

Forum

A monthly publication reporting on issues affecting the insurance industry in Ohio

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Thirty property/casualty insurers were declared insolvent in 2001, according to a report issued by A.M. Best Co. The same number of companies became insolvent in 2000, compared with seven insolvencies in 1999 and 18 in 1998.

The most significant causes of the 2001 insolvencies were inadequate reserves, improper pricing and unsustainable growth levels. Twenty-three insurers out of the 30, or 77 percent, became insolvent due to deficient loss reserves. In 2000, 70 percent of insolvencies were due to insufficient reserves.

The 2000 and 2001 insolvencies represent a significant increase over historical trends, where the insolvency rate from insufficient reserves ranged from 30 percent to 35 percent. □

One in five convictions for traffic violations may be missing from motor vehicle records (MVRs), according to a study by the Insurance Research Council (IRC) of court records and MVRs in four states.

Twenty-two percent of convictions sampled in Connecticut and 21 percent of convictions sampled in Florida were not found on the respective drivers' MVRs. Also, 14 percent of traffic convictions from a sample in Ohio and 10 percent of sampled convictions from the state of Washington were missing from MVRs.

Analysis was limited to those traffic citations that resulted in convictions, either from fines paid without contesting the charges or from guilty findings in court. It did not include any tickets dismissed through traffic school, court supervision, or any other legal methods that prevent traffic violations from appearing on MVRs.

Convictions for traffic violations issued to out-of-state drivers appeared even less frequently on motorists' driving histories. Nearly half, or 47 percent, of a sample of convictions were missing from MVRs in a separate analysis of Florida drivers who were convicted of traffic violations while in Connecticut.

Traffic violations, such as running red lights or driving under the influence of alcohol, indicate unsafe driving behavior. Insurers and many company risk managers use traffic violation histories found on MVRs to predict drivers' future conduct. If MVRs are inaccurate or incomplete, higher-risk drivers whose traffic convictions do not appear on MVRs may pay less than their fair share of the cost of accidents and thereby increase auto insurance rates for lower-risk drivers.

“Ultimately, if insurers must rely on driving history records that are inaccurate or incomplete, it will result in good drivers subsidizing the insurance costs of poor drivers, said Elizabeth A. Sprinkel, senior vice president of the IRC. □

Insurance Industry

P/C insolvency
trends continue

Motor Vehicle Records

Incomplete and inaccurate
accounts of driving histories

Workplace Injuries

\$40.1 billion cost
to employers

Overexertion top cause
of workplace injury

Seat Belts

Many teens don't use
safety belts

U.S. companies may be paying as much as \$40.1 billion a year for disabling workplace injuries, according to a survey released by Liberty Mutual Group.

Liberty Mutual's 2002 Workplace Safety Index found that the direct cost of workplace injuries — payments made to injured workers and their medical care providers — rose 3.6 percent to \$40.1 billion from \$38.7 billion in the company's 2001 survey. A disabling injury results in five or more days lost on the job.

Liberty Mutual said it identified the leading causes of workplace injuries and their direct costs by using its own data, along with findings from the Bureau of Labor Statistics and the National Academy of Social Insurance.

Researchers found the 10 leading causes of workplace injuries accounted for 86 percent of the estimated \$40.1 billion in wage and medical payments made to workers injured on the job in 1999.

The 10 leading causes are 1) overexertion, 25.5 percent; 2) falls on the same level, 11.5 percent; 3) bodily reactions to bending, climbing or slipping, 9.4 percent; 4) falls to a lower level, 9.2 percent; 5) being struck by an object, 8.5 percent; 6) repetitive motion, 6.7 percent; 7) highway accidents, 5.9 percent; 8) being struck against an object, 4.3 percent; 9) being caught or compressed by equipment, 4.1 percent; and 10) exposure to temperature extremes, 1.0 percent. □

Parents of teenagers naturally worry about their children's safety and well-being. But there's a bit of simple advice some parents are forgetting, according to an article in the Insurance Institute for Highway Safety *Status Report*. Even when mom or dad or another adult is in the car and using a safety belt, many teenagers aren't buckling up.

Institute researchers conducted a survey of teenage belt use at 12 high schools in Connecticut and Massachusetts. When teens were being dropped off at school by their parents, nearly half (46 percent) weren't using safety belts — and half the time an unbelted teen was riding with an adult driver who was buckled up. Allan Williams, chief Institute scientist said, "Only 8 percent of the time was the opposite true — teens were buckled up in vehicles in which the adult drivers weren't using belts."

Overall, the survey confirms earlier findings that teens have low belt use rates. This survey also suggests that, in particular, low belt use among teen passengers is a problem that needs attention. □



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