

Workmen's Compensation vs. Insurance Companies

British Columbia is So Small as a Manufacturing Community for Distribution of Risks That a Few Accidents Would Work Serious Hardship on Employers of Labor.

Vancouver, B. C., June 2, 1915.

The Editor,
British Columbia Financial Times,
Vancouver.

Re WORKMEN'S COMPENSATION ACT.

I have read your article in issue of 15th May with great interest, and beg to thank you for the opportunity you have afforded the various parties interested to discuss the proposed act in your columns, and trust many will take advantage of same.

As an insurance man I do not consider that it lies within my province to criticise the bill in so far as it refers to the scale of compensation, but I might say in passing that I think the object aimed at, viz., to give the workmen adequate protection without waste of time and money in legal costs and quibbles, is eminently just and much to be desired.

My only objection to the bill is that it practically eliminates the insurance companies, which have been organized for the purpose of transacting business of this kind and recently licensed by the Government of British Columbia to transact such business in this Province.

This may be thought to be a selfish viewpoint, but I think I can prove that all the benefits of the act may remain without the elimination of the insurance companies, and in fact would be administered to greater advantage by these companies.

About two years ago the "Insurance Act" was passed, under which all companies except fire insurance companies (already provided for under another act) were compelled to take out a Provincial License and contribute towards the upkeep of a department formed, presumably, for the purpose of safeguarding the interests of the insuring public.

A large number of companies satisfied the Government as to their financial responsibility, and otherwise complied with the provisions of the act with regard to deposit and payment of fees and taxes.

It is now proposed to take away from these companies their principal source of income—Employers' Liability Insurance—not because the companies have been found wanting, but—why?

Is it that the Government is not satisfied with the fees and taxes they now take from us, but want to handle the whole premium income?

I do not deny that such a scheme as is now proposed might be worked to advantage under certain conditions, conditions under which and only under which any scheme of insurance can work out successfully.

These conditions are:

First. A field large enough to produce a working average, i.e., in this case, a sufficient number of industries of a similar class or like nature to yield under a reasonable assessment sufficient to pay general average losses.

Second. A clean, efficient and economical administration.

With regard to the first, statistics show that in fields much larger than British Columbia, mutual insurance schemes have proved unworkable.

It is known from years of experience that in certain industries there are a certain number of fatalities in a given time. Let us suppose that in the whole of Canada 10 carpenters are killed every year in every 10,000 employed. It is a simple matter to provide for this established average. But no one can say in what part of Canada these 10 men will be killed. It might easily happen that 5 of them would be killed in B. C., say, in the collapse of a building. Supposing there are 1,000 carpenters in B. C., the assessment would be 1/10, and the claims paid would amount to 5/10ths.

If B. C. were carrying her own risk, as is proposed, at a fair average rate, it can readily be seen from the above illustration that a fair average rate would not take care of the risk.

As another illustration of my point, I might say that of all the companies licensed under the Insurance Act only one failed—although a late member of the Government was a director of the Company. It was a local company doing business in B. C. only, and meeting with a run of bad luck here and not having other fields to draw from, it had to retire from business.

The question of average is a very important one and should be understood thoroughly by those responsible for the bill, either as makers or supporters, and I shall give one more example, which has a bearing on the subject, although dealing with a fire insurance contract.

If a fire company writes, say, \$1,000 on a saw mill rated at 5%, it is gambling, or making a bet of 100 to 5 that the mill will not burn in 20 years.

That is not insurance as it is understood by good underwriters.

To place this business on a sound basis, theoretically, the underwriter should get 20 policies of \$1,000 each on different mills of the same class in order to break even. In actual practice that would not be absolutely sound underwriting, for if all the mills were in B. C., or even spread throughout Canada, the general law of average might be upset by extraordinary conditions attaching to B. C. or Canada, such as a long dry summer or a period of financial depression.

With regard to administration or payment of claims by the Government, I submit that, admitting a clean administration in the hands of competent men, abuses are bound to creep in. It is a well known fact that Governments and Municipalities are in many ways run more or less extravagantly as compared with the economy which must govern a capital invested. The matter of supply and demand prevents any company or individual from making undue profit from any enterprise, and the only safeguard the manufacturer and other employers of labor have against excessive rates is the existence of insurance companies.

If, in the opinion of the Government, the companies now operating here are not strong enough to carry the liability which the Government proposes to impose on industries, by all means let the standard be raised and cut out the weaklings, but do not, without cause, dispossess companies now affording a livelihood to many of our best and most progressive citizens, paying taxes and purchasing Municipal and Government securities, and doing well and efficiently under existing disabilities what the Government proposes to do with, you will please note, most of these disabilities removed.

We admit the disabilities, viz., expensive litigation, uncertain verdicts, unknown liability and long delay in settlement.