

- (j) Compensation of clerical office force in agency or branch office.
- (k) Cost of furniture and equipment.
- (l) Telephone, telegraph, postage, etc., at agency or branch office.
- (m) Travelling expenses of managers, agents and solicitors.

That is to say, that workmen's compensation and employers' liability business must come into the head office of a company charged with not more than 17½ per cent. Of course to this has to be added the head office expenses, which at present are not affected. What this means to the American companies will be apparent to you when I tell you that over a period of ten years the expense ratio of 21 companies with premium income of £100,000 or over shows 50 per cent. or over in the case of three, between 40 per cent. and 50 per cent. in the case of seventeen and only one under 40 per cent., while in the case of seven foreign companies working there none have a ratio of over 50 per cent., two between 40 and 50, five under 40. In all these latter cases, however, their home office expenses would have to be added. Now, while the expense ratios I have mentioned are spread over all their classes of business and one has not the figures to apportion the expenses, you can understand that in the great majority of cases the new regulations caused a considerable commotion and pretty drastic re-organisation; but I do not think that one can say that the business or the companies have suffered, and the point I have been leading up to is that this drastic regulation as to expenses has enabled the companies to defeat in many States an adoption of a State monopoly, and in others where they are permitted to compete with the State, has enabled them to secure the greater part of the insurances.

STATE METHODS.

Let us now examine on general lines, and, without going into too much detail, the methods adopted by States—whether monopolists or competitors with companies—to obtain the funds to pay the benefits.

No State, that I am aware of, has yet ventured to suggest paying these out of the general funds of the State, although, as I have said above, all obtain some part and many obtain the whole of their administration expenses from this source. The usual method adopted, and it is adopted under the specious term of "taxing the industry," is by assessing the employers in the various trades to pay a rate based on what it is estimated the State will want.

Most of the systems that are now at work are of too recent origin to furnish any data on which to form a sure judgment, but as examples we will take the German system, which certainly has a sufficiently long record, and the State of New York as one of the later ones, the former representing a State monopoly, the latter a competitive State.

THE GERMAN SYSTEM.

In Germany the Accident Insurance Law places the liability for compensation upon the Employers Mutual Insurance Associations, to one of which every employer in the trade covered is bound to belong. I will not go into the constitution of these associations, as it does not affect the point I am going to make. Among other functions,

subject to Governmental control these associations fix the rates to be charged to members. These rates are fixed on what is known as the "current cost" basis, that is, the rates are fixed on the outgoing payments of the year, without any reserve for outstanding liabilities. Think of that for a moment! Of course you must remember that, unlike our case, the employer cannot transfer his insurance at the end of any year or period. But look at the result after thirty years' of working. In the early years the rate was what I might call nominal, but, as the years went on and to each was added the cost of the accumulating liabilities, it rapidly mounted, till you have what was in 1886 a rate of .77 per 1,000 marks wages grown in 1911 to a rate of 11.80 per 1,000. Think of the practical effect of this. An employer who was in business in 1886 is insured, he pays his .77 per 1,000 wages, he may saddle the association with a large amount of liability, and go out of business the next year, without being called on to pay anything to liquidate a liability which, under a reasonable system, he should be solely responsible for. Take the converse case, an employer starting the same business in 1911 has to pay his 11.80 per 1,000 marks wages, a large part of which is to liquidate liabilities he had nothing to do with creating. And even that rate that he is called on to pay to-day is quite inadequate.

(To be Continued).

WANTED

By a large Guarantee Company, Man for CASUALTY DEPARTMENT. Must have some experience in Casualty business. Address,
CASUALTY,
c/o The Chronicle, P.O. Box 1502,
MONTREAL

WANTED

By a strong British Fire Office, French Canadian gentlemen as INSPECTOR for the Province of Quebec. Must have experience Applications treated confidentially. Apply stating experience and salary expected, to
INSPECTOR,
c/o The Chronicle, MONTREAL.

NOTICE

is hereby given that the
BRITISH DOMINIONS GENERAL INSURANCE COMPANY, LIMITED,

of London, England, have received a License from the Department of Insurance to transact the business of **Sprinkler Leakage Insurance** in Canada.

DALE & COMPANY, Limited,
Montreal, January 28th, 1916. Canadian Managers.