

THE INSURANCE CHRONICLE

WORKMEN'S COMPENSATION IN CANADA.

How the Casualty Insurance Companies Base Their Rates—How the Employer Benefits.

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(Conclusion.)

Competition between the various insurance companies keep the premium rate as low as their experience has shown them is consistent with the cost of satisfactory handling and prompt settlement of claims without danger to the assuring company. The rates are based upon the hazardous nature or character of the occupation or business engaged in, and upon their experience with similar risks. Of course in determining the amount of premium they must charge the employer for protection against loss on account of legal liability resulting from accidents, the insurance companies must take into consideration the probable effect of local statutory laws upon their claim experience. As has been seen by a comparison of the Statutes of Alberta and New Brunswick an employer in the former place will in the course of ordinary events be required to pay out a larger amount as compensation than an employer in New Brunswick would under the same circumstances. He must reasonably, therefore, expect to pay a larger premium for protection against loss on account of accident claims than he or a competitor would have to pay in the latter place.

As the profits of a casualty insurance company are to a large extent dependent upon its effective handling of claims, for their own protection they naturally endeavor to have the most efficient organization possible to look after this department of their business. They maintain a corps of experienced inspectors and reliable physicians, they have a Claims Manager, usually an attorney familiar with the laws of the different places where they are doing business, and in each place they secure the services of the most experienced and best qualified solicitor for the defence of negligence cases. By reason of the volume of business they control the insurance companies can make better arrangements with their physicians and solicitors and are thus in a position to handle claims more economically and to much better advantage than the individual employer.

In a number of countries where Workmen's Compensation Acts have been passed the employer is required to carry liability insurance in order to guard against his being unable to settle claims, but although in Canada insurance is not made compulsory the employer will undoubtedly find it to his advantage to protect himself against loss in this way, for while the premium may seem large it is better to pay a definite ascertained sum annually than to run the risk of having his profits wiped out and his business demoralized by being called upon unexpectedly to meet a large claim.

When to Expect Reduction in Rates.

As previously stated, the insurance companies base their rates upon the natural hazard of the employers' occupation and the effect of local laws upon accident claims, and the rates of the different companies are nearly uniform for the same class of risk, but an insurance company that has had a favorable claim experience for a number of years with any particular risk can and will give that employer a rate lower than the scheduled one for that class of risk. As soon as the individual employer realizes that his insurance premium is not fixed arbitrarily but depends upon his claim experience, then he can expect a reduction in the rates for liability insurance.

The attitude upon the part of some employers, having paid a premium for protection against liability for accidents, to neglect ordinary precautions and instead of assisting to effect a favorable adjustment, to make the insurance company pay up, has operated to increase their rates. By the use of modern machinery guarded wherever possible, and by careful supervision employers can to a large extent reduce the probability of accident and minimize the results thereof, and secure the benefit of the lower rate which their experience would justify. Other things being equal the insurance company furnishing the best claim service is from the employer's standpoint the most deserving of his patronage, and as the rates of the stronger companies are nearly uniform,

caution would suggest an inquiry into the financial standing and claim service of a company quoting below the normal rate. While the advisability of Workmen's Compensation legislation has been much discussed and employers have argued against it; it is noteworthy that none of the countries enacting Workmen's Compensation Acts have repealed them, but have instead enlarged the benefits conferred by the Act by providing for compensation for disability resulting from disease attributable to the workmen's occupation.

May Arrange for Another Scheme.

The terms of the Workmen's Compensation Act of Alberta and of most of the other provinces give the employer the option of arranging or providing for some other scheme of compensation to his employees to take the place of the Workmen's Compensation Act. "If the Attorney General, after taking steps to ascertain the views of the employer and workmen, certifies that any scheme of compensation, benefit, or insurance for the workmen of an employer in any employment, whether or not such scheme includes other employers and their workmen, provides scales of compensation not less favorable to the workmen and their dependents than the corresponding scales contained in this Act, and that, where the scheme provides for contributions by the workmen, the scheme confers benefits at least equivalent to those contributions, in addition to the benefits to which the workmen would have been entitled under this Act."

To meet the demand of employers and to provide another scheme of compensation the Casualty Insurance Companies issue a policy known as the Workmen's Collective or Workmen's Compensation Policy or Third Party Insurance which provides for the payment to employees of wages or half-weekly wages during disability from injuries and furnishes the injured with medical attention. This independently of whether the accident was due to the fault of the injured or not. These policies are issued to cover injuries received not only during the course of his labor with the employer but during the whole twenty-four hours of a day, and while the premium is, of course, calculated according to the hazardous nature of the occupation, it virtually affords the employee the benefits of an individual accident insurance policy at a much lower rate to him, even if his proportion of the premium is deducted from his wages, that he could otherwise secure.

Amounts Payable Easily Ascertained.

Among the benefits of this form of policy in addition to death benefits, is the payment of an ascertainable amount for the loss of a hand, foot or eye and other injuries. The amounts payable by these policies for injuries of this nature have been shown by experience to represent the decreased earning capacity of the average workman from an injury of that kind. The amounts payable are easily ascertained from the policy which provides for the payment of a specific proportion of the injured's yearly wages in event of his sustaining any of the injuries mentioned in the policy. The advantage of this policy to the employer is that it provides for the payment of specific or easily ascertainable amounts to the injured and does away with the necessity of litigation to determine the amount of compensation payable.

If this plan should receive the sanction of the Attorney General it might be found more satisfactory both to the employee and the employer as it furnishes the employee with medical attention and relieves him from the burden of establishing that the accident was not the result of his neglect or misconduct, and in the event of death his personal representatives do not have to establish dependency to become entitled to benefits. The sanction of the Attorney General to the adoption of this plan of compensation in lieu of that provided by the Workmen's Compensation Act being secured, the employer is, of course, relieved from any liability under the Compensation Act, and an agreement by the injured to accept the provisions of this plan and waive any other right to compensation for injuries would doubtless be binding upon him. If such an agreement were held to be valid the employer could in this way relieve himself from any Common Law Liability.

The subject of Workmen's Compensation for accidental injuries is a very broad one. I have only been able to touch upon some of its most salient principles, the advisability of Workmen's Compensation legislation is no longer a question; it has been clearly demonstrated by experience, and I have no doubt that a satisfactory application of these principles would have a favorable effect towards the prevention of strikes and labor disputes.