

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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WHERE INSURANCE IS A RISK, NOT A BUSINESS

Elsewhere in this issue of *The Monetary Times* is given some figures regarding the operations of the Nova Scotia Workmen's Compensation Board for the year 1917. The assessments levied at the beginning of the year included provision for compensation of all kinds and also for disaster reserve. As a result of the year's operations there was not only \$81,236 at the credit of the disaster reserve fund but there was also a provisional balance of \$68,010. The conclusion would seem to be, therefore, that the board had completed a very successful year's operations and that its initial assessments had been quite adequate.

There are, however, two or three other features which must be considered. The first is that of administration expenses. The board was first appointed on October 10th, 1916, and from that date until the end of the year 1916 the members were occupied with the work of organization and other preliminary work. The expenses for this period are presumably not included in the report for the year 1917. In the case of a private company the expenses of organization, etc., must be met out of the revenue from subsequent business. This expense, in the case of the Nova Scotia board, was borne by the government and not provided out of profits. The operations of the board are, therefore, not on a plane with those of private companies. As regards actual expenses for the year 1917, the province assumed \$5,033 or almost 20 per cent.

These, however, are small items compared with the claims which would have arisen out of the Halifax disaster of December, 1917, had not the Halifax Relief Commission come to the rescue. Recognizing the fact that the disaster, being caused by the explosion of a munitions ship, was directly attributable to the war, a relief commission was established. The principal expense of this body is borne by the Dominion and British governments. This

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board was charged with the duty of reconstructing the damage done by the explosion. Among its other functions it assumed the claims against the Workmen's Compensation Board, and it is understood that negotiations are under way towards having some of the claims against private insurance companies also assumed, but nothing definite has as yet been announced in this connection.

The significance of these facts is that had the Halifax Relief Commission not come to the rescue of the Workmen's Compensation Board it would not have been able to meet all the claims, which are estimated at \$850,000, without levying an additional assessment almost as large as the original one. The amount available in the disaster reserve, together with the provisional balance, makes up a total of just about \$150,000, or merely a fraction of the possible claims. Had the disaster not been directly caused by war activities, no relief commission might have been created and the Workmen's Compensation Board would have had to meet the claims, with the result that an additional assessment would have been inevitable. It was, of course, unfortunate that such a thing should have taken place during the first year's operations, especially as a loss amounting to about \$120,000 had arisen from the New Waterford disaster which took place on the 25th July of the same year. It may also be mentioned in this connection that there was another disaster on the 23rd January at Stellarton, N.S., which will entail a loss probably larger than that from the one of New Waterford. However, these are only indications of the fact that insurance which is confined to a limited area is not as sound as that in which the risks are extended over a wider area and a greater variety of industries than can be found in a small province, such as Nova Scotia. Had the workmen's compensation insurance of Nova Scotia been entirely in the hands of private companies, the loss would not have been a fatal blow to any of them, as it would be distributed over a wide field. When insurance is concentrated upon a small area or upon a particular class of risk, it becomes a gamble rather than insurance in the real sense.