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CHAPTER XI

MEDICAL AND HOSPITAL BENEFITS PROVIDED UNDER COMMERCIAL ACCIDENT AND HEALTH INSURANCE POLICIES ¹

THE title of this chapter indicates its limitations. It does not aim to be a comprehensive survey of the field of commercial accident and health insurance in the United States. As emphasized in the first chapter, this study is concerned with plans by which individuals and groups in the United States make certain of medical care in case it is needed, by arranging with some institution or organization to provide such service, in consideration of the payment of a fixed amount periodically. And it will be recalled that the plans of group medical service discussed in preceding chapters made no provision for the payment of a monetary benefit to replace the regular income lost by the disabled person.

On the other hand, a health insurance contract which in addition to making a partial indemnification to the insured for loss of regular income, makes him a special payment available only in the event that he has incurred expense for medical or hospital care, is obviously a direct means of insuring against medical expense. The essential difference between the plans which provide medical service "in kind" and those which provide a benefit in money, applicable to meeting the expense of medical care, is that the former undertakes an indefinite responsibility and the latter a very definite one. In the case of the group medical service plans, it is impossible for any one to say in advance how much the cost will be of any given case of sickness. In the case of commercial health and accident insurance the underwriting company does

¹ This chapter was prepared by William H. Wandel.

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not concern itself with the question of medical care as such. It states in its contract clearly and unequivocally that in the event that the insured incurs expense for such and such a type of disease or surgical operation, it will pay him such and such an amount of money.

To the extent that commercial health insurance policies in force in the United States provide medical, surgical or hospital benefits, even though payable in money and not provided in kind, they are a form of medical insurance as distinguished from income protection. This is the only aspect of commercial health and accident insurance in the United States that is of concern in connection with this study. However, it will undoubtedly be easier for the reader to appreciate the limited scope and extent of medical benefits provided by commercial health and accident policies in the United States, if he is first given a brief exposition of health and accident insurance in general.

Accident and health insurance is defined as a contract by means of which one party, called the insurer, agrees for a consideration to pay another party, the insured, a specified sum upon the occurrence of death, dismemberment, or disability resulting from accident or sickness. The contract is one for the payment of money benefits and is not for service, medical or other. The primary purpose of accident and health insurance is to protect income against expenses incident to the usual accident or sickness. The benefits payable under the policy may be limited to one or more types of loss, such as loss of life, or dismemberment; it may be limited to one or more causes or means of loss, such as specified accidents or disease. The amount of the indemnity may be payable in a lump sum, for loss of life or dismemberment, or as a weekly indemnity, for disability.

HISTORY OF DISABILITY INSURANCE

Commercial health insurance was first written in the United States in 1847. In 1850, limited accident coverage was added to

the health contracts. The beginning of general accident insurance is usually associated with the formation of the Travelers Insurance Company in 1863. After a short period of uncertainty this line grew to considerable proportions. In 1898, companies writing accident insurance introduced a clause permitting the payment of weekly indemnity for disability resulting from certain specified diseases. By 1903 the coverage had been extended to all diseases except rheumatism, tuberculosis and insanity, and by 1910 the common practice was to cover all diseases.

In 1896, life insurance companies, under the stimulus of competition, began also to add to their contracts a clause providing for a waiver of premiums in the event of the total and permanent disability of the assured. This clause was soon after broadened to permit the payment of the face value of the policy in installments in such a contingency. Later, in 1916, it reached its present form, under which, in addition to the waiver of premiums, a monthly indemnity of a certain percentage, usually one per cent, of the face value of the policy is assured, and the value of the policy is not impaired thereby.²

Until 1915, commercial accident and health insurance had been written only on a one-year term, and was cancellable at any time by the company upon the return of the unearned premium, calculated on a pro-rata basis. This precaution on the part of the insurer was thought to be necessary because of the high "moral" hazard which exists. However, in 1915, the non-cancellable policy was introduced.³ This form, requiring a medical examination and a higher premium than the regular commercial form, is not subject to cancellation except for non-payment of premiums or the attainment of age sixty or sixty-five, the usual age limits. The premium, too, is not subject to change during the life of the policy. This step, in view of the uncertain losses in this field and the absence of usable underwriting experience was, from the standpoint of the companies, a radical one.

² Morris, E. B., *The Permanent Total Disability Provision in Life Insurance*, Proceedings, Casualty Actuarial Society, XV, No. 31.

³ Knight, cited above, p. 351.

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Before workmen's compensation laws were passed in this country a form known as "workmen's collective" insurance was sold, protecting the employee against loss caused by occupational accidents. The workmen's compensation laws made compulsory the insurance of accidents arising out of employment, but group coverage since 1911 has been extended to cover non-occupational accidents and all sickness. The importance of such insurance arises out of the fact that large industrial groups are offered coverage at a low rate.

TYPES OF INSURERS

The types of companies offering accident and health insurance are three: Life insurance companies, casualty insurance companies, and fraternal and benefit associations. Life and casualty companies are organized for profit but may be profit-sharing—that is, may be participating or non-participating. The largest life companies are participating; the largest casualty companies are not.

The table on page 256 gives some indication of the aggregate accident and health benefits paid in the United States in 1930. Strict accuracy cannot be claimed for the figures, but the fault of the picture lies in under rather than in over-statement. It will be noted that 80 per cent of the benefits were paid by commercial companies; the premiums collected by these companies would constitute a somewhat larger proportion.

Between 1923 and 1930, premiums on accident and health insurance collected by mutual and stock companies increased from \$89,786,825 to \$154,560,370.⁴

Eighty-eight per cent of the mutual business is done by two companies, 73 per cent by one company.

APPLICATION, PREMIUM PAYMENT AND CLAIM PROCEDURE

The application for accident and health insurance is important; since it is for the company the basis of the underwriting, and for the applicant the basis of the validity of the contract. The

⁴ *Best's Casualty Report*, 1931.

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ACCIDENT AND HEALTH INSURANCE IN THE UNITED STATES

1930			
<i>Type of Insurer</i>	<i>Number</i>	<i>Assets</i>	<i>Benefits Paid</i>
Commercial Companies		\$21,413,084,493	\$164,218,647
Life—A & H contracts.....	26	7,294,045,220	31,531,380
Life contracts:			
a. Permanent & Total Disability..	183 }		52,045,606
b. Accidental death	132 }	19,583,059,068	24,823,961
Casualty		1,830,025,425	55,817,700
Fraternal Societies:			
Sickness and Accident.....	73 }		7,162,487
Permanent Disability	86 }	753,318,841	4,878,932
Mutual Accident Assns.	125	25,890,039	24,418,111
Sick Benefit Assns.	31	13,660,911	4,766,965
TOTAL		\$22,205,954,284	\$205,445,142

Sources: Spectator Year Book, 1931.

Best's Casualty Report, 1931.

The Consolidated Chart, 1931.

questions and statements may be classified under three heads: identification, exposure to hazard, and physical condition of the applicant. For the non-medical forms a medical examination is also required.

CLASSES OF PUBLIC SOLICITED

The classes of the general public approached by insurance salesmen depend upon the cost of coverage. General, or so-called commercial, accident and health insurance is limited for the most part to the business and professional classes. Restricted accident policies are sold to any group. Industrial accident and health insurance, sold on a weekly or monthly premium basis, is available to the lower wage groups, but the coverage is restricted and limited and its cost relatively high because of the expense of collection. Group accident and health insurance is available generally to groups of over 50 because the method of writing this form permits a low rate and because the employer usually bears a portion of the premium.

Certain classes of the population are in practice not solicited for accident and health insurance: those under age eighteen or over age fifty-five or sixty; women, for a large number of forms; occupational groups subject to more than ordinary hazard.

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Accident and health insurance is usually sold on the basis of a one-year term, and is cancellable at any time by the company upon the return of the unearned premium, but without prejudice to any claim made for disability occurring before cancellation. At the end of the one-year term the company may signify its willingness to continue carrying the risk, at the same or at an altered rate, by sending to the insured a renewal slip; the term is extended another year by the payment of the premium by the insured. There may be no postponement or temporary exemption of payment of premium.

Under the non-cancellable forms, the policy is continued at a uniform rate until the insured reaches a specified age, usually sixty, unless premiums are not paid. A grace period of thirty-one days is allowed, following the due date of premium, during which the premium may be paid. In some policies reinstatement within six months after lapse is permitted if satisfactory evidence of insurability is given.

In the event of disability, three reports are required: first, a report of the injury or sickness itself, which is to be made within ten days of the occurrence or commencement of the cause of disability; second, a report on the physical condition of the insured; and third, a report on the amount of the claim. Forms for such reports are supplied by the local agent and notice to the local agent is considered to be notice to the company.

RATES

Ratemaking in accident insurance and ratemaking in health insurance are quite distinct. In accident insurance the main distinction drawn between risks is that of occupation. This is based partly on actual experience and partly upon underwriting judgment. Not much reliance has yet been placed in the former factor because of the limited extent to which experience has been compiled. This is largely due to the lack of uniformity as to bases of exposure, and the consequent impossibility of combining experience.

For the determination of rates for accident insurance the occupation of the applicant has major importance. Occupations are divided into ten classifications according to their hazards, the most hazardous requiring a premium six times that of the least. Standard policies are not issued to any but the "Select and Preferred," the "Extra Preferred," and the "Ordinary" risks. The higher ratings are used only to make adjustments in the event that the insured changes occupations. Such an adjustment would determine the amount of benefits purchased under the second rating by the amount of the premium paid for the original rating.⁵ Industrial policies may be issued to occupations as high as "Extra Hazardous," but these are naturally not as liberal as the standard policies.

About sixty per cent of the accident insurance premium is for the weekly indemnity, forty per cent for the principal sum benefits.⁶

In general, for health or sickness insurance, the rates do not vary according to the occupation. The general practice is to use standard rates for Select, Preferred, Extra Preferred, and Ordinary classes, and a rate 30 per cent higher for the more hazardous occupations.⁷

THE MEDICAL BENEFIT CLAUSES

Medical benefits in accident and health insurance are limited to the provisions of money benefits for certain medical expenses: hospital and nurses' fees, operation fees, and doctors' bills. In no instance is direct medical service supplied.

Medical benefits in accident and health insurance are relatively unimportant. Just how unimportant is clear from a consideration of the amount of the claims for medical benefits. In health insurance, the benefits paid under the four clauses amount to approximately 10 per cent of the total benefits paid, or between 5 and 6.

⁵ Laird, J. M., *Personal Accident and Health Insurance, Transactions*, Actuarial Society of America, XXIII, p. 373.

⁶ Craig, J. D., *The Actuarial Basis for Premiums and Reserves in Personal Accident and Health Insurance, Proceedings*, Casualty Actuarial Society, XVII, No. 35 (Nov. 1930), p. 55.

⁷ Craig, J. D., cited above, p. 56.

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per cent of the premiums earned.⁸ In accident insurance, these benefits are approximately 3 per cent of the total benefits paid.⁹

Of the four clauses assuring medical benefits, the two paying surgical operation fees and hospital fees require the bulk of the medical payments, the former accounting for almost half of the total. In health insurance, the total of doctor's and nurse's fees is not over 15 per cent of the total medical benefits. In accident insurance the amount paid for doctors' fees is larger than that under the health policies. In a study made by the Committee on Statistics of the Bureau of Personal Accident and Health Underwriters on an exposure of 400,000 years of male lives under health policies, for the combined policy-years 1924, 1925, and 1926, the following relative cost as to the medical benefits was discovered:

<i>Kind of Benefit</i>	<i>Per cent of Total</i>
Surgical	49.6
Medical Treatment	5.4
Hospital	38.6
Nurse's Fees	6.4

Medical benefit clauses may be divided into two general classes: those which are the chief feature of limited policies and those which are incidental to other benefits in general accident and health policies.¹⁰

In the unsettled and unstandardized state of accident and health insurance underwriting and market conditions, each company issues a multitude of policies, often for no other reason than that competing companies have put into practice certain ideas of their own as to coverage and sales appeal. Thus it has come about that there are a few scattered examples of policies designed to give primarily a medical benefit. These policies are in no sense

⁸ The Committee on Statistics of the Bureau of Personal Accident and Health Underwriters reports 10.2%; Laird, *opus cit.*, p. 377, notes that sickness medical benefits are considered to be 15% of the total claim payments.

⁹ Laird, J. M., *Personal Accident and Health Insurance, Transactions*, Actuarial Society of America, XXIII, p. 374.

¹⁰ In California, contracts are made by associations (incorporated for profit) with private individuals for the sole purpose of assuring medical care. Such contracts are, however, quite outside the conventional field of accident and health insurance. See Chapter X.

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important in insurance, very few being issued. An example pays a weekly indemnity for the cost of sanatorium or hospital care, for the cost of the services of a graduate nurse, if there is no confinement to a hospital or sanatorium; and surgeon's fees for amounts specified in a schedule and ranging from \$10 to \$200, according to the seriousness of the operation, from any cause except self-inflicted injuries, alcoholism, drugs or drug addiction or child-birth. The premiums for such a policy are as follows:

<i>Weekly Payment</i>	<i>Limit to Total Payment</i>	<i>Annual Premium</i>
\$75	\$1,500	\$37.50
50	1,000	25.00
25	500	12.50

Another policy would pay simply hospital benefits for a period not exceeding thirteen weeks for hospitalization for any cause except alcoholism, drug habit, insanity, mental or venereal disease, or child-birth. It would not limit the number of times the hospital was entered or reentered and it could be extended to include all members of the family at the following rates:

<i>Weekly Payment to Hospital for each Individual</i>	<i>Annual Premium per Person</i>	
	<i>Adults</i>	<i>Children under 16</i>
\$70	\$22	\$11
55	18	9
40	14	7
30	10	5
25	8	4

There is no provision in any of these policies to pay a cash benefit for loss of income.

Medical benefit clauses appear in practically all commercial and non-cancellable accident and health policies as well as in some other forms. In general these clauses are four:

1. *Hospital indemnity* may be paid if the insured is confined to a hospital as a result of an injury or sickness covered in the policy. The amount of the hospital indemnity is based upon the weekly income indemnity, ranging from 25 to 100 per cent of that amount. The period for which this special benefit may be

paid is invariably limited, the most liberal policies paying twenty weeks, the least liberal ten weeks. The benefit is *in addition* to the income indemnity.

The provision assuring the payment of hospital indemnity is a fairly standard one, the only distinction of importance being that which in some provisions limits the amount of the hospital indemnity to the actual hospital expense incurred, while other provisions permit the payment of the hospital benefit regardless of actual expenses.

2. *Nurse's fees* may be paid *in lieu* of the hospital benefit. The amount of such benefit and the period for which it may be paid are exactly the same as for the hospital benefit. The purpose of this provision is to furnish an alternative to those sick and injured who require special care, but who are either unable or unwilling to go to a hospital.

3. *Operation or Surgical Benefits.* These may be allowed in addition to both the income indemnity and the hospital or nurse's benefits. In some policies they are allowed only when hospital benefits are not paid. Only those operations are covered which are mentioned in the policy, but these include the more serious types. Often the indemnity is not payable if the operation is within six months of the date of the policy. The benefits are also definitely named, but are directly proportional to the amount of the policy. An example of a schedule of surgical benefits is given here. Under this schedule, applicable to a policy assuring a weekly indemnity of \$50, the surgical benefit would vary from \$10 to \$200, according to the seriousness of the operation. There is sometimes a limiting provision specifying that the surgical benefit may not exceed the actual expense incurred for the operation.

4. *Physician's fees* are paid in practically all accident policies where no disability is incurred. The amount paid may be equal to the weekly indemnity but is limited to it. While this provision also exists to a limited degree in health as in accident policies, the tendency is to eliminate it in the former. The benefit is paid *in lieu* of all other benefits.

THE GENERAL COMMERCIAL ACCIDENT AND HEALTH CONTRACT

The four forms of medical benefits as outlined above are most prominent in commercial accident and health contracts. Although the accident and the health policies were originally two separate contracts, they are now commonly combined, and since medical benefits are common to both, the accident and health contracts will be discussed as one policy, even at the risk of some loss of precision.

The general cancellable form of accident and health insurance is the most popular in this field. It is sold with few exceptions by all casualty companies and by those life insurance companies with accident and health departments. The contract is for a one-year term. The advantage of this to the company is that the insurer may change the rate or refuse to renew the policy if the risk shows evidence of becoming an unhealthy one. In addition, the company reserves in these policies the right to cancel at any time upon the return of a pro-rata share of the premium. This precaution is taken to prevent liability in the event that the policyholder comes to be considered an undesirable risk, physically or morally.

The commercial cancellable policy is sold for the most part to the upper income groups. Women are practically excluded because of their higher morbidity rate and because many of them, since they are not actually producing income, are not in a position to suffer a loss of income through disability. Hazardous risks are also excluded. Examples of those thus excluded are: actors doing stunt work, aviation pilots, members of athletic teams, sportsmen, firemen, handlers and manufacturers of explosives, electrical workers, gymnasts, spirepainters, and seamen. Students are usually excluded because they are not producing income. Physical disability or impairment is, of course, additional ground for exclusion. Finally, age limits of 16 or 18 and 60 or 65 are set.

The provisions of the cancellable policy are broad. These provisions relate to indemnity for death, from accidents; for dis-

ability, either total or partial, from accident or sickness; and for medical expenses.

Insuring clauses differ in specifying under what conditions the liability of the company may be incurred. One company may use different clauses to define its liability. Thus in some policies the loss due to accidental means or to disease must result from those "directly and independently of all other causes." This expression is to bar losses due to preëxisting causes. It introduces a definite uncertainty as to payment of indemnity to the policyholder. Other clauses merely state that the company insures "against disability while this policy is in force and resulting from bodily injury effected through accidental means; and against disability commencing while this policy is in force and resulting from sickness." Such a provision eliminates question of contributory or indirect causes, and while perhaps from the standpoint of the company it may seem too liberal, it gives a desirable certainty to the assured.

In defining disability due to accidental means, additional restrictive phrases often appear. Often the accidental means must be *external* and *violent* as well. While court decisions have been notably liberal in many cases, holding that death by poisoning or by inhalation of gas was death by external, violent, and accidental means, the court decisions have also been inconsistent and a very definite degree of uncertainty may be said to exist here. But that uncertainty is, of course, extended to a lesser extent to all interpretations of the word accident and accidental means. In general, contributory negligence on the part of the assured will not prevent a recovery, if the hazard to which the individual subjected himself was one which would have been undergone by a man of reasonable and ordinary prudence, and if the accident was in consequence thereof.

The disability benefits may be for either total or partial disability. There is a great variation among policies as to the amount of weekly indemnity and the period for which it will be paid, but in general the period of indemnity for total disability is not longer than 52 weeks, and for partial disability not longer than

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26 weeks, at a fractional part of the usual weekly indemnity. Under accident provisions, principal sum payments may run from \$1,000 to \$75,000 for loss of life, or for temporary or permanent injuries.

Causes of Disability Excluded from Coverage. Under both the accident and the health provisions, certain causes of disability are excluded from coverage. It has already been noted that there are restrictions on the type of accidents covered, which exist because of the insuring clauses limiting the accidents to those caused exclusively by violent, external and accidental means. Accident clauses also specifically exclude "accident, injury, death, or other loss caused directly or indirectly, wholly or partly, by bodily or mental infirmity, bacterial infections (except pyrogenic infections which shall occur with and through an accidental cut or wound), or any other kind of disease." Injuries sustained in an act of war are also often excluded. Other common exclusions are injuries caused by driving an automobile in a speed test,

Rate for Typical Accident Policy

Principal Sum	\$5,000
Weekly Indemnity	25
Total Disability—52 weeks and subsequent indefinite period if assured cannot follow any occupation.	

Partial Disability—\$10 for a maximum of 26 weeks.

Surgical operation, surgeon's fees, hospital indemnity and nurse's fees.

Ages 18-59.

<i>Classification</i>	<i>Premium</i>
A	\$20
B	25
C	30
D	35

Rate for Typical Health Policy

Weekly Indemnity	\$25
Total Disability—If confining, for 52 weeks:	
If not confining, \$12.50 for 52 weeks.	
Surgical operations, hospital indemnity, and/or nurse's fees.	

<i>Age</i>	<i>Premium—All Classes</i>
18—50	\$37.50
51—55	\$55.00

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or engaging in aeronautics, and disability due to hernia or ptomaine poisoning.

Under the health provisions, that disability is excluded for which the insured has not been treated by a licensed physician, or which is caused by venereal disease. If the insured is a female, exclusion is also made of disability from disease of the organs of generation, or surgical or hospital treatment necessitated thereby, or from illness peculiar to females. Sickness as the result of intoxication and arthritis are often excluded.

NON-CANCELLABLE ACCIDENT AND HEALTH INSURANCE

Of other types of accident and health insurance, the non-cancellable policy most closely approaches in form the commercial general policy described above. Its coverage is usually slightly more limited than that of the commercial policy. Hospital and nurse's fees are the only medical benefits usually found. Its cost is high despite the fact that long waiting periods, sixty and ninety days, have been introduced. Its chief characteristic is, of course, that it is not cancellable by the company except for non-payment of premiums: "The Company agrees that during the term of this policy the sole condition for its continuance shall be the timely payment by the insured of the premiums hereon." In application for this form, a medical examination is required.

Non-cancellable insurance is being sold by relatively few companies and accounted in 1930 for but \$18,166,602 of the total \$154,560,370 premiums written for all accident and health insurance. In 1925, the non-cancellable accident and health insurance written amounted to \$10,087,802. Life insurance companies write the bulk of the business and three of these wrote 79 per cent of the premiums in 1930. This condition exists because of the fact that of all forms of accident and health insurance, the non-cancellable policy has been the least profitable. For the last seven years the stock companies have sustained an underwriting loss in this line of 11.6 per cent of earned premium. The company writ-

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ing the most of this form does so only on members of the Masonic Order.¹¹

The non-cancellable form, because of the relatively high degree of risk involved, is usually limited to occupational groups which are not at all hazardous and, by its cost, is limited to the upper income groups. An example of the cost of the non-cancellable form follows:

RATES FOR TYPICAL NON-CANCELLABLE ACCIDENT AND HEALTH POLICY

Monthly Indemnity \$100
 Total Disability—indemnity for duration of disability.
 Partial Disability—\$50 monthly benefit for duration of disability.
 Permanent Disability Benefits.
 Hospital Indemnity—One-fourth monthly indemnity for three months.

Select and Preferred Classes

Age	3 mo.	2 mo.	1 mo.	Age	3 mo.	2 mo.	1 mo.
20	27.00	34.00	48.50	38	39.00	46.50	61.50
21	27.50	34.50	49.00	39	40.00	47.50	62.50
22	28.00	35.00	49.50	40	40.50	48.00	63.50
23	28.50	35.50	50.00	41	41.50	49.50	64.50
24	29.00	36.50	51.00	42	42.50	50.50	66.00
25	29.50	37.00	52.00	43	43.50	51.50	67.00
26	30.50	37.50	52.50	44	44.00	52.50	68.00
27	31.00	38.00	53.00	45	45.00	53.50	69.00
28	31.50	39.00	54.00	46	46.50	54.50	70.50
29	32.00	40.00	55.00	47	47.50	55.50	72.00
30	33.00	40.50	55.50	48	48.50	57.00	73.50
31	33.50	41.50	56.00	49	49.50	58.00	75.00
32	34.50	42.00	56.50	50	51.00	59.50	77.00
33	35.00	42.50	57.50	51	52.00	61.00	78.50
34	36.00	43.50	58.50	52	53.50	62.50	80.50
35	36.50	44.00	59.00	53	55.00	64.00	82.00
36	37.50	45.00	60.00	54	56.50	66.00	84.00
37	38.00	45.50	61.00	55	58.50	67.50	86.00

SCHEDULE OF OPERATIONS—SURGICAL BENEFITS

If the single weekly indemnity for total loss of time payable under this policy is \$50, the amounts named below shall be payable. If such weekly indemnity is greater or less than \$50 the amounts shall be increased or reduced proportionately.

Abscess. Incision	\$ 10
Abdomen. Cutting into abdominal cavity for diagnosis or treatment of organs therein	200

¹¹ *Best's Casualty Report, 1931.*

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Amputation of	
Entire hand, forearm, or foot	\$ 50
Leg or arm	100
Thigh	150
Finger or fingers	20
Aneurism, Operation for tying of artery	70
Appendicitis. Abdomen	200
Bone. Injuries to or disease of. Removal of diseased portion of bone	50
Cancer of lip. Removal of, by cutting operation	50
Carbuncle. Incision	10
Chest. Cutting into thoracic cavity for diagnosis of treatment of organs therein	50
Dislocation. Reduction of	
Hip or knee	70
Shoulder, elbow or ankle	50
Wrist or lower jaw	30
Thumb	20
Fingers	10
Eye, Ear, Nose or Throat. Any cutting operation	20
Eye, Removal	100
Excision. Removal of	
Shoulder or hip joint	200
Knee joint	150
Elbow, wrist or ankle joint	100
Toe or toes	20
Fractures. Reduction of	
Nose, lower jaw, collar bone, or shoulder blade	50
Breast bone or ribs	20
Upper arm	70
Forearm	50
Wrist	50
Hand	30
Fingers	10
Bones of the pelvis (except coccyx)	150
Coccyx	20
Thigh	150
Knee cap or leg	100
Bones of foot	30
Toes	20
Goitre. Cutting operation for permanent cure	150
Gunshot wounds. Treatment of, not necessitating amputation or any cutting operation into the abdominal cavity	30
Hydrocele. Incision and treatment of sac	50
Hydrophobia. Pasteur treatment	100
Inflammation of joint. Incision into joint	50
Intestinal obstruction. See abdomen	
Kidney. See abdomen	
Lockjaw. Injection of antitoxin into skull	200
Injection of antitoxin into spinal canal	100
Mastoiditis. Cutting operation for removal of diseased bone	100
Nerve. Cutting operation for stretching	50

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Rectum. Operation for radical cure	
Hemorrhoids, external	\$ 30
Hemorrhoids, internal	50
Prolapsed	50
Fistula in ano	40
Malignant stricture	200
Skull. Cutting into cranial cavity	200
Spine or spinal cord. Operation with removal or fracture vertebra	200
Stricture Oesophagus. Cutting operation (external) for permanent cure of	200
Stone in bladder. Removal of, by cutting or crushing operation	150
Tapping of	
Abdomen	50
Bladder	30
Chest	30
Ear Drum	20
Hydrocele	20
Joints	20
Trachea. Cutting into for removal of foreign bodies or for relief of difficult breathing	70
Tumors, Removal of, by cutting operation	
Malignant	100
Benign	30
Varicocele. Cutting operation for permanent cure	50
Veins, varicose. Cutting operation for permanent cure	50
Wounds. Suturing	10

INDUSTRIAL DISABILITY INSURANCE

Industrial disability insurance is sold on a monthly or weekly premium basis, to industrial wage-earners in the more hazardous occupations. Sometimes the premium is paid by an order on the paymaster of the employing company.¹² Although these policies are lower in price than those offered to the upper income groups, they are correspondingly more limited in scope and benefits.

Industrial disability insurance is written by two classes of insurance carriers: (1) the large life insurance companies, and (2) smaller casualty companies.¹³ The coverage offered by these two classes of companies is entirely different. The life insurance companies give with their regular industrial insurance, two benefits in the event of total disability through blindness, loss of both hands or both feet: a paid-up life insurance policy for the full face value,

¹² Mowbray, A. H., *Insurance*. New York, 1930, page 177.

¹³ These companies usually write life insurance as well.

and one-half of the face value of the life insurance in cash. With some companies the latter benefit has been extended to the full face value. There is no weekly indemnity, no medical benefit, and as may be suspected, the coverage is extremely limited. Considerably less than 1 per cent of the total claim payments are for these benefits.

The largest life insurance companies selling industrial life insurance furnish free nursing service to their policy-holders. This service is defined by the insurer, and is supplied through nurses' associations with which the insurance company contracts. The nurses' association is remunerated on a fee basis. The service is as extensive as the need of the insured, but is limited to nursing. Such service may be extended to all members of a family.

Smaller casualty companies offer what is primarily an accident and health policy with a little life insurance as a supplementary feature. Eighty per cent of the premium is for the accident and health benefit.¹⁴ These benefits include a weekly indemnity and the payment of the principal sum upon total disability caused by blindness, loss of both hands or both feet. There are no medical benefits, no partial disability benefits. The selling of this form of insurance is limited geographically, with the exception of the city of Philadelphia, to the southern and middle-western states. The fact that this insurance is not sold outside of the South and Middle-West is significant. Most of the companies are Southern and a very large proportion of the business is on negro risks.

The cost of industrial accident and health insurance does not vary with the occupation of the assured but is a flat rate of about 5 cents for each \$1 of weekly indemnity.¹⁵ The benefits are usually small, five dollars a week being common. The death benefit purchased with the 25 cents weekly premium on a \$5 weekly indemnity policy would always be less than \$100, and would decrease in size as the assured becomes older.

¹⁴ Carpenter, R. V. *Industrial Insurance in United States*, New York, 1927, p. 29.

¹⁵ Scherr, J. W. *Twenty-five Years of Industrial Accident and Health Insurance*, *Weekly Underwriter*, March 25, 1929.

FRATERNAL INSURANCE

Fraternal accident and sickness insurance is sold in various forms by a large number of societies, such as the Woodmen of the World and the Maccabees. In the 1931 *Consolidated Chart*,¹⁸ 123 societies are listed as having paid either sickness and accident claims or permanent disability claims for a total of \$12,041,419 in 1930. These 123 societies had assets of \$753,318,841.

The types of policies issued by the large national societies are extremely varied. In general, it may be said that the coverage and benefits are restricted, the latter usually being limited to a weekly benefit for total disability for a short time, such as sixteen weeks.

Usually no medical benefits are provided in the contract. However, some of the societies maintain hospitals in which the members are entitled to free treatment. Perhaps the largest is the 300-bed hospital of the Security Benefit Association of Topeka, Kansas. Many other societies maintain tuberculosis sanatoria for the benefit of members who may have contracted that disease while others give to victims of tuberculosis an alternative of a cash benefit or a definite period of free sanatorium treatment. Some societies also give free nursing service to members and their families. This is true on a national scale for the Maccabees and for the Women's Benefit Association. In addition, the Maccabees has a relief fund, supported by one per cent of all premiums collected and out of which payment for medical care for members in need of relief may be made.

In addition to the accident and health insurance offered by national fraternal orders is that given by the local lodges. This is often little more than organized charity. Unfortunately it is not possible to determine to what extent benefits are paid by local lodges. Since the amount of benefits is low and the period of indemnity short, the cost of fraternal insurance is also low, the assessments generally being within the range of 25 cents to \$1 a month.

¹⁸ Published by the *Fraternal Monitor*, Rochester, New York.

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PERMANENT AND TOTAL DISABILITY CLAUSES IN LIFE INSURANCE

Permanent and total disability clauses in life insurance contracts are probably the most extensive, as far as number of insured persons is concerned, of all forms of accident and health insurance. Such protection is now included in the contracts of over 250 life insurance companies, in conjunction with over \$30,000,000,000 of life insurance. Of the new life contracts issued, about 40 per cent contain this feature. The provision is usually valid until the termination of the policy, or until the insured reaches the age of sixty. The form is a type of non-cancellable coverage. The total amount of benefits paid under the total and permanent disability clause in 1930 was \$52,045,606.¹⁷

Total disability is defined as the incapacity (resulting from bodily injury or disease) to engage in any occupation for remuneration or profit; permanent disability is that incapacity which has been continuous for not less than four months.

GROUP INSURANCE

Group insurance is a plan of personal insurance by which coverage is extended under a blanket policy to the lives of an entire group, the individuals of which are subject to essentially the same hazards. The form is written without medical examination, at a rate lower than that which would be charged for individual insurance, and with the provision that the premium for the entire group shall be collected from one source of responsibility. The protection may be against death, disability, or both. Usually the coverage is not extended to disability unless that of death is also included.

Group insurance is a relatively new form of insurance, the first policy having been written in 1911. Yet in 1931 approximately 6,000,000 wage-earners were covered for not less than

¹⁷ During October 1931, life insurance companies announced that they would no longer write life insurance policies containing the total and permanent disability clause. Waiver of premium during the period of disability will, however, still be included in the contract.

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ten billion dollars of life insurance. Group accident and health insurance covers over 2,000,000 wage-earners. On January 1, 1931, the figures for the ten leading companies writing group life insurance and the seven leading companies writing group disability insurance were as follows:

GROUP LIFE AND GROUP DISABILITY INSURANCE IN FORCE JANUARY 1, 1931

	<i>Life</i>	<i>Temporary Disability</i>
Number of Policies	19,522	6,150
Number of Lives Covered.....	5,660,067	1,905,000
Insurance in Force.....	\$9,750,212,233 ^a	.....
Weekly Benefits .....	.....	\$18,359,000

^a The Consolidated Chart gives this figure as \$10,204,534,294.

The companies writing group disability insurance are wholly the large life insurance companies; the practice is to write disability insurance only in conjunction with life insurance. About one-half of the business is done by one company.

Coverage Under Group Policy. The group covered by disability insurance conforms with the statutory requirements made for groups covered by life insurance. The group must be composed of not less than fifty employees of a common employer. If all the premium is paid by the employer the entire group must be included but if the premiums are to be shared with the employees, the group may include not less than 75 per cent of the total number. This form of coverage may be extended to groups of less than fifty individuals, but only at higher rates, and usually with the requirement of a physical examination. The group must be homogeneous in respect to exposure to hazard.¹⁸

The contract is made with the employer and he is responsible for the payment of the premium to the insurer. However, the

¹⁸ Many states which have placed statutory restrictions on the groups which may be covered by group insurance have broadened these requirements to admit labor unions. Many other states have never had any law regulating group insurance. The result is that in all but ten states—Connecticut, Florida, Indiana, Iowa, Minnesota, Nebraska, North Carolina, South Dakota, Washington, and Wisconsin—labor unions as well as groups under one employer have the right to coverage.

majority of plans now provide for contributions on the part of the employees. These contributions are effected through payroll deductions with the express consent of the employees. The so-called contributory plans are now favored as being the most likely to foster the interest and appreciation of employees. Employees do not have to make out individual applications. Certificates outlining the coverage are, however, given to each employee.

Only those employees are eligible who are working on full time and pay at the time of the issuance of the contract. For new employees there is a waiting period before they become eligible. There are usually no age restrictions.

The amount of the insurance depends upon the type of policy desired and the purpose of the insurance. There are three chief plans determining the amount of the insurance: length of service, flat sum, and amount of wages. For either of the latter two plans the premium is based on the amount of the weekly benefit, or according to the schedule. If the amount of the weekly benefit is dependent upon the wage, the premium is based upon the payroll.

When the premium is based upon the payroll and the employee receives benefits according to his wage, as soon as he is no longer a full-time worker he is not covered by the group contract. When the insurance is on a schedule basis, the employee is covered during the period for which the premium has been paid, whether or not he is working. As premiums are paid monthly, the employee may be insured for a month after leaving employment.

The Group Insurance Contract. While the group disability contract is usually more simple than the commercial policy, the standard provisions are not required, and quite as varied insuring clauses appear as in other forms of accident and health insurance. Inasmuch as the group disability insurance has as one of its purposes the supplementing of the coverage guaranteed by the workmen's compensation laws, occupational accidents and diseases are usually excluded. However, they may be included for an additional premium with the provision that the total benefits

MEDICAL CARE THROUGH FIXED PERIODIC PAYMENT

shall not exceed a fixed amount or a certain proportion, say two-thirds, of the employee's wage.

Although from the standpoint of the company, group insurance is term insurance, there is no term expressed in the policy. The insuring company has the right, however, to make periodic adjustments in the rate.

Benefits may have a duration of 13, 26 or 52 weeks, but 26 is the favored number. This period will cover 95 per cent of the actual disabilities. There is usually, too, a waiting period of 3, 7 or 14 days. In many contracts, if the disability lasts over a certain period, say thirty days, benefits will be paid as from the beginning of the disability. When disability occurs the workman need communicate only with his employer, who must report the case within ten days to the insurance company.

The excluded injuries and sicknesses found in commercial accident and health insurance are also found here: (1) injuries sustained or sickness contracted outside the continental limits of the United States or Canada or any part of either north of a certain degree or latitude, (2) injuries or sickness caused directly or indirectly by war or riot, or by any act of war, or while participating in or in consequence of having participated in aeronautics, (3) disability for which the injured employee is not treated by a physician, (4) self-inflicted injuries, and (5) sickness or diseases peculiar to women.

There are no medical benefits in group accident and health insurance. It is to be noted here, however, that some large life insurance companies give, in conjunction with their group life policies, a nursing service to all group life policy-holders. Inasmuch as the group disability policy-holders are usually also group life policy-holders, they are also the beneficiaries of this service. This service is in every respect similar to that given to industrial policy-holders. The agency actually administering it is the nurses' association which is engaged by contract by the insurance company.

No provision is made for partial disability. The reason for this is that partial disability seldom exists. A professional or busi-

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ness man may be able to perform only part of his duties; an industrial worker must be quite able-bodied to retake his place as a worker.

Generally, policies are written only for employees working or living in healthful surroundings, but for an additional premium even the following hazardous occupational groups may be included: lead workers, pottery employees, felt workers, furriers, tannery employees, those engaged in dusty trades, or in those processes using arsenic, mercury, wood alcohol, benzol, carbon bisulphide, aniline dyes, fuming acids, or poisonous gases.

To make more evident the exact field of group disability insurance, it is well to contrast it with that of workmen's compensation. Group disability insurance provides for non-occupational diseases and accidents, while workmen's compensation applies only to occupational accidents and, to a limited extent, to occupational disease. Group insurance is voluntary, while workmen's compensation is compulsory for most industries. In most cases the employee contributes to the premium payment for group disability insurance. This is illegal for workmen's compensation in most states. There are no medical benefits in group disability insurance; in workmen's compensation primary emphasis is placed on full medical, surgical and hospital service, which is given to the employee often beyond the time and money maxima specified in workmen's compensation acts.

Rates. The rates for group insurance vary according to the type of benefit secured. Below are given typical rates for both the schedule and payroll forms, the former being the rate for each \$10 of weekly benefit, the latter the rate for \$100 of payroll:

PREMIUM RATES FOR GROUP INSURANCE

A. Schedule			
<i>Waiting Period</i>	Rate per \$10 of Weekly Benefit		
	<i>Maximum Number of Weeks Payable</i>		
	13	26	52
3 days	\$9.72	\$11.63	\$13.11
7 "	8.15	9.99	11.43
14 "	6.17	7.87	9.27

MEDICAL CARE THROUGH FIXED PERIODIC PAYMENT

PREMIUM RATES FOR GROUP INSURANCE—Continued

B. Payroll

Rate per \$100 of Payroll

	Three-day Waiting Period			Seven-day Waiting Period			Fourteen-day Waiting Period		
Weekly Indemnity	Maximum No. of Weeks Payable								
	13	26	52	13	26	52	13	26	52
50% . . . . .	.93	1.12	1.26	.78	.96	1.10	.59	.76	.89
55%	1.03	1.23	1.39	.86	1.06	1.21	.65	.83	.98
60%	1.12	1.34	1.51	.94	1.15	1.32	.71	.91	1.07
65%	1.22	1.45	1.64	1.02	1.25	1.43	.77	.98	1.16
66⅔%	1.25	1.49	1.68	1.04	1.28	1.47	.79	1.01	1.19

The above are minimum rates and may be increased after an investigation of the living and working conditions of the group, or if more than 10 per cent of the group are women. The following are the standard percentage increases for the latter contingency.

EXTRA RATES FOR FEMALES

Percentage of Females	Increase in Rate
11-20	15%
21-30	25%
31-40	35%
41-50	45%
51-60	55%
61-70	65%
71-80	75%
81-90	85%
91	95%

Permanent and Total Disability Clause. There may be in the group life insurance contract, as there is in the ordinary individual life insurance contract, a permanent and total disability clause. This clause grants in the event of permanent and total disability before age 60, a waiver of premiums and either the amount of the insurance paid in a lump sum at the end of six months of disability, or the payment of the face value of the policy in installments over a period of five years.

The newest plan is that by which the group covered is a trade union, the premiums being paid wholly or partly by an

COMMERCIAL ACCIDENT AND HEALTH INSURANCE

employees' association, and benefits extended to include indemnity for disability and for old age. Such an arrangement was first made in 1926. Since then several have been completed, these being almost wholly in the field of public service and street railways. The greatest progress, however, has been made by the International Brotherhood of Electrical Workers. The locals of this union have established plans in New York, St. Louis, Baltimore, Chicago, Cleveland, Denver, Kansas City (Missouri), Pittsburgh, Tulsa, and San Antonio.¹⁹

The provisions of the New York plan are generally followed.²⁰ Under it, all members of the local union are covered and the individual does not lose his benefits by changing from one employer to another unless he goes beyond the jurisdiction of the union. The benefits are \$3000 in life insurance, the assurance of a pension of \$40 a month upon the attainment of age 65, and the assurance of a monthly benefit of \$30 for permanent and total disability, this latter benefit to be deducted from the amount of life insurance. In New York the employers pay to a Board of Insurance Trustees of the Electrical Industry of New York, on which there are one union and four employer representatives, a flat rate of \$.20 for each hour worked by each employee. The fund created by these payments has been sufficient to pay the insurance premiums, and to create a reserve so generous that definite action has been taken to reduce the hourly rate of contribution from 20 cents to 17½ cents.

Permanent and total disability is construed under this plan to mean incapacity to work for six months. Thereafter, the monthly benefit of \$30 is paid but, as noted, the amount of these payments is deducted from the life insurance. While the employee must, on leaving the union or the industry, give up his life insurance, if he is over 65 his pension is secure; should he be younger, he may, upon application within 31 days after leaving the union, convert his annuity coverage to an individual annuity contract.

¹⁹ In St. Louis the disability payment is \$40; in Chicago the life insurance is for \$5000 and the disability payment is \$65. The other plans are reported to follow that of New York.

²⁰ *Monthly Labor Review*, February 1930, p. 10; November, 1930, p. 105.