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Broaden Your Opportunity in Selling Automobile Fleet Coverage

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MANY producers have stated that they are not interested in seeking to write Automobile Fleet coverage because, they say, the competition is too keen and each renewal date brings a competitor's scramble for the privilege of writing the assured's contract. In selling Automobile Fleet coverage, the agent must sell something more than rate. It is his duty, in connection with any fleet written, to have a talk with his assured concerning the assured's experience. He must point out that, in the last analysis, it is the assured himself who will make the rate applying to his own risk. Companies are generally willing and anxious to provide safety and inspection service which will enable the assured to cut down his loss ratio, and consequently reduce his annual premium.

In addition to this saving in premium, the assured should be made aware of two other items resulting from elimination of unnecessary accidents. The first of these benefits flows from the fact that every accident causes, to a greater or less extent, some lay-up of the automobile involved in the accident, resulting in a continuance of the overhead on that particular truck without consequent service from it. In addition, the assured, by reducing his accident frequency, reduces the expense of keeping his trucks in good running order.

A clever salesman of Automobile Fleet insurance will dig deeper than the mere matter of the present rate on the contract, and will employ his own and his assured's best judgment in ascertaining a method whereby the assured's insurance cost on Automobile, Public Liability and Property Damage coverage can be reduced to a minimum. There is a maxim adopted by advertising copywriters to the effect that "the more you tell, the more you sell," and in connection with Automobile Fleet coverage, the maxim can be extended to read "the more you know, the more you can tell, and the more you will sell."

To solicit Fleet lines in proper fashion, the producer should know, in general terms at least, the basis adopted by his company in arriving at the premium charge. Automobile Fleet rating was created in the first instance because it was found that certain risks involving a large number of automobiles produced a lower loss ratio than the country-wide average for the same type of automobile. In view of this lower loss ratio, companies made provisions for special handling of such preferred risks by a method known as "Experience Rating".

Upon a computation which took into consideration the frequency and severity of claims produced by the risk in the past, actuaries were able to determine the trend of that particular risk and to promulgate rates in advance based upon this trend. If a large risk gave evidence that, for the coming term of insurance, it would probably produce a lower than normal loss ratio, the actuary would promulgate an experience credit. If, on the other hand, the risk gave evidence of a trend in the direction of higher than normal loss ratio, the experience debit would obtain. These debits and credits are expressed in percentages off the standard manual rate.

Later on it was found that certain risks might, in addition to experience rating, be entitled to further special attention in that the trucks were owned by concerns engaged in seasonal businesses where, for a certain period of the year, the risk would have most of the trucks in active duty while, during certain other periods of the year, the trucks might not be used at all. To meet this contingency "Automatic Coverage" and "Payroll Basis policies" were developed, under the former of which credit was allowed on a pro-rata basis for cars out of service for a period of more than ten consecutive days and, in the latter instance, the payroll of the assured's truck drivers was used to gauge the hazard under the risk. Over a four-year period, including the year 1926 and the year 1929, experience figures of representative companies in connection with the types of policies covering Automobile Fleet, produced the following comparisons:

		Loss Ratio
Ordinary Fleet Risk	Public Liability	—50%
	Property Damage	—48%
Payroll Basis	Public Liability	—68%
	Property Damage	—69%
Automatic Coverage	Public Liability	—64%
	Property Damage	—65%

These figures indicate, in themselves

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Milk strike pickets drove this truck into the Chicago river. All Chicago's milk supply was tied up for several days except 600,000 quarts permitted to enter city each day for babies and invalids. [International Photo.]