

WORKMEN'S COMPENSATION BY THE STATE.

Some Reasons against it by President Edson S. Lott
—Results of American Companies' Business—
Astonishing Statements Regarding the German
System—State Supervision a better Course.

A recent declaration by Governor Woodrow Wilson, of New Jersey, that those who make workmen's compensation rates are "singularly unwise" and that it may be necessary for New Jersey to provide a system of State workmen's compensation insurance, formed the text of an informing address read before the Liability Insurance Association at its annual meeting yesterday in New York, by President Edson S. Lott, of the United States Casualty Company, New York. President Lott pointed out that premium rates for employers' liability insurance have been radically advanced of late, because employers liability laws have been radically changed. The lawmakers of many States, including New Jersey, have recently removed many of the legal defences which the employer formerly had. A far greater percentage of injured workmen can now obtain damages (or compensation) from their employers than was possible under the old laws.

At first each company "estimated" the probable final amount each accident would cost, and set aside a claim reserve accordingly. But experience showed that no company estimated enough. It was found that the final cost was far more than the amounts estimated, and that premium rates made on such estimates were too low. The estimates on final claim costs were increased from time to time and premium rates were advanced. State insurance departments also began to realize that company estimates of claim costs were too low, and made rules of their own to compel companies writing liability insurance to set aside more adequate claim reserves. But still, as experience matured, it was found that the actual cost of settling claims kept ahead of the reserves provided. It is common knowledge among State insurance officials that liability insurance premiums must be advanced if the companies writing this line of insurance are to remain solvent. When, in addition, a State very greatly increases the liability of employers for accidents to workmen, then the insurance company manager who does not very greatly increase his premium rates, is unworthy of his position, no matter how many Governors may call him "singularly unwise."

COMPANIES' DEFERRED LOSSES.

The losses in connection with liability insurance, President Lott went on to point out, are deceptive, for they mature more slowly than in any other line of insurance. In life insurance the liability of the insurance company is fixed when the insured dies. The liability of the fire insurance company is known as soon as the fire occurs and the value of the property burned or damaged is ascertained. In glass insurance the breakage of the glass immediately establishes the loss to the insurance company. It is far different in employers' liability insurance, where practically all losses are (from their nature) deferred and indefinite. Sometimes the loss is not ascertainable until ten, fifteen or twenty years after the accident occurs. Cases such as could be cited prove not only the necessity for much experience and great technical knowledge in fixing in advance adequate premium rates for workmen's compensa-

tion insurance, but they also prove that the State cannot go into the business of liability insurance tentatively, that if the State once takes hold of that business it will be practically impossible to let go. The State cannot "try it on to see how it will go."

One of the smaller casualty insurance companies, went on President Lott, had a loss ratio at the end of 1899 of 11.32 per cent. on its 1899 premiums for liability insurance; its loss ratio on those 1899 premiums had climbed to 77.34 per cent. at the end of the fifth year, and it is still paying losses on those same premiums. Its 1900 premiums began with a loss ratio of 13.50 per cent. the first year, reached 73.08 at the end of the fifth year, and not all the claims against those 1900 premiums have yet been settled.

A large foreign casualty insurance company (doing business in the United States), began the year 1901 with a loss ratio of 7.38 per cent. on that year's premiums, had paid out for losses at the end of the fifth year 70.03 per cent. of its 1901 premium income, and is still paying losses on that year's premiums.

One of the oldest and largest American casualty insurance companies paid out for claims during 1901, on account of the liability policies it issued that year, 6.83 per cent. of its total premiums for those policies. It kept on paying claims under those same policies until at the end of the fifth year it had paid out for claims 61.02 per cent. and it is still paying claims arising under those same policies. One company's record at the end of such five-year period for five such periods is as follows:—

	Per cent.
1897-1902	64.72
1898-1903	55.77
1899-1904	82.32
1900-1905	50.51
1901-1906	59.60

AN ASTONISHING CRITICISM OF THE GERMAN SYSTEM.

Referring to the fact of the German system being frequently quoted as a model, President Lott quoted from a pamphlet lately issued by Dr. Ferdinand Friedensburg, for 20 years president of the Senate of the Imperial German Insurance office.

Dr. Friedensburg says that charity crept in and corrupted the system at the beginning; that "workmen very soon got accustomed to bringing their complaints, doubts and claims of all natures whatsoever to the Imperial Insurance Office, often without appealing to any intermediate instance;" that the Imperial Insurance Office, which is intended to handle questions of law, is overburdened with frivolous and unfounded claims; that "the expenses of the system continued to grow as the force required increased;" that "the number of officials in the Imperial Insurance Office has multiplied in tune with the ever-waxing burden of work;" that ".....the number of accidents grows with monstrous speed;" that "in 1886, 100,159 accidents were reported and 10,540 (10 p. c.) compensated, in 1908, 662,321 accidents were reported and 142,965 (21 per cent.) compensated;" that "often an accident is sought for and arranged;" that sometimes a chronically sick man swears that his old illness is the result of a recent accident and gets consequential help; that "the communal chiefs act entirely under the belief that they ought to help their local residents, . . . as a result of the common opinion that the insurance funds have more money than they know what to do with,