funds. In the former event, the cost of administering the program is simply one more expense item in the premium charge to the employer. Where funds for the industrial commission are obtained from legislative appropriations, this part of the program is paid out of general taxes. More than one-third of state agency administrative costs nationally are funded by legislative appropriations.

In addition to that part of administrative costs financed by state general revenues, other elements in the workmen's compensation system may not be financed through insurance premiums paid for by employers. For example, many employers provide medical services at their establishment or by direct payments to medical facilities. Second- or subsequent-injury funds, which bear part of the cost of injuries to handicapped workers, are financed sometimes through assessments on insurers, reflected in premiums, in some states, as direct charges upon employers, as appropriations from state funds, in a few states, as joint employee and employer contributions to the fund, or by other means. Other special funds, paid for by general revenues, have been established for such purposes as supplementing benefits depreciated by inflation or paying benefits for specified occupational diseases.

## Occupational Safety

From the beginning, the workmen's compensation movements in the United States have been associated with the movement to prevent occupational injury or disease. Although some interest in this work was manifested by various employers before the enactment of workmen's compensation laws, the organized safety movement, as we know it, began shortly after the first compensation laws went into effect. This movement was due in large part to an assumption on the part of industrial leaders that one of the best ways to reduce compensation costs would be to reduce the number of accidents.

The first move toward an organized effort came at the convention of the Association of Iron and Steel Electrical Engineers at Milwaukee in 1912, as discussed in Chapter 1. A session devoted to safety set up a committee on organization, which called a meeting of all interested groups and individuals in New York City the following year. This meeting resulted in the formation of the National Council for Industrial Safety, which since 1915 has been called the National Safety Council.

### Safety activities of insurers

Although the insurance business had been extended into the industrial accident field before the first workmen's compensation act was passed in this country, industrial accident insurance received great impetus from this legislation. As specific schedules of payments for all work-connected injuries made the risk more definitely calculable, the business became more attractive to the underwriter.

From the first, insurance companies writing workmen's compensation policies have had a large part in the movement to prevent accidents. They have developed or aided in the development of safety standards and safe practices and have contributed to the development of methods and techniques of accident prevention. Much of the basic data of safety engineering has been supplied by insurance engineers. An important motive for their accomplishment is, of course, the fact that their business thrives on a declining injury rate. Unduly large losses jeopardize the financial solvency of an insurance company. Progressively lower losses make it easier for the stock company to show a profit to its stockholders and for the mutual to pay dividends to its policyholders.

The effective work of insurers, however, has been confined mainly to large establishments. The cost of providing technical assistance in accident prevention makes it difficult for an insurer to provide service adequately to plants whose premiums are small. Owners of small plants, moreover, cannot expect to receive much reduction in premium rates either through dividends or experience rating, no matter how effective their safety program.

Precise statistics are not available showing the total amount of money invested by the insurance industry in safety. Data compiled by the National Council on Compensation Insurance show that private insurance companies reported about $37.8 million or 1.1 percent of net premiums earned were applied to safety in 1970. The data also show that selected state insurance funds spent about 1.4 percent of net premiums earned, or $3.9 million.