

Proposed Workmen's Compensation Act for B.C.

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Objections to Its Enactment—Desirable to Keep Competition as a Principle in Insurance—Insurance Companies Do Not Oppose Government Going Into Insurance Business, but Object to a Government Monopoly—Manitoba Act Suitable to Conditions Here.

[Knowing the great interest which is being taken in the new proposed Workmen's Compensation Act, we publish a statement from Mr. J. J. Banfield, who has been acting as chairman of the Casualty Underwriters' Association of B. C., in which he gives a resume of the proposed Act, and the position of the insurance companies in connection therewith. Mr. Banfield's statement is as follows:—
Editor.]

At the 1915 session of the local Legislature, the Attorney-General presented a Bill, being an Act to provide for compensation to workmen for injuries sustained in the course of their employment.

Under this Act, it was proposed that the workman should forego his rights to sue for damages and in return receive a definite fixed measure of compensation. In order to find the money necessary to make these payments, the Bill provided for the taxing of the employer of a certain percentage of his payroll. Practically all industries would be taxed, and the money would be placed in a common fund, from which the injured workman would be paid a definite weekly compensation, or, in the event of death, from which a pension would be granted to his dependents.

As practically every industry would be taxed, and every employer would be compelled to contribute to this common fund, the necessity for private underwriters or companies to insure the employer against his liability, to pay claims for occupational accidents, would be entirely removed.

It is, therefore, not unreasonable to expect the insurance underwriters to feel that those interested should seriously consider all the circumstances before taking such drastic actions as will remove their usefulness, unless it can be shown that there is no longer any necessity for them.

The insurance companies do not object to the Government going into the insurance business; but is it British fair play for the Government to pass legislation which will not even give them the opportunity to compete for the business? Surely it is a business in the same sense as the banking business which is required in order that industry may be carried on and allowed to expand.

The insurance underwriters do not want a monopoly, believing that competition is healthy; but they cannot see the justice of the Government entering into the insurance field and telling them that they are no longer required, and that they cannot remain and compete against the Government controlled fund.

Under the Government assessment scheme it will be necessary, in order to make the plan a safe one, to place it on the capital cost form: that is to say, to set aside at the time of every accident resulting in death or permanent disability a fixed sum of money to pay the pensions to the injured workman, or his dependents, and in order to bring about this condition heavy calls would have to be made on the individual industry, and we all know too well that at the present time industry requires all its available capital for the development of business.

Assuming that a Government controlled fund was created, and every employer compelled to join, what would happen if, say, within a month of the commencement of the scheme, a tremendous catastrophe occurred, involving three or four hundred lives (which is quite possible with the hazardous industries which we have in the Province of British Columbia). It is stated on good authority that the amount required to capitalize the average death loss would

be \$3,500.00 per person, so that the fund would immediately require anywhere from three-quarters to one million dollars to take care of this catastrophe, without considering the numerous accidents which arise every day in the ordinary course of business. Where would these funds come from? The industry in which the accidents occurred could not stand the drain; neither could the fund as a whole, so that there would be a possibility of the fund becoming bankrupt before it was out of its infancy.

This question naturally occurs to the reader: What would be the difference between the Government controlled fund and a stock insurance company in providing against such a catastrophe? The answer to this is that the stock company does not take a risk unless it can see its way clear to pay its losses, and those immediately they become due. No insurance company will take a risk of this kind without adequate reinsurance, but under a mutual scheme there is no opportunity for reinsurance, from which it will be seen that the Government is suggesting a suicidal policy when they force the employer into a mutual insurance scheme, of which he has no knowledge, and, what is worst of all, over which he has no control.

It has been suggested that the Government can give the employer the insurance at cost, whereas the stock company has to make a profit for its shareholders. I think, from what I have just stated, that the reader will quickly appreciate the fact that in the first place the Government does not, under the scheme proposed, give the employer insurance, as insurance is something which is guaranteed, and the mutualization of funds, to pay unknown losses can never be looked upon as insurance; in the second place, the stock companies offer to act as the banker of the employer and to place their funds, machinery and knowledge at his disposal, and guarantee him absolute protection at a fixed cost.

In creating this compulsory accident fund, the idea of the Government is to form some twenty classes, in which the various industries will be grouped together, and each employer in that group will be taxed a certain portion of his wage account to pay for the losses arising in that group.

Stock insurance companies, on account of their worldwide operations, are able to divide industries into over two thousand classes, so that the individual employer is assured of a fair average rate; whereas, under the Government scheme, the careful employer must necessarily pay for the careless one, and, in view of the restricted groupings, the non-hazardous industries will pay for the hazardous industries.

The reader will naturally wonder why some employers are satisfied to accept the State scheme. The reason for this is that the Government state that it will be operated at cost, whereas the insurance companies have to pay commissions to agents. The Government compares the cost of State managed funds in the United States, where the insurance companies are allowed to compete, showing that the expense of operating a State fund has nowhere exceeded 15%, whereas the cost to the stock companies has in some instances been nearly double this. At the same time, the cost to the employer has not been doubled; in fact, in many cases the rates are the same. Then one naturally wonders how the insurance companies live. This is easily explained by the fact that the insurance underwriters are experienced. Their funds are carefully handled; there is no waste, and claims are adjusted promptly and equitably; every claim is treated on its merits, and there is no favoring of friends as there is under the State controlled funds.

While on the subject of expense, I would like to refer to Washington, which has a State managed mutual fund.