

BUDGETING BY CASUALTY INSURANCE COMPANIES

BY

WILLIAM F. DOWLING

Budgeting was a term commonly understood to apply almost exclusively to the system employed in controlling governmental appropriations and expenditures prior to 1921. Since then, however, each year has seen an ever increasing use of such a plan of control applied to practically all sizable business undertakings.

A recent survey of casualty insurance companies indicates that comparatively few companies have adopted any plan of forecasting their premium income and the expenses which may have to be paid from such income. A questionnaire was sent by mail to the presidents of fifty representative stock and mutual casualty companies with home offices located throughout the United States. Answers and explanatory letters were received from twenty-five companies. Personal visits were made to four of the largest companies in the field. The tabulation shown below indicates the degree of interest exhibited:

	Number of Companies	Per Cent
Expenditures fully planned by budgetary control involving prognostication of income.....	10	34.5
Expenditures for certain items such as salaries controlled by previous budget estimates, but no tie-in to income...	4	13.8
Expenditures carefully analyzed by departments compared with previous years' expenses but not based on previous estimate or in any way controlled by income.....	6	20.7
Expenditures recorded but no attempt made to control by comparison or by a definite break-down by departments.	9	31.0
	<u>29</u>	<u>100.0</u>

The officials of the companies that use a budget system are very enthusiastic about the subject and intimate that greater study and use of this method of control should be inaugurated.

Several companies limit their budget activities to a few special accounts—the most important of which is the salary account. It has been the general practice of most companies, however, to be satisfied with a tabulation and comparison of expense items disbursed in one year or part of a year against the same expense for the previous year or part of such year. The comparative percentage of such items to premiums written in each such period is the only other consideration. If a given expense has increased over the previous period investigation is made to find the cause and steps are taken to remedy

the situation in the following year. If the current year happens to be one in which premium volume is rapidly increasing, the chances are that the excess percentage of the previous year will be forgotten in the hope that the increased income will bring about a more normal ratio. Sometimes the comparison is made against the published percentages of various items of expense incurred by other companies of a similar size and kind. There is no control involved in such methods. Under a budgetary plan the predetermined totals of expense properly segregated are to be compared with the actual amounts as the disbursements are made. Comparison of the actual expenditures and their predetermined relation to income is also made, thereby permitting the management to make prompt adjustments in items which prove to be out of line.

The insurance business is today going through a period calling for the greatest control possible for fitting expenses within the premium income. The cost of underwriting insurance is increasing constantly, due to the closer inspections necessary, because of broader coverages granted, and because of the many new forms to be sent to the insureds and returned to the company. A greater number of reports and individual filings must be made with rating boards, insurance departments and bureaus of many kinds. The vast number of certificates to be filed for the benefit and convenience of the policyholders also adds to the operating costs. The increased use of competitive methods of underwriting such as are involved in retrospective rating and graduation of expense loading in writing workmen's compensation policies has a very definite effect in boosting costs. The new war department cost-plus-a-fixed-fee basis of writing workmen's compensation, automobile and public liability coverage on defense projects involves a new departure from the old way of doing things in the insurance business.

The possibilities involved in this move may have a greater significance than was at first intended. In a recent speech Payne H. Midyette, president of the National Association of Insurance Agents, called attention to the following quotation of the Superintendent of Insurance of New York:

"The plan has obviously been devised during a period of emergency and is intended to be applied to particular situations where the Government comes into the picture by reason of cost-plus contracts. But it is possible that this plan though born of emergency, has some valuable features which may be generally acceptable when the emergency is over. It may lead to the simplification of the methods of writing insurance at reasonable costs for large risks involving multiple operations under a unified control and supervision."

All of these changes involve greater cost to the insurance company without, in many instances, the benefit of any additional income. This means ultimately that a smaller portion of the premium dollar reaches surplus through profit, unless new means are found for greater control of that part

of the premium dollar disbursed for expenses. This can be achieved through a more absolute control of such expenditures by the effective use of a budget.

Budgeting in this day is considered to be a scientific plan of operation and control of a business by means of checking vision, imagination and planning for the future against the experience of the past with a predetermined profit as the ultimate goal. While this goal is the objective, the establishment of a budgetary system is an influence toward good organization and coordination. It is not intended as a panacea for all the ills of an insurance company; neither is it meant as a substitute for efficient administration and good management, but should go a long way toward increasing the effectiveness of an alert and capable supervision. It should stimulate the activities of the executives charged with fulfilling a predetermined task by creating a desire in each to do his part in maintaining the pace and of attaining the goal.

Gerard Swope recommends four necessary steps in planning a budgetary system :

1. Analyze
2. Organize
3. Deputize
4. Supervise

The need for a plan of control has been outlined in the previous pages. Analysis involves study of the size of the organization as to premium income, number of policies issued, kinds of insurance granted and the number of employees. The scope of the plan will be determined largely by the possible amount of savings as compared to the cost of operating the system.

Before actual organization of the detailed operations necessary to establish a budgetary plan, it is of primary importance that the chief executive of the company be made fully acquainted with the essentials of the plan—its organization and particularly the responsibility he is expected to assume in its proper administration. The scope of the plan, its expected accomplishments and the outline of responsibilities to be given to each executive, charged with authorizing the disbursement of the company's money, should be fully discussed. The wholehearted endorsement of the plan by the chief executive is essential and he must assume full responsibility for final approval of all estimates when submitted as a complete budget. He must be convinced of the necessity of adhering to the agreed figures. Any exceptions must be fully justified by reason of commensurate changes in the forecast of income or causes unforeseen at the time of preparing and approving the original budget. Such deviations as are justified should be sanctioned by him, only after satisfying himself of the legitimacy of the reasons given for the changes.

The next and very important move is to appoint a capable individual to engineer the entire program through all of its difficulties. That person must be one fully qualified with a genuine knowledge of the business and the

activities of the various departments; a person whose opinions and judgment are fully respected by the chief executive and all those executives with whom he must deal on budgetary matters; one who can sell the idea of 100% cooperation to those executives who will be charged with the responsibility of attaining the income forecast and of maintaining the company's operating cost within the approved amounts. This individual should be one well versed in economics and financial affairs in a general way and in particular where they involve his company; he should be trained in accounting and costs and be capable of discerning the trends in business in general and their relation to his company. Usually these qualifications are found in the Comptroller of the company, who should be designated as the Director of the Budget. The word of such director should be the law of the company on all budget matters.

To guard against injustice and domination, one of several methods of appeal should be established. One plan is to have the director consider and discuss each department's budget proposal directly with the department executive. All items not fully agreed upon are to be submitted to the chief executive for his ruling. The chief will be expected to review all angles of the items in dispute before making his decision. Another plan is to have the Director of the Budget make preliminary checks on all proposals and then submit his total estimates and report of items eliminated to a committee composed of all responsible department executives. A majority vote of such committee would be necessary to overrule a decision of the director. Full reports of such meetings are presented to the chief executive when the final form of the budget is submitted to him for his approval. A third plan is to have the chief executive preside at meetings of department executives where he may make known his attitude on items under discussion.

The focal point of any budget system is the medium through which sales are controlled, whether the business is conducted on an agency basis, through branch offices, or through direct salesmen. Therefore, in order to arrive at a practical, estimated forecast of premium income for the next year it is essential that the following information be accumulated and set up in a comprehensive form:

1. Tabulate the premium income and number of policies written in each calendar year for the past five years, segregated by lines of insurance. If practical, these data should be shown by quarters within each year.
2. The information accumulated for No. 1 should be further divided so as to indicate the number of policies and the original premium on such policies in the first calendar year for each year of issue. Show the net change in such premiums caused by endorsements or cancellations in subsequent calendar years separately.
3. The premium and number of policies relating to each year of issue should be further sub-divided to provide a study of the new and renewal business.

4. It is necessary to show the percentage relationship of each of the above divisions to the whole amount for each calendar year.
5. If the company specializes in covering the insurance requirements of a small number of major industries, the premium income should (if the statistical setup permits) be tabulated for such industries.
6. In the lines of business subject to payroll audit adjustments, the premium should be so arranged as to indicate separately the amount of advance deposit premium and the premium developed subsequently by audit.

The information outlined in 1 to 6 above may be set up for each kind of insurance, for each year of issue, on Form I attached. The big task will be to compile this information for the five years just prior to the inauguration of this system. In subsequent years, the oldest year of the five-year period may be dropped and the current year's figures added to the previous compilation.

A recapitulation of the information shown for each year on Form I by kinds of insurance should be made for the five-year period next preceding the year under study. Such a summary will aid in determining the average annual income by kind of insurance and the increase from year to year of the average number of policies written both by renewals and new sales—the average original deposit premium and the subsequent premiums developed by adjustments.

The totals of the five-year summary may then be posted to Form II which will be the basis of the forecast of premium income for the next year. A further study of the general business activities, the wage level and employment indices during those past five years should provide a basis for comparison with a prediction on those factors for the coming year. An analysis of the rate changes during the five previous years should be made and the average percentage of such adjustments calculated and compared with the forecast of the expected change for the next year.

The percentage figure needed to post in column 8 on part 1 and 3 and column 9 on part 2 of Form II will be determined by interpretation of financial, employment, production and wage indices. Consultation should be arranged with those responsible for sales to determine contemplated changes in sales organization; i.e. the number of new agencies, branches or sales positions to be established or relinquished during the coming year, with the resultant change in premium volume. Consideration should be given to the possible effect the contemplated advertising budget will have on increasing next year's premiums. Confer with the Underwriting and Actuarial Departments on the probable effect on premium income which will result from changes in the laws of the various states and which are not fully reflected in the current rates. The New York Motor Vehicle Financial Responsibility Law effective January 1, 1942 is an illustration of such a change that will

affect a forecast for 1942. The new discount principle in writing New York workmen's compensation policies with over \$1,000 of premium is another example. The War Department cost-plus-a-fixed-fee basis of writing policies covering defense operations must be considered. The possible increase in premium volume from the new comprehensive forms of automobile and public liability policies must also be taken into account. Where a sizable portion of premium comes from a particular industry, the trends and expectations of that group may be obtained from some of the larger policyholders or from their trade associations. The volume of surety premiums has been definitely affected by the ruling of the City of New York eliminating the requirement for completion bonds on contract work.

When all the factors which may effect premium income have been considered, the Actuarial Department should determine the estimated percentage to be applied for the coming year.

During November and December of each year, while the premium income forecast is being prepared, forms III, IV and V should be distributed to each department head. Before these forms are circulated, actual expenses of the ten months of the current year and the full previous year should be filled in by the Budget Department. Those figures, if available, should be given even when the system is inaugurated for the first time.

Before the actual work is begun by the department heads, it is essential to have them thoroughly understand that they are to be charged with the responsibility of maintaining their departments for the entire coming year on the amounts they specify, if finally approved. It is also of particular importance to stress the fact that they are to be held accountable only for the amounts and the items over which they have full power to authorize disbursements. For instance, the head of the Claims Department would not be charged in his budget with the rent of his department, although from a cost standpoint such an item would be chargeable to the Claims Department. The task of contracting for the rental of home office space or of paying taxes and operating expenses of a company-owned home office building ordinarily is assigned to the treasurer or other financial officer. The estimated amounts needed to meet such requirements during the next year are therefore included in that executive's budget. Where the branch office manager has authority to contract for the space the office occupies, his budget must carry that burden. The department executives should also be assured that if they are successful in curtailing their expenses, or if they have not had the need for spending money assigned to them during any portion of the year that such saving will not be taken from them for the purpose of filling in the gap created by the requirements of any other department. Each department should, therefore, operate on its own budget until the final accounting. If added responsibilities are given to a department during a budget period, the proper adjustments should be authorized to meet the new requirements.

In a commercial or industrial enterprise, the main offset to sales in the budget is the cost of production. In the insurance business, the main costs of production are commissions and salaries. The former is a variable item and is, in itself, dependent upon the volume produced, based on the contract arrangements with agents.

The tabulation shown on page 1 indicates that approximately fifty per cent of the companies have a definite budgetary plan of control for salaries. Form III provides for a detailed listing of the personnel by departments. The salaries paid to permanent employees and other data are shown separately from the information required for temporary help. Each executive lists his suggestions for salary adjustments for his department during the coming year. Such requests are usually reviewed by the chief executive, the director of the budget or a committee of the department heads sitting with the chief executive or with the director of the budget. In some of the larger companies a qualified personnel department passes on all proposals for salary increment. Usually a group of executives of such a department is designated as a committee for such purpose. However, each member of the committee is assigned a specified number of departments. It is the duty of that member to review the record of each employee of the department under study, taking into account the length of service, past ratings, progress already made and present rating. Comparison is made of the salary recommended with the standard rates established for the particular type of work which the individual performs.

The committee member will give the department head his detailed reason when he does not approve a requested raise. The department head has the recourse of appeal to the full committee if he is not satisfied with the ruling made by the member. However, such right of appeal is seldom resorted to, where well established job evaluation standards exist.

Some of the casualty insurance companies have undertaken elaborate time studies for various types of work for the purpose of determining the proper distribution of a given cost to the various lines of insurance. Inspection expense, payroll auditing, policy writing and claims adjusting are types covered. The knowledge gained in such investigations should be utilized in preparing a budget. For example, if the number of inspections per policy issued and the average cost of inspections, for each line of insurance, are known from such a time study, it will be an easy task to determine the number of inspectors and the amount required to do the job during the next year. Multiply the number of policies estimated to be written, as shown in Form II, by the average number of inspections per policy. This total multiplied by the average cost of each inspection will give the total cost of all inspections. Divide the total cost by the average pay for inspectors and the result will be the number of men required during the coming year.

Some of the companies have undertaken very comprehensive study for

standardization of work and pay for specific types of positions. Clerks are graded and classified and the pay set in accordance with the qualifications exhibited on entering the company's employ and each successive advancement is made on the basis of having the employee meet the requirements set for the next rating.

The following suggestion is made as a possible means of setting up such standards:

Have each department head submit a resumé of the type of work performed by the individuals in his charge, tell the quantity of work turned in and, if possible, the degree of accuracy required and given in such work; the average speed attained and necessary in operating an office machine; the technical knowledge necessary to perform the work; the type and degree of education required. The length of service of each individual and his previous experience should also be shown as well as the salary record from the date of employment to the date of review. Obtain the opinion of the department head concerning the minimum and maximum pay requirement for each specific job. When such reports have been turned in by all departments, the personnel, financial or budget department should analyze and correlate them. All similar work requirements should be classified and graded. A standard for each class should be established to include the minimum and maximum salary as well as a minimum amount of work required. When standards are first set, the existing pay schedule will vary with the standards in many instances. Where individuals in any classification are apparently paid more than the maximum standard, they should be encouraged to accomplish the requirements of the next grade within a reasonable period of time or accept the pay of the classification to which they have been assigned. All replacements and new positions should be filled in accordance with the standard.

It will be a continuing task of the personnel, or budget department to keep informed as to changes in work requirements and the exigencies of the times regarding basic pay levels, so that prompt recommendations for adjustments may be made to the executives in charge. Consultations on these points may be held with personnel organizations, employment agencies, labor departments, unions, etc. and with other insurance companies.

If in past experience, overtime work has been found necessary, proper provision should be made in the current budget for such costs based on the requirements of the Wage and Hour Law regulations. In some instances the proposed budget includes the approved recommendations for salary increment, while in other cases the preliminary budget is approved, excluding salary adjustments. The reason for the latter plan is, that in many companies, the same department checks and approves the budget and also approves the salary adjustments. If both items are considered at the year end, it is inevitable that delay will occur in the final handling of either one. To avoid confusion, the budget is authorized without the salary changes and then immediately thereafter the salary recommendations are studied. A

lump sum is allowed for the approved recommendations for each department and is entered as such on the final budget.

At the bottom of Form IV a summary analysis is made of the detail shown on Form III. The approved salaries for next year are entered in the last three columns of this recapitulation. The top portion of this form gives a complete picture of all costs of operating a department for one year and ten months and the estimated amount to be expended during the two remaining months of the current year together with the forecast for next year. The amounts previously disbursed are filed in by the budget department. The estimated amounts to be paid during November and December of the current year as well as the forecast for the full year ahead are posted by the department making out the form. The allotted amounts are posted by the budget department. Each type of expense shown is self-explanatory, but a brief outline of the basis of allotting each department's portion of such expense is in order.

Auto travel and other travel are expenditures made by members of the department for regular departmental undertakings and usually cause no particular difficulty in being properly classified. Printing and Supplies are charged to the various departments throughout the year on the basis of charge tickets for printed matter and supplies released to an operating department on its requisition upon the Supply Department. Charges for postage, express, telephone and telegraph are based on the breakdown of such items made in records of the mailing department, telephone and stenographic divisions. Supper money is the amount allowed for suppers because of overtime work by employees who do not come within the scope of the Wage and Hour Law. Disbursements made as direct remuneration for overtime work should be considered as part of the salary requirement. Office equipment involves payments made for rental and repair of furniture and equipment as well as the amount paid for new equipment. The remaining items are ordinarily charged only in the budgets of branch offices and need no further explanation. Additional space on the form will permit entering other types of cost not printed thereon, but which are necessary to conduct the affairs of a department such as the Advertising Division. The Central Stenographic cost indicated as the last item in the salary analysis represents that portion of the budget of the Central Stenographic Department which will be charged back to each department to be served during the coming year by the centralized typists and stenographers. It will be necessary, therefore, for each department head to agree with the executive in charge of the budget of the stenographic section on the probable need of his department for stenographic service during the next year. The expense will be apportioned on the estimates furnished so that ultimately the entire cost of that department is absorbed by those departments served. Inclusion of this item in the budget of each separate department is, in a measure, con-

trary to the rule previously expressed regarding charges to be made only where control is given. The actual money payments are authorized by the head of the stenographers, but that individual may not be in position to control the demands for service by the other departments. Consequently it is logical to put the burden of living within the estimate up to the departments making the demands for service. Such an arrangement should have the tendency to restrain each department from making excessive calls for such help.

The total of non-salary items is added to the salary item to complete the picture of the previous costs and estimates for the future. The form is then ready for study by the Budget Director or those acting under his supervision. It is up to him or his staff to ferret out any padding or excessive demands in allotting the necessary requirements. This work is a most arduous task when the budget system is in its infancy, because of the lack of accurate experience of the previous years. Each succeeding year that the system is employed, the estimates will represent a greater degree of accuracy when compared with the final results.

Form V is a supplement to Form IV, wherein the detail of equipment requirements for the coming year are estimated and carried forward to Form IV.

The budget of the Printing Department should be complete within itself; i.e., it should provide for an estimated income, as well as the expenses necessary to operate it. The executive in charge of the Printing Department budget should therefore consult the budget director or other department heads for the purpose of learning the detailed items included in each department's own estimate of its requirements for printing and supplies. The total of all departmental estimates will equal the estimated income of the Printing Department and will be shown as such on the budget.

The expenses will include all costs to be incurred in operating the plant as if it were a separate and distinct undertaking. However, the costs of raw materials such as supplies and paper would be charged to a memorandum inventory as soon as placed in stock. When stock is withdrawn for processing the memo inventory of raw material is credited. Proper cost records should be maintained so that the ultimate cost of the finished product will be charged to a memorandum of finished stock inventory. Upon delivery of the printed matter or supplies to another department, a charge is made to the account of that department and a credit entered in the account for finished stock inventory. These accounts are maintained in the Printing Department and form no part of the general ledger figures. All disbursements for materials are entered in the general books as an expense at the time of purchase. The only reason for the separate bookkeeping in the Printing Division is to maintain proper control of items entering and leaving the

department and to know that the cost of operating the section is as good or better than could be done by purchasing the finished product on the outside.

Where a company operates its own building, a separate budget is drawn up by the officer charged with that responsibility. Form III will be used to detail salaries and wages. Separate forms should account for the forecast of other operating costs separated into three groups: (1) materials and supplies used in ordinary maintenance (2) materials and other costs necessary for alterations and repairs (3) items of maintenance purchased from outside sources, such as electricity, steam, insurance, etc. Record of previous disbursements should be set up in the same arrangement as shown on Form IV and V. The income for such budget will be the amount of rent the company charges against itself for the portion of the building it occupies plus all other rents to be collected from tenants during the next year.

Form IV is returned to each department head for his checking and agreement on the amounts allotted for the next year and is then given back to the Budget Department after the final figures for the current year have been recorded—a copy of the final form similar to Form VI is sent to the various heads and a copy maintained in the Budget Director's office for future reference and checking.

Form VII is filled in each month from information furnished by the statistical department and proper comparison made. Any deviation will be readily discernible and proper explanation called for.

However, it must be borne in mind that many new things are undertaken during a year. Likewise many undertakings which are found necessary at the beginning of a year may be dropped during the year. The budget and planning department should always be aware of these happenings and make the necessary adjustments. Ordinary replacements and additional help should be provided for in the original budget, but extraordinary salary adjustments, due to the exigencies of the times must be taken into consideration in the review and checking.

The departmental budgets do not take into account all of the expenses of an insurance company such as losses, allocated claim expenses, licenses and fees, assessments and dues, commissions, etc., because the control of incurring such expenses does not rest with the company or its executives. Such items, however, must form a part of the complete picture involving the planned percentage of profit. The charges for the items enumerated and others of a similar nature must be shown on a master budget at an agreed average percentage of the estimated premium income. In arriving at an estimate, consideration should also be given to changes in tax rates, new taxes, new activities of the rating boards and bureaus, changes in state requirements such as the establishment of state security funds, etc. The net result of the setup of such a master budget will reveal that part of estimated premium income which will be available for addition to the reserve for losses,

unearned premiums and other required reserves. The net remaining balance will be the profit to be earned from the actual operations of the insurance business.

A financial budget may be used as a supplement to the general operating budget. In such a form an estimate of the income earnings from securities, real estate, mortgages, banks and other invested assets will be made. Expenses such as charges for collecting interest and rents, investment counsel fee, vault charges, real estate taxes, etc. will act as an offset against income. All maturities during the next year should be listed for the purpose of informing the financial department of the large cash amounts that will have to be reinvested, if not needed for payment of large obligations which may come due. The probable gain or loss in income as a result of such maturities must be taken into account in the income estimate. Increases or reductions due to amortization will also be taken. Provision must be made for addition to or decrease of a contingent reserve for possible fluctuations of securities.

It cannot be expected that the installment of a budgetary system will be 100% perfect in the first year of its operation. It can be assured, however, that with the exercise of care and discretion, in a few years' time the results will be noteworthy. It will be an extreme satisfaction at the close of the year to compare the allotted figures with the final costs and note, as several companies have, that the payments total ninety-five per cent or more of the estimates. As experience is gained in the handling of a budget, the junior executives should become acquainted with its operations and responsibilities. It is well to make known to all the department heads the percentage of attainment that each has achieved. This is suggested for the purpose of arousing keener interest and introducing a competitive element.

The segregation of expenses paid need not necessarily be the same as used in any of the formal statements to be filed with state authorities but will aid in the preparation of costs by lines of insurance to be reported in the New York casualty experience exhibit and various Schedule W forms filed with other insurance departments.

It was not intended in a paper necessarily limited in size and scope to cover all of the details and refinements possible in a budgetary system. It was intended, rather, as a genuine effort to open up the subject for further interest, study and discussion.

This is the opportune time to win the approval and cooperation of the chief executives of insurance companies. They must realize now that the days when excessive administrative costs may be hidden in rates have gone forever. Budget control is the answer.

FORM II

FORECAST OF RENEWAL PREMIUMS FOR YEAR 1942

Part 1

1	2	3	4	5	6	7	8	9	10	11
Line of Insurance	No. of Policies Written in Current year	Average % Renewed During 5 years	No. of Policies to be Renewed (2 x 3)	Average Deposit Premium 5 years	Average E.P. By Audit on Renewals for 1st Year	Next Year's % Rate Adj. Over or Under 5 yr. Average	% of Trend in Gen. Bus. Over or Under 5 yr. Average	Estimated Aver. Prem. per Ren. next yr. (5+6) (7+8)	Estimated Premium on Renewals (4 x 9)	
A & H Workmen's Comp. Auto Liab. Liab. other etc. etc.										

Part 2

FORECAST OF NEW POLICY PREMIUMS FOR YEAR 1942

1	2	3	4	5	6	7	8	9	10	11
Line of Insurance	No. of New Policies Written in Current Year	Average Inc. of Policies written dur. last 5 years	Estimated No. of New Pols. Based on Plans & Trend	Total New Policies to Be Written Next year 2+3+4	Average Dep. on new Pols. 5 years	Average E.P. by Audit on New Policies for 1st year	Next Year's % rate Adj. over or under 5 yr. Average	% of Trend in General Bus. over or under 5 yr. Average	Estimated Aver. Prem. for next yrs. new business (6+7) (8+9)	Estimated Premium on new Bus. 5 x 10
A & H Workmen's Comp. Auto Liab. Liab. other etc. etc.										

Part 3

FORECAST OF EARNED PREMIUM ON AUDIT IN 2ND YEAR FOR YEAR 1942

1	2	3	4	5	6	7	8	9	10	11
Line of Insurance	No. of new Policies Written in Current Year	Average E.P. on New Pols. During 2nd Year	No. of Pols. Renewed During Current Year	Aver. E.P. on Renewal Pols. During 2nd Year	Average Prem. Earned During 2nd yr. (4+5)	Next Year's % Rate Adj. Over or Under 5 Yr. Average	% of Trend in Gen'l. Bus. Over or Under 5 Yr. Average	Estimated Average E.P. in 2nd Year 6 (7+8)	Estimated total E.P. on New & Rens. 2nd Year	
Workmen's Comp. Auto Liab. Liab. other etc. etc.										

FORM III
DETAIL OF SALARY REQUIREMENTS BUDGET FOR 1942
 Dept. or Office _____

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BUDGETING BY CASUALTY INSURANCE COMPANIES

Name of Employee	Date Emp.	Class	Dept. Rating ^f	Paid in 1940	Year 1941			Date of last increase	Request to be effective	Requested 1942		Allotted 1942
					10 mos. actual	2 mos. est'd.	year est'd.			Annual Rate	Cal. year	
PERMANENT FORCE												
TEMPORARIES*												
DISMISSALS												
RESIGNATIONS												
RETIREMENTS												
Total No. Employed	xx	xx	xx									
	x	x	x					x	x			x

^fBy Dept. Head A. Excellent. B. Good. C. Fair.
 *Indicate by *request for change in status from temporary to permanent.

Dept. Head _____
 Approved _____

Budget Dept.

FORM V

DETAIL OF 1941 EQUIPMENT BUDGET

REPLACEMENTS

	DESCRIPTION OF ARTICLE TO BE REPLACED— INCLUDING SERIAL NUMBER, SIZE OF TYPE, LENGTH OF CARRIAGE, AGE, ETC.	NET COST TO REPLACE	REMARKS
Files			
Typewriters			
Desks			
Chairs			
Tables			
Dictating Mach.			
Rentals			
Repairs			
TOTAL REPLACEMENTS		\$	

ADDITIONS

	DETAIL OF LENGTH OF CARRIAGE, SIZE OF TYPE, ETC.	NUMBER ON HAND	NUMBER RE- QUESTED	NET COST	REMARKS
Files					
Typewriters					
Desks					
Chairs					
Tables					
Dictating Mach.					
Rentals					
TOTAL ADDITIONS				\$	

Total Cost of Equipment Requested \$ _____

FORM VI
BUDGET REQUIREMENTS
AND ALLOTMENTS FOR 1941

FINAL FORM

Office

DETAIL OF EXPENSE	Year 1940	Estimate 1941	Actual 1941	Requested 1942	Allotted 1942
SALARY [See Analysis Below]					
o Increases Approved	X X X	X X X	X X X		
Total Salary					
NON-SALARY					
Auto Travel					
Other Travel					
New Automobiles					
Printing and Supplies					
Postage					
Express					
Telephone and Telegraph					
Supper Money					
Miscellaneous					
Office Equipment					
Office Moving					
Rent					
Light					
Ice & Towels					
Janitor Service					
Personnel Moving					
TOTAL NON-SALARY					
GRAND TOTAL					

SALARY ANALYSIS — EXCLUDING INCREASES

DETAIL OF PERSONNEL	AS REQUESTED FOR 1942			AS ALLOTTED FOR 1942		
	No.	Annual Rate	Cal. Year	No.	Annual Rate	Cal. Year
Permanent Force as of 10/31						
Vacancies as of 10/31						
Temporaries to be made Permanent in 1942	X X X	X X X X				
Temporaries to be added in 1942	X X X	X X X X				
Total Authorized Permanent Force						
Temporaries		X X X X			X X X X	
Central Stenographic	X X X	X X X X		X X X	X X X X	
Total Salaries (exclusive 1942)						

FORM VII
MONTHLY EXPENSE AND BUDGET REPORT

 Department

 Month

Expense This Month	Kind of Expense	Budget for Year	CUMULATIVE EXPENSE		% Budget Spent To Date
			This Year To Date	Last Year To Date	
	Salary				
	Non-Salary				
	TRAVEL Auto Travel Regular Travel Department Meetings Personnel Moving				
	Sub-Total—Travel				
	REGULAR New Cars Printing and Supplies Postage Express Telephone and Telegraph Supper Money Miscellaneous Equipment				
	Sub-Total—Regular				
	BRANCH OFFICE Office Moving Rent Light Ice & Towels Janitor's Service				
	Sub-Total—Branch Office				
	Total Non-Salary				
	GRAND TOTAL				

FORM VIII

MASTER BUDGET AND ALLOTMENTS—ALL DEPARTMENTS

	YEAR 1940	ESTIMATE 1941	ACTUAL 1941	ALLOTTED 1942
TOTAL PREMIUM INCOME				
EXPENSES				
Salary				
Non-Salary				
Claim Payments				
Allocated Claim Exp.				
Assessments and Dues				
Commissions				
Licenses and Fees				
Pensions, etc.				
Taxes				
TOTAL EXPENSES				
NET INCOME				
RESERVE CHANGES				
Claim Reserves				
Claim Exp. Reserves				
Unearned Premium				
TOTAL RESERVE CHANGES				
NET PROFIT FROM OPERATIONS				