

COMPENSATION BUSINESS UNPROFITABLE.

DOWNWARD TREND IN RATES—SERIOUS SITUATION APPARENTLY DEVELOPING.

That the supposed profits on the workmen's compensation business do not exist but rather that rates are insufficient is the contention put forward by a prominent actuary in an important review of the compensation insurance experience in the United States in 1913 as exhibited by the statements of the individual companies, contributed to the *New York Journal of Commerce*. The writer says:—

"As an insurance student, interested particularly in workmen's compensation, I have noted the rapid development of the movement to force down the rates for compensation insurance, apparently regardless of the results. I have heard and read with great interest the comments, criticisms and positive statements of State boards, commissions, investigating committees and inspired statesmen, all to the effect that the insurance companies are reaping great profits from workmen's compensation. So much has been written and said on the subject and so many positive statements have been made by those knowing little about it, that the average person now feels that insurance companies are making far too much money from workmen's compensation. If all these general statements were anything like correct it would seem that of course the compensation rates were too high and therefore it would seem that the experience of the companies as regards workmen's compensation would show large profits. I find, however, that such is far from being the case.

AVERAGE RESULT A LOSS.

"I have just finished going over compilation of the experience of practically every insurance company, with about one or two exceptions, doing compensation business in the United States. From such experience, collated by an independent organization, I find that in the year 1913 nearly \$12,000,000 in compensation premiums were written in the States having compensation laws, and on that business the general average of result is the loss of one and one-tenth per cent. on the premiums written. In other words, for every dollar of premiums written the companies will pay \$1.11. This shows a serious situation and one which should be remedied by proper rates. However, remarkable to relate, it seems the agitation for still lower rates since 1913 has been successful in some States and may be successful in other States. The results for 1913 as shown are decidedly unfavorable to the companies and yet it looks as though the situation may be made worse by rate reductions, even though at the rates in 1913 the companies instead of making even a small profit lost money.

OUTSTANDING LOSSES.

"The result for 1913, as shown by the figures, is not a matter of argument. It seems simply a cold statement of facts. The companies do not make their showing any worse than they can possibly help. The general tendency is to make the reports as glowing as possible, so much so that the experience here and abroad has shown that estimates for outstanding compensation losses are nearly always too low and that the companies have had to pay more for such

outstanding losses than they expected. Insufficient rates mean danger, not only to the companies but to the general public in every phase of industry. Insurance companies are far too necessary in our economic industrial life to be allowed to ruin themselves against their better judgment, and yet this is what seems probably will result.

REDUCTION OF EXPENSES.

"From the complaints of brokers and agents and from newspaper articles from time to time, it would seem that the companies are trying hard to reduce their expenses to the lowest possible point, and yet in spite of that the combined experience for 1913 is bad.

"There is some excuse for those not in the insurance business to consider that rates are too high, but the companies have known of this 1913 experience for a number of months, and yet a number of the companies are agitating still lower rates and trying to get them put in force, although why they do that is more than I can understand. Surely they do not want to deliberately ruin themselves and ruin all liability insurance companies, and yet to a disinterested person standing to one side watching the figures and noticing the experience and watching the efforts of the companies it would almost seem that some of the companies are bent on ruining themselves, either to allay unthinking criticism or to offer themselves as a horrible example of the results of inadequate rates. Why, with the figures of 1913 in mind, is there talk of reducing the rates instead of increasing them?"

QUOTE THE DAILY, NOT THE YEARLY COST.

When you tell the average man that the cost of his policy will be so much per day instead of so much per year, you set him thinking. If you tell a man aged, say, thirty-five that his whole life policy for \$2,500 will cost him only about fifteen cents per day, you will make a deeper impression on him than if you had told him it would cost \$54.75 a year. Indeed, the chances are that you can get him to take a larger policy by this very simple expedient; viz., reducing the transaction to the limits of his financial imagination.

Of course, if your prospect happens to be a financial magnate, accustomed to think in thousands or millions, you would not do this. There would be no need to help his imagination, trained as it is to reckon in large units. But most of us are best impressed when we reckon it in small units; the transaction seems more attractive to us.

Therefore, when talking insurance to a man it is generally best to quote him the premium terms of the daily or weekly cost. Not only will he comprehend the transaction better, but he will readily admit that the \$2,500 family protection is vastly preferable to the few extra drinks or cigars that he might have to sacrifice to get it.—*Prudential Record*.

The recent death of George W. Hatch, of the *Insurance Age* of New York, is widely regretted and not least in the office of this journal to which he was formerly a contributor. Always interesting and entertaining in the writing, he was yet more highly esteemed by those who knew him for his sunny character.