

**INSURANCE COMPANY LOSSES RESERVE PROVIDED FOR LIABILITIES**

**Act of Jun. 9, 1919, P.L. 437, No. 216**

**Cl. 77**

**AN ACT**

To provide reserves for outstanding liability losses of insurance companies transacting the business of insuring any one against loss or damage resulting from accident to, or injury suffered by, an employe or other person, for which the person insured is liable, and also for outstanding losses incurred under the Workmen's Compensation Act of one thousand nine hundred fifteen; and repealing existing laws.

**Compiler's Note:** Section 701 of Act 285 of 1921 provided that Act 216 is repealed insofar as it relates to insurance companies, associations and exchanges and saved from repeal insofar as it relates to the State Workmen's Insurance Fund.

Section 1. Be it enacted, &c., That the reserve for outstanding losses under insurance against loss or damage from accident to, or injuries suffered by, an employe or other person, and for which the insured is liable, shall be computed as follows:

(1) For all liability suits being defended under policies written more than

(a) Ten years prior to the date as of which the statement is made, one thousand five hundred dollars for each suit.

(b) Five and less than ten years prior to the date as of which the statement is made, one thousand dollars for each suit.

(c) Three and less than five years prior to the date as of which the statement is made, eight hundred and fifty dollars for each suit.

(2) For all liability policies written during the three years immediately preceding the date as of which the statement is made, such reserve shall be sixty per centum of the earned liability premiums of each of such three years, less all loss and loss expense payments made under liability policies written in the corresponding years, but, in any event, such reserve shall, for the first of such three years, be not less than seven hundred and fifty dollars for each outstanding liability suit on said year's policies.

(3) For all compensation claims under policies written more than three years prior to the date as of which the statement is made, the present value, at four per centum interest, of the determined and estimated future payments.

(4) For all compensation claims under policies written in the three years immediately preceding the date as of which the statement is made, such reserve shall be sixty-five per centum of the earned compensation premiums of each of such three years, less all loss and loss expense payments made in connection with such claims under policies written in the corresponding years, but, in any event, in the case of the first year of any such three-year period, such reserve shall be not less than the present value, at four per centum interest, of the determined

and the estimated unpaid compensation claims under policies written during such year.

Section 2. The term "earned premiums," as used herein, shall include gross premiums charged on all policies written, including all determined excess and additional premiums, less return premiums other than premiums returned to policyholders as dividends, and less reinsurance premiums and premiums on policies canceled, and less unearned premiums on policies in force. But any participating company which has charged in its premiums a loading solely for dividends shall not be required to include such loading in its earned premiums, provided a statement of the amount of such loading has been filed with, and approved by, the Insurance Commissioner.

The term "compensation," as used in this act, shall relate to all insurances effected by virtue of statutes providing compensation to employes for personal injuries irrespective of fault of the employer. The term "liability" shall relate to all insurance, except compensation insurance against loss or damage from accident to or injuries suffered by an employe or other person and for which the insured is liable.

The terms "loss payments" and "loss expense payments," as used herein, shall include all payments to claimants, including payments for medical and surgical attendance, legal expenses, salaries, and expenses of investigators, adjusters, and field men, rents, stationery, telegraph, and telephone charges, postage, salaries, and expenses of office employes, home office expenses, and all other payments made on account of claims, whether such payments shall be allocated to specific claims or unallocated.

Section 3. All unallocated liability loss expense payments made in a given calendar year subsequent to the first four years in which an insurer has been issuing liability policies, shall be distributed as follows: Thirty-five per centum shall be charged to the policies written in that year; forty per centum to the policies written in the preceding year; ten per centum to the policies written in the second year preceding; ten per centum to the policies written in the third year preceding; and five per centum to the policies written in the fourth year preceding. And such payments, made in each of the first four calendar years in which an insurer issues liability policies, shall be distributed as follows: In the first calendar year, one hundred per centum shall be charged to the policies written in that year; in the second calendar year, fifty per centum shall be charged to the policies written in that year, and fifty per centum to the policies written in the preceding year; in the third calendar year, forty per centum shall be charged to the policies written in that year, forty per centum to the policies written in the preceding year, and twenty per centum to the policies written in the second year preceding; and in the fourth calendar year, thirty-five per centum shall be charged to the policies written in that year, forty per centum to the policies written in the preceding year, fifteen per centum to the policies written in the second year preceding, and ten per centum to the policies written in the third year preceding; and a schedule showing such distribution shall be included in the

annual statement.

All unallocated compensation loss expense payments made in a given calendar year subsequent to the first three years in which an insurer has been issuing compensation policies, shall be distributed as follows: Forty per centum shall be charged to policies written in that year; forty-five per centum to the policies written in the preceding year; ten per centum to the policies written in the second year preceding; and five per centum to the policies written in the third year preceding. And such payments made in each of the first three calendar years in which an insurer issues compensation policies, shall be distributed as follows: In the first calendar year, one hundred per centum shall be charged to the policies written in that year; in the second calendar year, fifty per centum shall be charged to the policies written in that year, and fifty per centum to the policies written in the preceding year; in the third calendar year, forty-five per centum shall be charged to the policies written in that year, forty-five per centum to the policies written in the preceding year, and ten per centum to the policies written in the second year preceding; and a schedule showing such distribution shall be included in the annual statement.

Whenever, in the judgment of the Insurance Commissioner, the liability or compensation loss reserves of any insurer under his supervision, calculated in accordance with the foregoing provisions, are inadequate, he may, in his discretion, require such insurer to maintain additional reserves based upon estimated individual claims or otherwise; or whenever a satisfactory mathematical or actuarial table for valuing compensation loss reserves is promulgated and approved by the Insurance Commissioner, he may require any insurer under his supervision to maintain, upon such tabular basis, greater or lesser reserves than those hereinbefore provided for.

Section 4. Each insurer that writes liability or compensation policies shall include, in the annual statement required by law, schedule of its experience thereunder in such form as the Insurance Commissioner may prescribe.