

WORKMEN'S COMPENSATION RATES.

In view of the Workmen's Compensation developments in Ontario and elsewhere in Canada, it is of interest to note that the New York Insurance Department has determined a basis of adequate minimum rates for insurers of employers against liability for compensation under the Workmen's Compensation Law, in accordance with which the adequacy of rates to be filed by insurance corporations and associations shall be judged for approval.

The conclusions of the Department have been reached only after most thorough investigation on the part of its experts who have been employed upon the work not only since the passage of the Workmen's Compensation Law, but for months prior thereto, in anticipation of its passage; and also after repeated conferences with representatives of insurance companies engaged in the business of liability insurance, at which the subject was very fully discussed.

At all the conferences held upon the subject, Governor Glynn has insisted, in the interest of the manufacturers and employers of labor of the state, that the new burden put upon them by this new law should be as light as possible. This view of the Governor has had the sympathetic support of the Insurance Department, and the effort has been at all times, while determining what would be adequate rates, to have these rates as reasonable as it was possible to make them consistent with the solvency of the insurance carriers.

Of course, the large compensation given to injured workmen and to the dependents of those who are killed—much larger than provided in similar laws of any other state—necessitates a larger premium for this liability and compensation insurance than is necessary in these other states.

ADEQUATE RATES INSISTED UPON.

The legislature has imposed upon the superintendent of insurance the duty of approving the adequacy of rates to be charged for compensation insurance by stock and mutual companies. This has placed upon the superintendent the responsibility of determining not only adequate but reasonable rates to be paid by the employers in this state. In order to ascertain the facts, the department has made a careful investigation of the subject and has invited the views of all the best experts thereon. Differences of opinion have developed among such experts as to what is the proper basis for New York rates. All of them, however, have agreed that Massachusetts experience is a substantial basis for rate-making in New York. The principal elements about which the discussion revolved itself were: first, what factor should be allowed for the incomplete experience of the Massachusetts outstanding claims; second, what was the proper factor representing the difference between the laws of New York and Massachusetts; and, third, what was a proper loading for administration and acquisition expenses.

The Superintendent, acting in conformity with the views of the Governor, has determined to reject all conclusions which appear to be extreme and to adopt a formula for the calculation of rates which will produce a loss ratio of 66 2-3 per cent. and an expense ratio of 33 1-3 per cent. The conclusions of the department as to what will constitute adequate minimum rates are embodied in the memorandum which follows:

SCHEDULE OF RATE BASIS.

Schedules of rates to be filed by companies pursuant to the provisions of section 67 of the insurance law, in order to receive department approval as to adequacy, must be constructed on the following basis:

1st. Pure premiums as shown by Massachusetts Schedule Z modified by the experience in other compensation states and by the grouping of analogous hazards in minor classifications.

2nd. To such pure premiums should be added a loading of at least 8%, for the purpose of covering incomplete experience on outstanding claims, and the catastrophe hazard.

3rd. For the difference representing the greater benefits provided by the New York Law above those of the Massachusetts law, a factor of 2 should be used as a multiplier.

4th. For administration expenses, including acquisition, loss adjustments, inspections, taxes, and all other expenses, a loading of 33 1-3% of the gross premiums will be required. The department will not prescribe the manner in which the 33 1-3% margin allowed for expenses shall be distributed by the companies. It will, however, require that the companies do not expend a greater amount of the premium for the purposes above indicated.

With this information in their possession, the department will expect the companies to proceed immediately with the printing of the manual of rates, and to submit the same for approval not later than Monday, June 15th. The department now has in preparation a manual constructed on the above mentioned basis. Companies that submit manuals which conform to the department minimum rates, or that provide for adequate rates in excess of such minimum rates, will receive department approval as a matter of course. Manuals prepared on different formulae will require a reasonable time for consideration.

Minimum rates prepared in accordance with the formula outlined here will be subject to the following reductions:

1st. On policies excluding the medical benefits provided in section 13 of the Workmen's Compensation Law, a discount of 20% will be permitted.

2nd. On policies of employers whose plants have been inspected in accordance with a schedule filed with this department, such schedule taking into consideration the accident experience of the plant, reductions will be granted to the extent of the results shown by the inspection report and record of experience. In no case, however, will a reduction be permitted that is greater than 40% of the manual rate. A plan is now being formed by which employers will receive the benefit of an early credit on basis of inspection and experience by a central inspection rating bureau. Such bureau will be composed of the various insurance carriers in this state, and will be under the immediate supervision of the department.

With the reductions as above indicated, the gross premium shown by manual rates will be subject to a reduction of approximately fifty per cent. Employers securing the benefits of above reductions, will have their premiums practically cut in half. It is confidently expected that the work of inspections and merit rating will be completed by September 1, 1914.