

## SICKNESS INSURANCE

Paper by Edward Willans, Assistant General Manager and Secretary Imperial Guarantee and Accident Insurance Co., read before the Insurance Institute of Toronto, March 27th, 1906

When this paper was contemplated it was expected there would have been published before this date the Combined Sickness Experience for 1903 of the companies writing Sickness Insurance in Canada and the United States. The data for this experience is being tabulated under direction of the International Association of Accident Underwriters, and it was hoped would have been available for the purpose of presenting to the Institute some of the lessons to be derived therefrom, so that in conjunction with other available material, we might contribute some suggestions with a view to solving some of the problems which present themselves to the companies writing Sickness Insurance.

The Experience referred to has not yet been made public, however, and it has therefore been necessary to depart from the plan laid down, so that I have thought it advisable to lay before you the conditions under which Sickness Insurance has been carried on, and present a few of the main features which require careful study in order to place the business on a better basis.

It is often remarked that Sickness Insurance, as carried on by Stock Companies, is a new thing. Such is not the case. It is more correct to say that the present stage is the revival of attempts which have previously been made to carry on the business of Sickness Insurance on a commercial basis. We have record of at least ten companies organized on this continent during the years 1847 and 1848, for the carrying on of Health Insurance, which for a time flourished, but all of which had ceased operations within a few years of their organization. These companies left us no statistical information and there is little or no record left as to the cause of their demise.

The process by which the present revival of the business has been brought about on this continent is illustrated by the manner of its development in Canada.

The business has not reached any very great proportions in Canada for the reason that our companies have approached it with some degree of caution. During 1904 the reported premiums amounted to less than \$100,000.00, while in the United States for the same year they amounted to over \$1,500,000.00.

It is remarkable that the introduction of the business has grown entirely out of competition in Accident Insurance, as will be seen by reference to the three general forms under which the business is now carried on, viz.:

The Fever Clause.  
Limited Health.  
General Sickness.

### THE FEVER CLAUSE

In the year 1895 an English company obtained a license under the Dominion Insurance Act to carry on Accident business, and introduced an accident policy containing what is called The Fever Clause, which provided twenty-six weeks' indemnity for total disablement occasioned by four diseases, typhoid fever, typhus fever, scarlet fever and smallpox.

At that time not a single Canadian company was authorized by its charter to carry on the business of Sickness Insurance, and consternation was thrown into the Accident Insurance camp. We can well remember some of the arguments used by the ingenious agent to meet the competition of this rival invader. He said, "There was nothing in it; that smallpox was unknown

or of very rare occurrence in this country. Typhoid and typhus were equally so, and scarlet fever was a child's disease."

It is most remarkable how those diseases have spread since those days, and it is amusing to look back at these arguments in view of the losses which have been paid for that innocent looking Fever Clause.

The demand for an Accident Policy which included the Fever Clause, grew to such an extent that the Canadian companies one after the other were finally compelled to apply to Parliament for amendments to their charters, and as nearly all of the companies operating in Canada were carrying on two classes of business, the limit allowed by the Insurance Act, an Amendment to the Act was made in 1899, so as to allow Sickness Insurance to be carried on in connection with Accident business. The amendment defines the limits within which Sickness Insurance may be carried on as follows:

"Sickness Insurance means insurance against loss from illness not ending in death, or disability not arising from accident or old age."

On commencing to write Sickness business, the first thought was to meet the competition offered by the Fever Clause. Some of the companies added one more disease and demanded an extra premium of \$1.00, others fifty cents for each five dollars of weekly indemnity, but it cannot be said that the additional premium was strictly enforced. In fact, more generally the benefits were given free of charge when in competition for an Accident Policy.

The companies which have had experience with the Fever Clause have attempted to discourage its use in later years except on payment of an extra premium, or by only issuing it with an inferior Accident Policy when no extra is charged.

There is every reason to believe that sound underwriting was unnecessarily sacrificed in this initial introduction of Sickness Insurance. It could not be claimed that the premiums for Accident Insurance were too high—experience disclaims any such admission. As nearly as can be estimated, it may be said that from four to seven per cent. was added to the claim ratio by these diseases for which there was practically little or no premium income.

### LIMITED HEALTH POLICIES

The unhappy experience with the Fever Clause was soon felt in the United States, which led to the introduction in 1899 of the Limited Health Policy, and the same year it was introduced into Canada, and is still issued by all the Accident companies. The policies at first issued in Canada insured against,

Typhus Fever,	Erysipelas,
Typhoid Fever,	Appendicitis,
Scarlet Fever,	Diabetes,
Smallpox,	Peritonitis,
Variceloid,	Meningitis,
Diphtheria,	Tetanus (Lock Jaw),
Measles,	Pleurisy,
Asiatic Cholera,	Pneumonia.

and also provided a sum equal to one hundred weeks' indemnity for loss of eyesight from disease or total paralysis of two limbs. The premium charged was two dollars for each five dollars of weekly indemnity limited to twenty-six weeks.

The number of diseases insured against have since been increased by some companies to thirty or more. A few com-