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[illegible]blems Faced By French Co.'s Outlined

[illegible] of U. S. Inflation, Says Even Quick [illegible]ation Will Not Solve All Our [illegible]tary Difficulties

[illegible] Then the Rentenmark was [illegible] by the Reichsbank which was put on a gold basis. Obviously almost all [illegible] operators went through a reorganization in transferring from the old mark [illegible] to the new one. The leg-

Dr. Landis' Background

A speaker of considerable prominence and background, Dr. Landis is vice president of an organization which is recognized as one of the [illegible] progressive chemical companies [illegible] country. The American Cyanamid Co. is attracting increasingly favorable attention in the investment world and its stock is now [illegible] portfolios of many investment [illegible] and insurance companies.

[illegible]lation, slow to come into being, resulted in many law suits to determine [illegible] equity.

[illegible] stock insurance companies in [illegible] life field permitted by law to hold [illegible] Government bonds, first mortgages [illegible] 50% of the value of the property [illegible] certain municipal bonds, were [illegible] badly, Dr. Landis indicated, [illegible] out that "the whole mortgage [illegible] of all these companies could have [illegible] with a dollar bill, speaking [illegible] and based on the assumption [illegible] fixed term securities." [illegible] with such a situation no insurance could possibly survive, and the speaker said new regulations were issued [illegible] the companies to hold a larger [illegible] of real estate. They could also invest up to as high as 60% of their [illegible] in common stocks and short term commercial paper. But he said: "By this time a dollar would buy several million marks and the insurance companies were in such bad financial condition that they could not take advantage of the new regulations."

5% Recovery for Old Policyholders

As an example of the workings of the inflation laws Dr. Landis [illegible] his [illegible] with these facts: "That the 1913 [illegible] of all the private German life [illegible] totaled about six billion marks [illegible] the gold mark balance east January [illegible] 1924 was only 145 million marks," he said.

"Of course, no corporation could stand [illegible] shrinkage and the companies went [illegible] reorganization transferring their assets [illegible] a new corporation frequently of the same name, and which immediately commenced to write business on a new [illegible] and proceeded with the liquidation [illegible] the old accounts. While our studies [illegible] not extensive and represent more [illegible] specific examples, we have [illegible] that the old policyholder may receive around 5% of the face value of [illegible] policies.

"The German fire insurance companies, [illegible] treated in their investments as the life carriers, fared slightly better, the speaker said. He noted that in 1913 the [illegible] assets of the mutual fire insurance companies of Germany totaled 232 million marks. They did not attempt to [illegible] together their revised balance [illegible] until the revaluation laws were for[illegible] but at the end of 1925, two years after the stabilization of the mark, their assets were only ninety-two million marks. The 1925 portfolios contained about the [illegible] value in real estate. The mortgage account was about one-little of what it had been in 1913. The fixed interest bearing paper had shrunk from 131 million marks to eight million marks "although I question whether they had not disposed of much of this paper and that the difference is not entirely a loss."

Lessons Learned by Casualty Co.'s

The casualty companies, the speaker said, had assets of one billion 600 million marks in 1913 and the first gold mark balance sheet on January 1, 1924, showed 785 million marks. They had turned their investments quite materially into real estate during this period, real estate values representing only 4% of their portfolios in 1913 and 16% in 1924. Correspondingly there was a very large reduction in their holdings of mortgages and fixed interest bearing paper. Their business improved materially with the stabilization of the mark and by 1927 their assets very nearly equaled those of 1913. The lessons taught by the inflation are shown in their 1927 portfolio. In percentage they were holding twice as much real estate as in 1913 and the bulk of their portfolio was invested in miscellaneous securities of which we have no specific description. Their 1927 portfolio carried five times as much in common stocks as in 1913.

"One striking lesson is brought out in this German situation and that is that legal restrictions on investment portfolios during a period of extreme inflation are bound to cause enormous losses. The machinery for revising such restrictions is so slow and cumbersome that the portfolio may be completely wiped out, or there may be little left to take advantage of the more liberal provisions of revised regulations. This applies also to the so-called 'Legal' trust."

French Situation Better

Dr. Landis painted a more cheerful picture as regards the French situation, pointing out that French currency did not reach anything like the low value of the German mark, that when it was revalued in 1927 and placed on a [illegible] redemption basis the new French franc in terms of gold was approximately one-fifth of the old one. None of the French life insurance companies went bankrupt. This was because the limitation on their portfolios was more liberal than that of Germany. They could hold a large proportion of real estate which gave them an asset which slowly appreciated in value.

One peculiar aspect, however, said Dr. Landis, was that the conservative companies lost more heavily than the less conservative ones. He explained: "One of the younger French life insurance companies invested under the liberalized decrees in speculative foreign bonds and made a handsome showing. This particular company was a private stock company whose shares sold on the market in 1929 at thirty five times the 1913 price, whereas gold parity would have been five times. A much larger and older and more conservative company sold at only twice the 1913 price in 1929."

Before closing Dr. Landis touched on certain interesting phases of insurance administration during inflation. One of them is the problem of hedging against the declining value of the currency unit, and he told of various ingenious methods used in Germany to maintain coverage, especially in fire insurance, but none of them proved satisfactory. There was also the additional problem of hedging the premiums against a gold or commodity principal which was done by holding proper securities evaluated in terms of this same gold or commodity.

In France, he said, coverage was more easily maintained by taking out additional insurance as the franc dropped in value. New annuities were written throughout the inflation period, "strange as it may seem." Premiums collected by the casualty companies increased.

Finally Dr. Landis corrected the commonly accepted belief that banks and insurance companies are not affected by inflation "since they merely trade dollars." He said: "The dividend record of large groups of companies which we have studied shows that the stockholder certainly paid his share of the cost of inflation." He also gave specific examples of the tax burden on French companies which were amazing.

Need Better Interpretative Facilities In Solving "Dust Disease" Enigma

Dr. C. O. Sappington in Thoughtful Address Suggests Appointment of Advisory Board on O. D. Risks in Each Insurance Company

Dr. C. O. Sappington, consulting industrial hygienist of Chicago, known as an authority on occupational diseases, brought to the White Sulphur convention on Wednesday an array of timely suggestions on how the present enigmatic and puzzling situation in this field could be improved to the benefit of casualty insurance companies. Speaking with authoritative knowledge, he declared that because of a lack of proper interpretative facilities and adequate reasoning, "occupational diseases will probably continue to produce surprising and astonishing situations in the future." But Dr. Sappington was convinced that with methods now available and judged competent by authorities to measure scientifically the major health hazards in industry the effects of exposures upon the human body can be evaluated medically and diagnostically so as to ascertain with reasonable certainty "whether or not any given exposure in industry constitutes a health hazard and would work injury upon exposed employes in the future."

Demand the Facts

The speaker urged that the underwriting and compensation departments of the insurance companies who are going to carry occupational disease risks should demand the facts relative to occupational exposure and physical effects, as manifested by engineering and medical data. He cautioned: "But they should not stop there: there should be intelligent interpretation of these data and translation of them into terms of underwriting value so that the risk may be properly rated and upon that rating be judiciously underwritten. There is no bluffing in this game, for this is not poker; but I take it that the insurance companies, although playing a gambling game, in fact, gambling upon the issue as to whether any one of a given group will develop occupational disease, are sincerely and vitally interested in getting the facts relative to such possibilities."

Dr. Sappington was convinced that insurance companies have been repeatedly fooling themselves by placing too much reliance upon visual inspection in the estimation of occupational disease hazards. He reminded his audience that this hazard is one which is often hidden, in fact, may be properly spoken of as a hidden hazard. Therefore, he suggested, "we need here to use scientific methods of quantitative determinations and after getting them to interpret intelligently the results and apply them to each individual

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situation in industry, before arriving at any conclusion as to what the hazard may be, if any, and then translate it into writing terms.

"By the same token, we can never assume that because potentially dangerous substances are used in manufacturing processes a hazard really exists. This has been the foundation for what we have previously called 'missed business.'"

Prevention the Keystone

The speaker then called attention to the need for special adaptation of the industrial physical examination to occupational disease problems and said that the results of such examination should always be interpreted in the light of the possibility of industrial environment affecting the exposed employe.

Prevention was hailed by Dr. Sappington as the keystone of all occupational disease work and far more significant than any other phase in the field of industrial medicine and hygiene. He drew comparative analogies between the evolutionary processes of occupational diseases and those of fire insurance and of accidental injuries, and then said: "If I am not very much mistaken we shall probably have to learn the same lessons in occupational diseases that have been previously taught to us regarding fires and accidental injuries."

Dr. Sappington in closing made the following suggestions which he believed could be made the basis for improving the present enigmatic and puzzling occupational disease situation:

Six Suggestions

1. That an advisory board on occupational disease risks be appointed in each insurance company, this board to consist of representatives of the underwriting, compensation, inspection and engineering, and legal departments, together with a competent representative of the medical profession who is able to interpret in understandable terms the nature of a given industrial hazard and its effects upon the human body. This board should have regular and periodic meetings for exchange of information by its members and come to definite conclusions regarding specific examples of industrial underwriting.

2. The institution of regular and periodic lectures and informal discussions, separately for the medical men, engineers and inspectors, and for the underwriting and compensation experts in each company.

3. The regular publication of a question-and-answer column in insurance company papers.

4. The gradual building up of a rating system in which the rating, compensation and underwriting departments shall correlate information with the engineering, inspection and medical groups, the objective being a rating plan which can be intelligently applied to underwriting.

5. The continuous amassing of all possible information regarding scientific measurement of industrial exposures of various types and co-ordinating and integrating with this the medical findings, so that as a background for intelligent underwriting, these cause-and-effect relationships can form an invaluable body of data useful for years to come.

6. Finally, the preparation of standard files of procedure for each department concerned in this work, which may grow into manuals of instructions, an eventuality contingent upon gathering a great body of data which will form the basis for abstract conclusions which can be set down for guidance.

Intelligent Middle Ground

The spirit behind Dr. Sappington's approach to his subject was appreciated as he set himself up as neither optimistic nor pessimistic in discussing the occupational disease enigma. Furthermore, he saw no need for either hysteria or for smugness and complacency in approaching this problem and said: "I have this faith in the insurance fraternity, and in the engineering and medical professions; that such a degree of interlocking and reciprocity of effort will be attained, that stabilization will result. I believe that there is an intelligent middle ground."

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F. R. Jones' Legislative Report

The annual report of F. Robertson Jones, as secretary-treasurer of the International Association of Casualty & Surety Underwriters, a carefully prepared digest of the legislative activities of the past years as affecting casualty and surety interests, was available to all at the convention. Mr. Jones confined his comments largely to surety, taxation, workmen's compensation and financial responsibility for automobile accidents. He has never seen a legislative year which equaled that of 1935 for intensity and he described it, in fact, as the worst within his experience, not because of the number of legislative sessions but by reason of the number of bills pending and their importance. He said:

"Some conception of the size of the task may be had from the fact that, to date, we have prepared and distributed 3,528 memoranda on bills affecting our business, as compared with 3,121 on the same date in 1933—the last comparable year."

Security Funds An Innovation

An innovation in the field of workmen's compensation, he said, was the introduction of bills providing for the creation of security funds for insolvent insurers and he said: "In general they required contributions from solvent companies to pay the compensation awards against any company that failed or provided for the creation of state funds for the same purpose. Ten bills were introduced in seven states, viz., Maryland Minnesota, New Jersey, New York, North Carolina, Pennsylvania and Wisconsin. They became law in Minnesota, New Jersey, New York, North Carolina and Wisconsin.

"In Kansas, New Hampshire, New Jersey, Oklahoma and Pennsylvania, bills were introduced proposing a complete revision of the workmen's compensation law, but all failed. Bills proposing a compensation law were introduced in Arkansas, Florida and South Carolina and were enacted in Florida and South Carolina. Only two states remain without a compensation law, viz., Arkansas and Mississippi."

Wide-Open O.D. Coverage

The outstanding development in the compensation field, Mr. Jones reported, was the renewed agitation for so-called "wide open" occupational disease coverage. He gave the following review of the situation, explaining the work of a special advisory committee on occupational diseases which has done good work since its appointment January 9, 1934: Bills proposing either outright "wide-open" coverage; or the equivalent by loose definition of the diseases to be covered; or that were otherwise so inadequately drawn as to invite enlargement by interpretation that rendered them equally objectionable—were intro-

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