

## SUING MEMBERS OF AUTO RECIPROCAL

Several hundred policyholders in the Illinois Automobile Insurance Exchange of Bloomington, Ill., a reciprocal specializing in the writing of automobile business, are facing court suits for damages, based on prorated shares of their policies, as a result of a judgment obtained recently in the East St. Louis, Ill., city court, by Edward C. Zulley, an attorney. Two judgments have already been returned for Zulley and a number of others are pending.

### *Low Rates Tempting*

Automobile reciprocal exchanges have been doing an enormous business recently. They have attracted the attention of policyholders, because of low rates. Automobile owners have been tempted to place their business in reciprocals because of the comparatively small premium charge. Buyers of reciprocal insurance have given little thought to what might happen in the event of a loss, but have contented themselves with the thought that they were "protected." In this latest case, policyholders see some of the difficulties that may confront them if a claim is disputed by the institution.

### *Concern Resists Payment*

Mr. Zulley insured his roadster in the Illinois Automobile Insurance Exchange last year, and it was later destroyed by fire. The company declined to pay the loss, and Mr. Zulley entered suit for \$1,500 damages. Counsel for the company declared it was not a corporation, that it could not be sued as an exchange, and that judgment, therefore, could not be entered against it. The names of a number of policyholders were presented, and Mr. Zulley amended his petition to include Ike Cohen of East St. Louis, Ill., holder of a policy for \$360.

### *All Policyholders Liable*

The court rendered judgment for \$1,370.83 for Zulley, and in the ruling it was specified that the policyholders were liable for the total amount of damages and that the amount for each was to be prorated on the face value of his policy. This rate was established at 25 cents on each \$100 insurance carried. It could not be determined definitely just how many policyholders are effected, but computing the judgment and the prorate it is seen that suits will have to be brought against policies aggregating \$508,000. On the basis of 25 cents for each \$100 insurance carried, the first judgment was entered against Cohen of East St. Louis for 91 cents. Following this action, Mr. Zulley entered suit against Judge E. C. Kramer of East St. Louis, holder of the policy for \$1,640, in which a judgment for \$4.10 was entered. At this rate it will take Mr. Zulley a long time to collect the face of his policy and probably involve expense in excess of the amount insured.

### *Few Care to Sue*

Suits of this kind are rare, for the reason that policyholders are easily discouraged at the prospect of several hundred suits and the payment of numerous attorneys' fees. When a reciprocal exchange resists payment and offers the claimant the option of suing all of the policyholders on the books, the assured is apt to give it up as a bad job. It would be cheaper to simply forget about the claim, because the amount that will finally be recovered will not compensate for the time and expense involved in filing suits.

Policyholders generally do not really understand what reciprocal insurance is. They know that it is cheap, and in most cases the concerns are managed by men fairly well known in the community and enjoying good reputations. This combination seems to satisfy most policyholders. The reciprocal insurance system is not investigated. This case might well be cited by agents who are feeling the pressure of the activities of the reciprocals writing automobile business.

### *Double Liability Assumed*

Policyholders should know clearly what may happen to the purchaser of reciprocal insurance. Once he pays his premium, he is practically at the mercy of the attorney-in-fact. If the individual in active charge of the concern feels inclined to honor the claim, he makes payment, but if not, declines to pay the loss and offers the policyholder the alternative of suing several hundred policy holders in several hundred cities.

Most claimants will not even attempt this. On the other hand, when the automobile owner becomes a policyholder in a reciprocal exchange he takes on a liability never contemplated at the time the insurance was purchased. If a disgruntled policyholder sues and secures judgment, as in the case outlined, all policyholders may be called upon to pay their pro rata share of the claim. Thus the policyholder in a reciprocal exchange does not know when he may be called upon to defend a suit. When he purchases a policy he is associating himself with hundreds of policyholders whose character, whereabouts, and number are unknown to him.

### NATIONAL UNDERWRITERS

#### **Association of Life Insurance Presidents**

At the May meeting of the Executive Committee of the Association of Life Insurance Presidents the Confederation Life Association and The Imperial Life Assurance Company, both of Toronto, Ont., Canada, were admitted to membership by a unanimous vote.

Including these two new members, the total membership of the Association is forty-four, comprising thirty-seven United States companies and seven Canadian companies.