

Shortcomings of State Insurance

Superintendent J. S. Phillips, of New York, Says Insurance Value Lies in Results Rather Than Theory.

Superintendent of Insurance Jesse S. Phillips, of the State of New York, in his annual report, which has just been released, most forcibly comments upon monopolistic State Compensation Funds, declaring that he sees no justification for state monopoly in insurance.

Mr. Phillips has had much experience along these lines in his own state, and is generally considered throughout the country as one of the best and most able insurance commissioners that any state ever had.

He refers in his report to the results of the investigation into the work of the State Industrial Commission in New York and adds that it merely corroborates and emphasizes the statement he had made in previous reports. He undertakes to speak as a representative of the people, and as such condemns the idea of a monopolistic state fund in most emphatic terms.

The following are extracts from his report on this subject:

"The state should not, in my opinion, be given a monopoly in the field of compensation insurance primarily because such a departure from the true functions of government is the opening wedge for other socialistic experiments and also because, in my judgment, the results would be inferior to those attained under present conditions.

As I see it, the only justification for even a competitive state fund is the necessity of guaranteeing to employers of labor the opportunity of purchasing insurance as required of them by the Compensation Law. Having created such a competitive fund, the decision as to the relative merits of state and private insurance in the field of workmen's compensation can be based upon actual performances rather than upon theoretical anticipations. If employers prefer to insure with the State Fund they have the opportunity of so doing and there is nothing to prevent the state from acquiring a virtual monopoly of the business, without legislation, if that is the will of the insuring public.

The logical and rational view to take, it seems to me, is that open and fair competition between the existing classes of carriers, conducted under proper supervision, is in the best interests of all concerned.

Compensation insurance is in reality composed of two elements—service and protection. An institution which affords protection only fails signally to fulfil its functions, although it may be able to furnish employers with insurance rendered cheap at the expense of their employees. Compensation service embodies accident prevention work, a broad and enlightened policy of medical supervision and attention, and an efficient sympathetic and just handling of claims.

Monopolistic state insurance, wherever tried, has utterly failed to show appreciation of the fact that while protection is essential and fundamental, the real social gain is not measured by the overhead cost at which the protection is furnished but is largely the extent to which in the first instance industrial accidents are prevented, and in the second instance their effects minimized through prompt, skilled and unlimited surgical attention and the application of approved methods of industrial rehabilitation.

Service of this character is not inconsistent with low insurance rates because ultimately the direct payments to injured persons are lessened in consonance with the lessened disabilities. But such a reduction in cost is a slower and less striking process than the summary method of curtailing service and simultaneously reducing rates, hence it is not

so readily and widely understood. So far as employers are concerned, therefore, it seems quite certain that they cannot benefit as much under a state monopolistic system in which, competition being eliminated, there is neither fear of adverse criticism nor other incentive for rendering this character of essential service.

While employers under the present system are free to select the carrier of their choice, it is to be noted that, generally speaking, their choice is influenced more by the character of service rendered than by the purchase price of the insurance.

Healthy and fair competition in any business is the keynote of good service, and it is that sort of competition which I believe should exist in the compensation field.

In my judgment this means that the State Fund should be placed on an even footing with private carriers as respects all aspects of supervision by the Insurance Department as well as in the matter of incurring and meeting expenses without the intervention of budgetary restrictions. The conditions revealed in the conduct of the affairs of the State Fund and the criticisms of management as contained in the report of the recent investigation, bring home in impressive fashion not only the unwisdom of a state monopoly but also the necessity of external supervision to safeguard the operations of even a competitive State Fund.

NORTHERN ASSURANCE MANAGER ON VISIT

Mr. G. E. Moberly, chief agent for Canada of the Northern Assurance Co. of London, Eng., was a recent visitor to the province. While in Vancouver he made his headquarters with R. V. Winch & Co., provincial agents for the company. Mr. Moberly announces that the Royal Scottish Insurance Co., Ltd., of Glasgow, owned by the Northern, and whose policies are guaranteed by the Northern, will enter the province to do a general fire business. In this connection Mr. Moberly is in the province with a view to placing the company.

Mr. Moberly is one of the veteran insurance managers of Canada and has long been associated in the standardizing of business and the raising of the level of the business to a profession. His major work at present lies along the lines of creating uniformity in policy forms throughout the Dominion. This has involved a great deal of negotiation and untiring energy, and at a recent meeting of the Blue Goose in Vancouver, of which Mr. Moberly is Most Loyal Gander at Montreal, he narrated the progress which the committee, having this matter in charge, of which he is the head, has made.

Near to his heart is the education of the young clerk entering insurance offices. With the aid of the Canadian managers in Montreal, the Montreal Fire Insurance Association has been formed with a view to giving courses to young men entering the profession. These courses are now held on Wednesday afternoon, but the Association is seeking to enlarge its scope of activities and hopes ultimately to form an institute similar to the Insurance Institutes of Great Britain, when after taking insurance courses and passing examinations, the student will be given a diploma giving him considerable standing in the insurance profession and enable him to progress much faster than he would under the present system.

While this is Mr. Moberly's first trip to British Columbia, with one exception, in nine years, he hopes to be able to make it an annual affair. While in Victoria he met in a golfing duel his good friend and colleague, Mr. J. Gardiner Thompson, Canadian manager of the Liverpool,