

# TRANSNEWS

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Volume 2

*Trans-News is a newsletter for our customers dedicated to bringing you useful and timely information about safety, loss control, insurance and industry issues.*

*Here's what you'll find in this issue:*

- ♦ *Safety Tips*
- ♦ *The Driver's Seat*
- ♦ *Did You Know? Who Cares?*



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# "The Driver's Seat"

Thankfully, no one asked for my wife's recipe for roast duck and dumplings. But several of you wanted to learn more about how individual rates are determined. When I get finished with this, you will probably know more than you want to or your head will hurt so much you will be sorry you asked. In any event, you will know as much about insurance as I do so feel free to send me your resume.

Let's begin with the understanding of how insurance companies make money. And please let's also understand that insurance companies are not charitable organizations. They try to make as much money for their shareholders (stock companies) and policyholders (mutual companies) as any other red blooded American company. There are basically two ways an insurance company makes money: underwriting profit and investment income. Simply put, underwriting profit is income earned by an insurer from its underwriting activities and investment income is money earned by invested premiums. But because insurance is such a highly regulated industry, investment opportunities are limited. Most insurer investments are restricted to secure type investments such as Government bonds, Treasury bills and the like. Only a percentage of their investment portfolio is invested in stocks or what the regulators consider "high risk" investments. From the underwriting income there is deducted operating expenses and losses. At the end of the day when the operating expenses and losses exceed the underwriting and investment income, you have a combined ratio that determines the company's profitability.

When the industry absorbs losses, as we have seen over the past several years, and when the ability to achieve an investment return to offset underwriting losses doesn't materialize, there is only one mechanism a company can employ to get back to profitability. You've got it! The dreaded rate increase. Now how does that big insurance company find little ol' me out there you may ask? They begin with filing line of business rate increases with state regulators. They do this independently or as a group using a national service called Insurance Services Office (ISO).



ISO is an industry supported organization that files rules, loss costs and forms with each state insurance department. Each insurance company that's licensed for a particular line of business within each state in which they operate must either adopt ISO filings or make their own independent filings. Because it is less time consuming and less costly, almost all multi-state companies utilize the services of ISO.

Okay, now we're getting close to how your individual rates are determined. Each line of business whether it is property or casualty has a "filed" loss cost. Notice I did not say rate. That's because about ten years ago the industry noted

that class rates did not properly reflect an individual company's ability to perform. Simply put, a small mutual company in New York, because of its higher expense factor, cannot afford to charge the same rate as a large national company. Therefore, the industry devised the "loss cost." The loss cost establishes the average claim cost by line of business then allows an individual company to "load" that loss cost with their own expense factors called "lost cost multipliers." They put these factors threw a formula and what comes out is a manual rate that is the starting point for determining your premium.

There are basically two types of ratings: loss rating and experience rating. Loss rating is geared to extremely large accounts where there are significant annual fluctuations in premiums and losses. This method is used to determine average credibility on a best and worst case basis. Somewhere in between is usually a credible average premium that over time will give the company an opportunity to make a profit.

The method that we typically use is experience rating. This is nothing more than measuring your individual experience over a specified period of time and applying that experience to the adjusted ISO loss cost. The final application to the experience rate is a state specific deviation called a "schedule credit/debit." This is an up or down factor that is based upon your individual characteristics such as management control, loss prevention, maintenance, etc. The combination of all these things determines your ultimate premium.

# "The Driver's Seat"

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So there you have it. A capsulized tutorial on insurance company rating. It must be remembered that insurance companies cannot increase rates without prior approval of state regulators. Whether they file rates independently or through ISO, they must have prior approval. Your ultimate premium will be dependent on the company's filed and approved rates together with your experience. If your experience is better than the "average" within your class, you stand to achieve a better overall premium than if you had poor loss experience. However, when the industry as a whole has had such poor experience as witnessed over the past several years, premium increases are inevitable.



The key then to lower than average rates is fewer accidents, which is directly related to quality loss control and driver training. You're in the "driver's seat." Don't let your insurance premium become unaffordable.





# SAFETY TIPS

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## *Emergency Situations – How Would You React?*

In today's driving environment, we are exposed to many difficult driving situations. Some of these situations are new and tough decisions must be made even though we've never experienced the situation in the past. Most dangerous situations are encountered are a result of the actions of other motorists who have short tempers and *always* seem to be in a hurry to get somewhere.

As a professional driver, you must be prepared to handle any emergency driving condition or situation. Professional drivers are entrusted with the safety of valuable good or passengers, and are expected to not only react to situations when they arise, but to react *properly* to any situation encountered.

Have you given much thought to how you would react in an emergency situation? How do you prepare for an emergency situation if you've never experienced the situation in the past? The best way to prepare yourself for a situation you've never experienced is to picture the scenario in your mind and visualize how you should react to the emergency.

Here are some examples of emergency driving problems and with some suggestions on ways to effectively react to these types of situations. The most important thing to remember is to remain calm during any driving emergency.

### **HEAD ON:**

As you drive down the roadway, all of a sudden you observe

another vehicle coming in the opposite direction at you in your lane. What can you do?

The first thing you should do is slow down as much as possible.

It will give you more time to react to the hazard, more time for the other vehicle to realize it's wrong location, and, if there is an eventual accident, the slower speed will lessen the severity of the impact of the collision. Second, while you are slowing down, steer your vehicle as far to the *right* as possible.

Give the other vehicle as much roadway as possible. Do not steer left! In most cases where vehicles cross centerlines, the operator of the vehicle will realize their position and correct it. If you go left, then the other vehicle corrects itself, they will steer right into you.

Third, sound your horn to gain the attention of the driver of the other vehicle. You may make him aware of his mistake and lane encroachment.

### **YOUR ACCELERATOR STICKS:**

This is a frightening, yet easy situation to contend with. If you're on a roadway with little traffic, use the edge of your shoe to pry the pedal to the 'up' position.

In heavy traffic, it may be necessary to turn the ignition off and use the brake. Remember though, if you have power steering and brakes, it will be more difficult to stop and steer with the ignition in the off position.

Another possibility, depending

on the make of vehicle, it to move place the vehicle gear selector in neutral and then apply the brakes.

### **YOU HAVE A BLOWOUT:**

If the tire failure is on the rear of the vehicle it will be much easier to maintain control of the vehicle. Do not use the brake. Instead, lift your foot off the accelerator and allow the vehicle to slowly reduce speed. Make any needed lane changes when it is safe to do so and pull as far off the roadway as possible.

If one of the tires on the front of the vehicle fails, the steering and vehicle will pull in the direction of the disabled tire. Again, do not apply the brakes. Sudden and hard braking can cause the vehicle to go into a spin. Allow the vehicle to slow as naturally as possible and pull as far off the roadway as you can so repairs can be done safely.

### **BRAKE FAILURE:**

You step on the brake and the pedal goes to the floor very quickly. This is probably the most terrifying situation a driver can be in. There is little time to react. You can try pumping the brake pedal and using the emergency brake. If possible, shift into lower gears to slow the vehicle. If you have no brakes at all, you will need to stop the vehicle in some other way. If on a highway, look for a runaway ramp. Otherwise, you will need to use either natural or man-placed barriers along the roadway to stop the vehicle. Use

## SAFETY TIPS

### EMERGENCY

(Continued from page 1)

fields or roadsides with heavy underbrush to stop the vehicle. Other options are snowbanks, dirt embankments and guardrails. Use your horn to warn pedestrians and other drivers.

### SKIDDING:

Several actions may cause a vehicle to enter a skid: lane

changes and/or hard braking on slick/wet/icy roads, and abrupt turning movements. If your vehicle begins to skid, *do not apply the brakes*, unless the vehicle is equipped with an anti-lock braking system. Instead, take your foot off the accelerator and turn your wheel in the direction of the skid. In other words, turn the wheel in the direction you want to go. When the vehicle begins to straighten back out, correct the steering so the

wheels are pointed back ahead. If you do not correct the steering, you will begin to skid in the opposite direction.

No one can be truly prepared for emergencies such as these. However, thinking ahead and knowing how to properly react to unexpected situations will allow you to more effectively handle them. Proper planning, good reflexes and, most importantly, a very cool head will get you through most any unexpected situation.

## Avoid Common Office Injuries

It is generally accepted that industrial and shop environments are dangerous work environments that expose employees to potential injury. But fewer people recognize the potential risks found in everyday office environments. Office work, too, can lead to injuries if appropriate safe work practices are not followed. Learn to avoid these common hazards:

### 1. Musculoskeletal strains and sprains associated with material handling:

If you must walk and carry an object, make sure the object is carried in a way that avoids blocking your vision. Never lift objects that are too heavy to handle comfortably. Get help, or use a hand truck when moving heavy or large objects. Lift objects from the floor correctly by using proper lifting mechanics—hold the load close to your body and bend at the knees, not the waist. Use a stool or step ladder when placing or removing items from high shelves.

### 2. Stress and strain associated with sitting and VDT use:

Arrange your desk or work station so that your arms, wrists, legs, back and neck can be maintained in a comfortable "neutral" position, with proper back support. Those who spend long hours at a computer should consider mastering keyboard moves,

instead of relying principally on the mouse. This helps reduce strain on your elbow and shoulder. And don't forget to take rest breaks!

**3. Injuries that result from slips, trips, and falls:** Never run in the office. If liquids are spilled on tile or linoleum floors, clean them up immediately. If a rolling chair pad is cracked or if any part of the pad edge is curled upward, have it replaced to eliminate the tripping hazard. Do not lay electrical cords or phone cords where they could create a tripping hazard. Keep aisles clear of stored items.

### 4. Hand injuries from cuts, scrapes, smashes, and punctures:

Use a letter opener when opening envelopes and boxes, and a staple puller when removing staples from documents. Wear a rubber finger "cot" when fingering through a significant amount of envelopes or pieces of paper. Store sharp objects neatly in desk drawers or inside closed containers. Always close desk and file cabinet drawers with your hand firmly gripped on the drawer handle—and leave repair of office equipment to the maintenance people.

Although offices are not considered to be "high hazard" work environments, injuries happen when risks are not

controlled or when people get careless. Practice safe work habits at all times. Know where the office first aid kit is kept, and who has been trained to administer first aid. Lastly, make sure you understand the emergency procedures for dealing with fires, power failures, and natural disasters.

### FYI....

Vehicle recalls on all types of vehicles are available at the National Highway Traffic Safety Administration website:

[www.nhtsa.dot.gov](http://www.nhtsa.dot.gov)

The latest Federal Motor Carrier Safety Regulations updates, including proposed rulings, can be found at the website for the Federal Motor Carrier Safety Administration. You can also find information on special safety programs as well as information on how to reach your state or regional representative. The web address is:

[www.fmcsa.dot.gov](http://www.fmcsa.dot.gov)

# Did you know?

## Who cares?

- 1. The Antiquity 7 Wonders of the World: Colossus of Rhodes, Egyptian Pyramids, Hanging Gardens of Babylon, Lighthouse at Alexandria, Mausoleum at Halicarnassus, Statue of Zeus at Olympia and the Temple of Diana at Ephesus.**
- 2. The Middle Ages 7 Wonders of the World: Catacombs of Alexandria, Coliseum of Rome, Great Wall of China, Leaning Tower of Pisa, Mosque of St. Sophia at Constantinople, Porcelane Tower of Nanking and Stonehenge at Salisbury Plain.**
- 3. The first home TV set was demonstrated in 1928 and the screen size was 3" x 4".**
- 4. Our first President, the honorable George Washington, owned foxhounds named Drunkard, Tipler and Topsy.**
- 5. Why are silk garments so expensive? It takes 110 domestic silkworm cocoons to make a man's tie and 630 to make a woman's blouse (depending upon size).**
- 6. What came first the motto or the coin? In God We Trust was adopted as our National motto on July 30, 1956 but first appeared on U.S. coins in 1864.**
- 7. Christ was born in Bethlehem (not PA) more than two thousand years ago, but Christmas wasn't celebrated as a National holiday until 1890.**
- 8. Waiting for the mail? The Pony Express only lasted 18 months, from April 1860 until October 1861.**
- 9. O.K. Kimosabe. What was the Lone Ranger's mask made from? The vest of his dead brother Capt. Daniel Reid. And who made it? You got it, Tonto.**
- 10. O.K. all you Pennsylvanian's. What was the original name of Hershey, PA? No, it was not Snickers. It was Derry Church, Pa.**