THE EVOLUTION AND PRESENT STATUS OF
ACCIDENT AND HEALTH INSURANCE
IN THE UNITED STATES

APPROVED:

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THE EVOLUTION AND PRESENT STATUS OF
ACCIDENT AND HEALTH INSURANCE
IN THE UNITED STATES

THESIS

Presented to the Graduate Council of the North
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Fulfillment of the Requirements

For the Degree of

MASTER OF SCIENCE

By

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Abbott, Texas

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CHAPTER I

INTRODUCTION

Statement of Problem

The purpose of this study will be to determine the evolution and present form of accident and health insurance in the United States.

Scope of the Problem

The history of accident and health insurance in the United States began in February, 1850. In general, this thesis involves a study of accident and health insurance from 1850 to 1940. The specific scope of the problem includes a study of what disability insurance is, how it operates, and how it covers the various ways of indemnifying financial loss due to disability. Special study will be given to the issuing of commercial accident and health policies in the United States. Since this work could take great proportions if it were extended to every phase and type of accident and health insurance, it will be confined chiefly to a study of the so-called commercial accident and health insurance, with some consideration of non-cancellable accident and health insurance, double indemnity and disability with life insurance, and group accident and health insurance.
Sources of the Data

Data for this study were collected from documentary sources, including published books, pamphlets, and magazine articles, and from personal interviews with the actuary in the State Insurance Department, Austin, Texas, with various presidents of accident and health insurance companies, and with local insurance agents.

Proposed Treatment of the Data

A conscious effort has been made to assimilate the data in such a way as to present a logical and chronological view of the subject in order to determine the evolution and the present status of accident and health insurance in the United States.

This study is organized into five chapters: Chapter I presents the problem, tells how the data were secured, and gives a definite statement of the treatment of the data.

Chapter II gives a comprehensive review of the early history and the present condition of accident and health insurance in the United States and the functions of that type of insurance are discussed.

Chapter III is devoted to a thorough analysis of two policies: (1) a specimen copy of Form T, Accident Policy issued by the Connecticut General Life Insurance Company,
Hartford, Connecticut, which provides for indemnity for loss of life, limb, sight or time and other specified losses caused by bodily injuries effected through accidental means, to the extent provided in the policy, and (2) specimen copy of Form B-3C, Health Policy issued by Connecticut General Life Insurance Company, Hartford, Connecticut, which provides indemnity for loss of time and other specified losses caused by disease, to the extent provided in the policy. These are representative of policies in the field of accident and health insurance. Other types of coverage are discussed in a brief manner.

Chapter IV deals with the legal aspects and the governmental regulations imposed upon those who issue accident and health policies within the states of the United States.

Chapter V presents the conclusions drawn concerning the present and the future status of accident and health insurance in the United States.
Definitions

For the sake of clarity, it is well to define some of the terms used in this study.

1. Accident insurance may be defined in general terms as that form of insurance which has for its purpose the indemnification of an individual or his beneficiary for the financial loss caused by accidental bodily injuries to himself.

2. Health insurance may be defined as that form of insurance which has for its purpose the indemnification of an individual for the financial loss caused by his sickness. Health insurance does not attempt to insure against the financial loss due to death by disease, which is the province of life insurance, but only to indemnify for the loss of earnings during disability and for the medical expense caused by disease.

3. A contract of accident insurance or health insurance is essentially a contract of indemnity, and in this respect differs radically from a life insurance contract. While there are certain provisions which do not qualify strictly as indemnity, the policy insures against various losses rather than against injury or sickness as such.

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1Laurence B. Soper, Accident and Health Insurance, p. 5.
2Ibid.
3Ibid.
The accident and health policy takes many forms and we might divide the coverage into many distinct classes, but the principles behind the policy are founded on the same basis, protection of income against accident and illness. We will consider throughout this thesis only the commercial form with some consideration of non-cancellable accident and health insurance, double indemnity and disability with life insurance, and group accident and sickness insurance. Since the workmen's compensation insurance contract covers an extensive field, it will be entirely excluded from this study.

4. Regular commercial is the form of accident and health insurance which is sold most often to business and professional risks (seldom to the hazardous occupations) and the premium payments are usually on an annual basis.

5. Non-cancellable accident and health contract is the type of policy that generally provides for both accident and sickness coverage and is sold usually to professional or business men on either a quarterly or annual premium basis. Its distinctive feature is the fact that the policy may not be cancelled or terminated except at some designated older age by the insurer. It is usually issued with waiting or elimination periods.

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4Harold B. Gordon, The Institution of Accident and Health Insurance, p. 4.

5Ibid.
6. **Double indemnity and disability benefits** are often issued in combination with life insurance policies. Frequently life insurance companies have accident and health departments.

7. The contract by which accident and health benefits are issued to a number of people under one cover is called **group disability insurance**.

8. Familiar to every American who travels by railroad are the **ticket policies** which are individual policies, usually full coverage, issued for twenty-four hours or longer periods of time. These policies are available now at depots, airports, and other places of departure by common carriers.

9. Since 1925, a popular and well advertised form of accident coverage has been the **newspaper policy**. This is a small premium policy featured by newspapers in connection with subscriptions or otherwise although the policies are issued through licensed agents. Today, this policy coverage has been broadened and the premium increased so as to provide small benefits for all types of accidents.

10. During the past three or four years the **hospital and medical care policies** which reimburse for hospital

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6Laurence B. Soper, *Study of Accident and Health Insurance*, p. 6.

7Harold B. Gordon, *The Institution of Accident and Health Insurance*, p. 5.

8Ibid.

9Ibid.
and medical care have achieved a rather surprisingly large sales volume. Considerable revision has been made necessary recently in hospital coverage due to the selection against 10 the company in this particular type of insurance.

10Ibid.
CHAPTER II

THE HISTORY OF ACCIDENT AND HEALTH INSURANCE

IN THE UNITED STATES

The year 1850 saw the organization of what appears to be the earliest accident insurance company in the United States. Early in February, 1850, Sherman Leland and H. A. S. Dearborn, prominent citizens of Roxbury, Massachusetts, secured a charter for their Franklin Health Assurance Company of Massachusetts. This group is believed to have been the first company to write accident insurance in this country. The company was capitalized at $50,000. Like all early accident policies, the company's contract followed the ticket form, granting a very restricted coverage.

There follows a copy of the policy:

Franklin Health Assurance Company of Massachusetts

Capital $50,000

Especially empowered to insure against accidents.

This policy of insurance witnesseth that in consideration of fifteen cents paid therefor, The Franklin Health Assurance Company do assure the party whose name, with the time of purchase and delivery, is endorsed hereon, for the term of twenty-fours from and after the date as endorsed, and promise to pay to the said party the sum of two hundred

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1 Edwin J. Faulkner, Accident and Health Insurance, p. 5.
dollars provided the said party shall, during the continuance of this policy, receive any bodily injury by consequence of an accident by railway or steam boat and thereby be detained for the term of ten days; or if by such accident caused by railway or steam boat, the said party shall be totally disabled from attending to any business for the term of two months next succeeding such accident and injury, this company hereby agrees and promises to pay, in lieu of the above named sum, the sum of four hundred dollars, payment to be made within thirty days after notice and proof are given to the company.

(signed) Stephen Bates, Secretary

It was not until the founding of the Travelers Insurance Company of Hartford, in 1863, that the business was instituted on a basis at all resembling its present form. While traveling in England from Leamington to Liverpool, James C. Batterson, of Hartford, purchased an accident insurance ticket issued by the Railway Passengers' Assurance Corporation to cover him on his journey. His curiosity was aroused by the ticket policy, and before returning to the United States, he paid a visit to the Railway Passengers' offices in London. He secured considerable information relative to the development in England; he consulted an eminent actuary concerning the

3Edwin J. Faulkner, Accident and Health Insurance, pp. 5-6.
June, 1864, to include accidents of every description. The minimum capital authorized by the Travelers charter was $100,000, and this was divided into 1,000 shares of $100 par value each. The first contract of the Travelers was a verbal one between the company and one James Bolter, covering him while he walked from the Hartford Post Office to his home on Buckingham Street. The premium for this coverage was 2 cents. The first printed policy was issued April 1, 1864, to Batterson to cover travel only; the first general accident policy, dated July 1, 1864, was also issued to him.

In spite of the fact that they were launching an entirely new line of underwriting in a country racked by civil war, the officers of the Travelers managed so well that in its first eight months the company received a premium income of $49,000, having issued 2,880 policies. From 1864 to 1874, there occurred a series of disasters which served to fasten the public eye on accident insurance. In 1864, there were over 140 railway accidents with 404 people killed and 1,846 injured. In the four years ending January 1, 1872, there were 526 steamship disasters in American waters which cost 1,437 lives. Those were the days of spectacular fights for control of railway properties and bitter rivalries in river and ocean navigation.

\[\textit{Ibid.}, \text{ pp. 6-7.}\]
These accidents cost the insurance companies a great deal of money, but the publicity incident to the disasters served to give them their first great impetus. It is said that the claim cost of these disasters nearly bankrupted the companies, but the foresight of the officers in borrowing to pay the claims and in capitalizing on the publicity pulled them through. Tribulations of this kind were common to the pioneers. 

Competition in accident insurance rapidly became so intense that some remedial action was necessary. To pave the way for combination, the officers of the Travelers Insurance Company secured a charter in May, 1865, for the Railway Passengers' Assurance Company of Hartford. Early in 1866, a consolidation of the ticket business of 10 leading underwriters was effected. Of 70 companies organized between 1865 and 1869, not a single American rival was left in 1871. The Travelers reinsured the Hartford Accident Insurance Company in 1876.

Between 1870 and 1890 accident writers began to meet the great problems which had to be solved if the business was to survive. Many restrictions were pushed into the accident policies. Many fraternal associations,

\[\text{\textsuperscript{5}}\text{Ibid.}\quad \text{\textsuperscript{6}}\text{Ibid., pp. 8-9.}\]
assessment mutuals, and industrial accident companies were promoted during this period, but failure was their inevitable fate. Others were organized by unscrupulous individuals whose sharp practice in claim settlement brought the entire business into disrepute. Another stumbling block in the path of the pioneers was the discriminatory legislation passed in some states. Out-of-the-state companies were forced to pay heavy license fees. In 1876 the Knickerbocker Casualty Company was organized, but in 1883, it was renamed the Fidelity and Casualty Company of New York under which title it still operates. The oldest fraternal group, the Iowa State Traveling Men's Association, was founded in 1880 and still carries on successful business. Another pioneer, the Massachusetts Mutual Accident Association, was founded in 1883 on the mutual-assessment plan. This association was later reorganized as a stock company, the Massachusetts Mutual Accident Company, and continued until its career was brought to a close by reinsurance in 1940. One of the earliest purely mutual companies which has continued to operate on the mutual basis, the Woodmen Accident Company, began business in 1890. In 1891, the Aetna Life Insurance Company of Hartford sensed the growing importance of accident insurance and organized an accident department. On December 31, 1899, after a decade of growth, the accident insurance business was carried on by 47
companies with some 463,000 policies in force. By 1912 such companies as the Connecticut General Life Insurance Company set up an accident department, and the Metropolitan Life Insurance Company was a notable entry in 1921.

The first recorded instance of the meeting of accident and health insurance men in the United States for the purpose of mutual interchange of ideas and the discussion of common problems was in 1891 when the managers of the accident mutuals met in Minneapolis as the Accident Section of the Association of Mutual Life Insurance Companies. In December of that year, at Niagara Falls, the International Association of Accident Underwriters was formed. In 1895, the association acquired the services of William DeM. Hooper as paid secretary to maintain a bureau for the interchange of information and statistics. From this humble beginning, the well-known Hooper-Holmes Bureau grew. As late as 1901, only mutual companies composed the membership of the International. Due to persuasive influence the stock companies began to join the group, and from that day on, the stock companies dominated the association.

The years of business recession which began in the fall of 1929 had their effect on the accident insurance business, subjecting it to the severest strain in its history.

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7 Ibid., pp. 10-11. 8 Ibid., pp. 19-20.
Thousands of policyholders were forced to reduce their accident insurance protection or drop it altogether. Loss ratios skyrocketed as the companies felt the pinch of falling premium incomes, lessened production of new business, and rising claim costs. By 1932 losses had increased tremendously, and the trials of the early nineteen thirties were not without reward. From sheer necessity, the companies began to cooperate more closely than ever before.

In July, 1904, a convention was held in Portland, Maine, at which time a committee was appointed to devise a standard classification manual. Its work was so effective and was carried on so well that since 1904 nearly all companies in the United States have used the manual, or the modification of it developed by the Health and Accident Underwriters Conference, as a basis of their insurance underwriting.

In 1911, the International amalgamated with the Board of Casualty and Surety Underwriters, a group dating from 1904, to become the International Association of Casualty and Surety Underwriters. The new group was composed of men interested in all lines of casualty insurance. Sections of the organization devoted their attention to each line of insurance. It soon developed that accident and health insurance interests were not

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10 Ibid., p. 20.
prospering under the sectional organization. Therefore, a separate group, the Bureau of Personal Accident and Health Underwriters, was set up by the parent association. The Bureau is one of the most active organizations today and, with its 40 members or more, has had a distinguished part in molding the recent development of the field.

In 1914, the Health and Accident Underwriters Conference was organized. During 1917-1918, compulsory health insurance bills were introduced in several states. The Conference organized a 5-year campaign to present the case against compulsory health insurance with the result that no bill providing such insurance was enacted into the law. The membership of the Conference now includes more than 95 stock and mutual companies, fraternal societies, and commercial traveling men’s associations. The Conference assists in framing correc-
tive laws, developing uniform phraseology, compiling a standard classification manual, and working out a plan for accumulating statistics of experience.

The depression focused the attention of the public to a greater degree than ever before upon the costs of medical care. Hospitalization groups began to spring up to provide their members with hospital service for a nominal fee. A large number of companies introduced complete medical-reimbursement coverage in their accident

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policies. Mistakes which now seem incomprehensible were made, and failures were numerous.

In 1937 this statement was made in an article published by the Travelers Insurance Company of Hartford, Connecticut:

Accident and health insurance has come through much in the last fifty years. Beginning with no guides or data, for long necessarily conducted by men of little or no experience in it, often facing the unknown and seemingly unknowable, its course was a long one of experimentation, trial and error, correction and trying some more. Perhaps there was too much experimentation.... ... but, today we know where we have been and where we are going.

As in accident insurance, the business of health insurance protection in the United States dates from 1847. The first company which was organized to write health insurance was the Massachusetts Health Insurance Company of Boston, incorporated April 21, 1847. Other companies which were organized in rapid succession to write health insurance included the Health Insurance Company of Philadelphia County, the Eagle Life and Health Insurance Company of Jersey City, and the Essex County Insurance Company of Massachusetts. Like many of the early accident companies, these organizations were poorly managed and inadequately financed, and almost without exception, failure was their fate. The substantial growth of health insurance began with the entry of the accident companies into the field in 1897, although it is true that some

companies were writing the cover successfully before that date. In 1891, the Fidelity and Casualty Company of New York led the stock accident companies into health insurance. The first policy was an experiment, conservatively undertaken. However, once the Fidelity and Casualty had taken the step, the Aetna Life Insurance Company and the Travelers Insurance Company offered two health contracts. One was a limited policy like the original Fidelity and Casualty cover. The other was a general health policy indemnifying the insured against loss due to temporary total disability occasioned by all diseases except tuberculosis, venereal disease, insanity, or disabilities due to alcohol or narcotics. From 1900 to 1929 little notable change took place in health insurance coverage except for the introduction of the noncancellable form. The depression period beginning in 1929 took an even greater toll on sickness insurance than on accident lines because of the greater moral hazard involved. Health insurance has been the child of the accident companies. Very few organizations now exist for the sale of health insurance alone. Most of the health insurance carriers are in some way affiliated with the accident insurance business.

Accident and health insurance is sold by more than 225 different companies, associations, and societies in

the United States, and their size and strength vary from smaller institutions having but a few thousand dollars of income to gigantic institutions insuring millions of people and with tremendous premium volume. Of these, about two-thirds operate on the stock company plan, whereas the others are mutual companies, assessment associations, or fraternal societies. These organizations run the whole gamut of size and strength from companies with less than $2,000 in admitted assets and with a few hundred members to gigantic concerns with billions of dollars of assets and many thousands of policies in force. In 1938, the premium volume of the different insurers ranged from less than $1,000 to $18,260,000, the amount of accident and health premiums reported by the Metropolitan Life Insurance Company. Forty-eight companies wrote over $1,000,000 in premiums each and twenty-one companies over $2,000,000.

The table below gives a fairly complete compilation of premium and losses for the 3-year period 1934-1939.

### TABLE 1

**PREMIUM LOSSES FOR 3-YEAR PERIOD 1934-1939**

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium Written</th>
<th>Losses Paid</th>
<th>Loss Ratio, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1934</td>
<td>$164,653,000</td>
<td>$95,167,000</td>
<td>57.79</td>
</tr>
<tr>
<td>1935</td>
<td>174,601,000</td>
<td>99,423,000</td>
<td>56.94</td>
</tr>
<tr>
<td>1936</td>
<td>191,961,000</td>
<td>103,478,000</td>
<td>53.90</td>
</tr>
<tr>
<td>1937</td>
<td>214,024,000</td>
<td>107,580,000</td>
<td>50.26</td>
</tr>
<tr>
<td>1938</td>
<td>222,906,000</td>
<td>115,295,000</td>
<td>51.72</td>
</tr>
<tr>
<td>1939</td>
<td>240,000,000</td>
<td>124,800,000</td>
<td>52.00</td>
</tr>
</tbody>
</table>

16 Ibid.
At one time in the United States, between 2 and 3 per cent of the population are disabled by sickness alone. This means that over 3,000,000 people are sick in our country at all times. Four hundred out of every 1,000 people in the country suffer from some sickness every year. In 1936, there were 10,911,000 separate accidents in the United States. These accidents represented 111,000 deaths, 400,000 permanently disabling injuries, and 10,300,000 temporarily disabling injuries. Sixty-eight persons meet with an accident or become ill every 1 hour; 1 out of 7 is killed or injured every year.

In 1936, of the 111,000 reported accidental deaths, 39,000 occurred in the home, 38,500 were motor-vehicle accidents, 18,000 were occupational accidents, and 19,000 resulted from accidents not involving vehicles. Besides the toll of deaths, no less than 10,700,000 persons were injured more or less severely.

It has been estimated that each person in the United States is disabled on the average 11 days per year. Approximately 7 days of disability were thought to be due to sickness and 4 days to accident.

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17 Edwin J. Faulkner, Accident and Health Insurance, pp. 24-25.


The following table taken from Accident Facts, 1941 edition, shows accidental deaths and death rates in the United States, by principal types, from 1913 to 1940.

### TABLE 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Motor Vehicle</th>
<th>Falls</th>
<th>All Burns</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>DEATHS</td>
</tr>
<tr>
<td>1913</td>
<td>82,460</td>
<td>4,227</td>
<td>14,581</td>
<td>9,983</td>
</tr>
<tr>
<td>1918</td>
<td>85,149</td>
<td>10,723</td>
<td>13,156</td>
<td>10,265</td>
</tr>
<tr>
<td>1923</td>
<td>84,403</td>
<td>16,394</td>
<td>14,114</td>
<td>9,063</td>
</tr>
<tr>
<td>1928</td>
<td>95,043</td>
<td>27,396</td>
<td>16,911</td>
<td>8,482</td>
</tr>
<tr>
<td>1930</td>
<td>92,147</td>
<td>32,929</td>
<td>20,821</td>
<td>8,852</td>
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<tr>
<td>1933</td>
<td>90,922</td>
<td>31,363</td>
<td>21,746</td>
<td>7,241</td>
</tr>
<tr>
<td>1938</td>
<td>93,805</td>
<td>32,582</td>
<td>25,454</td>
<td>7,145</td>
</tr>
<tr>
<td>1939</td>
<td>92,623</td>
<td>32,396</td>
<td>25,600</td>
<td>7,300</td>
</tr>
<tr>
<td>1940</td>
<td>96,500</td>
<td>34,500</td>
<td>25,600</td>
<td>7,900</td>
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</table>

DEATH RATES per 100,000 Population

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Motor Vehicle</th>
<th>Falls</th>
<th>All Burns</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913</td>
<td>85.6</td>
<td>4.4</td>
<td>15.4</td>
<td>9.3</td>
</tr>
<tr>
<td>1918</td>
<td>82.5</td>
<td>10.4</td>
<td>12.7</td>
<td>9.9</td>
</tr>
<tr>
<td>1922</td>
<td>75.5</td>
<td>16.9</td>
<td>12.7</td>
<td>8.1</td>
</tr>
<tr>
<td>1928</td>
<td>79.3</td>
<td>23.2</td>
<td>14.1</td>
<td>7.1</td>
</tr>
<tr>
<td>1930</td>
<td>80.6</td>
<td>26.8</td>
<td>16.9</td>
<td>7.2</td>
</tr>
<tr>
<td>1933</td>
<td>72.6</td>
<td>24.9</td>
<td>17.3</td>
<td>5.3</td>
</tr>
<tr>
<td>1938</td>
<td>72.1</td>
<td>25.0</td>
<td>19.6</td>
<td>5.5</td>
</tr>
<tr>
<td>1939</td>
<td>70.7</td>
<td>24.7</td>
<td>19.5</td>
<td>5.6</td>
</tr>
<tr>
<td>1940</td>
<td>72.2</td>
<td>26.2</td>
<td>19.4</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Source: Calculated from United States Census Bureau data, except for 1939 and 1940. The 1939 totals of all accidental deaths, motor vehicle deaths and railroad deaths are Census Bureau totals. Other 1939 figures are National Safety Council estimates based on Census Bureau estimates.

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The table, beginning on page 20 and continuing on page 21, shows the accidental deaths and death rates that have occurred most frequently in the United States, by principal types, from 1913 to 1940. The tables are calculated from the United States Census Bureau data.

Accident and health insurance has reached its present status as a result of the staunch foresight and initiative
of its founders and of the courage and brains, the trials and errors, the successes and failures of the many thousands of persons who have had some part in the development of the business, and as a result of the changing economic, social, and industrial conditions which have made and which will continue to make changes necessary if the business is to be conducted in such a way that it fulfills its purpose and measures up to its great responsibilities and opportunities.

The business of accident and health insurance may be said to be approaching maturity, but it has not reached and will not reach Utopian state where it may be considered as in perfect and final form. The basis of all successful insurance undertakings, and that which distinguishes them from pure gambling ventures, is experience. In a broad sense, "experience" may be considered as including the developments that have led up to the present policy language and coverage, the great mass of legal decisions, and the reasons for all of the practices which make up the business of accident and health insurance. In other words, the "experience" on which the insurance is based is the history of the business.

21Laurence B. Soper, Accident and Health Insurance, p. 14.
CHAPTER III

COMMERCIAL POLICY CONTRACT

Accident

Although the application does not come first in the physical arrangement of most contracts and only becomes a part of the contract after the risk is accepted, it will be discussed first, since it is the basis of the contract. For a while during the earlier years of the twentieth century, the companies attempted to dispense with the formal application, but the evils of inaccuracy and twisting made a return to the former practice seem desirable. Impetus was given to the use of a formal application by the enactment of the Standard Provision laws which provide, among other things, that the policy and attached or endorsed papers, if any, constitute the entire contract of insurance.

In accident and health insurance it is the custom to secure a full and accurate description of the risk over the applicant's signature. The application is a proposal for insurance by the applicant to the company. Until accepted, no liability inures to the company. Formerly, the statements in the application were construed as warranties, and the applicant was held strictly accountable

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1Edwin J. Faulkner, Accident and Health Insurance, p. 52.
for their literal accuracy. This practice led to a good deal of abuse in the settlement of claims, so many states enacted laws providing that the applicant's answers were simply representations and that the policy would be void only if false statements in the application were made with intent to deceive or materially affect either the acceptance of the risk or the hazard assumed.  

The first section of the application deals with the identification and description of the insured. Full name, age, date and place of birth, height, weight, sex, and color are all asked for. This information is required both because it is necessary to the underwriting of the risk and because it is a means of preventing confusion between insureds with the same or similar names. The occupation, the employer, if any, and an exact description of the applicant's duties are next asked for. This information is used in assigning the proper occupational classification and in checking at the time of claim settlement. Usually, information concerning the beneficiary is next in order. The full name, address, and relationship are required. Ordinarily, a contingent beneficiary is not named since the right to change and successively change beneficiaries is reserved to the insured by Standard Provision 12.

\[\text{Ibid.}\]  
\[\text{Ibid., p. 53.}\]
A section of the application is devoted to the previous insurance history of the applicant. A description of existing accident and health contracts, contracts previously held but no longer in force, and any claims paid for disability is requested. Some companies have given particular attention to life insurance disability benefits and workmen's compensation to hedge against over insurance. Companies have inserted questions in the application inquiring as to the amount of such benefits to which the applicant would be entitled in the event of disability. The company is also interested in any adverse actions which other insurance companies have taken relative to granting or continuing coverage on the insured. A statement of the average weekly earnings or to the effect that the earnings exceed all insurance applicable to the risk is required in order to check for overinsurance.

A large portion of the application is concerned with the physical risk and medical history of the applicant. He is asked if he has any special journey or hazardous undertaking planned, if he engages in aeronautics or motorcycling. Some companies insert a question as to whether he drives an automobile.

The applicant is questioned as to his habits, any family history of insanity or tuberculosis, his sight and hearing, and he is asked if he has ever suffered from hernia, epilepsy,

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4Ibid. 5Ibid., p. 56.
syphilis, vertigo, diabetes, mental disorders, or disease of
the heart, brain, nervous system, tonsils, nose, or throat.
A record of medical attention received in the 2, 3, or 5
years preceding the date of application is commonly called
for as well as a statement of the applicant's current physical
condition.

The final section of the application is usually devoted
to the executory agreements. These secure the applicant's
assent that the insurance shall be subject to the policy
provisions, that the contract is not effective until the
application is approved and the policy issued or until the
premium has been paid, and that the falsity of any repre-
sentation shall bar recovery. The date and signatures of
the applicant and agent complete the proposal.

Some applications are more complex than the one out-
lined, some less so. The above, however, represents the
usual practice. It should be filled out by the insured, or
in his presence by the agent, and signed by him.

Upon acceptance by the company, a copy of the application
is specifically made a part of the contract. Either a
photostatic copy is attached or a duplicate of the application
is written into the policy. Usually the copy is appended at
the end of the document although at least one company
incorporates the application in the face of the contract.

6Ibid. 7Ibid. 8Ibid.
No agent or officer has the power to alter the application in any way without the written consent of the applicant.  

An accident policy contains two general types of information, that printed which applies to all policies of that form, and that typewritten which describes the individual policy.

The following is an analysis of a typical accident policy which provides for loss of life, limb, sight, or time and other specified losses caused by bodily injuries affected through accidental means, to the extent provided in the contract. In many policies the arrangement, language, benefits, and provisions will differ, but the construction will be practically the same.

Starting with the face, the individual policy after the words "Hereby Insures" contains:

(a) Name of the insured.

(b) Amount of the policy.

1. Principal sum (amount payable in event of death).

2. Weekly indemnity (amount payable for loss of time).

3. Limit under Part V (amount payable for expenses).

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9Ibid.

10Ibid.

(c) Premium (amount to be paid by the insured).

(d) Classification (rates to be charged, based on occupation, and obtained from the Classification Manual).

(e) Occupation (basis of the classification and premium).

(f) Residence (identification).

(g) Term and date (length of time the coverage includes). The term is usually twelve, six, or three months. At the expiration of the term shown, the policy terminates, but the protection may be continued by the mutual agreement of the company and the insured. This is accomplished by the issuance of a renewal receipt by the company, and its acceptance by the insured as signified by his paying the premium for an additional term.

The next provision in the policy is the Consideration Clause. A promise to do certain things in the future is not binding unless there is some valuable consideration for its making. The consideration for the protection furnished by the company under an accident policy is the application of the insured, a copy of which is endorsed on the policy.

We next come to the Insuring Clause, one of the most important clauses in the policy. This clause states under what conditions the company is liable.

1. An accident policy is a contract of indemnity. Unless the insured suffers some loss defined in the policy, there can be no recovery. Injuries as such are not insured

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12 Laurence B. Soper, Study of Accident and Health Insurance, p. 17.

13 Ibid.
against. Hence, no matter how severe the injuries may be, if they result only in pain or inconvenience, there is no liability on the part of the company.

2. Loss must result directly and independently of all other causes. If some disease, bodily or mental infirmity, or abnormality exists at the time the injury is received, and this condition is a contributing cause in bringing about a certain loss, the loss does not result, independently of all other causes. For example, a slight injury may result fatally to a person with an impaired heart, but be no consequence to a person in normal condition.

3. Loss must result from bodily injuries effected solely through accidental means. The term "accidental means" is used by most accident companies to define the "Accident." The term "accidental means" has come to have the established meaning that "_________ if in the act which precedes the injury something unforeseen, unexpected, unusual occurs which produces the injury, then the injury has resulted from "accidental means."

4. Injuries must occur during the term of the policy.

5. The insurance is subject to the provisions and limitations which follow. It is necessary to see what this refers to in order to know what the coverage is.

Under full coverage policy, payment is made for the following benefit items:

1. Loss of life.

2. Loss of limbs or sight.
3. Loss of time.
4. Expenses.
5. Identification.

In some policies, one or more of these benefits is omitted. Such policies do not furnish full coverage, but they have an important part in completing an insurance program, and enable an agent to sell just the coverage needed at a minimum cost.

Part I

Death, Dismemberment, and Loss of Sight—

Single Indemnity

If such injuries shall cause continuous total disability, as defined in Part II, commencing within twenty days from date of accident, and during the period of such continuous disability but within two hundred weeks from the date of accident shall result directly and independently of all other causes in any one of the losses enumerated in this part, or within ninety days from the date of accident, irrespective of total disability, shall result in like manner in any one of such losses, the company will pay the sum set opposite such loss and in addition weekly indemnity as provided in Part II to the date of death, dismemberment, or loss of sight; but only one of the amounts so specified and such additional weekly indemnity will be paid for injuries resulting from one accident.

For Loss of Life ............. The Principal Sum

For Loss of

Both hands or both feet or sight of both eyes............... 200 weeks
One hand and one foot......... 200 weeks
Either hand or foot and sight of one eye............... 200 weeks
Either hand or foot........... 100 weeks
Sight of one eye............. 65 weeks
Thumb and index finger of either hand............... 50 weeks

Ibid.
Or, in the event of the loss of both hands, or of both feet, or of the sight of both eyes, covered as above, if the insured shall so elect in writing within ninety days after date of such loss, the company will pay the weekly indemnity so long as the insured shall live, in lieu of the specific indemnity enumerated in this part.

Loss shall mean with regard to hands and feet, actual severance through or above wrist or ankle joints; with regard to eyes, entire and irrecoverable loss of sight; with regard to thumb and index finger, actual severance through or above metacarpal-phalangeal joints.\(^\text{15}\)

The policy provides a schedule of lump sum payments for certain specific losses. For loss of life, the principal sum is payable. For loss of both hands, both feet, the sight of both eyes, one hand and one foot, or one hand or one foot and sight of one eye, an amount equal to 200 times the weekly indemnity is payable.

Part II

Total and Partial Disability--

Single Indemnity

**Total Disability**

(a) Or, if such injuries, directly and independently of all other causes, shall, within twenty days from the date of accident, wholly and continuously disable the insured and prevent him from performing any and every duty pertaining to his occupation, the company will pay weekly indemnity at the rate hereinafter specified for the period of such continuous total disability, but not exceeding fifty-two consecutive weeks. After the payment of weekly indemnity of the same amount for fifty-two weeks as aforesaid the company will continue the payment of weekly indemnity so long as the insured shall be wholly and continuously disabled by such bodily injuries from engaging in any occupation or employment for wage or profit.\(^\text{16}\)

\(^{15}\)Specimen copy, Accident Policy Number T, issued by the Connecticut General Life Insurance Company, Hartford, Connecticut.

\(^{16}\)Ibid.
If the insured is prevented from performing any and every duty pertaining to his occupation, the company will pay the weekly indemnity for not more than 52 weeks. After the payment of weekly indemnity for 52 weeks, the company will continue to pay weekly indemnity if the insured is wholly unable to engage in any occupation for wage or profit. It may happen that the insured is injured in such a way that he will never be able to perform the duties of his occupation again, but he may take up some new occupation. For instance, a dentist may injure his hand in such a way that he can never again practice his profession, but he can and does take up some new profession such as selling bonds or insurance or real estate. No fair minded person would expect to continue to receive indemnity after he had become established in an occupation yielding a reasonable income.

Partial Disability

(b) Or, if such injuries, directly and independently of all other causes, shall, within twenty days from the date of accident or immediately following a period of total disability covered under Section (a), continuously disable and prevent the insured from performing one or more important daily duties pertaining to his occupation, the company will pay for the period of such disability, but not exceeding twenty-six consecutive weeks, a weekly indemnity of two-fifths of the amount payable for total disability, loss enumerated in Part I, except as therein provided.

No payment of weekly indemnity shall be made in case of an

17 Ibid.
If the insured is prevented from performing one or more important daily duties pertaining to his occupation, the company will pay 40% of the amount payable for total disability for the period of such disability, but not to exceed 26 weeks.

Total disability must commence within 20 days after the date of accident, and partial disability must either commence within 20 days after the date of accident or follow immediately after a period of total disability. In each case disability must be continuous.

Part III

Elective Indemnity

The insured, if so elected in writing within twenty days from the date of accident, may take, in lieu of the weekly indemnity provided in Part II, indemnity in one sum according to the following schedule if the injury is one set forth in said schedule, but not more than one elective indemnity shall be paid for injuries resulting from one accident. 18

Schedule

If the single weekly indemnity for total disability payable under the policy is fifty dollars, the amounts named in the following schedule shall be payable; if such weekly indemnity is greater or less than fifty dollars, the amounts to be paid shall be increased or decreased proportionately. 19

18 Ibid. 19 Ibid.
For Loss by Removal:
Of one or more entire toes.......................... $400.
Of one or more fingers
(at least one entire phalanx)...................... 300.

For complete dislocation of Joints:
Hip......................................................... 600.
Knee (patella excepted)............................. 200.
Bone or bones of foot (other than toe)........... 500.
Ankle..................................................... 300.
Wrist..................................................... 250.
Elbow..................................................... 200.
Shoulder.................................................. 150.
One or more fingers or toes........................ 50.

For complete fracture of Bones:
Skull, both tables...................................... 650.
Thigh (shaft)........................................... 600.
Arm, between elbow and shoulder (shaft)......... 600.
Pelvis..................................................... 500.
Shoulder Blade ........................................ 400.
Leg (shaft).............................................. 400.
Knee Cap.................................................. 400.
Collar bone............................................. 300.
Forearm, between wrist and elbow (shaft)........ 500.
Foot (other than toe).................................. 250.
Hand (other than fingers)........................... 250.
Lower jaw (alveolar).................................. 150.
One or more ribs, fingers or toes.................. 50.

Frequently the insured prefers to make an immediate settlement rather than to wait for his disability to terminate. To cover such cases, the policy contains a schedule of "Optional Indemnities" or "Elective Benefits," as they are termed. The amounts payable for the various injuries enumerated in this schedule have been determined by taking the average period of disability resulting from each of those injuries.

Laurence B. Soper, Study of Accident and Health Insurance, p. 19.
Instead of the weekly indemnity which has already been discussed, many insurance companies provide in the accident policy the "Optional Indemnity" or "Elective Indemnity" which may be paid the insured in case of injury. The insurance company sets up a definite schedule of elective indemnities which the insured may take in lieu of the weekly indemnity for accidental injury. The amount which can be paid to the insured in this manner is generally a lump sum equal to the weekly indemnity which would be paid in the average claim for that particular type of disability. The insured must for that particular type of disability indicate to the company in writing within twenty days (this is the usual time used) of the accident that he wishes to elect the method of lump-sum payment lest the company suffer from an adverse selection. Such schedules of "Optional Indemnity" or "Elective Indemnity" offer very definite advantages to both the insured and the insurance company. To some policyholders, it is much more satisfactory and much more convenient to settle a claim for an ordinary injury by a lump-sum payment in order to meet immediate obligations rather than to settle by a weekly indemnity. Such settlement also relieves the company of detailed investigations which would be necessary to determine the exact duration of disability of the insured.
To avoid adverse selection against the company, this option must be exercised by the insured within 20 days from the date of the accident. If he does not specifically ask for the lump sum settlement, his claim will be settled on the basis of weekly indemnity for the actual period of disability.

Part IV
Double Indemnity

Any amount payable under Parts I, II, or III of this policy shall be doubled if such injuries are sustained by the insured

(1) while a passenger in or upon a public conveyance provided by a common carrier for passenger service (including the platform steps or running board of such conveyance);

(2) while a passenger in an elevator car provided for passenger service only, other than elevator cars in mines; or are caused

(3) by collapse of the outer walls or the burning of a building if the insured is therein at the time of the collapse or commencement of the fire;

(4) by the explosion of a steam boiler;

(5) by a hurricane or tornado; or

(6) by a stroke of lightning.

Ibid.

The company will pay double the amount otherwise payable under Part I, II, or III if injuries are sustained under certain specified conditions. The conditions named are chiefly those involved in traveling. The most important condition and that which is most likely to be of value to the insured is "while the insured is a passenger in or upon a public conveyance provided by a common carrier for passenger service." This includes railway trains, trolley cars, busses, taxicabs, steamboats and other conveyance, provided they are operated "by a common carrier for passenger service." It does not, however, include airplanes and airships, because these are specifically excluded in Additional Provision (B).

This section of the accident policy, providing for double benefits under certain circumstances, has considerable sales value. The public still has a feeling that there is some extra hazard involved in traveling. People who do not carry accident insurance under normal circumstances are often very careful to take out policies before starting on a trip. This is shown by the large amount of accident insurance sold in the form of accident tickets at railroad stations. Another reason that "Double Indemnity" has some sales value is that nearly all of us have some gambling instinct, and we are attracted by the chance of receiving a large sum for a small extra premium.

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23 Laurence B. Soper, Accident and Health Insurance, p. 19.

24 Ibid.
Part V

Hospital, Nurses, Medical, and Surgical Expense

If such injuries, directly and independently of all other causes, shall require within twenty-six weeks from the date of accident, medical or surgical treatment, hospital confinement or the employment of a trained nurse, the company will pay, in addition to any other indemnity to which the insured may be entitled, the actual expense of such treatment, hospital charges and nurses fees, up to an amount not exceeding the limit hereinbefore specified.\(^25\)

This section contains what is commonly referred to as the "Reimbursement Provision." The company agrees to reimburse the insured for all necessary expenses for medical or surgical treatment, or the employment of a trained nurse up to the amount specified in the policy. These expenses must be due to accidental injury as covered in the policy and start within 26 weeks of the date of the accident in order that there may be a direct connection between the accident and the expenses.

This provision in its present form is a comparatively new development in accident insurance and is one of the most important made in recent years. It constitutes one of the major benefits in the policy. The high cost of medical and surgical treatment makes the expense of an injury one of its most serious results, and in many cases the financial loss due to expenses may be even greater than that caused by the loss of time. Nearly all accident policies have some

provision for expenses, but the older type of prevention is complicated and in most cases inadequate. The benefits provided in this section are in addition to any other benefits payable.

In policies which do not contain the "reimbursement" provision, there is usually a provision for increasing the weekly indemnity while the insured is confined in a hospital or necessarily attended by a graduate nurse. The increase in weekly indemnity may be 50% or 100% and may be payable for 10, 15, or 20 weeks. Other policies pay a hospital or nurse allowance of a specified amount per day for a limited period irrespective of the size of the policy. There is usually a "Schedule of Operations" which provides allowances for certain specified operations. The amounts in the schedule vary with the seriousness of the operation, and the amount payable for any operation depends on the size of the policy. There may be other allowances for nondisabling injuries, X-ray examination, operating room, anaesthetist, and many other expenses. Provisions such as these are of some value and do help to reimburse the insured for the expense which almost invariably follows accidental injury. They are not, however, nearly as valuable as the "reimbursement" provision because they are indefinite, and, except in large policies, are usually inadequate. Since there are

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26 Laurence B. Soper, *Study in Accident and Health Insurance*, p. 20.
many policies of this type being sold, and since all policies sold prior to 1930 were of this type, it is an important feature in addition to the "reimbursement" type of policy.

Part VI
Identification

If the insured shall be physically unable to communicate with relatives or friends, the company, upon receipt of a telegram or other message, giving number of this policy will immediately make diligent effort to transmit to them necessary information respecting him, and will defray all expenses to put the insured in their care, provided such expenses shall not exceed the sum of one hundred dollars. 28

This clause is self-explanatory. The company furnishes an identification card which shows the name and address of the insured, the number of his policy, and contains instructions to the effect that if the insured shall be physically unable to communicate with friends, the company, upon receipt of a telegram or other message giving the policy number, will transmit to the relatives or friends of the insured any information concerning him, and defray all expenses necessary to put him in the care of friends, provided such expense shall not exceed the sum of $100.

Standard Provisions

The Standard Provisions are those elements that are required in a policy by state law. In the early days of

27 Ibid.
accident and health insurance every company had a different method of settling claims, different methods of receiving notice, and different rules for handling the business. The burden of the proof was practically on the policyholder to read his policy and be sure that everything was complied with, and it was almost unsafe to take anything for granted without first talking to an attorney.

In the last few decades, however, that has changed and the rules and regulations for the handling of the business are set down by state law, with the consequence that the general procedure for all companies is well known both by agents and policyholders.

The "Standard Provision Law" which became effective in some states in 1911 and in others on January 1, 1914, provides for a uniform phraseology of twenty provisions. A few of these provisions are optional and are, in some cases, omitted from the policy contracts. About 25 states now have Standard Provision laws.

The purpose of the Standard Provisions is to set up simple, fair, and uniform operating conditions for the contract. In order to avoid confusion and assure provisions fair to both the insured and the insurer, the legislatures

29Armand Sommer, Manual of Accident and Health Insurance, p. 44.

30Ibid.

31Laurence B. Soper, Accident and Health Insurance, p. 21.
of the several states, encouraged by the more farsighted leaders of the business, laid down in these laws the manner in which routine procedures common to nearly all policies should be handled.

A short analysis of the Standard Provision laws that apply to most contracts is as follows:

Standard Provision 1 may be included in either of two different forms. The first form is for use in policies which do not provide for a reduction of indemnity on account of change of occupation. The second form is for inclusion in policies which make such reductions. Both forms provide that the policy with attached papers or endorsements, if any, constitute the entire contract. The first form states that no reduction shall be made in any indemnity on account of change of the insured's occupation.

The other or "prorating" form provides that the company shall have the right, in event the insured changes his occupation to one classified by the company as more hazardous than the one stated in the policy, or is injured while performing any act or duty pertaining to any occupation so classified, to pay only such portion of the indemnities provided in the policy as the premium paid would have purchased

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32 Edwin J. Faulkner, Accident and Health Insurance, p. 66.
33 Ibid.
at the rate but within the limits so fixed by the company for such hazardous occupation.

Standard Provision 2 controls changes in the policy. No change shall be valid unless endorsed upon the policy with the approval of an executive officer of the company. Agents may not make such changes. No statement by the applicant unless a part of the application and policy shall void the contract or be used in any legal proceeding thereunder.

Standard Provision 3 limits the effect of reinstatement of the policy after lapse. If the policy is an accident contract only, acceptance of a premium by the company or its duly authorized agent shall reinstate the policy but only to cover injuries sustained thereafter. If the policy is a health contract only, the reinstatement is effective only against such sickness as may begin more than 10 days (in some states, 15 days) after the date of reinstatement. In policies covering both accident and sickness, these two provisions are combined.

Standard Provision 4 states the length of time within which the insured must give notice of claim. Ordinarily, the insured is required to notify the insurer within 20 days of the date of an accident or within 10 days from the inception of disability. In accident policies, the insurer may, at its option, require immediate notice of accidental death.

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34 Laurence B. Soper, Study of Accident and Health Insurance, p. 21.
35 Edwin J. Faulkner, Accident and Health Insurance, p. 87.
36 Th14.
37 Th14.
Standard Provision 5 sets up standards of sufficiency of notice of claim. Any notice given to the insurer's home office or a duly authorized agent with particulars sufficient to identify the insured is deemed sufficient. Failure to give notice within the time required by the policy will not invalidate a claim if it be shown that it was impossible to give notice within the required time and that notice was given as soon as was reasonably possible.

Standard Provision 6 requires the insurer to furnish the policyholder with claim-proof blanks within 15 days after receipt of notice of claim. If such forms are not so furnished, the policyholder is deemed to have complied with the provisions of the policy as to proof of loss if within the time limit fixed by the policy he files with the insurer written proof concerning the occurrence, character, and extent of the loss.

Standard Provision 7 sets a time limit for filing proof claims. Proof must be filed, in case of claim for loss of time, within 90 days after the termination of the period of disability for which the insurer would be liable. Claims other than for loss of time must be filed within 90 days after the date of such loss.

Standard Provision 8 gives the insurer the right to examine the person of the insured when and as often as it

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may reasonably require during the pendency of claim and the right to make an autopsy in case of death, where not forbidden by law.

Standard Provision 9 may be omitted from policies which provide indemnity only for loss of time due to disability. It stipulates that all indemnities other than for loss of time will be paid within 60 days of receipt of proof.

Standard Provision 10 need not be included in policies which do not contain benefits for loss of time. Upon the request of the insured, subject to due proof of loss, the insurer must pay at least 50 per cent of the accrued indemnity every 60 days during the continuance of the period for which it is liable, the balance remaining unpaid at the termination of such period being payable immediately upon receipt of due proof. The percentage of accrued indemnity and the time intervals at which it must be paid vary considerably. In some instances, all accrued benefits must be paid every 30 days.

Standard Provision 11 designates to whom the indemnities shall be paid. Indemnity for loss of life under accident policies shall be paid to the beneficiary, if surviving; if not surviving, it shall be paid to the estate of the insured. All other benefits are payable to the insured.

\[\text{Ibid.}, \ p. \ 88.\]  \[\text{Ibid.}\]

\[\text{Ibid.}\]  \[\text{Ibid.}\]
Standard Provision 12 gives the insured the right to cancel the policy if he changes his occupation to one classified by the insurer as less hazardous than that stated in the policy and to receive from the insurer a return of the unearned premium.

Standard Provision 13 states that the consent of the beneficiary shall not be requisite to surrender or assignment of the policy, change of beneficiary, or any other change in the policy.

Standard Provision 14 limits the time within which suit may be brought on the policy. Suit cannot be instituted prior to the expiration of 60 days after proof of loss has been filed, nor can such suit be brought at all unless within 2 years (in some states, 5 years) after expiration of the time within which proof of loss is required by the policy.

Standard Provision 15 states that, if any time limitation of the policy with respect to giving notice of claim of filing proof of loss is less than that permitted by the law of the state in which the insured resides at the time the policy is issued, such limitation is extended to coincide with the minimum period permitted by such law.

The Optional Standard Provisions begin with 16 which gives the insurer the right to cancel the policy at any

45Ibid., p. 89.  
46Ibid.  
47Ibid.  
48Ibid.
time by written notice delivered to the insured or mailed to
his last address as shown by the records of the insurer
together with cash or the insurer's check for the unearned
portions of the premiums actually paid by the insured.
Such cancellation does not affect the insurer's liability
for any claim originating prior thereto. Standard Provision
16 is omitted from noncancellable policies.

Standard Provision 17 permits the insurer to prorate
the indemnity payable in the event the insured has secured
other insurance covering the same risk without giving
written notice to the insurer. If the policyholder holds
such other insurance, the insurer is liable only for such
portion of the indemnity promised as that indemnity bears
to the total amount of like indemnity in all policies
covering the loss. It must also return to the insured such
part of the premium paid as shall exceed the pro rata for
the indemnity as above determined. This provision is
frequently omitted from the policy.

Standard Provision 18 gives the insurer the right to
deduct from the proceeds of any claim settlement any
premium then due and unpaid or covered by any note or by
written order.

Standard Provision 19 permits the company to state in
the policy that, if the insured holds any other policy or

\[\text{Ibid.}\]  \[\text{Ibid.}\]  \[\text{Ibid., p. 90.}\]
policies previously issued by the company and concurrently
in force so that the aggregate amount of indemnity provided
by all such policies exceeds a certain sum, the excess insurance
shall be void and all premiums paid for such excess shall be
returned to the insured. This provision sets a maximum limit
on the amount for which the company may become responsible for
any one risk and is particularly valuable with the limited
types of policies such as are issued through newspapers.

Standard Provision 20 sets out the age limits of the
policy stating that the insurance under the policy shall not
cover any person under the age of -- years nor over the age
of -- years. Any premium paid for periods not covered by the
policy will be returned by the company upon request.

The Standard Provisions have been invaluable in bringing
a greater degree of uniformity and fairness into the operation
of the contract. They have made the insurance policies more
understandable to the general public. Their only serious
flaw lies in the minor differences in phraseology which have
crept into the statutes of the different states. Perhaps
the companies could effect a considerable saving if all
states adopted exactly the same language.

52 Ibid. 53 Ibid. 54 Ibid.
Additional Provisions

The "Standard Provision Laws" permit the company to include the following additional provisions:

The first paragraph in most contracts defines certain words used in the policies such as company, insured, injuries, and beneficiary.

In the second paragraph in bold face type, certain hazards which are not covered are stated. The agents are generally thoroughly familiar with these exclusions. All accidents due to flying are excluded in this paragraph, but by means of a rider, most companies extend the coverage of the policy to include certain types of passenger flying. There is no extra charge for this protection.

The third paragraph states that upon the occurrence of any of the losses enumerated in the policy, all insurance, except as respects such loss, shall immediately cease, and upon payment of indemnity for such loss the policy shall be surrendered to the company.

Paragraph four states that a copy of any assignment of interest under the policy must be given to the company, but the company is not responsible for the validity of any assignment.

Paragraph five states that the copy of the application endorsed on the policy is made part of the contract.

55 Lawrence B. Soper, Study of Accident and Health Insurance, p. 22.
Paragraph six states the conditions under which the policy may be renewed. Other provisions may be included in various policies.

The contract closes with the signatures of executive officers of the company and with the countersignature of the authorized agent issuing the policy. The contract is not valid without the countersignature of an authorized agent.

The Health Policy

Like the accident policy, all health policies contain two general types of information:

1. The first type describes the individual policy and is typed or written. This information is similar to that found in an accident policy except:

(a) There is no provision for death or dismemberment in a health policy.

(b) The occupation and classification while they usually are shown, do not as a rule affect the rate for health insurance in the same way as they do accident insurance. They may affect policy form and limits of amount.

(c) Health policies do not become effective until some time (usually 15 days) after the date of the policy. This is to prevent a person who may feel that he is about to become ill or who thinks he has been exposed to some contagious disease from applying for a policy to cover such an illness. The fifteen day period is usually sufficient to permit any disease contracted before application to develop before

\[56\text{\textsuperscript{thecit.}}\]
the policy becomes effective. This provision reduces the element of "selection against the company," but no way has yet been devised to eliminate the factor of adverse selection entirely.

2. The second type is that which is printed and applies to all policies of the same form and which describes the terms and conditions of the coverage. It contains the following information:

(a) The Insuring Clause.

(1) A health policy is a contract of indemnity. It insures only against loss.

(2) The loss must result directly and independently of all other causes from disease.

(3) The disease must be contracted during the term of the policy.

(4) The insurance is subject to the conditions and limitations which follow.

(b) The Consideration Clause.

(1) The valuable consideration necessary to make the contract valid is, in case of a health policy, the application, copy of which is endorsed on the policy and made a part thereof.

(2) The payment of the premium makes the policy enforceable.

(c) Benefits.

(1) Total Disability (Weekly Indemnity)

   a. Definition of total disability.
   Example: "inability to perform any and every duty pertaining to his occupation."
b. Whether or not the insured must be confined to the house.

c. How long after total disability commences before indemnity becomes payable? Some policies pay beginning with the first day of disability, but most health policies provide a waiting period of one week, two weeks, one month, or some other period. No weekly indemnity is payable during the waiting period. This provision adopted by most companies writing health insurance, makes it possible in underwriting to pay less attention to such illness as colds, grippe, and other respiratory troubles which usually do not disable for more than a week or two and to which many persons are subject.

d. How long during total disability will indemnity be paid? It used to be quite common for health policies to contain the "Life Indemnity" feature, that is, indemnity was payable so long as the insured lived and continued totally disabled. This provision proved very costly to the companies, and with very few exceptions, the companies now limit the period for which indemnity is payable.

e. Insured must be treated by a physician during total disability.

(2) Partial Disability.

At one time it was rather common for health policies to pay for total disability and for partial disability. This provision has now been quite generally abandoned so that most health policies pay only in the event of total disability.
(3) Surgical Indemnity.

A schedule of the amounts payable for certain specified surgical operations is usually a part of a health policy.

(4) Hospital and Graduate Nurse Indemnities.

Most health policies contain a provision for the payment of additional indemnity during the time the insured is a patient confined to a hospital or attended by a graduate nurse. This additional indemnity may be equal to the weekly indemnity or one-half the weekly indemnity and is payable for not exceeding a specified number of weeks such as 10, 15, or 20.

(d) Standard Provisions.

The Standard Provisions in a health policy are very similar to those found in accident policies. In Provision 3 if the policy is a health policy only contract, the reinstatement is effective only against such sickness as may begin more than 10 days (in some states, 15 days) after the date of reinstatement.

(e) Additional Provisions.

The Additional Provisions in a health policy are similar to those found in accident policies differing only as the nature of the insurance requires.

(f) Signatures and Countersignatures.

These are very similar to the accident policy.

(g) Copy of Application.

A copy of the application endorsed on the policy is made part of the contract.
Non-cancellable Policies

The non-cancellable policy is very similar to the commercial form except that it can not be cancelled by the company and that it always contains an elimination period. The elimination is the result of the fact that the policy can not be cancelled, as the company could not write a policy on a non-cancellable form without an elimination period due to the many short claims that they would have to pay under the policy without any recourse to correct the evil. In the beginning of the non-cancellable policies a few policies were written without eliminations and many of these are still outstanding, much to the benefit of the comparatively few men who still have them. The customary waiting period today is one, two, or three months.

The non-cancellable policy was not designed to take the place of the commercial coverage but merely to supplement it for certain types of policyholders. The non-cancellable is not generally a practical policy and should only be written for men whose means still warrant the long eliminations. The cancellation feature of the commercial policy is not an especially dangerous one and only a very small percentage of policies are ever terminated by the company. A company can not affect an existing claim by a cancellation, and the commercial

policy, therefore, even in the very few cases that are can-
celled, will most probably pay a larger amount than the non-
cancellable, for as a rule it does not have the complete extra
features which are so valuable in the commercial policies.
It does not contain the extra hospital or nurses fee, and
operation expense.

There are three types of non-cancellable policies:
the non-cancellable without limit, the non-cancellable with
an aggregate limit of liability, and the non-cancellable
which has no cancellation but which may be terminated at
renewal date.

Disability and Double Indemnity
with Life Policies

The disability provision in life insurance policies was
originated in recognition of the need for making the protection
furnished by life insurance more complete. A person could
protect his family against the financial loss caused by his
death provided he paid the premiums necessary to keep his
life insurance in force. However, it is very common for a
person to become disabled, due to accident or sickness, and
such disability results in loss of earnings and increased
expenses. Many people found themselves unable to pay the
premiums for their life insurance at the time when they

58 Ibid., pp. 20-21.  59 Ibid.
needed it most. The adoption of a waiver-of-premium clause whereby, in the event that the insured should become totally and permanently disabled, the company would waive the payment of further premiums and keep his life insurance in force was a development of the greatest importance. This clause served to insure a person's life insurance.

Starting with this simple waiver-of-premium clause effective only in event of total and permanent disability, the companies gradually broadened the coverage until it became possible to purchase a life insurance policy which not only furnished protection to the insured's family against financial loss due to his premature death but furnished the insured with protection against loss of earnings due to old age or to disability either permanent or temporary. These developments greatly broadened the scope of life insurance and made it much more attractive, and they have undoubtedly been an important factor in the tremendous increase in the sale of life insurance during the last twenty-five years. As the benefits were liberalized, it became necessary to charge substantial extra premiums thus further increasing the income of life insurance companies.

60 Laurence B. Soper, Accident and Health Insurance, p. 94.

61 Ibid.
When an insured becomes totally and permanently disabled, his income stops, and from an economic standpoint, he is dead. He and his family need financial assistance at such a time fully as much as when he is physically dead. It was logical, therefore, that the next development after the adoption of the waiver-of-premium clause should be a provision for paying the insured an income when he became totally and permanently disabled. This first took the form of a provision whereby the face amount of the policy became payable in equal annual installments starting immediately, each installment reducing the amount payable at death.

The next extension of the disability clause was a provision for annual payment to the insured as long as he lived, such payments not being deducted from the amount payable at death. The annual payment usually amounted to 10% of the face amount of the policy. Later, provision was made for monthly payments of 1% of the face amount of the policy. This provision added to the waiver-of-premium clause furnished very attractive coverage.

It will be noted that all of the benefits referred to above were payable "in event of total and permanent disability." Usually it is not difficult to determine whether an insured is totally disabled, but very often it is impossible to determine in advance whether or not he will be totally disabled permanently. The difficulty experienced in determining

\[62\text{Ibid.} \quad 63\text{Ibid.}\]
when a person was permanently disabled led to the adoption of a definition of "permanent disability." In 1921 the so-called "90-day clause" was introduced and very generally adopted. It provided that when total disability has continued for a period of three months, it shall be presumed to be permanent during its further continuance. This was a very important and far-reaching development because, in effect, it eliminated the requirement that total disability be permanent and substituted for it a provision that commencing with the 91st day of continuous total disability a monthly income would be paid so long as the insured lived and remained disabled. Since it is very common for total disability to last more than three months and not be permanent, the introduction of the 90-day clause really resulted in paying many claims for temporary disability. It resulted too, in the waiving of premiums more frequently than under the older clauses. A few companies further liberalized the disability clause by agreeing to pay the monthly income commencing with the 15th day of total disability.

When life insurance companies adopted the disability clause, they entered the field of accident and health insurance, and as soon as the clause was liberalized, they found themselves faced with many problems not present in a purely life insurance business. The selection of risks involved many new elements, and the investigation and

\[64\] Ibid., p. 95.
settlements of claims made it necessary to organize more elaborate claim departments and to train claim adjusters in the intricacies of accident and health claim work. Many other problems of administration soon arose.

As the companies adopted more and more liberal disability clauses, they were really selling non-cancellable accident and health insurance, and the history of the disability business very closely parallels that of "Non-Can." The 90-day clause was introduced at about the time that a number of important companies were entering the "Non-Can" field, and it was during the following decade that both of these lines of insurance experienced very rapid growth. The life insurance companies began to realize that disability might not be a profitable line at about the time that companies writing "Non-Can" were coming to the same conclusion about their business. Disability and "Non-Can" have both been generally unprofitable, and the present status of both is about the same.

Basically, there was very little difference in coverage between disability with the 90-day clause and non-cancellable. In some companies that sold both disability and non-cancellable, the coverage was identical. There were, however, several facts which were to make disability experience more favorable than non-cancellable. Some of these facts which brought about

\[65\text{Ibid.}\] \[66\text{Ibid.}\]
more favorable results were the following:

1. There would be less chance for selection against the company because disability could be bought only with life insurance. Most persons bought life insurance and took disability as an afterthought or as a slight added benefit.

2. The amounts of disability issued were limited by the amounts of life insurance carried, and unless a person had a great deal of life insurance, the amount of the disability benefits was moderate. However, some companies for a time issued up to $20 per month with each $1,000 of life insurance, and it was possible for a person who carried enough life insurance in various companies to get disability to the extent of several thousand dollars of monthly indemnity.

3. The cost of issuing disability as part of a life insurance policy was less than that of issuing the same coverage as a separate policy. This required less loading for disability, but the final difference was usually reflected in the premium.

Disability, being non-cancellable and paying life indemnity for either accident or sickness, has been unprofitable for the same reasons that non-cancellable accident and health have been unprofitable. When the companies began writing the earlier forms of disability benefits, they had some tables on which to base their rates and reserves, but

67 Ib. p. 96.
when they adopted the 90-day clause, they had no satisfactory experience to guide them in calculating the cost of the more liberal benefits. The rates had to be estimated, and they proved generally to be too low. In 1926, the Actuarial Society of America published a report based on the experience of a large number of companies which indicated conclusively that the premium rates being charged and the reserves carried were sufficient. The investigation also showed the need for more nearly uniform coverage and language.

The state insurance departments were beginning to take an active interest in the disability business, and in 1926 the Superintendent of Insurance of New York appointed a committee to consider the adoption of standard provisions. The National Convention of Insurance Commissioners soon after also appointed a committee. These two committees working together recommended certain standard provisions which later were adopted by a large number of states to become effective July 1, 1930. The provisions adopted tended toward a general restriction of terms and conditions as compared with policies which were being issued by most companies. By 1932 a number of companies limited the disability provision to waiver-of-premium with a six-month waiting period and at a substantial increase in premium. Other companies continued to offer an income benefit, but

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Ibid.
on a greatly restricted basis and at a substantial increase in premium. Some of the following changes were adopted:

1. A six-month waiting period.

2. Monthly income reduced to $5 per $1,000 of life insurance.

3. Coverage to cease at age 55.

4. No disability income granted to women.

5. Reduction in the limits of amounts issued.

Double Indemnity

Double indemnity is an additional benefit added to life insurance policies for an extra premium and provides that if death is due to accidental means, double the face amount of the policy will be paid. It should not be confused with the double indemnity provision in a commercial accident policy which provides that double the amounts otherwise payable will be paid if the insured is injured in one of certain specified types of accidents. It is more nearly comparable to death benefit in a commercial accident policy since it pays the extra amount for practically any kind of accidental death. The effect is the same as though the insured takes out life insurance and then purchases a death only accident policy for a similar amount, except that the double indemnity is non-cancellable. There is, of course, a difference in rate because double indemnity takes the life schedule of commissions and is subject to a different loading for expense
from that used for commercial policies, and, since it is non-cancellable, some provision must be made in the double indemnity rate for the deterioration which takes place as risks get further and further away from the time of selection and for the increasing accidental death rate in the older ages.

There is the same need for double indemnity with a life policy that there is for a death benefit under a commercial policy. The following list contains some good reasons for having additional protection in the event of accidental death:

1. Accidents happen suddenly and are very apt to occur when the insured's financial affairs are in an unsettled condition. This may result in extra expense for closing up his duties or business affairs and settling his estate, and it may also result in substantial losses due to incomplete business transactions.

2. Accidental death may result at any time, even immediately after taking out insurance. Some acute disease may also cause sudden death at any time, but the chances are that a person who is physically able to obtain life insurance will not die of sickness for some years.

3. A person may be unable to pay for an adequate amount of life insurance, but for a small extra premium he can obtain additional limited coverage life insurance protecting him against the hazard of accidental death.

69 Ibid., p 97.  
70 Ibid.
Group Accident and Health Insurance

The employees of a common employer can all be covered under a group policy which protects each employee individually against the loss of time and against accident or illness. The only requirement for the issuance of a group policy is that there be at least twenty-five insured under the plan and that a minimum of 75 per cent of the total employees come under the group policy.

Group accident and health insurance provides a weekly indemnity payment to the insured employee for loss of wages due to non-occupational accident or sickness. A blanket policy is issued to the employer, who may be an individual, a firm, or a corporation providing insurance on all employees or all of any class or classes of employees. To qualify for group accident and health insurance there must be a bona-fide employer-employee relationship. Members of lodges, clubs, associations, or similar organizations are not eligible for this form of insurance, but the regular employees of such organizations may be insured.

Group policies are not designed to supplant compensation insurance but rather to supplement it; therefore the employer covers the occupational hazard by compensation insurance and the non-occupational by group policy. In the event that

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72 Laurence B. Soper, *Accident and Health Insurance*, p. 61.
occupational coverages are included in the group policy an
extra premium is charged and in a claim payment the indemnity
payable is the excess between compensation and amount of
indemnity. The premium for group accident and health insur-
ance may be paid entirely by the employer, entirely by the
employees, or by the employer and employees jointly.

The policy and the employer's application is the entire
contract, and the employees are not a party to it even though
they may be paying the entire cost. It is, therefore, not
obligatory to furnish them with any evidence that they are
insured. However, it is customary to issue a certificate
for each employee showing the indemnity to which he is
entitled, the indemnity paying period, and the terms under
which the insurance ceases.

The insurance is cancelled automatically upon termination
of active service, and, on co-operative cases, when the
employee reaches age 70. The actual date of cancellation is
the policy anniversary following the employee's 70th birthday.

The insurance is not to be cancelled on any employee while
he is receiving indemnity payments under the policy. The
insurance must be kept in force and premiums paid on such
employee during the period that he collects benefits. When an

74 Laurence B. Soper, Accident and Health Insurance, p. 86.
75 Ibid.
employee receives the maximum limit of indemnity under the policy, his insurance is automatically cancelled. When such employee recovers and returns to work, his insurance is immediately reinstated.

The insurance does not cover disability due to sickness for which an insured employee is not treated by a legally qualified physician.

Group accident and sickness insurance restores in part the employee's lost wages if he is disabled due to accident or sickness. Often, however, it is necessary for the employee to be hospitalized for proper care, greatly increasing his expenses. Thus, to take care of this increased expense in some measure, group hospitalization benefits were developed. They are written as a rider to a group life insurance or group accident and health insurance policy and are in addition to any other benefits provided in such policy.

Railroad or Ticket Insurance

The ticket policy, which was the father of accident insurance, still prevails for the traveling public and can be purchased on any railroad trip for a certain specified number of days. The policy itself is not limited to travel accident, but pays for any type of injury in a manner similar to the regular policy, except that it is somewhat restricted and has

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76 Ibid. 77 Ibid. 78 Ibid., p. 87.
no extra features other than death, dismemberment and weekly indemnity.

The policy is sold at the many railroad stations, ticket offices, and even at some hotels, and travel agencies, and also may be sold through the regular channels. There is no underwriting on a ticket policy, as all that is necessary is that the assured be between the ages of 18 and 70 and that he not be crippled, maimed, or deformed. The railroad ticket offices have authority to issue these tickets over the counter, and the company is then bound. The policies pay death and dismemberment and weekly indemnity, providing the insured is employed, and if the insured is not employed, the death and dismemberment only apply. The chief difference between the travel policy and general accident insurance is the length of time during which it is in force and the manner of its sale.

Newspaper Policy

The newspaper policy is of comparatively recent origin. A great many of the larger newspapers in this country have effected arrangements with corporate insurers to issue a special cover to their subscribers. The policy is widely advertised in the press. Either it may be given away with

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79 Armand Sommer, Manual of Accident and Health Insurance, pp. 16-17.

80 Ibid.
a yearly subscription to the paper, or the paper may contrib-
ute a part of the so-called cost. A typical newspaper accident
policy for which the premium is one dollar or less will contain
the application blank which is printed in the newspaper, asking
for the applicant's name, age, sex, color, and beneficiary.
Very limited coverage for accident is given. The policy
appeals to the gambling instinct of the public, and by conferr-
ing a degree of protection, it imbues the insured with the
idea that his chief needs are covered. The exact extent of
the coverage provided by this policy can only be determined
by a careful examination of the policy provisions.

61Robert Riegel and H. J. Loman, Insurance Principles
CHAPTER IV

GOVERNMENTAL REGULATION

The insurance business in all of its many phases is very closely related to legal principles and practices. The business consists of the sale of policies, or contracts, which may have to be interpreted in a court of law; it is conducted under numerous laws and regulations of the various states; it deals with its agents through contracts; in handling investments many legal problems are involved; in short, there is scarcely any phase of the insurance business that does not involve some legal questions.

While the various states have some statutes applying specifically to insurance companies writing accident and health insurance and others have statutes that apply to life insurance only, many of the statutes apply to all forms of insurance, and the duties and powers of the insurance commissioner and the means by which he exercises supervision and control, the necessity for governmental supervision, and many other phases of this general subject are applicable to insurance of all kinds.

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1Laurence B. Soper, Study of Accident and Health Insurance, p. 104.

2Ibid., p. 105.
The control of the insurance business by the states has been summarized as follows:

1. The doing of an insurance business is subjected to regulation and control through the legislative, the administrative, and the judicial departments of the government.

2. The federal government has no direct control over the insurance business, except in the District of Columbia, but the federal courts are not bound to follow the decisions of state courts on questions of common (non-statutory) law.

3. The legislature of each state has power to regulate the doing of any insurance business within its borders, subject only to the limitations imposed by the federal constitution and that of the state.

4. Every insurance carrier must comply with the laws of every state in which it does business.

5. Each state has an official, the insurance commissioner or superintendent of insurance, whose power and special duty are to enforce, apply, interpret, and even supplement the regulatory legislation of the state.

6. The insurance commissioner has broad discretionary powers to examine the books, securities and affairs of insurance carriers within his state, for the purpose of ascertaining whether or not the laws are being obeyed.

7. The incorporation of an insurance company is governed

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3E. W. Patterson, Essentials of Insurance Law, pp. 36-37.
by special statutes prescribing financial and other qualifications, which are administered by the insurance commissioner and the attorney-general of the state.

8. The power to issue, refuse, or revoke a license to do business is the chief method of administrative control over the operations of insurance carriers.

9. The penalties for doing an insurance business without a license are both criminal and civil.

10. The civil penalty falls most heavily on the agent of an unlicensed company, who in many states is personally liable for losses sustained under a policy that he issued without proper authorization.

11. The insurance commissioner can exercise his licensing powers only on grounds prescribed by statute, but these are often so indefinite as to give him power to do anything in the public interest that falls within the broad outlines of existing legislation.

12. To enforce requirements of financial safety, the insurance commissioner has discretionary powers as to computation of reserves, valuation of securities, approval of investments, and limitations on dividends and expenses of insurance carriers. He may also, in some states require foreign companies to deposit securities for the protection of domestic policies.
13. Some insurance commissioners have control over the forms of policies, especially in life insurance and in workmen's compensation insurance.

14. The state has power to regulate premium rates; ordinarily, it does so chiefly through its control over rating bureaus in fire insurance and workmen's compensation insurance.

15. The insurance commissioner has power to control the business-getting methods of insurance carriers and their agents. His power to punish twisting is very indefinite.

16. The insurance commissioner has no legitimate power to compel payment of an individual contract claim, since that is a judicial function; yet indirectly he may exert pressure on the insurer.

17. The licensing of insurance agents is often perfunctory; brokers, in states that recognize them, are often subjected to genuine tests of their competency and trustworthiness.

Insurance companies must know the laws of all states in which they are doing business, since they must comply with the laws of each of them. Companies writing personal accident and health insurance must pay particular attention to the following requirements of the various states:

1. Agent's license.

   (a) What is the cost of the agent's license?

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4 Laurence B. Soper, *Study of Accident and Health Insurance*, p. 113.
(b) When does the license year begin?

(c) Are agent's license transferable?

(d) Must application for agent's license be filed?

(e) Will credit be allowed on an agent's license returned for cancellation if no business is written or license not desired?

(f) Will a duplicate agent's license be issued if the original license is lost?

(g) Must a collector (not solicitor) be licensed?

(h) May a firm be licensed?

2. Agent's qualification law.

3. Countersignature and resident agent's law.

   (a) Must agent be a resident of the state?

   (b) Is countersignature by resident agent required?

4. Taxes and fees.

   (a) Certificate of authority.

   (b) Filing annual statement.

   (c) Premium tax.

      1. Rate and basis on which calculated.

      2. Last day for reporting tax.

      3. Last day for paying tax.

5. Retaliatory law.

6. Depository requirements.

7. Publication of annual statement.

8. Filing and approval of policy forms (Riders, Rulings, Endorsements).
Standard Provision Laws are all covered in the insurance laws of the various states. The following states have Standard Provision Laws or Modified Standard Provision Laws:

California .................................................. Adopted 1917
Connecticut .................................................. " 1913
District of Columbia ...................................... " 1934
Idaho .......................................................... " 1911
Illinois ....................................................... " 1913
Indiana ........................................................ " 1935
Kansas ......................................................... " 1927
Maine (special) .............................................. " 1911
Massachusetts ............................................... " 1913
Michigan ..................................................... " 1913
Minnesota .................................................... " 1931
Montana ....................................................... " 1913
New Hampshire .............................................. " 1913
New York ..................................................... " 1913
North Carolina .............................................. " 1913
Oregon ......................................................... " 1911
Pennsylvania ............................................... " 1913
South Dakota ............................................... " 1913
Vermont ...................................................... " 1913
Virginia ...................................................... " 1913
Washington .................................................. " 1913
West Virginia ............................................... " 1925
Wisconsin .................................................... " 1933
Wyoming ...................................................... " 1931

The following states require that policy and rider forms be filed:

Alabama  Arkansas  California  Colorado  Connecticut  Delaware  District of Columbia  Idaho  Illinois  Indiana  Iowa  Kansas  Maine

Maryland  Massachusetts  Michigan  Minnesota  Missouri  Montana  Nebraska  New Hampshire  New Mexico  New York  North Carolina  North Dakota  Oregon  Pennsylvania

South Carolina  South Dakota  Texas  Vermont  Virginia  Washington  West Virginia  Wisconsin  Wyoming

5 Ibid., 114-115.  6 Ibid.
In some states filing is required by statute and in others by departmental ruling. Some companies make a practice of submitting new forms to Connecticut, Illinois, Massachusetts, and New York in printer's proof form because if these four states approve them, there is seldom any trouble in having them approved by other states. Some states have special requirements which are usually taken care of by a special rider or a rubber stamp endorsement.

Most companies make it a practice to submit rates and classification manuals in every state or at least in all states in which they are licensed. This is necessary if the company wishes to take advantage of Standard Provision number 1 which provides for prorating claims in the event of change of occupation.

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7Ibid.

8Ibid.
CHAPTER V

CONCLUSION

The purpose of this study has been to determine and record the evolution and present form of health and accident insurance in the United States.

In making this study the findings reveal that accident and health insurance has come of age. No one can deny the importance of a line of insurance which develops close to a quarter billion dollars of premiums each year. Even more important to those who are familiar with the great good which accident and health insurance is doing is the beneficent social implications of its continued operation and progress. Generally speaking, the accident and health insurance business is in the soundest position in its history. Disability underwriters today know pretty accurately what they are doing and where they are going. The early lessons in the field of accident and health insurance have been well learned, and the experience of the early thirties has left a deep impression which points to more conservative practices. Today the accident and health insurance has the advantage of the pioneering of its founders. Their mistakes have been noted carefully, and provision has been made against their recurrence.
The notable advances of even the last 10 years have provided better underwriting tools, statistical information for projecting accident and health insurance into the future, and an appreciation of the very real responsibility which the business has in servicing one of the essential insurance needs. There is sound protection available for practically every legitimate disability insurance requirement. Policy forms are simple and liberal, and they are written at reasonable premium rates. They are flexible as to coverage and cost so that professionally trained agents can mold the protection to fit the prospect's individual needs.

Accident and health insurance will continue to go ahead because the field of its usefulness has hardly been explored. Today more than ever before, there is a keen public appreciation of the part that accident and health insurance should play in protecting the family circle. Past economic difficulties have tremendously intensified public interest in and directed attention to the value of human life and human working time. As a result, personal insurance has come to the front, rising to meet the responsibility which this greater public acceptance places upon it. Since accident and health insurance, like life insurance, is being built upon the principles of individual
initiative, thrift, and personal opportunity, it will continue to thrive as long as our government remains a democracy. The same innate qualities of character which have impelled Americans to accept their responsibilities as citizens create in them a keen sense of their duty to secure the happiness and welfare of themselves and their dependents. Nothing contributes more to the attainment of that happiness than the real enjoyment of economic freedom, a goal attainable for most men only through the guarantee of the right to engage in individual enterprise. The institution of personal insurance gives them the opportunity to set their own levels as to the kind and amount of protection they wish and are able and willing to purchase in accordance with the spirit of self-reliance which is traditionally American.

The health competition which prevails in accident and health insurance today is the best assurance that the individual interests of the public will be well served and that the individual carriers will be permitted enough flexibility to continue the development of ever better forms of protection.

With the need for disability protection more generally recognized than ever before, with more adequate facilities
for meeting that need, and with an enlightened attitude prevailing throughout the business as to its responsibility for providing disability protection on a liberal, honest, and economical basis, accident and health insurance will carry on through years of ever greater usefulness.
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