

## SOME DIFFICULTIES IN THE RATING OF AUTOMOBILES.

In the course of a discussion of "Casualty Insurance for Automobile Owners," G. F. Michelbacher, actuary of the National Workmen's Compensation Service Bureau, New York, pointed out some of the difficulties in rate making. On this topic he said in part:

"Mileage is one of the most important factors in determining the public liability hazards of automobiles of the private pleasure type. Still it is impracticable as a basis for insurance rate making for the reason that up to the present time no effective device has been perfected which will guarantee the measurement of mileage and at the same time prevent anyone with fraudulent intentions from falsifying the record.

"The measurement of the hazards of environment requires some method of establishing rates for geographical territories. At present this is accomplished by a zone system which does not produce entire satisfaction because it inevitably results in a series of sharp lines of demarcation with consequent abrupt changes in rates \* \* \* \* It is obvious that these inequities will persist until a simple workable plan of shading the picture is devised which will recognize centres of high and low hazard and at the same time grade rates so that instead of hard and fast zones there will be gradual changes with no shock of breaking points.

"So far commercial automobiles have been classified and rated for public liability and property damage coverage on the basis of use alone; that is to say, any car in the service of a baker takes a certain rate; any car in the service of a brick mason, another rate, etc. Undoubtedly from a

theoretical point of view, use is not a complete criterion of hazard. Weight, speed, motive power and numerous other factors are vitally important but to recognize and measure them without complicating the underwriting procedure beyond all reason, is a problem which still remains unsolved.

"These are random examples of the many problems which face underwriters in connection with the determination of rates. Many of these problems will be solved as reliable statistical information becomes available in greater volume because the solution depends entirely upon statistical analysis. Others probably never will receive a thoroughly satisfactory solution because of the inherent impossibility of obtaining correct measurement of hazards which at the same time is consistent with underwriting principles. In other words, automobile insurance rate making is not unique. It suffers from all the ills of insurance rate making in general. The theoretically perfect method of procedure is often impossible of application because practical underwriting demands a scheme of rates that can easily be applied, and that limits the possibility of fraudulent manipulation to a minimum. Where practice conflicts with theory, practice dictates the answer to the problem."

## AUTOMOBILE ACCIDENTS.

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