

appeal would prolong litigation, and injured workers might be kept waiting for payment until the final decision. We have made other recommendations designed to expedite decisions, and to provide for appeals or for reopening cases would defeat our aims in that direction.

Monopoly of Workers' Compensation Insurance.

We have devoted much time and attention to the question of a monopoly of workers' compensation insurance, and in this connection have inquired carefully into "the principles, working, and cost of the Ontario system, with a view to determining, having regard to New Zealand conditions, what, if any, of its provisions might with advantage be adopted in the Dominion." (*Vide* resolution of National Industrial Conference, 1928.)

Witnesses who advocated a monopoly did so on the ground mainly that present working-expenses would be greatly reduced, and that the saving, with any profit now made by insurance companies, would be available for injured workers. We therefore made careful inquiries as to the average margin for working-expenses and profit in the present premiums charged to employers. In the course of our inquiries we ascertained that the State Accident Office at its inception instituted a system, by means of the actuarial staff of the Government Insurance Department (to which the Accident Office was then attached), whereby the workers' compensation business was placed upon a scientific foundation. This system continues at the present time. At suitable intervals the experience of insurance companies is submitted to the State Accident Office (now attached to the State Fire Office) for actuarial examination, and rates based upon the aggregate experience of all offices, including the State Accident Office, are then fixed. In effect, this is State control of rates.

We are informed that in the earlier years, when data was very incomplete, it was considered necessary by the Actuary to have rates based on a 50-per-cent.-claim cost, leaving 50 per cent. for expenses, reserves, and profit. As time went on the claim ratio was increased and the margin for expenses, &c., reduced. In 1926, when the last Workers' Compensation Amendment Act was passed, claims were absorbing 63 per cent. of premiums, leaving 37 per cent. for expenses, &c. At that time Government decided that the cost of the additional benefits of the 1926 Amendment—estimated at 15 per cent. of premiums—were to be borne without an increase in rates; in other words, that the cost of the additional benefits had to be provided out of the insurance offices' "overhead" margin of 37 per cent. Up to the present we understand the estimate has not been reached, and the latest experience figures show that claims under present legislation are costing on the average about 71 per cent. of premiums, leaving 29 per cent. to the insurance offices for working-expenses, &c. It is represented that for the margin of 29 per cent. allowed in this Dominion the insurance offices not only cover the risk of claims in excess of 71 per cent, but also provide a convenient organization throughout the Dominion for the effecting and renewal of insurances and for the settlement of claims, an organization upon which employers and workers have become accustomed to rely as a consequence of its operation for a period of twenty-nine years.

The New Zealand margin is less than was recommended by the British Departmental Committee on Workers' Compensation in 1920 as appropriate to British offices. That Committee's report (page 20) is as follows:—

"After prolonged and careful consideration of all the circumstances, we arrived at the conclusion that the management expenses, payments for commission, and profits of the companies should not exceed 30 per cent. of the premium income. This proportion would leave 70 per cent. of the premium income for the provision of benefits to workmen or their dependants under the Act. We believe this is a more economical arrangement than is to be found in the working of insurance companies in any other country."

It should be explained that eventually a somewhat higher rate than 30 per cent. was allowed the companies in Great Britain. In other countries the margin, where there is any system of Government control, appears to be not less than 40 per cent.