

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.

During the operation of the Fund a net surplus for the protection of the policyholders amounting to \$500,000.00 has been accumulated, and as this surplus is in addition to adequate reserves which have been set up to carry all unpaid or undetermined claims to completion, it leaves the Fund in a strong financial condition.

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.