REPORTS OF THE SEMINARS HELD AT LAKE KIAMESHA, NEW YORK AT THE 1961 SPRING MEETING OF THE SOCIETY

CURRENT PROBLEMS IN COMPENSATION INSURANCE

(Summation by Russell P. Goddard, Actuary, New York Compensation Insurance Rating Board)

In order to provide some basis for discussion, a list of current "problems" had been prepared in advance, divided into two main categories, those which we, as actuaries, might be able to do something about, and those which might be interesting to talk about with no action expected.

The first session devoted its time to the first category, concentrating largely on means of handling risks under $500. These risks produce comparatively little premium, but create annoying statistical problems. In New York, for example, the risks under $500 constitute 85% of the total number of risks, but develop only 15% of the premium. A new law, effective in 1962, extending coverage to employers with one employee, is expected to add 50,000 new policies to the 400,000 already in existence. Although doubt was expressed as to the accuracy of this estimate, the problem of auditing and preparing unit reports on small policies still remains.

No explanation was offered as to why there has been so little mechanization of unit reporting, even by companies well-mechanized for other lines, but the suggestion was made that some companies which do not have punch-card equipment might make use of the computing typewriters, of which there are several on the market, to provide either the unit reports themselves, or paper tapes from which unit reports could be prepared. It was agreed, in any event, that we could not look forward to complete mechanization in the foreseeable future, and it would be necessary to allow the option of preparing reports either by hand or machine.

Some interest was expressed in the use of the Schedule "Z" method for reporting small risks, or, what amounts to practically the same thing, of the submission of a listing of payroll and loss items from which the rating organization could prepare its own Schedule "Z". It was pointed out that some of the refinements of the present rate structure, such as loss constants varying by industry group, would have to be sacrificed if bulk statistical methods were adopted.

There seemed to be considerable sentiment for a greater use of per capita policies on small risks, to avoid both statistical and auditing problems. It was suggested that a head-count be substituted for payroll up to three employees. However, the question of how to maintain equity in borderline cases was left unsolved.

Inevitably, the three-year fixed rate program for small risks came in for discussion. This program has apparently not achieved the popularity expected of it, either with the buying public or the insurance companies, and the opinion was expressed that it might do better if installment payments were permitted.

To sumarize this session, there appeared to be a general willingness to do something about the small risk problem, but the consulting actuaries were willing to go further than the company men.

In the second session, devoted to problems which we didn't expect to be able to do anything about, attention was turned to the "fragmentation of the Bureaus" which has affected other lines, and the Compensation actuaries asked "Can it happen to us?" They also asked "Do we want it to happen to us?" The general impression which was conveyed was that the Compensation men within the companies have no particular desire to copy present practices of the Automobile field, and that the Automobile men are too busy with their own problems to do any missionary work on Workmen's Compensation. The slightly less restrictive climate of Illinois and Rhode Island, particularly as respects experience rating, was discussed briefly, but there appeared to be no great desire among those present to extend this atmosphere to the rest of the country. One or two men felt that a "no prior approval" law might be helpful in obtaining rate increases, but shuddered at the disruption which might be caused by "subsequent disapproval."

One member expressed the opinion that the strict regulation of Workmen's Compensation had supported certain ratemaking "crudities" which a system of free and open competition would soon erase. At the word "crudities," ears were pricked up and eyebrows raised all over the room, but no tempers flared, because old-time Compensation men, who had long been hardened to accusations that their rating systems were too refined for their own good, could find an accusation of crudity amusing, but not annoying. The accuser was allowed to explain that one crudity, in his opinion, was the use of payroll beyond that required to produce the weekly benefit. The more orthodox members explained that this crudity was offset by other crudities, such as the experience rating plan and the retrospective rating plan, and that we had planned it that way.

Speaking generally, the members showed no particular fear of relaxation of regulation, or any especial desire for it.

RATE MAKING FOR PACKAGE POLICIES

(Summation by LeRoy J. Simon, Associate Actuary, Insurance Company of North America)

The seminar opened with the statement of an objective for the session: "To have an open discussion of how rates *should* be made for a package policy when it has reached the state of mature development with a large volume of information available."

After outlining our ground rules, we went directly into a discussion of the difference between the Homeowners package and the commercial package. The Homeowners is a large total volume of business with many, many relatively homogeneous units. This is not the case with commercial packages such as motels, apartments, stores and so forth. They won't be so nicely