

PROGRESSIVE COST OF WORKMEN'S COMPENSATION.

Does the cost of a workmen's compensation law normally increase from year to year? In other words, is it vain to seek for a fixed rate at which to insure the compensation loss, because in practice that rate to be proper for each year must be raised with approximate regularity from year to year?

These important questions, which are particularly pertinent in Canada at the present time in view of the character of the proposed workmen's compensation legislation in Ontario, are answered in the affirmative by Mr. P. Tecumseh Sherman, the well-known authority on workmen's compensation, in an exhaustive statistical study of European experience. The conclusions come to by Mr. Sherman, which fully support the arguments urged by THE CHRONICLE in regard to the probable effects of the Ontario law, are as follows:—

FIRST COST DECEPTIVELY LOW.

"Generally it is to be noted that the cost for the first year or two is deceptively low. This is due to the fact that it takes time for the working people to learn and appreciate the full extent of their rights and opportunities under a new law.

With the exception of Norway and Belgium, there has been or is in every country noted a steady increase in the cost (apart from immediate additions to the cost effected by amendments). In Norway the insurance practices have been too irregular and in Belgium the experience is still too short for any positive deductions.

Generally where the increase in cost is shown to be steady it is to be ascribed principally to the short time injuries; but the German figures, which relate almost exclusively to long time injuries, likewise show a steady increase up to most recent years.

DEMONSTRATED ABUSES.

Everywhere that a steady increase in cost (after the first year or two) is shown it can be traced principally to some demonstrated abuses or impositions, due to defects in the law or in the practices thereunder.

On the other hand, the loss ratio was comparatively steady in France up to and including 1904, at which date the floodgates against certain impositions were deliberately thrown wide open. And it is possible that Belgian experience may in time prove to be similar to the earlier French experience.

INCREASE IN COST ECONOMIC WASTE.

Consequently I believe that a compensation law, drawn so as to check known abuses and impositions, would, after the first few years, hold the loss ratio steady, and eventually would tend to reduce it by the reduction of accidents. Such a law, in my opinion, would be best for the working people. For the principal sufferers from malingering are the workmen's families; and the principal beneficiaries of more gross abuses and impositions are that undeserving minority of the working people who are temperamentally shirkers and parasites. And the increase in the cost of compensation insurance from abuses is economic waste, which ultimately must affect unfavorably the wages of the industrious working people and their opportunities for employment.

INVITING ABUSE.

But the political tendencies of the times are against the prevention of waste and abuses. Thus, for example, the New York Act is so drawn as to invite every known abuse, with some two or three exceptions. In this respect the Ohio law is even worse. And it seems probable that for a time and to some extent at least these laws will be our models.

Under such conditions it is practically certain that the cost of the compensation law will steadily increase (allowing for temporary reductions in periods of depression), and that, to be proper, insurance rates, once correctly adjusted, must be raised from year to year to cover that increasing cost."

It may be added that the proposed Ontario law is also of a character to invite abuse and imposition as has previously been shown in THE CHRONICLE.

GROWTH OF LIFE INSURANCE IN UNITED STATES: STUPENDOUS FIGURES.

Statistics regarding last year life business in the United States show that the mark of new business production and increase in amount in force has been set still higher, says the New York *Spectator*. During 1913 the gain in outstanding insurance under ordinary policies, as distinguished from industrial, was over one billion and forty million dollars, the highest point yet reached in volume of gain. Industrial business showed a gain of more than two hundred and twenty-five millions, so that the amount of additional insurance protection placed on the lives of the productive and wage-earning classes during the past year was more than one billion and a quarter. The total amount of insurance now carried by United States life insurance companies exceeds \$20,520,000,000, of which \$16,603,778,200 represents ordinary business, and \$3,924,130,041 industrial.

NEW PAID FOR BUSINESS.

New ordinary business written and paid for during the year amounted to \$2,535,708,239, exceeding the previous year by over one hundred and thirty millions, thereby establishing another new record. Industrial business written was \$808,409,561. Assets held to guarantee the payment of the more than twenty billions of insurance in force increased some \$250,000,000, and now amount to the impressive total of \$4,650,000,000, while the surplus funds—including capital and all amounts specifically set aside for future distribution—exceed \$622,000,000. Policyholders paid the companies last year over \$712,800,000 in premiums, while the total cash income was over \$922,300,000.

COMPANIES' HUGE PAYMENTS.

While these vast sums were coming in to the treasuries of the companies they were at the same time distributing to policyholders and their beneficiaries over \$468,000,000 and laying by for their future protection the further sum of \$265,000,000. From this it will be seen that after providing for all expenses of conducting the business the companies disbursed to policyholders and saved for their protection some twenty million dollars more than the premiums paid in.

The Bank of England's official rate of discount was continued yesterday at 3 p.c.