

have had the opportunity to tour several of these plants; while extreme care is taken in the application of fire-protection systems, very little consideration is given to any type of explosion protection. One of these plants recently had a half-million-dollar explosion; yet the first reaction of safety personnel was that the system would probably be too expensive to install in any of their processes. It is difficult to see, with the evidence that is available regarding explosion losses, why safety personnel and manufacturing personnel continue to disregard the need for advancement in the fire-protection field. Fire-protection systems are being installed on hazards where they are totally inadequate to cope with the speed of the fire or the explosion that might occur.

By the application of these industrial explosion protection systems it is easy to see that the following benefits can be derived, all of which will result in increased profitability:

- a) a reduction in the annual explosion property losses;

- b) a reduction in the loss of life that may occur from explosions;

- c) a decrease in the cost of construction where it has been normal to have sufficient structural strength to withstand the internal pressure that would develop from an explosion;

- d) elimination of the possibility of interrupted production and a consequent loss of sales;

- e) a possible use of more hazardous materials in processes which would result in increased productivity. A number of these materials are generally not considered on account of their hazardous nature and the lack of a protection system.

Industry in general should realize that advancements in safety systems must keep up with the advancements in the various production methods throughout the United States. Only by keeping up will it be possible to stop the increases in the losses that occur annually. We must reach a point where these figures begin to decrease despite an increase in the over-all production index of the country. Continued efforts must be made for bettering the protection against property damage and loss of life, and industry should recognize the benefits from the effort.

## Inflation in the Claim Business

PAUL L. HOFFMAN, Hartford Accident and Indemnity Company, Chicago, Illinois

LET US DISCUSS inflation in the claim business and what you can do about it. I work for a casualty insurance company, supervising Workmen's Compensation claims, alongside others who supervise other types of claims. The inflation lies in the cost of the claims. The number and severity of accidents did not increase from 1956 to 1957, and the rate of accidents per 100,000 persons was lower than it has been. But the cost of these accidents is inflated. Of course, medical costs are up, as is wage loss. As everybody knows, the dollar has been deflated and the number of dollars for such intangible losses as pain and suffering increases. Newspapers, radio, and television are full of million-dollar figures nowadays. Newspapers publicize jumbo verdicts. From October 1 to October 11 one Chicago newspaper told of settlements of \$45,000 and \$37,500 and verdicts of \$76,000, \$100,000, and \$147,000. Publication of a jumbo verdict increases settlement values of all claims in the area.

And sometimes it seems that public attitudes have changed. We can remember when people were not claim-conscious. When one got hurt, he returned to work as soon as the doctor told him to; that was the thing to do. Now our industrial doctors tell us that the first thing they are often asked by an injured workman is, "how much is it worth?"

In automobile accidents many are out for all they can get, regardless of fault or negligence; judges won't take cases away from juries; juries seem little interested in defenses of no negligence. In hospital insurance some people stay as long as their benefits extend; some even have more than one policy. The insurance industry started out to provide indemnity for expenses; it looks as if some buy for a profit.

Some 5,000 attorneys who usually represent claimants have banded themselves together in a National Association of Claimants Compensation Attorneys. They promote every method they can think of to increase the size of jury verdicts and the awards of commissions. They publish a journal; they promote

education sessions; and they tirelessly educate their members to get what they call "the adequate award." Of course, what was the adequate award yesterday must be exceeded tomorrow.

NOW WHAT can you do about this? The first way to reduce claim costs is not to have accidents. In that regard let me first, as a claim man, pay my compliments to the personnel people and safety men. A personnel director can be of great help by hiring healthy, well-adjusted, stable people, chosen to fit their jobs, by inculcating company loyalty and cooperation, and by continued good personnel practices.

Equally important are a good, intelligent safety program implemented enthusiastically by all in the company from the executive level down, the maintenance of high safety standards, and the best safety equipment. A great difference can be achieved in accident frequency and the severity rates by intelligent management.

The second way to reduce costs is to keep the cost of each accident down. The first thing to do is to get the experts in. Whether you are self-insured or protected by an insurance company, all accidents must be reported immediately to those who specialize in handling accidents. Two words are mandatory, "all" and "immediate." Let no one, from the foreman to the superintendent, attempt to decide whether to report or not to report, or when. And "immediate" is when the accident happens, not hours or days later.

You should provide immediate medical first-aid treatment by, whenever possible, a doctor who will keep records. Then immediate, complete investigation is fundamental and necessary. It should be started at once, before the dust falls, even before an insurance investigator is able to arrive. Keep the idly curious away. Preserve the condition as much as possible. Take pictures if possible. Write down whatever is said by those injured and those immediately around or first coming there.

Let your expert get a complete picture of the circumstances. Let him take pictures; let him take statements of all around or concerned. Let him diagram the process, the work flow, the ways and means, the machine or whatever caused the accident. A complete investigation will cover all holes, all theories of liability and negligence. It will set forth whether it happened in or out of the course of employment; whether it happened to an employee, independent contractor, agent, or third party; whether agency was involved; whether it brings into play statutory obligations; or whether there may be a third party responsible. A complete investigation will also enable your safety people to prevent repetitions.

Statements are necessary, and usually the sooner they are taken the better. At an educational meeting of this Plaintiffs Attorneys group one admitted on the platform that a good statement restricts a build-up. Educate your foremen to write down what their subordinates tell them. Occasionally, in Workmen's Compensation situations, notice, complaint, and demand are important. If a man wants acceptance of a claim that happened sometime ago, he may have to prove when he reported it, to whom he reported it, and what he claimed. The story of the claimant will usually be believed unless it can be definitely disproved. So, if the foreman can prove by written memorandum he made at the time, that the claimant then told him only that he felt punk and wanted to go home early, the claimant's different story to the commission might not be so readily believed.

Where you have plant medical and first-aid facilities, they must keep full records of accidents and treatments and histories of complaints. They must refer serious cases to competent specialists to assist in better recovery.

OF COURSE, the foregoing is just good fundamental claim investigation. But upon its completeness depends the next step. That is evaluation. As soon as the facts are gathered together and made known, the case should be evaluated by the local investigator and his supervisor and perhaps the superior of the supervisor. The several theories of liability or non-liability are discussed; the injuries, personality, and status of the claimant are gone over; and all that is known of the accident and the injury form the basis upon which we evaluate the value of the case, the settlement value or the amount of the damages.

Most of us now feel that this evaluation should be done as soon as may be practicable and, as soon as an evaluation is reached, an offer of settlement should be made. This is necessary when no attorney represents the claimant but is also good practice with an attorney in the picture. We do not believe that an insurance company is an ostrich and that there is any value in attempting to hide our head in the sand. In all types of claims we believe that the bargain days are over soon after the accident.

We believe an offer should be fair, based upon our evaluation. Our evaluation is as realistic as we can make it with all the facts, theories, and circumstances we know about the case. The offer should be neither too high nor too low. It should be high enough to lead to a deal. You know yourself, if you want to buy a house worth \$30,000, priced by the owner at \$34,500, you won't get anywhere by offering \$20,000. But, if you offer \$28,000 or \$28,500, you are likely

to get some serious consideration. Most of the plaintiffs' attorneys who are in the business regularly know these values as well as we do. And most of them will settle most of their cases.

To an insurance claims man a settled case is the end to which we work. But we want it fair to both parties. We want it to be fair to us, based upon the liability and the damages, and fair to the claimant, necessarily so when he is not represented by an attorney. In order to sell our policies we believe we have to buy our releases at a fair market price.

The same basic principles work in Workmen's Compensation cases. We need immediate full investigation of the facts so we must have immediate reports. We provide the best medical treatment available.

A worker who is injured is confused and worried about his job and his family. His daily habits are upset. He wakes up in the strange world of a hospital. At first, he usually has a strong urge to return to work. In many, that withers away the longer disability continues. So immediately after an accident we try to reassure a worker and build his confidence in us. We pay compensation when due, and regularly. We attempt to call upon the injured, try and help him and his family to adjust themselves to the disability of the breadwinner, and to build the attitude and the spirit that will aid his quick recovery. We frankly tell them who we are and what we can do for them. We tell them that we will do everything that the Workmen's Compensation Law provides, including the possibility of payment for permanent partial disability after he returns to work.

We send into some plants regularly men that are known to be available to all employees who believe they have claims. We invite discussion, negotiation, and settlement of the deserving claims directly with the workers. We have offered to cooperate with union leaders. We act in an open manner as fairly as we can. While this may increase the number of settlements or payments on account of permanent partial disability, the money goes to the injured party and we believe that the over-all cost is lower. We try to follow and accommodate the policies of the employer as far as we can do so consistently with good claim practice and the state law.

NOW I HAVE NOT given you any easy panacea. But we believe that prompt reporting of accidents, complete investigation, realistic evaluation, and an early, fair offer lead to reasonable settlements. At the same time it tends to prevent or take the terror away from the build-ups attempted by some plaintiffs' attorneys. To show that it does work, we instituted a crash program on the whiplash problem. We found that when a moving automobile struck a standing automobile in the rear, we were getting more and more claims for personal injury on account of the whiplash neck. They even arose out of very minor collisions which we had supposed to be only small property-damage claims. We found we were losing our shirt on these claims. So we started to give them the full treatment, looking for injuries in every such accident, attempting to settle them as quickly as possible; we think we have settled them for a fair value. We believe that good claim practices can keep abreast of fast-moving changes in personal injury practice.