

NECESSARY REFORMS IN WORKMEN'S COMPENSATION BUSINESS.

Several of the States have a statute which prescribes the rule for computing the outstanding losses with which insurance companies must be charged on account of their liability and workmen's compensation writings. This rule was adopted only a few years ago, but there is a general agreement that it should be so modified as to require the companies to carry a still larger amount as the probable cost of settling outstanding obligations. Of course an increase in this reserve might be effected in another way. This is evident from the fact that the law requires the reserve to be made on a premium percentage basis. If, for instance, the premiums had been 50 per cent. higher since the statute in question went into effect, while the losses would have been no larger, the reserves, worked out under the complicated provisions of the law, would have been greatly increased and would without doubt be now ample. A call for higher reserves, which simply reflects greater losses, will in the end result in higher rates for the purpose of affording means for setting aside those larger reserves.

But in considering this question, said Mr. Hardison, Insurance Commissioner of Massachusetts, in his address to the recent convention of insurance commissioners, the bearing of the new problem of workmen's compensation should not be overlooked, for the law in question relating to loss reserves covers workmen's compensation as well as liability losses. If, now, employers' liability insurance as it has been carried on in the past, practically ceases to be used, and workmen's compensation insurance takes its place, it follows that, if the rates for workmen's compensation insurance are high enough to permit it, the companies will generally be able to set aside from their current revenue sufficient reserves to take care of current and future claims.

EXPENSES MUST COME DOWN.

The public, he continued, will never be satisfied with a loss ratio for workmen's compensation insurance anywhere near like that which liability insurance experience shows. The expenses will have to come down. A larger portion of the premiums which the employers are paying will have to go to the injured employees. Instead of 70 per cent. going to expenses and profits and 30 per cent. going to the injured parties the figures will have to be reversed and 70 per cent. or better go for injuries and the balance for expenses and profits. Already we see signs of a reduction in expenses for workmen's compensation insurance. In Massachusetts the rate allowed agents is not in excess of 17½ per cent. and to brokers not in excess of 10 per cent., and some of the stock companies advocate still lower commissions. The cost of litigation is cut out and the ambulance chasing lawyer is no longer visible. The ambulance chasing doctor tried to take his place, but thanks to an efficient State board which has an oversight of all settlements, he has found that his ventures are not so profitable as he had hoped.

The problem is to so amend the law that out of proper rates for liability and workmen's compensation insurance a sufficient amount will be reserved by the companies to settle the losses which are accruing on account of injuries already received. That percentage will be considerably in excess of the present minimum.

RATIO OF LOSSES.

This appears from the fact that the loss ratio of the last five years is much higher than the loss ratio of the first five years of the period covering the past ten years, although there has been no cutting of rates sufficient to account for the increase in that ratio. Only five of the liability companies transacting business in Massachusetts show now a lower loss ratio on liability and workmen's compensation business for the period beginning 1908 and ending 1912 than for the period of five years preceding 1908, and when the losses are all in for the more recent period, there is no doubt that the ratio of losses of the five companies in question will be quite materially increased.

PROBABLE HEAVY LOSSES.

Probably the increase will be sufficient to make the statement true that the ratio of losses of the liability companies transacting business in Massachusetts was higher for the more recent period of five years than for the immediately preceding period of five years. Only two of those companies for the period running from 1908 to 1912 show a loss ratio under that specified in the New York law relating to loss reserves for such companies. Four of the companies show a ratio of 60 per cent. or over, and twelve show a ratio of upwards of 55 per cent. The lowest ratio is shown by a mutual company, and is somewhat under 50 per cent. It would not appear to be a wild prophecy to conclude that the loss ratio of liability companies for the period of five years ending in 1912 will ultimately be nearly 70 per cent. and if the expense ratio has been anywhere near that figure it is easy to see the effect upon a company transacting business on that basis.

NOVA SCOTIA FIRE RE-INSURED BY HOME OF NEW YORK.

It is stated that the Nova Scotia Fire Insurance Company of Halifax, N.S., is being absorbed by the Home Insurance Company of New York, who will continue the business under the style of the Nova Scotia Fire Underwriters and will also continue the Winnipeg Underwriters which the Nova Scotia operated.

The Nova Scotia was started in 1912 and has had a successful career. Last year it received net cash for premiums of \$168,651 and incurred net losses of \$94,291, a loss ratio of 55.91 p.c. Loss ratios in recent years have been as follows:—

1906.	26.0	1910.	66.32
1907.	35.5	1911.	40.19
1908.	26.8	1912.	55.91
1909.	39.8		

It is stated that the Company is being taken over by the Home on terms which are favorable to the shareholders. At February 23, 1912, the largest shareholders were reported to be Messrs. F. B. McCurdy & Co., of Halifax, subscribed \$90,300, paid up, \$24,825; Mr. John R. Macleod, of Halifax, subscribed, \$57,400, paid up, \$14,350; and Mr. Frank Stanfield, Truro, N.S., subscribed \$53,400; paid up, \$13,350.

Bethel & Co., of Halifax, it is understood, will have a general agency of the Nova Scotia Fire Underwriters for the Maritime Provinces. Mr. Arthur C. Baillie, manager of the Nova Scotia Fire Insurance Company, will become special agent for the Home in Canada.