DEFICIENCIES OF STATE INSURANCE.

(*F. Robertson Jones.*)

1. The experience during the past year of some of the States having State-managed insurance "funds" has certainly not been of a character to inspire confidence in State control of such matters.

2. Under State-managed insurance, the subscribing employers, although liable as partners in a mutual insurance venture, nevertheless have none of the rights of partners. They cannot select or reject those employers who would become their partners, but must accept all who come under the same class or trade.

3. State-managed insurance does not result in a proper differentiation of insurance rates in proportion to hazards. This is due partly to striving for cheapness of management, and partly to the axiomatic fact that public is not as expert as private service.

4. State-managed insurance does not cover the employer's full liability—but only his liability under the workmen's compensation law. When he is insured in a State "fund" he still has his liability to the general public and certain remnants of common law liability to his employees, uncovered by insurance.

THE "CURRENT COST" PRINCIPLE.

5. State-managed insurance is conducted, for the most part, upon the unscientific "current cost" or "deferred assessment" principle, in contradistinction to the "capital reserve" principle adopted by stock insurance companies. This is why the claim is so frequently made that State-managed insurance offers employers cheaper premium rates than does private insurance—in other words, cheaper insurance.

6. State-managed insurance, embodying primarily the "current cost" principle, places a heavy handicap upon employers who have recently insured.

7. State-managed insurance, embodying the "current cost" principle, would work a distinct hardship to its subscribers in times of industrial depression.

8. State-managed insurance does not insure the employer, it merely collects the premiums and pays them out as far as they will go. In no State in the country is the solvency of the State "fund" guaranteed by the State; and, as a matter of fact, the laws usually specifically disavow any such intent.

NOT REALLY CHEAPER.

9. State-managed insurance has not demonstrated itself to be really cheaper than private insurance. Its premiums may be lower, but, as we have seen, it does not render as complete and thorough service. It does not, like private insurance, adequately cover employers' risks; it does not grant full liability under the common and statute laws; provide adequate inspection; rate risks according to their relative hazards; it does not provide proper medical treatment; investigate and scrutinise accident cases for the awarding of proper indemnities; or exercise a careful surveillance over pensioners; it is not independent of State subsidies or assistance from collateral State departments; it does not provide adequately against future contingencies such as catastrophes and industrial depression; nor guaranteed deferred payments to injured employees.

10. State-managed insurance tends to destroy the relationship that should exist between employer and employee under a workmen's compensation law.

11. State-managed insurance does not do even justice as between employer and employee. For State-managed insurance is a "strong weapon for the political administrator." * * * If the desire is to get into favor with employers the tendency is to make rates too low, and if this is done the awards must necessarily be low in order to avert insolvency. This is unfair to the employee. If cheapness of administration is aimed at, less careful examination of claims and surveillance of pensioner results, and this means mulcting of employers. This will almost invariably occur when the same officials who fix rates and administer the fund likewise decide claims and determine awards against the fund.

12. State-managed insurance does not guarantee indemnities to injured employees. The purpose of insurance under a workmen's compensation act is to give certainty to both employer and employee.

NO PREMIUM ON PREVENTION.

13. State-managed insurance does not put the same premium upon accident prevention as does private insurance. The prevention of industrial accidents is one of the three cardinal principles of compensation for industrial accidents—the others being the doing of "prompt average justice" to injured employees; and the placing of the costs of the system upon the industries concerned.

14. State-managed insurance logically places upon the government at least a moral obligation to make up any deficiencies that may result from the operation of the system. And State insurance funds, their management being involved in politics, are peculiarly liable to result in deficiencies.

15. Monopolistic State-managed insurance, in addition to being subject to all the criticisms that can be leveled against the competitive type, is likewise open to all the objections that may be urged against unwarranted monopoly in other industries.

16. State-managed insurance is an unwarranted extension of the socialist regime. Indeed, are not those who advocate State-managed insurance, whether monopolistic or competitive, advocating undiluted socialism? Why not hand over to the State for ownership and control the business of coal mining, of cotton and wool manufacturing, of flour milling, or, in fact, of any other business that has heretofore been the subject of private and individual management? For, are not the industries that produce the fuel that warms us, the materials that clothe us and the substance that appeases our hunger quite as important to the public welfare, and, therefore, quite as much the business of the State as is the securing of indemnities to those who suffer industrial accidents?

LIVERPOOL & LONDON & GLOBE.

The United States branch of the Liverpool & London & Globe Insurance Company, Ltd., has, since the opening of the war in Europe, been kept in strong financial condition, and in addition to its other large liquid assets, its cash in banks and trust companies, subject to instant call for loss purposes, has been maintained. At the present time it amounts to $1,380,000. This company paid to policyholders in the case of the San Francisco conflagration the sum of $4,522,905.—*N. Y. Journal of Commerce.*