

AUTOMOBILE INSURANCE.*(A. T. Graham, in The Spectator.)**(Continued from page 1059.)***AUTOMOBILE RATING SYSTEM.**

The automobile rating system in force in the United States at the present time is so complicated that insurance agents and brokers generally do not pretend to understand it. This system is the outgrowth of the experience and ideas of different interests; but it will, no doubt, have to endure until something better can be devised. It must be remembered that no truly scientific plan of rating can be prepared until actual experience furnishes the data upon which to base it.

The rate schedule in force to-day provides starting or basic rates under twenty-four different headings embraced in two schedules, known as No. 1 and No. 2. These headings are denominated "A to H" and "J to M." These letters of the alphabet indicate, in Class No. 1, original list prices of cars when new, excluding cost of additional equipment and extra bodies. Class No. 2 schedule covers rates on old cars and cars not in the hands of first owners. As a car decreases in value from age, wear, tear and other causes, the rates increase under each of the alphabetical denominations enumerated, stopping only when the value left is indicative of what may be regarded, from an underwriting standpoint, as an uninsurable risk. The maximum rate shown in these schedules is 4½ per cent. If the underwriter is willing to write a car for any amount below the minimum for which a rate is provided, it is optional with him to charge a higher rate, if it can be collected. These schedule rates apply to private pleasure gasoline automobiles and commercial cars only.

Electric cars may be insured at 1½ per cent. for any amount, or for 1.375 without theft.

Private and commercial steam cars, of current or succeeding year's model, may be written at 3 per cent., and older models at 3½ per cent. If the boiler and burner are located in front of the dashboard, the rate may be reduced one-quarter of 1 per cent. in each case. One-eighth of 1 per cent. may be deducted for the elimination of theft.

If a car is used for carrying passengers for compensation, the schedule rate is increased 1 per cent.

Cars in the hands of dealers, if second-hand, are insurable at 1 per cent. over the schedule rates for dealers.

The rates charged by the automobile and liability companies for collision damages sustained—that is, collision damage to the car insured—on private gasoline, steam and electric cars and cars of sales agencies, run from \$28 to \$200, according to the type and value of the car insured. The rate manual prescribes twenty-six different premium charges, each charge being designated by a letter of the alphabet for the sake of convenience. These premiums are computed at 2 per cent. of the original list price of the car, with equipment, except that the minimum charge is \$28 and the maximum \$200. Lloyds rates for this coverage are 5 per cent. less than the stock companies' rates.

OTHER CHARGES.

It will be observed that these are flat premium charges, the practice being to charge the same premium every year, regardless of the amount of the policy. At first glance this rule may appear to be inconsistent, but it must be remembered that the par-

tial loss liability increases with age and thus offsets any advantage that the insurers might have by reason of a diminishing total loss liability. In the event of a partial collision loss to an old car, it is difficult, in many instances, to secure depreciation, and quite impossible for the adjuster to determine the value of the parts destroyed by the accident; therefore, the assured receives the benefit of the doubt by having the damaged or destroyed parts replaced by new parts, the same as would have to be done if the car were new. Consequently, there is an element of fairness in charging the same premium for this risk every year as long as the car is considered insurable.

The liability and automobile companies write collision on livery cars not equipped with taximeters at an additional premium of 20 per cent. of the private car rates, and charge on taxicabs a flat rate of 4 per cent. of original list price plus cost of extra equipment. In other words, taxicabs take twice the rate for private cars.

On commercial and demonstrating cars all companies charge, for collision, 2-2½ per cent. of total original cost, and on purely commercial cars Lloyds have a differential of 5 per cent.

All companies charge flat premiums for property damage or third party liability. These premiums range from \$10 to \$26.50 on all gasoline cars, unless used for demonstrating, commercial or livery purposes, in which case the charge is 40 per cent. of the premium charged for liability insurance on such cars. Each one of these different premiums pays for \$1,000 property damage only, and these premiums are all based on the horsepower.

Every electric car takes a premium of \$7.50 for this coverage.

Lloyds shade all property damage premiums 5 per cent., but do not limit liability to \$1,000, as is the practice of the companies.

RATES SHOULD BE SIMPLIFIED.

I believe the existing method of rating motor cars can and will be materially simplified. At present it is altogether too cumbersome and unintelligible for practical use. I believe the minute classification of cars by list prices can easily be condensed into at least three classes, to be known as A, B and C, without impairing the tariff as a revenue producer.

An additional rate could be charged for collision based on original cost price, and the charge for property damage should be based on the weight of the car, and not the horsepower. The extent of third party damage depends very largely upon the ability of the colliding car to damage the thing collided with. A heavy car coming in contact with a light car is quite likely to damage the latter to a greater extent than would be possible if the impact were caused by a light body. On this theory the more a car weighs, the higher the rate thereon should be for property damage insurance.

What we need to know in this business more than anything else is the combined experience, for several years, of all the companies and of Lloyds, with the perils insured against. A universal classification system of premiums and losses should be adopted and the business classified back as far as possible. The results could be furnished to disinterested parties, and they, in turn, could supply compiled statistics to a committee of automobile underwriters, who would then be in a position to intelligently formulate a schedule of rates that would have some merit, which