

less than the number reported in the preceeding year. Out of this number there were 14,339 claims filed for compensation of which 191 were claims in fatal accidents, as against 14,763 claims filed during the year ending October 31, 1929, 117 of which were claims in fatal cases. As a result of last year's work, there was paid out to injured employes and their dependants the sum of \$1,451,316.26, which included the payment of compensation, funeral and medical expenses, etc. In addition to the amount herein mentioned, there was \$459,264.41 paid for medical expenses in cases where there was no claim for compensation.

When the General Assembly of Maryland in 1914 passed the Workmen's Compensation Act, they recognized the fact that employers might be put in the position where they would not be able to comply with the Act due to the fact that the private insurance companies would refuse to carry their risk. Furthermore, they felt that inasmuch as this form of insurance was compulsory under the State Law, that they should provide a place where the insurance could be secured at practically the cost of writing this form of insurance. They, therefore, created the State Accident Fund to be administered by the State Industrial Accident Commission.

This Fund started business on November 1, 1914, the day the Law went into effect. Its beginning was small and the money available at that time consisted of premiums paid into the Fund by those insured with it, which premiums were based on an advance estimate of the payrolls of the insuring employers for a period of four months. The State Industrial Accident Commission transferred from the funds allotted to it by the State of Maryland the amount of \$15,000.00 for the purpose of maintaining the solvency of the Fund. A few years later this amount was returned to the State of Maryland.

During the first few years of the Fund's operations the principal business carried on its books was coal mining operations, and the Fund during these first few years was a comparatively small writer of compensation insurance, the large bulk of the business having been secured by the private insurance companies operating in the State. This condition gradually changed from year to year, and, while the Fund still carries the risks of most of the coal operators in the State, there has been a gradual transferring of the risks of other industries to the Fund of a very desirable character, and for several years the State Accident Fund has been the largest writer of compensation insurance, from a point of premiums written, in Maryland.

In carrying out the idea of the General Assembly when it created the State Accident Fund—that the Fund should endeavor to write business at cost and also to keep this cost as low as possible—it would appear that this purpose has been accomplished. The average expense ratio of the private companies carrying this form of insurance is from 35 per cent to 40 per cent of the premiums written while the expense ratio covering all operations of the Fund has always been materially lower than this, and for the last fiscal year was 8 per cent of the premiums written. During that year the interest earned on the investments of the Fund practically paid the entire operating cost of the Fund.

Effective March 1, 1926, the Commission inaugurated a new merit-rating system, the purpose of which is to reward and stimulate the policyholders of the Fund in their work of accident prevention and to measure the rate more closely to the individual hazard of the policyholder, preserving to the policyholder, of course, the basic principles of insurance protection, so that any severe losses will still be distributed. This merit-rating system is working out very satisfactorily, and is offering an incentive to the policyholder to take a greater interest in accident prevention in his plant.

There is no doubt that the State Accident Fund has saved to the employers insuring with the Fund many thousands of dollars, and at the same time giving them full protection under the Workmen's Compensation Law of Maryland.