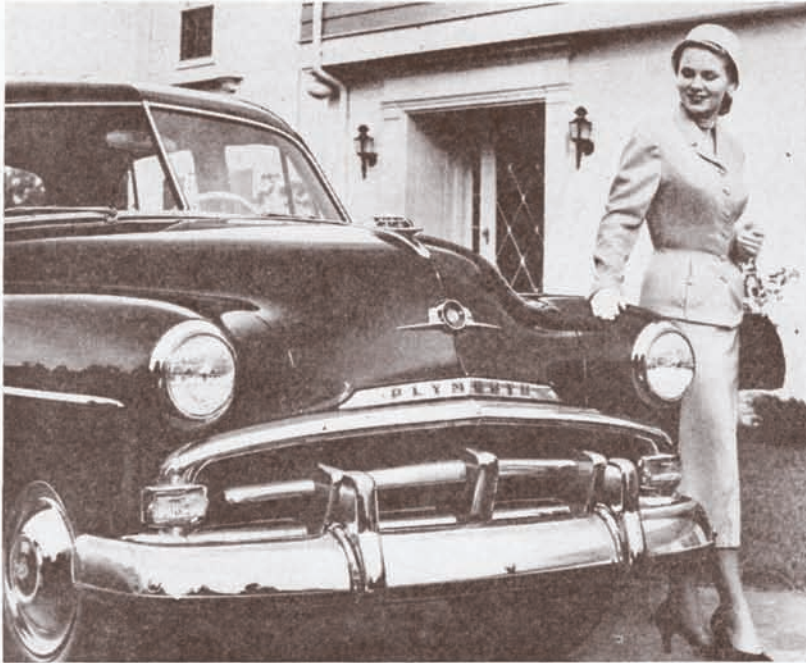


CENTURIES OF ROUGH NOTES

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The customer should be underwritten more carefully than the automobile.

How to Keep Your Auto Loss Ratio Down

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THE UNDERWRITER was talking with intense earnestness to the agent across the desk.

"Yes, but you're the real underwriter, and your Automobile loss ratio depends almost entirely on how well you do the job."

"Whom are you calling an underwriter, Mac? That's plain character assassination and I won't stand for it."

The agent spoke in mock belligerence. Obviously, he was kidding, but how much? Was there more than a touch of disbelief in his attitude toward the underwriter's statement? He continued:

"Seriously, what do you want me to do? I don't give you classes you won't write, I give you all the information you ask for on new risks. I cancel policies without question when you want off, and now you tell me my Automobile loss ratio is high and it's my fault. I ask again, what more do you want me to do?"

The underwriter was fast with an answer.

"Briefly, what you can do is to keep away from the *bad* risks that look good."

"Bad risks that look good—what do you mean by that?"

The underwriter leaned across the table.

"Simply that a high percentage of the consistently careless drivers cannot be detected from their names, occupations or any of the other information the underwriter normally has on hand. In other words, they are bad risks, but they look good."

"If they look good to you, why should they look any different to me?" asked the agent.

Underwrite the Drivers

"The difference is in what you can see, hear and feel when you have the applicant face to face, and in what you can detect from facts and cir-

cumstances the underwriter doesn't know."

"Now you're getting metaphysical," grinned the agent. "Give me a for instance."

"All right, let's look at two or three of the risks which have turned up bad in your own account."

"Here is an insured who is a bookkeeper at the local electric power company. The car is a 1946 Ford. The risk looked OK to the underwriter and he put it through without question. A few months ago the car was involved in a serious accident. In investigating the claim we found that the man had a record of traffic violations and accidents as long as your arm, and had been cancelled by several other companies."

"Now the question is whether it is reasonable to expect you, as the agent, to have uncovered the facts about this risk and rejected it."

The agent stiffened.

"Now look, I am not a private eye. This man walked into my office one day. He looked all right and I wrote him up. How was I to know about his previous record?"

Look at Driver's License

"I can recommend several ways. The most obvious is to ask him. I agree that in most cases this produces nothing, but sometimes a series of careful questions will give you a substantial indication that all is not well. Another approach and one that should be used whenever possible is to look at the back of the applicant's driver's license for violations and convictions. Another way is to look at the car for evidence of previous damage."

"Maybe you're right," said the agent, "but who has the time for that kind of third degree job on every Automobile applicant?"

"Well, it's a matter of how valuable you consider a good loss ratio to be. Many agents deem it to be their most valuable asset, not only now, when companies are losing money, but also in normal times. Do you want another 'for instance?'"

"What is it?" asked the agent.

Registered in Wrong Name

"Here's an insured who was employed as a machinist at the typewriter factory. The car is a 1939 Buick. The new business questionnaire shows that his age is 43, his record is free of accidents, traffic violations and that there are no other drivers. Here, again, the risk looked desirable and it went on the books unquestioned by the underwriter."

(This story from 1953 does not continue)