

separately, this would be easily obtainable by any Insurance Department on request.

Now the truth is that on our straight employers' liability when separated from all other forms—and it is only the employers' liability that is related to workmen's accident compensation—the insurance companies are and have been for years maturing a loss ratio between 60 and 70 per cent., all of which has been paid for the direct benefit and protection of the insuring employer.

Every liability underwriter knows that the loss ratio on straight employers' liability policies exceeds by at least 15 or 20 per cent. the average loss ratio on other liability lines, and exceeds by at least 10 per cent. the general average shown on all liability lines including employers, as indicated by published reports.

COMPANIES' HEAVY LOSSES.

Every underwriter knows that the companies without exception have all lost heavily on the straight employers' portion of their business; and while they have fought hard to obtain adequate rates and to secure better results by a more careful selection of business, the irresistible undertow of public sentiment in favor of claim making and bigger judgments which is now culminating in workmen's accident compensation laws has resulted in their incurring a very heavy loss on this class of business.

Every liability underwriter knows full well that had it not been for the small margin of profit made on lines other than employers' liability and the interest on invested capital that some of the companies still with us would have been justified in giving up the struggle as others have done by seeking reinsurance and retiring gracefully from the field, or applying for the appointment of a receiver.

Last year I called your attention to the fact that one of the most important problems we must solve, and that speedily, was the adoption of a logical and scientific basis of rating based upon a merit system that will give employers rates for insurance in proportion to their accident prevention methods.

The development of a rating system based upon a fixed standard of physical and moral hazard with a penalty for all sub-standard and a credit for all super-standard features, will do much toward establishing more friendly relations between insurance companies and the insuring public generally.

The Census and Statistics office now estimates the area under wheat in Canada at 9,816,300 acres or 57,900 acres more than in 1912. Oats are estimated to occupy 9,646,400 acres, an increase of 429,500 acres; barley, 1,430,800 acres, an increase of 15,600 acres; rye, 127,200 acres a decrease of 8,910 acres, and hay and clover, 7,621,600 acres, a decrease of 12,000 acres.

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During June the crops throughout Canada maintained generally the favorable average of a month ago. On June 30, the condition, expressed in percentage of the usual standard of 100, taken as representing the promise of a full crop, was as follows: Fall wheat, 81.46; spring wheat, 87.80; oats, 87.71; barley, 88.39; rye, 85.95; peas, 87.43; mixed grains, 87.12; hay and clover, 71.52; alfalfa, 77.23, and pasture, 82.31.

MERIT RATINGS IN WORKMEN'S COMPENSATION INSURANCE.

(Carl L. Hanson, to Quebec Convention of International Association of Casualty and Surety Underwriters.)

I have found it somewhat difficult to define satisfactorily the synonym merit-rating when applied to liability and workmen's compensation insurance, because the definition depends largely upon the system's application or where we fix our basis rate. There are three plans or methods through which merit rating can be successfully applied.

1. We may construct a hypothetically perfect plant, establish standards for safety and sanitation in that plant, and charge the owner a certain number of dollars, cents or a certain percentage of the basis rate for each deviation from these prescribed standards.

2. We may, on the other hand, establish a hypothetically very poor plant with no guards at all; use the same standards of safety promulgated for the hypothetically perfect plant, and credit the owner of the establishment for each item of the standard complied with, and

3. We may take what we term an average plant; average as they are to-day, establish sub and super standards, and charge or credit for each item, respectively, as to whether they are below or above the average.

THE ULTIMATE RESULT OF THE THREE METHODS.

must of necessity be the same (provided our basis rate is correct in all cases), and as to which one of the three to use or apply is a matter of expediency rather than principle.

In the first method we make the basis rate comparatively low, and build by charging for all deficiencies. This was the method I originally favored, but it is held by many students of the subject, and I now believe their contention warranted, that the moral effect upon many employers would be bad if they were charged for all items and no credits given; that it would be inducive to continual dissatisfaction and contention on account of the rate, and that, therefore, even though theoretically and practically the actual result would be the same under this as the other methods, for psychological reasons this plan was discarded, at least for the present.

In the second method we make our basis rate comparatively high, and reduce by crediting for each safeguard adopted in compliance with our standard. This method, whereas it will undoubtedly have the best moral effect and create the least amount of dissatisfaction among employers in general, will meet with opposition on the part of our law makers and State factory inspection departments, because the entire hazard with every item in the shop unguarded is covered in the basis rate, the same as under liability insurance, and therefore should the employer be so inclined he might without danger of financial ruin to himself refrain from doing any safeguarding at all, and it would make it more difficult for the factory inspection departments to enforce safety statutes. You will, of course, appreciate that the employer to whom this line of reasoning would apply is a rare exception, but the argument has been advanced, and I believe with some merit.

Of the two, the first method is the most logical and scientific because it keeps before us at all times the ideal and perfect, with a penalty affixed if no efforts are exercised to approximate that ideal, where-