

EMPLOYERS' LIABILITY BUSINESS IN UNITED KINGDOM: COMPANIES HEAVY LOSSES.

(Post Magazine, London).

We are now in a position to submit to our readers the approximate results of the employers' liability insurance business transacted within the United Kingdom in respect of the third complete year of operations since the Workmen's Compensation Act of 1906 came into force. . . . The result is extremely discouraging; but we are inclined to think that, bad as it is, it hardly represents the whole truth. It is, of course, possible that in setting aside 40 per cent. of the premiums for unexpired risk on an income of which a large portion is payable on or about July 1st, and in respect of rates calculated to provide for claims at 60 per cent., the majority of the Offices theoretically are capitalising a certain amount paid for commission at the commencement of the year of risk, and this sum on the total premium reserve (amounting to £916,036) of the Offices under consideration might represent roughly £150,000, although, as will be shown presently, inadequacy in the provision for claims may readily absorb this. But it would probably be found that the expense ratio of about 36-1-3 per cent. does not entirely cover the cost of administration, and that with some of the Offices the Workmen's Compensation Department is, consciously or unconsciously, subsidised at the expense of other lines of insurance. We hold the theory that workmen's compensation insurance, whose leading features are the high frequency of small claims in respect of relatively few policies, compensation payable mainly in instalments, and the need

of continuous scrutiny and supervision, entails a cost of administration proportionately much higher than that in other classes of insurance and practically incapable of being allocated to the expense of claim settlement, although connected with it. An examination of the results obtained by some of the leading British Fire Offices indicates that in their enormous volume of business an outgo of £11 in claims is accompanied by administration expenses of about £7. It is hardly reasonable to suppose that workmen's compensation insurance, with the features already indicated, can be carried on with a lower proportion between losses and cost of administration than a business of which the characteristics are rather the occasional payment of substantial sums in respect of a large number of risks. Hence we do not imagine that if a company confined its operations solely to workmen's compensation insurance it would be possible for it so to restrict its administration expenses that they should represent only £6 for each £11 of compensation, as would appear from the accounts themselves.

Figures indicate that in spite of the trained judgment exercised by workmen's compensation underwriters it is impossible to forecast the ultimate cost of claims among workmen. The reserves for claims which arose in 1910 amount to about £696,000. If these be insufficient by only 20 per cent. a further £138,000 should be added to the claims to date, and the claim ratio would be swelled from 67.38 to 69.22.

There seems to be no reason why this form of indemnity should be supplied to the public below cost price, even for the sake of cultivating other departments of in-

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TARIFF COMPANIES.

	1908.		1909.		1910.		1908-10.	
	£	p. c.	£	p. c.	£	p. c.	£	p. c.
Claims	1,256,726	61.88	1,268,894	64.77	1,389,821	70.02	3,915,441	65.53
Commission	267,429	13.17	256,423	13.09	265,893	13.39	789,745	13.21
Expenses	465,669	22.93	446,347	22.78	424,147	21.36	1,336,163	22.36
	1,989,824	97.98	1,971,664	100.64	2,079,861	104.77	6,041,349	101.10
Profit margin or deficit	41,111	2.02	-12,678	-0.64	-94,532	-4.77	-66,099	-1.10
Earned premiums	2,030,935	100.00	1,958,986	100.00	1,985,329	100.00	5,975,250	100.00

NON-TARIFF COMPANIES.

	1908.		1909.		1910.		1908-10.	
	£	p. c.	£	p. c.	£	p. c.	£	p. c.
Claims	392,286	63.66	476,904	73.15	259,716	90.35	1,128,906	74.72
Commission	87,757	15.36	96,056	14.73	43,058	14.98	226,871	15.02
Expenses	140,485	24.59	150,571	23.09	83,209	28.95	374,265	24.77
	620,528	108.61	723,531	110.97	385,983	134.28	1,730,042	114.51
Profit margin or deficit	49,203	-8.61	-71,572	-10.97	-98,549	-34.28	-219,324	-14.51
Earned premiums	571,325	100.00	651,959	100.00	287,434	100.00	1,510,718	100.00

TOTAL.

	1908.		1909.		1910.		1908-10.	
	£	p. c.	£	p. c.	£	p. c.	£	p. c.
Claims	1,649,012	63.37	1,745,798	66.86	1,649,537	72.58	5,044,347	67.38
Commission	355,186	13.65	352,479	13.50	308,951	13.59	1,016,616	13.58
Expenses	606,154	23.29	596,918	22.86	507,356	22.32	1,710,428	22.85
	2,610,352	100.31	2,695,195	103.22	2,465,844	108.49	7,771,391	103.81
Profit margin or deficit	-8,092	-0.31	-84,250	-3.22	-193,081	-8.49	-285,423	-3.81
Earned premiums	2,602,260	100.00	2,610,945	100.00	2,272,763	100.00	7,485,968	100.00

	Reserves in 1908	Payments in		Reserves in 1910	Total of Payments and Present Reserves	Percent of Total to 1908 Reserves
		1909	1910			
	£	£	£	£	£	
Claims 1905-13 Offices	36,172	18,191	9,264	23,593	51,048	141
Claims 1906-15 Offices	52,941	28,588	14,505	21,918	65,011	123
Claims 1907-25 Offices	149,603	94,797	47,205	48,375	190,377	127
Claims 1908-31 Offices	435,360	364,957	108,907	90,172	564,036	129
	674,076	506,533	179,881	184,058	870,472	129