

WEAKNESS OF STATE INSURANCE SYSTEMS.

If it is conceded that the transaction of an insurance business is a proper function of state government—and such a concession logically gives the government the right to transact any and every other kind of business—the only justification for government exercise of such a function must rest in a compelling necessity for the exercise and an ability to transact the business more efficiently than it can be transacted through any other agency. It will hardly be seriously maintained that any demonstration whatever has been made of such a compelling necessity in a single one of the fifteen states in which some sort of state system of compensation insurance is being practised to-day. These systems really owe their origin to the higher cost of compensation as compared with liability insurance and to the unsatisfactory protection given to workmen under the old liability laws, the employer being apprehensive lest the liability companies should attempt to reap a rich harvest out of workmen's compensation insurance at his expense and the employee lest there should be a continuance of the evils of the old liability laws which he attributed, not to the law nor to the employer who preferred, because it was less costly to do so, to take advantage of a law that restricted his liability rather than provide protection for his employees by means of workmen's collective insurance, but to the casualty companies who could give only such protection as the employer demanded. The cause then for existing state systems of insurance is to be found, not in any compelling necessity, but in a misapprehension of the situation by employers, and, more especially by workmen, the enactment of laws providing for such systems being very largely due to the activities of representatives of labor.

STATE SYSTEMS NOT DEMONSTRATED EFFICIENCY.

Nor can it be said that the existence of state systems of compensation insurance has as yet been justified by any demonstration of their ability to transact the business more efficiently than it can be transacted by private enterprise. Such a demonstration requires that the state system shall compete on equal terms with all others. It must be given no special privileges, but be subject to precisely the same supervision and the same requirements as are imposed on its competitors. It must not be subsidized by the state. It must stand on its own footing. Only under such conditions is any real test of merit possible. And no such test has yet been made. The most important of the various state systems now in operation is that of New York. Its manager is claiming for it a great success and is offering employers compensation insurance at rates below those of its competitors. But it is not competing with other systems on equal terms. Its expenses of management are borne by the state. It is not subject to the supervision believed necessary in the interest of the public to be exercised over its competitors. As a consequence there is no official guarantee of any sort that it maintains adequate reserves to meet its liabilities, no official guarantee of its solvency. Furthermore, its administration is charged with securing business under a misrepresentation of facts. How under such conditions is the public to judge of its ability as compared with that of its competitors, to transact workmen's compensation insur-

ance efficiently? And yet, the public, ignorant of the facts of the case, is likely to take at their face value the statements which are made by its administration as to a superiority of service which has not been demonstrated by any fair test, and these unsubstantiated and unfounded statements to be used as an argument for the organization of other state systems.—*Boston Standard.*

MONOPOLISTIC STATE INSURANCE PASSING.

According to Professor A. W. Whitney, manager of the Workmen's Compensation Service Bureau, monopolistic state insurance in the United States is on the decline. During the year, only one State enacted such a law (Wyoming), an attempt to introduce a similar system in Iowa being a signal failure. On the other hand, West Virginia so amended its law as to permit employers under certain conditions to carry their own hazards, and in Ohio the insurance superintendent has recently ruled that stock companies may insure employers who carry their own hazard.

Among the ten States and territories that have passed laws this year there are three that have provided State funds, besides Wyoming, already mentioned. These are Colorado, Montana, and Pennsylvania. No objection, said Professor Whitney, can be offered to the formation of State funds if they are on a fair competitive basis and the effect of their competition should be wholesome. The creation of a State fund which is subsidized and otherwise immunised from the effects of competition is wholly unjustifiable. Either private insurance is bad and should be abolished or it is good and should be preserved and encouraged. A creation of the State which penalizes private endeavor, particularly by favoring the few at the expense of the general taxpayers, is not in the line of wise public policy. When the State enters into competition with private enterprise its activities should be regulative rather than such as to make fair competition impossible.

POLICYHOLDERS' POOR MEMORIES.

The amazing lapses of memory that afflict policyholders after a loss occurs are frequently a source of great annoyance to companies' adjusters. It is common for a merchant or manufacturer to entirely forget or pretend he forgets, everything he ever knew of his business, when a fire comes along and gives him a damage and the opportunity to claim on his insurance companies. It would be amusing were it not so scandalous, how many times the companies' men are referred to public adjusters for information as to values and other matters only known to the insured or his employees. Even reputable merchants are not above keeping back information that should be as open as the skies. I have known cases where prominent houses could not apparently get nearer in their statements, than sixty per cent. of the sound value of their stock. But, there are many exceptions and companies' adjusters oft times have pleasant experiences finding claimants with equitable and fair minded temperaments, although usually mistaken as to their exact rights of recovery.—*Donald C. Brown.*

The Glens Falls is reported as about to engage in the ocean marine business.