ABSTRACT OF THE DISCUSSION OF PAPERS READ AT THE PREVIOUS MEETING

BUDGETING BY CASUALTY INSURANCE COMPANIES

WILLIAM F. DOWLING

VOLUME XXVIII, PAGE 324

WRITTEN DISCUSSION

MR. W. B. BAILEY:

Mr. Dowling's system of budgetary control endeavors to forecast premium income, and plan expenditures in the coming year so that a predetermined profit will result.

The method of premium forecasting is quite involved and calls for statistics which it is believed very few companies are keeping. In a large company the cost of compiling these figures would be quite sizeable. The judgment factor which is supposed to allow for changes in external business during the year would appear to be subject to wide margins of error. We have found it rather difficult to accurately forecast premiums for a period as short as two months.

Expenditures are much easier to estimate. The largest of these, other than for claims, are for commissions and salaries. Commissions depend on the premium forecast. They are not subject to much control by management. Mr. Dowling makes several interesting suggestions in regard to control of salaries that should be helpful to personnel departments, for instance, the one on the grading and classification of clerks. Nevertheless, salary control has very definite limitations in an insurance company. If a reduction in premium volume is forecast, the chances are that the salary ratio to premiums will increase. Salaries are very inflexible over as short a period as one year. However, the budget will have accomplished something if it has brought to the attention of the executives the coming reduction in profits due to reduced volume and fixed salaries.

In studying the forms supplied to department heads for their estimates of salaries and expenses for the year, it was noted that they contained no information on the volume of premiums expected. It would seem that this would be necessary before the department heads could decide what their expenditures for the year would be.

The method used to estimate inspection expense is novel but is so closely tied in with the premium forecast that any error in that would also reflect itself in the inspection budget.

The possibility of adjusting expenditures to agree with expected premiums is much greater for expenses than for salaries. Here planned spending can be nicely adjusted toward reaching the predetermined profit. Mr. Dowling rightly states that no person should be charged in the budget with an expenditure over which he does not have major control. The example of claim rent being charged to the financial rather than the claim department is well taken, especially so if the claim department is not allowed to decide where and how much space it should have.

The budget for the printshop would seem to be a necessity if a company is to know that it is getting its money's worth in printing.

On the master budget, form VIII, provision is made for estimating claim payments and changes in reserves. Estimates such as these could be very unreliable.

On the whole it is felt that while a budgetary plan has its usefulness, this must be measured against the cost. In most companies this cost would be rather heavy, especially for keeping statistics used to forecast premiums which forecast is subject to pretty large errors in judgment. The plan is useful in that it makes the executives expense-conscious and also provides for expense adjustments before the anticipated changes in premiums. However, because of the inflexibility in salaries, the largest expense item, the amount of these adjustments would be relatively small. Weighing cost against value it would seem that the latter would hardly justify the expenditures required for the system.

AUTHOR'S REVIEW OF DISCUSSION

MR. WILLIAM F. DOWLING:

In my paper I point out that the inauguration of a budgetary system in an insurance company does not mean that a panacea for all of the ills of the company has been found. I also point out that it cannot be expected that the maximum of efficiency of the budgetary system could be reached in the first year nor in the second year.

The companies that now use the budget plan have found that as the years go on they can improve upon the basic figures required and the method of calculating them with the resultant increase in efficiency and a decrease in the error of judgment. An emergency period such as that in which we now find ourselves is the true test of the value of a budget. The companies that have been operating on controlled budget basis are continuing to do so despite all the obstacles encountered.

Management is the sole judge as to whether or not it desires to act quickly or to go slowly when adverse trends are shown. It is to be presumed that all department heads involved in the making of a budget are made fully acquainted with the estimated income figures for the period involved. They would then be expected to utilize that knowledge in formulating their own budget requirements.

I am not willing to concede too readily that estimates of losses incurred are at all times unreliable. The figures may be relied upon when the period of study covers a sufficient length of time, where the analyses are in sufficient detail and properly related to premiums.

It is conceded that a budgetary plan costs money, but it is felt that the control, the incentive, the possibility for saving and the knowledge gained would be worth the price.

PREMIUM COLLECTIONS ON PUNCH CARDS

DUDLEY M. PRUITT

VOLUME XXVIII, PAGE 503

WRITTEN DISCUSSION

MR. W. H. CRAWFORD:

Mr. Pruitt's paper is one which strikes a responsive chord in those of us who have had close contact with the application of tabulating equipment to the accounting and statistical problems of casualty insurance. It is quite evident that Mr. Pruitt has partaken of the International Business Machines "table d' hote" dinner, as the procedure he outlines, mechanizes all premium collection functions from soup to nuts. Frankly, there is little, if anything, I can add to this very carefully planned and admirable mechanized system which uses all the most modern tabulating devices.

My comments will be along two lines of thought, viz:—

1. A discussion of the "layer cake" card; its origin and basic purpose.
2. Whether these war times are the most advantageous in which to add to our tabulating functions.

* * * *

The "layer cake" card is one in which I have a very personal interest, as I first introduced this particular type of card to representatives of the International Business Machines Corporation in August 1939 at conferences held at Endicott, N. Y. The "layer cake" card had its origin in the Western

Department of the Loyalty Group at Chicago, Ill. some months prior to that time. The adaptation of the "layer cake" card discussed in Mr. Pruitt's paper, overlooks the fundamental advantages of this card form. At the time we pioneered the field and originated this form of card, our goal was twofold, viz:—

1. To accelerate the punching, verifying and balancing of the accounting and statistical tabulating cards so as to permit prompt release of the daily report.
2. To have a single coordinated tabulating card form for both Fire and Casualty accounts and statistics, inasmuch as our Fire and Casualty business is handled by coordinated and unified personnel.

After being exhaustively tested in our Western Department for approximately one year, its use was extended to other departmental offices and is now the basic premium tabulating card in our country-wide tabulating system. The card form is shown in Figure 1.

FIGURE 1

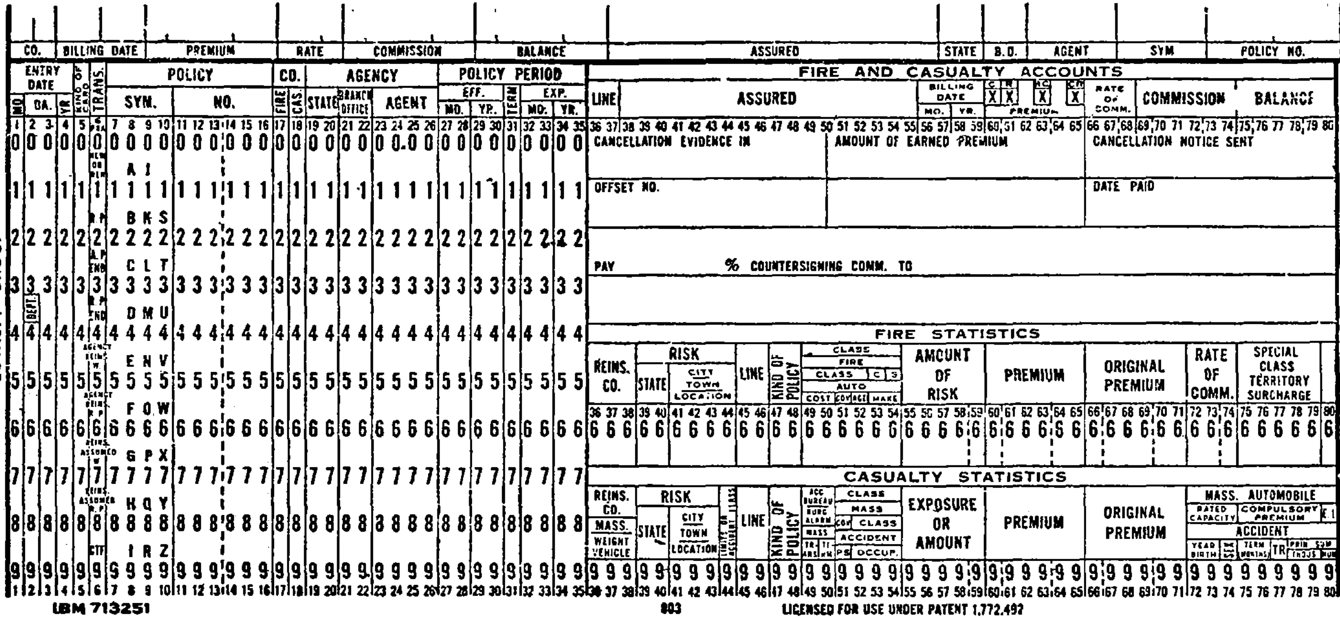
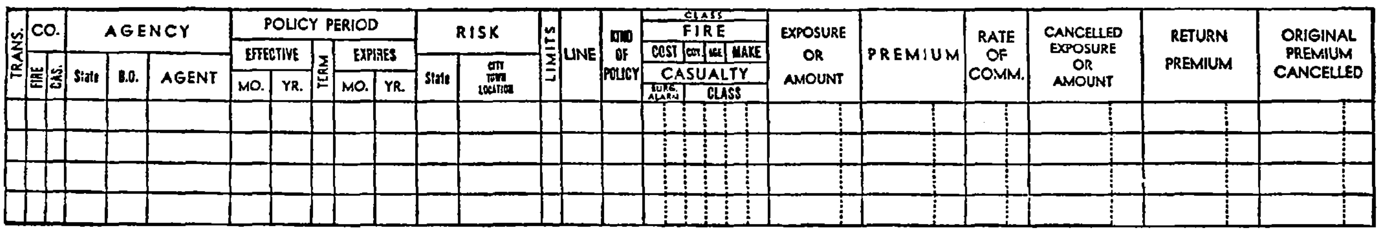


FIGURE 2



It should be noted that this card has but a single punching guide for the first 35 columns—all information common to both the accounting and statistical cards being grouped in these columns. Columns 36 to 80 inclusive, have three punching guides (1) Fire and Casualty Accounts (2) Fire Statistics (3) Casualty Statistics. Punching is done from the daily report directly, thus thru the use of this card we can handle all types of dailies —both fire and casualty—without changing card forms. Our daily reports contain a "code block" which is identical with the tabulating card form so that it permits the key punch operators to punch in the exact sequence as the card form. A sample of the synchronized code block used in automobile dailies is shown in Figure 2.

The first card only is completely punched insofar as columns 6 to 35 inclusive. All additional account and statistical cards are "skeleton" punched, the operator striking the "X" skip key when punching Column 6, which causes the machine to skip to Column 36. As the identical card form is used for both account and statistical cards, the account cards are distinguished from statistical cards by a "Kind of Card" Codes which are punched in Column 5. Thus if a single daily report entry requires two accounting cards and six statistical cards, only the first accounting card would be completely punched. The remaining seven cards would carry no punching in Columns 6 to 35 inclusive, except for the "X" punch in Column 6 which is "cut" when skipping to Column 36. Our punch machines are equipped with an automatic card reversing device to facilitate the verification of the punched cards in the same order as the cards were punched.

After the cards have been punched and verified, we have the fully punched cards *without an "X" in Column 6,* followed by the "skeleton" punched cards for the same entry, *which have an "X" punched in Column 6.* The cards are now put thru a high speed gang summary punch or reproducer which is actuated by the "X" or no "X" in Column 6. This causes the information appearing in Columns 6 to 35 in the fully punched card to be reproduced into the following "skeleton" punched cards. After this step is completed, we have the interspersed account and statistical cards completely punched.

This procedure has the following advantages:

1. Account and Statistical Tabulating cards are punched simultaneously with one handling of the daily report.

2. The manual key punching and certifying is reduced substantially as only one tabulating card is completely punched for each entry. On the remaining cards a maximum of 45 columns is punched.

3. The accuracy of the common information is greatly enhanced as the possibility of error in essential information is reduced to a

minimum, as all common data is mechanically reproduced into both accounts and statistical cards.

It occurred to us that the interspersed account and statistical tabulating cards might become mixed before the common data was gang punched into the "skeleton" punched cards. In such event the "skeleton" punched cards might lose their place from behind the proper completely punched card, and as no identifying information such as policy number appears on the "skeleton" punched cards until after the gang punching operation, a very real problem was present. We solved this satisfactorily by placing our balancing operation—which I will describe later—under control by policy number.

Before the daily report is released, we make certain that the account cards are in absolute balance with the statistical cards. Heretofore this has been a serious problem as it meant comparing two separate listings, one of the account cards and the other of the statistical cards, which is obviously a slow, tedious clerical operation. Having the account and statistical cards interspersed by policy number makes it possible to perform this operation with amazing ease thru the use of a numeric tabulator equipped with one unit of "digit selection." The Tabulator is placed under control as to policy number, and by "digit selecting" the kind of card code, the account cards are caused to *add for each policy* and the statistical cards *subtract from the same counter*. Thus if the account cards do not agree with the statistical cards for any policy number, a difference is shown; if they balance, the counter dial and tabulation are clear. At the same operation we tabulate and print the total amount of the premium being entered for each policy and a grand total of the entries in that particular group, thus obtaining our daily group total, for control purposes.

As our primary concern is to put our daily reports thru our accounting and statistical record with the utmost speed, we route them thru our tabulating room in "pockets" of not more than 5. Thus as soon as a "pocket" is balanced, the daily reports can be released, so that instead of releasing large blocks of dailies sporadically, they are released in a steady flow during the day.

When the cards are balanced and the daily reports released, the cards are sorted so as to segregate the account cards from the statistical cards. The account cards are put thru a multiplying punch which computes the commission and the balance due (Premium, less commission) and punches this data into the proper fields on the account tabulating card. The statistical cards are available for regular statistical functions. The account cards are now interpreted—to permit them to be read by the bookkeepers—and released to the accounts department.

The creation and adoption of the "layer cake" card has enabled us to achieve our goal. We have greatly accelerated the punching, verifying and balancing of the premium tabulating cards with but one handling of the daily report and have a single coordinated tabulating card form for both Fire and Casualty accounts and statistics. At the same time we have eliminated any variance between Account and Statistical Records in identifying data such as policy number, agent's code, policy period, etc.

* * * *

In his closing remarks, Mr. Pruitt poses a rather debatable point,—"The application of some at least of the principles outlined here should serve to alleviate a few of the difficulties we are all encountering because of war time clerical shortages."

I cannot read Mr. Pruitt's program without being impressed by the complexity of the punching and the multiplicity of the cards. The key punch operator is required to skip the premium field on certain cards if the amount of premium is the same as on the preceding card; the operator must keep in mind that three distinct sets of cards are required for each entry; in addition, she is required to identify by alphabetically punched abbreviations—safe driver rewards, audits, long-haul risks, etc. While I readily agree that to an experienced insurance key punch operator these are minor complications, nevertheless, in these days of untrained operators, simplicity of punching is extremely desirable. Thus I seriously doubt if in these war days, insurance men will be very receptive to any program whereby functions now being performed in their account departments, such as a determination of overdue premiums, maintainence of agent's control records, etc. are placed on tabulating equipment.

Mr. Pruitt speaks of resistance of insurance accountants to the application of machine methods to insurance accounting problems. Altho it has always been my good fortune to work with accountants receptive to machine methods, at various gatherings I have sensed an apathy on the part of some insurance accountants. I suspect this apathy arises from a very understandable caution. Accounting is a rather exact science and its foundations rest on controls and balances. The average insurance accountant has but a cursory knowledge of tabulating equipment, thus he is adamant to any plan transferring basic accounting controls to punched cards, as doing so such familiar records may lose their identity and become involved in that mysterious realm known as "Tabulating Procedure." In consequence, when tabulating procedures "bog down"—as they may do at very inopportune times—the accountant very justifiably would have a sense of hopelessness as his whole accounting structure must await completion because certain of his basic accounting controls are involved in a mechanized program with which he is quite unfamiliar.

A major personnel problem with insurance companies in particular, is the retention of trained key punch and tabulating machine operators. Already many have been attracted into defense industries, some undoubtedly by patriotism, others by the fantastic salaries being paid. The problem becomes more and more acute. It is not without the realm of possibility that trained key punch and tabulating machine operators as well as tabulating equipment may be drafted into the war effort. In normal times, with competent tabulating personnel, the extension of tabulating equipment to the problems of insurance will find no more ardent advocate than I, but I seriously question that this is the opportune time, even though the job may be more efficiently performed on tabulating machines. I am of the opinion that this is a time when every tabulating function should be meticulously studied and eliminated unless it is absolutely essential to the conduct of a war time insurance business.

* * * *

Mr. Pruitt speaks of the naturally close correlation between companies statistical and accounting functions and points out that it is often difficult to note where the accounting function ends or the statistical function begins. This is very true, and what may be considered an accounting function in one company is considered a statistical function in another. This situation, in my opinion arises from a misconception of statistical functions in an insurance company, as basically, they are comparable to cost accounting in a commercial organization. In essence, the statistical department analyzes and segregates basic accounting control figures, yet, in a great number of companies we have a definite and distinct division as between the accounting and statistical departments, each operating distinctly separate from the other.

I feel very strongly that we will not attain maximum efficiency until every insurance accountant is familiar with statistical functions and every statistician has a working knowledge of insurance accounting, so that they may work together in solving their mutual problems. It naturally follows that the financial officer having supervision of both accounting and statistical functions must have not only a thorough knowledge of insurance accounting and statistical functions but also a good working knowledge of the functions of tabulating equipment inasmuch as it plays such an important role in the accounting and statistical program of the average insurance company.

Again, I compliment Mr. Pruitt on his timely and admirable paper. He has certainly presented a very constructive thought provoking program and I have little doubt that when we resume the insurance business as usual, many companies will embark on some or all of the phases of mechanized accounting he suggests. I am particularly hopeful that Mr. Pruitt's paper will encourage members to explore the possibilities of office machinery designed to expedite the assembling of basic actuarial data and present their findings to the Society. To date, such contributions have, in my opinion, been all too few. Some members may question the propriety of such discussions in Actuarial proceedings. My answer is that practically all actuarial studies have their basis in the mass of statistical data accumulated by the various insurance carriers. Hence, I suggest it is extremely important to the Society to encourage any studies having to do with the assembling and reporting of accurate and current statistical data. This is particularly true as to the post-war situation when pre-war statistical data will lose most of its credibility and the need for current post-war data will be urgent.

This war will give tabulating equipment and procedures a tremendous impetus. Tabulating equipment is being used extensively by governmental agencies and hundreds of young men are being trained by the government in the operation of tabulating equipment. When these men and the others now in war industries, find their way back to peace time employment, I have no doubt that whatever strides we have taken up to now will seem insignificant in light of post-war developments.

AUTHOR'S REVIEW OF DISCUSSION

DUDLEY M. PRUITT:

The Society is under obligation to Mr. Crawford for giving a more detailed account of the mechanical operation of the "layer cake" card than I felt I had space for in the original paper. Some question may be raised, however, as to his statement that the paper "overlooks the fundamental advantages of this card form". From a careful study of Mr. Crawford's exposition it would seem that his use and application of the "layer cake" card is fundamentally the same as that set forth in the paper. In so far as card form and card punching routine are concerned, except for a few minor details, the two operations are as alike as two peas in a pod. When Mr. Crawford complains of "the multiplicity of cards" and the fact that "the operator must keep in mind that three distinct sets of cards are required for each entry," he is leveling a criticism at his own routine, for the two routines are identical in this respect. It is indeed gratifying to find that another company has so closely paralleled our course and that its findings confirm our own record of beneficial results.

With regard to the feasibility in war time of making systems changes, there is no one more conscious of the restrictions imposed than I. For most of us, of course, radical changes are impossible. We cannot, however, afford to take a "do nothing" attitude, particularly under present conditions. While key punch operators are undoubtedly hard to get, other types of personnel are scarce too. It is becoming increasingly essential that we examine *all* procedures and routines with a view to efficiency and economy. And in that examination the services tabulating equipment can perform should not be overlooked. Properly planned machine operations can substitute for clerical operations and we should be alert for every opportunity that presents itself for making that substitution within the limits imposed by the present emergency.

RECENT DEVELOPMENTS IN CONNECTION WITH THE SPECIAL FUNDS UNDER THE NEW YORK WORKMEN'S COMPENSATION LAW

ELSIE KARDONSKY

VOLUME XXVIII, PAGE 515

WRITTEN DISCUSSION

MR. GRADY H. HIPP:

The paper presented by Miss Kardonsky has great practical value for Compensation insurance carriers in particular and generally for persons interested in the administration or status of the various special funds. There have been numerous developments in connection with the special funds during the last several years. Miss Kardonsky's paper provides information in convenient form relative to the present status of the various funds.

An outstanding development was the establishment of the Special Funds Conservation Committee and the designation of an attorney of the Committee to defend claims brought against the Reopened Case Fund. The ultimate accomplishments of this cooperative Committee representing insurance carriers and self-insurers will be watched with great interest.

For convenience of reference, I am showing in Exhibit A a summary of the amounts for which carriers have been liable in each no dependency death case award in New York State for payment into the special funds, other than the Workmen's Compensation Security Funds, during various periods since the effective date of the New York Workmen's Compensation Law.

A comparison of the financial status of the Second Injury Fund, the Reopened Case Fund, the Vocational Rehabilitation Fund and the Aggregate Trust Fund at the end of June or December, 1936 and as of the latest date for which information is now available is shown in Exhibit B. This exhibit indicates what, if any, progress has been made in rehabilitating the various special funds.

In discussing the law amendments to Section 25-a of the New York Compensation Law, Miss Kardonsky expresses confidence that the estimate previously made of the annual income to the Reopened Case Fund resulting from such amendments will be realized. The following table shows that the income of the Reopened Case Fund has not yet reached the original estimate made by the Actuarial Committee of the Compensation Insurance Rating Board of New York:

	Actuarial Committee's Original Estimate	Actually Received During Year Ended 6/30/42
From no dependency death cases	$140,000	$110,275
From low cost dependency cases	50,000	8,617
From $5.00 payments on schedule awards	85,000	93,140
TOTAL	$275,000	$212,032

It is true that there is a considerable time lag in realizing the full effect of certain of the law amendments. Furthermore, the payments into the Reopened Case Fund on schedule awards were increased from $5.00 to $10.00 for each case in which an award is made by reason of injuries sustained during the period July 1, 1942 and June 30, 1947. When the full effect of all law amendments is realized, the income of the Reopened Case Fund may reach the original estimate. Even if that desired objective is attained, it must nevertheless be borne in mind that the loss payments from this Fund may increase to an amount above the present level of payments. Furthermore, as the law now reads, the $10.00 payments on schedule awards will be discontinued altogether on cases based on injuries sustained after June 30, 1947. It is therefore evident that the question of extending the period for these payments must be reexamined at a later date.

In discussing the development of plans to place the Reopened Case Fund on a solvent basis, Miss Kardonsky states that a middle course or modified reserve plan was adopted to provide funds for current loss payments and for known liabilities incurred. She states that this was done as a practical matter in order not to place too heavy a burden on the carriers. It has never appeared to the writer that a plan for placing the Reopened Case Fund on a sound actuarial reserve basis would be unduly burdensome on the carriers for the reasons that provision could be made for the accomplishment of the desired objective by a gradual process extending over a period of years and the necessary additional contributions in any event would be provided for through an increase in the level of rates. It is recognized that there may be some merit in the arguments against building up large reserve funds to cover contingent liabilities where the claims may be expected ultimately to reach a more or less fixed level but I cannot agree that such arguments are necessarily conclusive and final.

If a reserve is not set up to cover contingent liabilities, we should not deceive ourselves by statements to the effect that the Fund is solvent. The estimated deficit of $1,179,450 in the Reopened Case Fund as shown in Exhibit B is based on liabilities which exclude certain contingent liabilities.

The estimated liabilities of the Reopened Case Fund as of June 30, 1940 include a reserve of $862,880 for cases on which awards have been made and charged against the Fund and a reserve of $528,561 which is the estimated cost of known cases reopened by the Industrial Board and under its consideration as of June 30, 1940 for possible awards against the Fund. Unfortunately, Section 25-a, Subdivision 4, of the New York Compensation Law provides that the Superintendent of Insurance shall ascertain the liability of the Fund only upon all cases in which awards of compensation have been made and charged against the Fund. It seems to me to be just as important to estimate the cost of cases reopened by the Industrial Board and still under its consideration as of the valuation date.

In addition, a substantial amount would be required to cover the estimated present value of awards which may be made in the future in cases involving original accidents which have already occured prior to the date of valuation and which may be reopened thereafter. No reserve for this contingent liability is included in the liabilities of the Reopened Case Fund shown in Exhibit B. As a practical certainty, we know that some of the many thousands of cases based on accidents which have already occurred will be reopened and that substantial awards will be made in some cases against the Reopened Case Fund. We do not know exactly how many such cases will be reopened nor do we know the amount of the awards which will be made on such cases. A rate of emergence of such claims, however, could be calculated on which a reserve accurate to a reasonable degree could be based.

EXHIBIT A

COSTS TO CARRIERS OF EACH NO DEPENDENCY DEATH CASE AWARD

(Summary of the amounts for which carriers have been liable in each no dependency death case award in New York State during various periods)

	7/1/14 to 6/1/16	6/1/16 to 5/13/20	5/13/20 to 7/1/22	7/1/22 to 5/21/23	5/21/23 to 4/24/33	4/24/33 to 7/1/40	7/1/40 to Date
Second Injury Fund (§15-8)	$ ...	$ 100	$ 100	$ 500	$ 500	$ 500	$ 500
Reopened Case Fund (§25-a)	...	...	....	...	...	300	1,000**
Vocational Rehabilitation Fund (§15-9) .	...	...	900	500	500	500	500
Funeral Expenses (§16-1)	100*	100*	100*	100*	200*	200*	200*
TOTALS	$ 100	$ 200	$1,100	$1,100	$1,200	$1,500	$2,200**

* Funeral expenses not to exceed this amount.

** In addition to the $1,000 contribution in each no dependency death case award for injuries on or after July 1, 1940, the carriers and self-insurers are required to pay into the Reopened Case Fund the following amounts:

(1) The difference between the sum of $2,000 and the amount of the compensation, exclusive of funeral benefits, actually paid to beneficiaries in cases where the amount of the compensation paid to the beneficiaries is less than the $2,000, exclusive of funeral benefits.

(2) $5.00 for each case in which an award is made by reason of injuries sustained between July 1, 1940 and June 30, 1942, inclusive, and $10.00 for each case in which an award is made by reason of injuries sustained between July 1, 1942 and June 30, 1947, inclusive, pursuant to the provisions of paragraphs a to s, inclusive, of Section 15, Subdivision 3 (schedule awards for permanent partial disability).

The above additional payments are required by Chapter 686, Laws of 1940 and Chapter 378, Laws of 1942.

The following lump sum payments have been made to the Reopened Case Fund:

(a) $250,000 was transferred to this fund from the Vocational Rehabilitation Fund under the provisions of Chapter 384, Laws of 1933.
(b) $150,000 levied on insurance carriers and self-insurers under the provisions of Chapter 252, Laws of 1939.
(c) $150,000 levied on insurance carriers and self-insurers under the provisions of Chapter 686, Laws of 1940.
(d) $100,000 levied on insurance carriers and self-insurers under the provisions of Chapter 376, Laws of 1941.

Subdivision 3 of Section 25a of the Compensation Law as amended, contains the following provision with reference to the assessment for expenses of administering the Workmen's Compensation Law and the payments required to be made into the Reopened Case Fund:

"Such assessment and the payment made into said fund shall constitute an element of loss for the purpose of establishing rates for workmen's compensation insurance as provided in the insurance law".

EXHIBIT B

SUMMARY OF FINANCIAL STATUS OF SPECIAL FUNDS (EXCLUDING SECURITY FUNDS)

	Statement As of	Assets	Liabilities (Excluding Certain *Contingent Liabilities)	*Surplus (or Deficit)
Second Injury Fund...........	12/31/36	$ 992,167	$ 1,222,782	—$ 230,615
" " "	12/31/41	1,501,011	1,241,919	259,092
Reopened Case Fund...........	12/31/36	201,703	658,498	—456,795
" " "	6/30/40	211,991	**1,391,441	—1,179,450
Vocational Rehabilitation Fund.	6/30/36	746,366	250,000	496,366
" " "	6/30/41	333,998	***	***
Aggregate Trust Fund........	12/31/36	3,370,115	3,313,687	56,428
" " "	12/31/41	12,519,721	12,749,161	—229,440

* In calculating the liabilities and surplus of the Second Injury and Reopened Case Funds there has been excluded (1) from the liabilities of the Second Injury Fund the estimated present value of awards which may be made in the future in cases involving original accidents which occurred prior to the respective dates of valuation, and (2) from the liabilities of the Reopened Case Fund the estimated present value of awards which may be made on claims cases which may be reopened in the future, which cases would be based on accidents which had occurred prior to the respective valuation dates.

** The liabilities of the Reopened Case Fund as of 6/30/40 include the amount of $528,561 which is the estimated cost of known cases reopened by the Industrial Board and under its consideration as of June 30, 1940 for possible awards against the Fund.

*** The amount of the liabilities of the Vocational Rehabilitation Fund as of 6/30/41 is not available but it was probably small.

	Assets 3/1/42	Approximate Goal
Workmen's Compensation Security Fund—Stock..	$2,630,516	$3,000,000
" " " " —Mutual	1,399,379	1,500,000

Furthermore, we should not overlook the contingent liability of the Second Injury Fund. A substantial amount, although smaller than in the case of the Reopened Case Fund, would be required to cover the estimated present value of awards which may be made in the future in cases involving original accidents which occurred prior to the date of valuation. A rate of emergence of such claims could be estimated without much difficulty on which a reserve calculated to a reasonable degree of accuracy could be based. The contingent liability of the Second Injury Fund is none the less real even though the annual payments from such Fund may level off approximately around a certain amount.

In any discussion of the Aggregate Trust Fund the fact should be borne in mind that while the stock and mutual companies are required to pay into the Aggregate Trust Fund the present values of all awards made on or after July 1, 1935 for death benefits and for certain types of permanent total disability and permanent partial disability, there still remain many cases which rest in the discretion of the Industrial Board. The assets and liabilities of the Aggregate Trust Fund have each been increasing at a rate of more than $1,500,000 a year.

While the writer is happy to have had some part in formulating the plans which were designed to restore the solvency of the Aggregate Trust Fund, I am by no means certain that the steps which have been taken will accomplish fully the desired objective. There is a reasonable hope, however, that the steps already taken will, over a period of years, reestablish this Fund on a sound basis. In any event, it does not appear likely that the deficit in the Aggregate Trust Fund will increase to any marked extent, if at all.

The operations of the Aggregate Trust Fund afford a good practical test of the adequacy of the mortality and remarriage tables prescribed by law for the valuation of death cases and certain types of permanent disability cases. The gains or losses from the following sources are calculated each year by the Actuary of the Aggregate Trust Fund:

(a) Mortality and remarriage experience under annuities to dependents in death cases.

(b) Mortality experience under annuities on permanently disabled lives. The greater proportion of these cases consists of dismemberment cases.

Fairly complete and extensive reports on and analyses of the operations of the Aggregate Trust Fund are made annually. The comments made in Miss Kardonsky's paper again focus attention on the need for periodical reports covering more fully and completely the financial operations and status of the Reopened Case Fund, the Second Injury Fund and the Vocational Rehabilitation Fund.

Section 25-a, Subdivision 4, of the New York Compensation Law, provides in part that the Commissioner of Taxation and Finance, as custodian of the Reopened Case Fund, shall furnish a report annually to the Industrial Commissioner, which report shall show the income, disbursements and the balance of the fund remaining to its credit on June thirtieth. The law also provides that the Superintendent of Insurance shall report biennially to the Industrial Commissioner on the liability of the Reopened Case Fund "upon all cases in which awards of compensation have been made and charged against said fund." In his report on examination of the Reopened Case Fund dated June 30, 1940, Examiner John D. Byrne of the State Insurance Department expressed the opinion that the statement covering the receipts and disbursements of the fund for the fiscal year ended June 29, 1940 as submitted by the Commissioner of Taxation and Finance was not in accordance with the provisions of the law.

Section 15, Subdivision 8, of the Compensation Law provides in part that the Commissioner of Taxation and Finance upon vouchers signed by the Second Injury Fund but it appears that the law contains no requirement for reports covering the operations or status of this fund.

Section 15, Subdivision 9, of the Compensation Law provides in part that disbursements from the Vocational Rehabilitation Fund shall be paid by the Commissioner of Taxation and Finance upon vouchers signed by the Commissioner of Education or the Deputy Commissioner of Education but it appears that the law contains no requirement for reports covering the operations or status of this fund.

The Vocational Rehabilitation Fund which was in a flourishing financial condition six years ago has now reached the point where its financial solvency may become endangered within the next year or two. This Fund apparently has been considered as a source of easy money for purposes entirely foreign to the objectives of the Fund. A study of the accomplishments effected through money spent for rehabilitating and educating injured employees would probably be most enlightening. The expenditures from this Fund are sufficient in amount to warrant periodical reports from official sources furnishing pertinent information on the operations and accomplishments of the Fund.