

The British Insurance Act

The national insurance act is by far the most thoroughgoing measure of social reform that has ever reached the British statute book. One might even go further. It is probably the most daring and complicated scheme of national betterment ever proposed and carried in a single parliament. Introduced on May 4, it received the royal assent on December 16, and came into operation on July 15 of the present year. Its passage was in many, but not in all, ways, an extraordinary personal triumph for Mr. Lloyd George. The bill was his conception, and on his shoulders fell almost the whole burden of defending and explaining it before parliament and the country. But he brought it forward without sufficient preliminary consultation with the innumerable and very powerful interests it was bound to affect. Directly its details came to be expounded formidable opposition developed in quarters where apparently he had looked for a sympathetic support; for weeks and even months on end the chancellor of the exchequer was doing little but receiving deputations, listening to complaints, promising the removal of grievances; he hardly ever spoke in the house without having some fresh amendment to propose; and the intricate and highly technical character of the bill, and the fact that, in order to get it passed by Christmas, debate had to be forcibly restricted (with the consequence that some hundreds of amendments were adopted without discussion), have resulted in the country at large having only a very general idea of what has actually been accomplished. I doubt whether there are more than a dozen men in Great Britain at this moment who could score 75 out of a possible 100 marks in an examination paper on the provisions of the act. The average man, befogged to begin with by the revolting complexities of the whole project, has found it frankly impossible to keep up with its manifold transformations; and people generally have a feeling that something big and fine and disagreeable has happened without quite knowing what. The Daily Mail has published a daily article which designed to show that all the benefits promised by the act are illusory. The Daily Chronicle has replied to its contentions point by point, hoping to prove that the benefits are valid, actuarially sound, and will inubitably be forthcoming. And this hopeless divergence of opinion is not to be ascribed solely or even mainly to the distortions of political partisanship. It pretty accurately reproduces the chaos of mutual contradictions in which any two ordinary persons quickly find themselves involved when they begin discussing the provisions of the act. Most people sympathize with what they understand to be the general aim and principle of the measure; they will agree that there ought to be a scheme of national insurance against sickness and unemployment, and that compulsory contributions are the only possible basis on which it can be worked; but the certainty that they will very soon be called upon to pay out a weekly sum of money falls to move them to gladness. The act, I should say, is widely and decidedly unpopular, and seems likely to tell heavily against the fortunes of the government. Many of the interests antagonized by its provisions are still unreconciled—the doctors especially vow that, unless their claims are given further consideration, they will decline to work the act at all; passive resistance movements are being organized against this feature and against that; and it is clear that the insurance commissioners, for all the latitude allowed them, will have a hard task in resolving ambiguities, conciliating opposition, and giving the measure a decent administrative start.

The objects of the act are twofold—(1) to provide for insurance against loss of health and for the prevention and cure of sickness, and (2) to provide for insurance against unemployment. It is founded on three main principles—(a) the principle of compulsion wherever compulsion is possible, (b) the principle of admitting within one year all persons between sixteen and sixty-five at a uniform rate of premium, and, generally speaking, with equal benefits, and (c) the principle of working the act mainly through existing friendly societies, trade unions and other provident associations, of releasing the reserves at present held by these societies against current risks, and thus of allowing those who in the past have voluntarily insured themselves against sickness or unemployment to reap an immediate advantage. The act makes it

obligatory for all persons of between sixteen and sixty-five to insure who are under contract of service, whether paid by the hour, day, week, month or year, and whose earnings are less than \$800 a year. This practically covers the whole range of industrial employment—artisans, mechanics, miners, clerks, shop assistants, domestic servants, sailors in the mercantile marine, un pensionable employees of local authorities or railway companies, outworkers (with certain exceptions), golf caddies, etc., etc.—to the number, it is estimated, of some 13,000,000 men and women. Among those who are not required to insure are (1) persons (other than manual laborers) receiving more than \$800 a year as salary, (2) pensionable servants of the crown or of local authorities and clerks of railway companies, (3) pensionable public school teachers, and (4) persons working on their own account, such as baggage carriers, washerwomen and seamstresses. In the case of soldiers and of sailors in the royal navy there are special arrangements. All who are qualified to insure, but who for one reason or another do not, or can not, insure in an "approved society"—a term which roughly covers the existing friendly societies, trade unions, provident societies, sick clubs and dividing societies—will be obliged to do so through the post office. The reason for this is that the state, in compelling these people to insure, is compelling them to go to the friendly and kindred societies if they want the greatest returns for the premiums they are contributing, but it is not compelling the friendly societies to receive them. If they are manifestly unhealthy the societies will naturally reject them and the state will then either have to exclude from all participation in the act a class to whom its benefits would be particularly welcome or arrange some other scheme for them on its own initiative. It has chosen the latter alternative; and all people who are rejected by the friendly societies—to the number, it is estimated, of \$800,000—will be obliged to insure through the post office and to put up with inferior benefits. Altogether the compulsory class will thus include some 14,000,000 people.

But there are many thousands of men and women whose income does not exceed \$800 and who yet are not "employed" persons within the meaning of the act. They are people working on their own account and not in the service of another. There are also many thousands who have been employed, who have insured themselves in a friendly society or trade union for five years or more, and who have then left their employment and set up for themselves. There are supposed to be over 2,000,000 people in these two categories, and the act allows them to come within the scope of its benefits as "voluntary contributors," provided they are willing to pay out of their own pockets the weekly contribution which, in the case of employed persons, is paid by the employer. It is not expected that all the members of these two classes will take advantage of the act, but somewhere between a half and a third probably will. The total anticipated beneficiaries of the act will therefore number 15,000,000.

The insurance fund will be made up of contributions by (a) the worker, (b) the employer, and (c) the state. The employer must pay the contribution of each of his insured workers, as well as his own contribution due in respect of them, and will repay himself by deducting the amount of each worker's contribution from his or her wages. The method of payment, as in Germany, is to be by stamps affixed to a card; and the weekly contributions are made up as follows:

Weekly payment by employer—For workman: Wages not exceeding 36 cents a day, 12c; wages not exceeding 48 cents a day, 10c; wages not exceeding 60 cents a day, 8c; wages exceeding 60 cents a day, 6c.

Weekly payment by employer—For workwomen: Wages not exceeding 36 cents a day, 10c; wages not exceeding 48 cents a day, 8c; wages not exceeding 60 cents a day, 6c; wages exceeding 60 cents a day, 6c.

Weekly payment by workman or woman: Wages not exceeding 36 cents a day, 0; wages not exceeding 48 cents a day, 2c; wages not exceeding 60 cents a day, 6c; wages exceeding 60 cents a day, 8c for men, 6c for women.

Addition per week by state, the equivalent of: Wages not exceeding 36 cents a day, 6c; wages not exceeding 48 cents a day, 6c; wages not exceeding 60 cents a day, 4c; wages exceeding 60 cents a day, 4c.

Total payments per week: Wages not exceeding 36c a day, 18c for men, 16c for women; wages not exceeding 48 cents a day, 18c for men, 16c for women; wages not exceeding 60 cents a day, 18c for men, 16c for women; wages exceeding 60 cents a day, 18c for men, 16c for women.

The benefits to be received by insured persons from the funds thus provided are (1) free medical treatment and attendance throughout life, including the provision of proper and sufficient medicines; (2) a sickness benefit, payable from the fourth day of the illness, and continuing if necessary for twenty-six weeks at the rate of \$2.50 per week for men and \$1.90 per week for women, to be followed, if the sickness still continues, by a disablement benefit of \$1.25 a week; (3) free treatment in a sanatorium for the insured person and (if the insurance committee so decide) for his wife and children when suffering from consumption—the act makes a special grant of \$7,500,000 toward the erection of sanatoria and other institutions for the treatment of tuberculosis, and another annual grant of 2 cents a head for each insured person, and takes 30 cents a head from the benefit funds for the purpose of a national campaign against "the white man's plague;" and (4) a maternity benefit of \$6 payable from the father's insurance, or from the mother's if she is insured. There are also reduced rates with correspondingly reduced benefits for men and women, if unmarried and with no dependents, between the ages of sixteen and twenty and for persons over fifty years old on entry; and among the additional benefits that will be available if the finances permit are free medical attendance for dependents, free dental treatment, convalescent allowances, increase of the maternity benefits, and increase of the existing old age pensions or old age pensions at an earlier age than seventy.

The actuaries estimate the capitalized value of the reserves which must be provided to carry out the act at \$335,000,000; they expect the total contributions from employers and insured persons to rise from some \$65,000,000 in 1912-13 to nearly \$120,000,000 in 1923-24, and the state contributions to increase from \$7,300,000 for the current year to some \$31,000,000 twenty years hence; and they reckon the annual expenditure in benefits and in cost of administration at \$27,000,000 to begin with, rising to over \$125,000,000 in 1932-33. To exterminate the debt of \$335,000,000 the commissioners will retain out of the weekly contribution of a member of an approved society the sum of 3 1-9 cents in the case of a man and 3 cents in the case of a woman. If their calculation are right a surplus of about 6 per cent over and above the cost of the benefits will be provided by the weekly contributions of employers and insured persons, and the debt of \$335,000,000 will be extinguished by the end of eighteen and a quarter years. This implies, of course, that eighteen and a quarter years must elapse before the benefits really procurable by the premiums can be enjoyed in full—a point which to some extent justifies the charge that the whole insurance scheme is being carried through at the expense of the young. It should also be stated that no sick benefit is payable until six months after entry into insurance and no disablement benefit until two years after entry; that both benefits may be reduced if, in a given case, they exceed two-thirds of the usual wages earned by the insured; and that medical, sanatorium and maternity benefits will be suspended altogether if the insured is in arrears to an amount greater than twenty-six contributions a year on the average, and sickness benefit suspended if more than thirteen contributions a year are in arrears. The fund is to be administered by a body of insurance commissioners who are armed with very large powers and who will work in conjunction with an advisory committee representing associations of employers, of approved societies and of medical practitioners. Under them insurance committees will be set up in every county and county borough, with a minimum of forty and a maximum of eighty members representing all the local interests involved, charged with the duty of administering medical benefit, of controlling the sanatorium fund, of administering the benefits of the post office class, and of getting together all the available information as to the health and sanitary conditions of their districts. Below them, again, will be district committees working smaller areas in greater detail and in co-operation with the local branches of the approved societies through which the sickness, disablement, maternity and "additional" benefits are in the main to be distributed. Mr. Lloyd George expects from the activities of these county and district committees some invaluable results in the shape