignment thereof to more than one carrier, no carrier shall be obligated to accept an assignment of more than four units of such risk.

(4) A risk subject to the requirements of a state or federal administrative authority regulating motor carriers of passengers or property shall be assigned to one carrier.

For assignment of risks during the 12 months beginning July 1 of each year the Manager shall use the net direct automobile bodily injury premiums in the State for the calendar year ending December 31 immediately preceding. Net direct premium writings shall mean gross direct premiums including policy and membership fees less return premiums and premiums on policies not taken—without including reinsurance assumed and without deducting reinsurance ceded.

Sec. 7. Cost of Administration

Each subscriber to the Plan shall pay a minimum annual fee of $5.00 and all expenses incurred in excess of the minimum fees shall be apportioned to all subscribers in such proportion as their net direct automobile bodily injury premium writings in the State bears to the total of such premium writings in the State of all subscribers during the calendar year.

Sec. 8. Convictions

The term "conviction" wherever used in this plan shall be deemed to include a forfeiture of bail.

Sec. 9. Eligibility

As a prerequisite to consideration for assignment under the Plan, an applicant must certify, in the prescribed application form, that he has attempted, within 60 days prior to the date of application, to obtain automobile bodily injury and property damage liability insurance in the State and that he has been unable to obtain such insurance.

An applicant so certifying shall be considered for assignment upon making application in good faith to the Plan. An applicant shall be considered in good faith if he reports all information of a material nature, and does not willfully make incorrect or misleading statements, in the prescribed application form, or does not come within

any of the prohibitions or exclusions listed below.

A risk shall not be entitled to insurance nor shall any subscriber be required to afford or continue insurance under the following circumstances:

A. if the applicant, or anyone who usually drives the automobile, is engaged in an illegal enterprise, or has been convicted of any felony or high misdemeanor during the immediately preceding thirty-six months or habitually disregards local or state laws as evidenced by two or more non-motor vehicle convictions during the immediately preceding thirty-six months, or

B. when during the immediately preceding thirty-six months the applicant or anyone who usually drives the automobile has been convicted or forfeited bail more than once for any one, or once each for two or more of the following offenses:

(1) driving a motor vehicle while under the influence of intoxicating liquor or narcotic drugs,

(2) failing to stop and report when involved in an accident,

(3) homicide or assault arising out of the operation of a motor vehicle,

(4) driving a motor vehicle at an excessive rate of speed where injury to person or damage to property results therefrom,

(5) driving a motor vehicle in a reckless manner where injury to person or damage to property results therefrom,

(6) operating during period of revocation or suspension of registration or license,

(7) operating a motor vehicle without state or owner's authority,

(8) loaning operator's license to an unlicensed operator,

(9) permitting an unlicensed person to drive,

(10) the making of false statements in the application for license or registration,

(11) impersonating an applicant for license or registration, or procuring a license or registration through impersonation whether for himself or another, or

C. when the applicant or anyone who usually drives the automobile has intentionally registered a motor vehicle in the State illegally during the immediately preceding twelve months, or

D. when the applicant or anyone who usually drives the automobile has failed to meet all obligations to pay automobile bodily injury and property damage liability insurance premiums contracted during the immediately preceding twelve months, or

E. if the applicant or anyone who usually drives the automobile is subject to epilepsy.

The carrier to which a risk is assigned shall not be required to afford insurance if the condition of the applicant's automobile is such as to endanger public safety, except that the carrier shall afford insurance provided the applicant makes such repairs to his automobile as may reasonably be required.

Risks with physical disabilities involving heart ailments or mental or nerve illnesses shall be subject to investigation and shall submit for consideration of the Committee satisfactory certificates from at least two qualified doctors giving their diagnoses of such disabilities or their opinions with regard to the likelihood of such disabilities interfering with the risk's safe operation of an automobile.

Sec. 10. Extent of Coverage

A. No subscriber shall be required to write a policy or binder for limits in excess of the basic limits of $5,000/$10,000 bodily injury and $5,000 property damage, provided, however, that where limits in excess of such basic limits are required by law the subscriber shall be required to write a policy or binder for limits adequate to comply with the minimum requirements of the law.

The subscriber to which the risk is assigned shall make such filings of policies and certificates for the applicant, or for the spouse if eligible under the plan, as may be required by law.

B. Notwithstanding Paragraph A, upon request of any applicant the assigned carrier shall provide limits adequate to comply with the provisions of the financial responsibility law of any state in which the motor vehicle will be operated.

(Note: Paragraph B is optional and is suggested for adoption only where the problem of exposure in states having higher limits becomes acute. If adopted, the first two paragraphs should be designated as "A".)

Sec. 11. Application for Assignment

The application for insurance under the Plan must be submitted to the Manager on a prescribed form in duplicate accompanied by a per car deposit of

A. (*) $—for private passenger motor vehicles and school buses,

B. (*) $—for buses and long haul truckmen subject to federal or state regulation,

C. (*) $—for other public motor vehicles, i.e., taxicabs, private liveries and public liveries, subject to federal or state regulation,

D. (*) $—for all other commercial or other public motor vehicles.

(*) The amount of the deposit per car shall be inserted in the plan by the Governing Committee in each state. It is suggested that each such deposit be not less than the generally charged rate applicable in the lowest rated territory for B.I. and P.D. combined. As an alternative to this method of fixing the amount of the deposit such amount may be fixed as a percentage of the annual premium in which event it is suggested that same be not less than 30% of the annual premium with a minimum of $10.00.

For all other classes refer to Manager for deposit to be charged.

Said deposit shall be either in cash or by check or money order payable to the _____ Automobile Assigned Risk Plan. If the risk is ineligible for assignment, the deposit shall be returned.

Sec. 12. Designation of Carrier

Upon receipt of the application for insurance properly completed and the deposit specified in Section 11, the Manager shall designate a carrier to which the risk shall be assigned and shall so advise the applicant and the producer of record. The Manager shall forward to the designated carrier the original copy of the application form and the deposit, same to be credited by the carrier against the policy premium. If for any reason the applicant refuses to accept the policy, the designated carrier shall retain the short rate earned premium for the period of coverage or the sum of $10.00 per car, whichever is greater, and return the balance to the applicant.

Sec. 13. Three Year Assignment Period

A risk shall not be assigned to a designated carier for a period in excess of 3 consecutive years. If a risk is unable to obtain insurance for itself at the end of the 3 year period, reapplication for insurance may be made to the Plan. Such reapplication shall be considered as a new application.

In the case of non-resident military personnel, as described under Section 3 of the Plan, the designated carrier shall not be required to renew if at the time of renewal the insured is stationed in another state and his automobile is not registered in _____*.

*(Insert state of plan).

Sec. 14. Carrier's Notice to Applicant

A. *Original Policy* — Upon receipt of the notice of designation and the premium or deposit from the Manager, the designated carrier shall, within two working days

(1) issue a policy or a binder if all information necessary for the carrier to fix the proper rate is contained in the application form, such policy or binder to become effective 12:01 A.M. on the day following the second working day, or

(2) bind the risk if all information necessary for the carrier to fix the proper rate is not contained in the application form, such binder to become effective 12:01 A.M. on the day following the second working day, or

(3) in the event such carrier does not have on file rates applicable to the risks assigned to it, make the necessary filing and immediately upon its becoming effective issue a policy or binder, such policy or binder to become effective 12:01 A.M. on the day following the second working day following the effective date of the filing.

In the event the carrier finds the risk eligible for insurance under the rules of the Plan, notice shall be given the applicant to pay the balance of premium within fifteen (15) days or within such further reasonable period agreeable to the carrier, giving full credit for the deposit submitted with the application.

The day on which the notice of designation and premium or deposit are received from the Manager shall be deemed the first working day, whatever may be the time of such receipt.

No Saturday, Sunday, or legal holiday in the place of receipt, shall be deemed a working day.

The producer of record shall be notified as to the disposition of the assignment in accordance with the foregoing Paragraphs (1) - (3).

An assignment to any carrier contrary to the provisions of Section 6 shall be returned promptly to the Manager for reassignment.

If the Governing Committee finds that any carrier without good cause, is not complying with the provisions of this Section, it shall notify the Superintendent of Insurance.

*Note: If under rating act of any state a binder may be issued even though rate is not on file, this Paragraph (3) may be omitted.

B. *First and Second Renewal Policies* — At least 45 days days prior to the inception date of the first and second renewal policies the designated carrier shall notify the applicant that

(1) a renewal policy will be issued provided the renewal premium stipulation by such carrier is received at least 15 days prior to the inception date of such policy, or

(2) a renewal policy will not be issued for the reason that the applicant is not entitled to insurance under the Plan.

A copy of such notice shall be filed with the producer of record. In the event the carrier will not issue a renewal policy the reason supporting such action together with copy of said notice shall be filed with the Superintendent of Insurance of the State and the Manager.

C. *Third Renewal* —At least 45 days prior to the expiration date of the second renewal policy the carrier shall notify the risk that the period of assignment under the Plan will terminate on said expiration date. A copy of such notice shall be sent to the producer of record.

Sec. 15. Carrier's Notice to Manager

Upon issuance of the original policy and the first and second renewal policies the designated carrier shall file with the Manager the policy number, the effective date and expiration date of the policy, the amount of premium for which the policy was written and the percentage of additional charge made under Section 16. In the event changes in such policies involve additional or return premium, the carrier shall file with the Manager the amount of such premium.

If the applicant fails to pay the premium stipulated by the carrier, the carrier shall so notify the Manager with copy to the producer of record.

Sec. 16. Rates

All 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, in use by the designated carrier, subject to the following:

A. An additional charge of 10% for public passenger carrying and long haul trucking risks and 15% for all others shall be made if the applicant or anyone who usually drives the motor vehicle has, during the thirty-six months immediately preceding the date of application for assignment, and in the case of renewal, during

the thirty-six months immediately preceding the effective date of the renewal policy

(1) been involved as an operator or owner in a motor vehicle accident resulting in injury to or death of any other person or damage to property of another, or

(2) been convicted of any violation of the Motor Vehicle Code other than specified in Paragraph B of Section 9 of this Plan and other than a conviction for parking, or

(3) been convicted of any non-motor vehicle offense and sentenced to imprisonment for five or more days, or fined $50.00 or more.

B. An additional charge of 25% shall be made if the applicant or anyone who usually drives the motor vehicle has during the thirty-six months immediately preceding the date of application for assignment, and in the case of renewal, during the thirty-six months immediately preceding the effective date of the renewal policy

(1) been involved as an operator or an owner in more than one motor vehicle accident resulting in injury to or death of any other person or damage to property of another, or

(2) been convicted of any of the violations specified in Paragraph B of Section 9 of this Plan, or

(3) been convicted more than once of any violation of the Motor Vehicle Code other than specified in Paragraph B of Section 9 of this Plan and other than convictions for parking, or

(4) been involved as an owner or operator in a motor vehicle accident, or been convicted of an offense, or has had a judgment entered against him, as a result of which he has been required to furnish proof of financial responsibility under a Financial Responsibility Law, or been required upon any other ground under a Financial Responsibility Law to furnish proof of financial responsibility.

If the carrier is assigned a risk in a class for which it has no rates on file, the carrier may file or promulgate a reasonable rate for such risk or class subject to the provisions of the law of the State.

Sec. 17. Surcharge

If the hazard of a risk is greater than that contemplated by the rate normally applicable under the Plan, the carrier shall consult with the Governing Committee before submission to the Superin-

tendent of Insurance for an increase in such rate. An increase in rate approved by the Superintendent shall be deemed to include the additional charges contained in Section 16.

Sec. 18. Cancellations

A. *Cancellations at Request of Insured*

If for any reason the insured requests cancellation, the carrier shall retain the short rate earned premium for the period of coverage or the sum of $10.00 per car, whichever is greater, and return the balance to the insured.

B. *Cancellation by Company*

A carrier which has issued a policy or binder under this Plan shall have the right to cancel the insurance by giving notice as required in the policy or binder if the insured

(1) is not or ceases to be eligible or in good faith entitled to insurance, or
(2) has failed to comply with reasonable safety requirements, or
(3) has violated any of the terms or conditions upon the basis of which the insurance was issued, or
(4) has obtained the insurance through fraud or misrepresentation, or
(5) has failed to pay any premiums due under the policy.

Each such cancellation shall be on a pro rata basis, subject to the minimum charge of $10.00 per car, and a copy of each such cancellation notice shall be furnished to the producer of record. A statement of facts in support of each such cancellation shall be furnished to the Manager and, except in the case of cancellation for nonpayment of premium, to the Superintendent of Insurance of the State, ten days prior to the effective date of cancellation.

Cancellation shall be effective on the date specified and coverage shall cease on such date.

Sec. 19. Right of Appeal

An applicant denied insurance or an insured given notice of cancellation of insurance, under the Plan may appeal such action to the Committee. Each notice of cancellation or denial of insurance shall contain or be accompanied by a statement that the insured or applicant has a right of appeal to the Governing Committee of the Plan. A subscriber to the Plan shall also have the right of appeal to the Committee.

The action of the Committee may be appealed to the Superintendent of Insurance of the State.

The Manager shall promptly notify the company, the insured or applicant, and the producer of record, of the disposition of the appeal, which notification in the case of refusal to sustain a cancellation shall include notice that upon payment of the deposit premium to the insurer a policy or binder will be issued.

An appeal shall not operate as a stay of cancellation, provided, however, that if either the Committee or the Superintendent of Insurance refuses to sustain the cancellation, the carrier which issued the policy or binder shall, within two working days after receipt of the deposit premium, provided such deposit premium is received within 30 days after determination of the appeal, issue a new policy or binder effective for a period of one year from the date of issuance of such new policy or binder. The balance of the premium shall be payable as provided in Section 14.

Sec. 20. Re-Eligibility

An applicant denied insurance under the Plan after appeal to the Committee shall not be eligible to reapply for assignment until 12 months after the date of the application. An assigned risk canceled under the provisions of the Plan shall not be eligible to reapply for assignment until 12 months after effective date of cancellation.

Sec. 21. Commission and Field Supervision Allowances

Unless other arrangements have been made with the Superintendent of Insurance the commission and field supervision allowances under the Plan shall be allocated as follows:

A. for long haul trucking risks and public passenger carrying vehicles, 5% of the policy premium for commission to a licensed producer designated by the insured, and 2½% of the policy premium for field supervision to the carrier or its licensed agent;

B. for other risks, 10% of the policy premium for commission to a licensed producer designated by the insured, and 2½% of the policy premium for field supervision allowance to the carrier or to its licensed agent.

Sec. 22. Re-Certification of Operator's License of Applicant or Principal Operator of the Motor Vehicle

If a designated carrier after investigation of the experience physical or other conditions of any risk applying for coverage under this Plan, believes that reasonable doubt exists as to whether the applicant or principal operator of the vehicle should continue to be licensed to operate a motor vehicle in this state, such carrier may request the Motor Vehicle Commission to recertify the ability of said person to continue to hold an operator's license. However, the designated carrier must issue a policy or binder in accordance with Section 14.

If the applicant is not re-certified by the Motor Vehicle Commis-

sioner as competent to hold and use an operator's license, either by a driving test or such other means as the Motor Vehicle Commissioner may require, the applicant is not eligible under this Plan and the policy or binder should be canceled in accordance with Section 18 of the Plan.

Requests for re-certification must be made on a standard form, agreed to as satisfactory by the Commissioner of Motor Vehicles. The form must be prepared in triplicate, the original sent to the Commissioner of Motor Vehicles, with duplicate copy sent to the Manager of the Plan.

May 7, 1954

CHART ANALYSIS OF AUTOMOBILE ASSIGNED RISK PLANS

(Compiled by the Association of Casualty and Surety Companies)

State and reference to manager	Classes of risks: Double credit for certain risks	Classes of risks: Multiple unit risks: Acceptance of four units required	Classes of risks: Multiple unit risks: Risks subject to I.C.C. or state commission - acceptance of entire risk required	Classes of risks: Available to non-resident military personnel	Investigation fee or deposit premium? fnd. - fixed amount	When policy to be issued? (Number of days after designation) W - Working days	Surcharge: Risk without record	Surcharge: Risks with record: Single accident or minor conviction	Surcharge: Risks with record: Serious convictions; multiple accidents or minor convictions; or required to file proof	Period of assignment	Unusual features
Alabama (22)	Yes	Yes	Yes	Yes (u)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(w)	
Arizona (1)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)	
Arkansas (10)	No	No	No	No	Dep. prem. (fnd)	2 W	15%*	15%*	15%*	3 yrs.	
California (1)	Yes	(a)	(a)	Yes (j)	Invest. fee ($5)	(v)	None	(h)	(h)	3 yrs.(s)(jj)	
Colorado (20)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)	
Connecticut (18)	Yes	Yes	Yes	Yes (j)	Dep. prem. (30%)	2 W	None	15%*	25%	3 yrs.(j)	
Delaware (18)	Yes	Yes	Yes	Yes (u)	Dep. prem. (30%)	2 W	None	15%*	25%	3 yrs.(u)	(r)
Dist. of Col. (13)	Yes	Yes	Yes	Yes (u)	Dep. prem. (30%)	2 W	None	15%*	25%	3 yrs.(u)	
Florida (3)	Yes	No	No	Yes (j)	Dep. prem. (fnd)	3 W	None	15%*	25%	3 yrs.(j)	
Georgia (22)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	15 (k)	15%*	15%*	25%	3 yrs.(j)	(k)
Hawaii (12)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	5 W	None	15% (e)	25%	3 yrs.(j)	
Idaho (4)	No	No prov.	No prov.	No	Dep. prem. (fnd)	2 W	None	15% (e)	25%	3 yrs.	
Illinois (21)	No	No	No	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)	
Indiana (23)	No	No prov.	No prov.	No	Invest. fee ($5)	15	None	15%*	25%	3 yrs.(s)	
Iowa (6)	Yes	No	No	No	Invest. fee ($5)	15	15%*	15%*	25%	3 yrs.	
Kansas (26)	Yes	Yes	Yes	Yes (u)	Invest. fee ($5)	15	None	15%*	25%	3 yrs.(u)	
Kentucky (16)	Yes	Yes	Yes	No	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.	
Louisiana (28)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	15%*	15%*	25%	3 yrs.(j)	
Maine (19)	Yes	Yes	Yes	Yes (u)	Dep. prem. (30%)	2 W	None	15%*	25%	3 yrs.(u)	
Maryland (11)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)	
Massachusetts (8)	(x)	(y)	(y)	Yes	Full premium	(z)	None	None	None	(z)	(z)
Michigan (2)	(b)	No prov.	No prov.	Yes (u)	Invest. fee ($3)	2 W	None	15%*	25%	3 yrs.(u)	
Minnesota (17)	Yes	Yes	Yes	Yes (u)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(o)(u)	
Mississippi (22)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)	
Missouri (10)	No	No prov.	No prov.	No	Dep. prem. (fnd)	15 (i)	15%*	15%*	25%	3 yrs.	
Montana (1)	Yes	Yes	Yes	Yes (u)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(u)	
Nebraska (6)	Yes	Yes	Yes	No	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.	
Nevada (1)	No	No prov.	No prov.	Yes (j)	Invest. fee ($5)	(v)	None	25%*	25% (g)	3 yrs.(j)	
New Hampshire (19)	Yes	Yes	Yes	Yes (u)	Dep. prem. (%)	2 W	None	15%*	25%	3 yrs.(u)	
New Jersey (18)	Yes	Yes	Yes	Yes (j)	Dep. prem. (30%)	2 W	None	15%*	25%	3 yrs.(j)	
New Mexico (20)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)	
New York (18)	Yes	Yes	Yes	Yes (j)	Dep. prem. (30%)	2 W	None	15%*	25%	3 yrs.(j)	
North Carolina (15)	Yes	Yes	No prov.	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	15%*	2 yrs.(c)(jj)	(s)
North Dakota (17)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)(jj)	
Ohio (14)	(b)	No prov.	No prov.	No	Invest. fee ($5)	2 W	None(d)	15% (d)	25%	3 yrs.	
Oklahoma (27)	Yes	No	No	Yes	Invest. fee ($5)	15	None*	15%*	25%*	3 yrs.	(g)
Oregon (25)	No	No prov.	No prov.	No	Invest. fee ($5)	5 W	None	15% (e)	25%	3 yrs.	
Pennsylvania (18)	Yes	Yes	Yes	Yes (j)	Dep. prem. (30%)	2 W	None	15%*	25%	3 yrs.(j)	
Rhode Island (18)	Yes	Yes	Yes	Yes (u)	Dep. prem. (30%	10	None	15%*	25%	3 yrs.(u)	
South Carolina (29)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)	
South Dakota (17)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)	
Tennessee (22)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)	
Texas (9)	Yes	No	No	Yes (j)	Annual prem.	2 W	None	15%*	25%	3 yrs.(u)	(aa)(cc)
Utah (24)	Yes	Yes	Yes	Yes (u)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(u)	
Vermont (19)	Yes	Yes	Yes	Yes (u)	Dep. prem. (30%)	2 W	None	15%*	25%	3 yrs.(n)	
Virginia (5)	Yes	Yes	Yes	No	Dep. prem. (50%)	2 W	15%*	15%*	15%*	3 yrs.	(p)
Washington (7)	No	No prov.	No prov.	Yes (j)	Invest. fee ($5)	(t)	None	15%*	25%	3 yrs.(j)	(bb)
West Virginia (18)	Yes	Yes	Yes	Yes (j)	Dep. prem. (30%)	2 W	None	15%*	25%	3 yrs.(j)	
Wisconsin (11)	Yes	(f)	(f)	Yes (j)	Dep. prem. (fnd)	3 W	None	15%*	25%	3 yrs.(j)	(q)
Wyoming (20)	Yes	Yes	Yes	Yes (j)	Dep. prem. (fnd)	2 W	None	15%*	25%	3 yrs.(j)	

 Notes and a list of Managers appear on following page.

* 10% on public passenger and long-haul trucking risks.
(a) Entire risk may be assigned to one insurer.
(b) Credits vary depending on type of risk.
(c) Or period for which proof is required.
(d) 25% on public passenger vehicles, ambulances and long-haul trucking risks.
(e) 10% on public passenger vehicles.
(f) Risks involving more than one vehicle may not be assigned to more than one carrier.
(g) No provision for surcharge on risks required to file proof.
(h) No surcharge for accident record. 15% surcharge (10% for long-haul trucking) for risks with record of conviction or required to file proof.
(i) 2 working days on public auto and truckmen required to insure and on military personnel resident or having a car registered in the state.
(j) Nonresident military personnel not eligible for renewal after removal from state.
(k) Policy becomes effective on 15th day after receipt of notice of designation.
(m) Eligibility rules do not apply to risks required to file proof.
(n) Available only to risks required by state law or by regulation to carry insurance.
(o) Risk may be rejected only for misstatement in application.
(p) State also has statutory plan for risks rejected by voluntary plan.
(q) Up to 5 years on risks required to file proof.
(r) State also has statutory plan applicable to owners required to file proof.
(s) Insurer has option to continue on risk after 3 years.
(t) Within 3 working days on non-certified risks, and within 15 days on others, insurer shall notify applicant that policy will or will not be issued.
(u) Nonresident military personnel not eligible for renewal if then stationed in state where designated carrier not authorized.
(v) Carrier must notify applicant within 3 working days that policy will be issued upon payment of premium, or that policy will not be issued.
(w) Carriers are credited with insurance on youthful drivers voluntarily written.
(x) Ten credits for long-haul trucks and buses N.O.C.
(y) No limit on number of units.
(z) Plan operates in conjunction with compulsory law. Assignments based on system of credits. Plan commits company to coverage and collects premium. Assigned risks are subject to cancellation rules applicable to all risks.
(aa) Eligibility provisions differ substantially from Uniform Plan.
(bb) Certain motor carriers and certain other risks are excluded from Plan.
(cc) Available to nonresidents (other than military) only with respect to vehicles required to be registered in state.

MANAGERS

1. ARIZONA, CALIFORNIA, MONTANA, NEVADA: Thomas G. Aston, Jr., 114 Sansome St., San Francisco 4, California
2. MICHIGAN: A. S. Cowlin, 1207 Francis Palms Bldg., Detroit 1, Michigan
3. FLORIDA: R. E. Ferguson, 405 Western Union Bldg., Jacksonville 2, Florida
4. IDAHO: Vernon G. LeRoy, P. O. Box 965, Boise, Idaho
5. VIRGINIA: E. W. Prise, 321 Broad-Grace Arcade, Richmond 19, Virginia
6. IOWA, NEBRASKA: W. J. Gissendanner, P. O. Box 836, Des Moines, Iowa
7. WASHINGTON: E. R. Haffner, 120 Sixth Ave. N., Seattle 9, Washington
8. MASSACHUSETTS: L. W. Scammon, Administrator, 66 Batterymarch St., Boston 10, Massachusetts
9. TEXAS: J. D. Squibb, P. O. Box 2093, Capitol Station, Austin 11, Texas
10. ARKANSAS, MISSOURI: L. F. Keegan, 705 Landreth Bldg., St. Louis 2, Missouri
11. WISCONSIN: E. W. Kraus, 623 N. Second St., Milwaukee 3, Wisconsin
12. HAWAII: Mark Briggs, 308 Dillingham Transportation Bldg., Honolulu 16, Hawaii
13. D. C., MARYLAND: E. A. McGee, 1800 N. Charles St., Baltimore, Maryland
14. OHIO: Ray H. Miller, 10 E. Town St., Columbus 15, Ohio
15. NORTH CAROLINA: Paul L. Wize, P. O. Box 1471, Raleigh, North Carolina
16. KENTUCKY: J. T. Musselman, 824 Marion E. Taylor Bldg., Louisville 2, Kentucky
17. MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA: Victor G. Lowe, Jr., 603 Thorpe Bldg. Minneapolis 2, Minnesota
18. CONNECTICUT, DELAWARE, NEW JERSEY, NEW YORK PENNSYLVANIA, RHODE ISLAND, WEST VIRGINIA: George J. Schepens, 100 William Street, New York 38, New York
19. MAINE, NEW HAMPSHIRE, VERMONT: R. C. Shipley, 412 Casco Bank Bldg., Portland 3, Maine
20. COLORADO, NEW MEXICO, WYOMING: R. G. Shurtleff, 1114 E. 18th Ave., Denver 18, Colorado
21. ILLINOIS: E. J. Thau, R. 812, 75 East Wacker Drive, Chicago 1, Illinois
22. ALABAMA, GEORGIA, MISSISSIPPI, TENNESSEE: S. C. Southard, 2311 Comer Bldg., Birmingham 3, Alabama
23. INDIANA: Harry E. Stotts, 927 K of P Bldg., Indianapolis, Indiana
24. UTAH: Robert L. Hilton, 1758 South State St., Salt Lake City, Utah
25. OREGON: Mrs. M. View, 329 S. W. 5th Ave., Portland 4, Oregon
26. KANSAS: F. S. Vincent, Casson Bldg., 601 Topeka Blvd., Topeka, Kansas
27. OKLAHOMA: F. J. Winston, 628 Hightower Bldg., Main & Hudson Sts., Oklahoma City 2, Oklahoma
28. LOUISIANA: S. C. Southard, 335 Balter Bldg., 404 St. Charles Ave., New Orleans, Louisiana
29. SOUTH CAROLINA: S. C. Southard, 1300 Pickens St., Columbia 1, South Carolina