

LEGISLATIVE ASSEMBLY OF THE  
NORTHWEST TERRITORIES  
5<sup>TH</sup> COUNCIL, 27<sup>TH</sup> SESSION

REFERENCE FOR ADVICE  
NO. 9-27

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**NORTHWEST TERRITORIES**

REFERENCE FOR ADVICE

INSURANCE FUND - WORKMEN'S COMPENSATION

The Commissioner requests the advice of the Council on the establishment of a Workmen's Compensation Insurance Fund.

## Insurance Fund - Workmen's Compensation

In 1952, the Workmen's Compensation Ordinance was passed providing a comprehensive scheme for payment of compensation, medical and hospital costs in the event a workman is injured in the course of his employment. Before that, there was legislation making the employer liable in the event that a workman was injured, but there was no effective way of enforcing it or ensuring that the employer was financially able to meet any costs. The new scheme came into force at the beginning of 1953, and has been effectively and efficiently operated since that time. Similar legislation was introduced in the Yukon and a joint office for Workmen's Compensation is maintained in Edmonton by the two Territories.

### Workmen's Compensation Insurance Funds

The Territorial Workmen's Compensation Scheme closely follows provincial practice in the matter of benefits and the method of operation with the exception of the manner in which the employer is insured. Each province operates its own insurance fund financed by premiums or assessments levied on employers' payrolls. This fund meets all the costs of administration and of accidents. In the Northwest Territories, each employer is obliged to enter into a contract of insurance with a commercial underwriter who will pay all compensation, medical and hospital charges that are the responsibility of the employer.

### Aspects of Fund Operation in N.W.T.

Before the Workmen's Compensation Ordinance was introduced, the Administration examined the possibility of operating a territorial insurance fund. There were many difficulties due mainly to the relatively small payroll in the N.W.T., amounting to 7 1/2 million dollars in 1953. As compensation schemes are self-supporting, it was necessary to raise sufficient money from assessments to meet administrative costs, the costs of accidents and to provide some reserve for permanent and continuing liabilities. The complete absence of records relating to accidents and their costs in the N.W.T. made it impossible to establish equitable rates for the various industries. Another deterrent was the fact that over 50% of the Northwest Territories payroll was from employment in the mining industry and any recession in this field would have a disastrous effect on the fund. Because there were so many intangibles in this highly technical field, it was decided to have each employer arrange his own insurance coverage.

There are, of course, some undesirable aspects in the system of individual insurance contracts. In the first instance, the idea of joint liability under a workmen's compensation scheme is lost because each employer will, in the long run, pay all of the costs of his accident. This scheme also handicaps the small employer or those engaged on short-time operations as they are often required to pay minimum premiums. A new employer is faced with the possibility of paying a higher premium than necessary during those years his accident record is being established. The insurer for his part has no guarantee of continued assessments from an employer, who may change his insurance at any time, and the cost of any adverse accident experience by a particular employer must be recovered quickly resulting in fluctuations in the insurance rates.

Another unfavourable aspect of the commercial insurance contract is the capitalization of the cost of permanent disabilities and payments. We still do not have adequate records on which to base life expectancy tables for Northwest Territories workmen. Vital statistics records indicate the life span of residents of the N.W.T. is less than in the south but insurers, taking the conservative view to ensure they recover their costs, use all Canada longevity tables. If there is a saving resulting from the early death of a permanently disabled pensioner the saving accrues to the insurance company and not to territorial employers generally. Finally, there is the matter of the insurer's profit, assuming that the territorial Administration can operate as efficiently as the insurer this profit could be used to reduce insurance rates.

Present Situation

We have now had 10 years of experience in operating the Workmen's Compensation Scheme and during this time the annual assessable payroll in the Northwest Territories has increased to over \$25,000,000. The industries are now much more diversified so that direct employment in mining represents less than 25% of this total payroll. Experienced provincial workmen's compensation officers predict that we will eventually turn to the provincial system of operating our own insurance fund although it will present a difficult and expensive administrative problem for the Territories. It would appear that it is now opportune to make a study of the costs involved in operating a Territorial Workmen's Compensation Insurance Fund and the probable premiums that would have to be charged in the various industries. This study would not be concerned with the operation of a full Workmen's Compensation Board as the present arrangement for Referee services we have with the Alberta Workmen's Compensation Board is not only completely satisfactory but is obtained at a cost considerably less than we could hope to provide if a Territorial Workmen's Compensation Board were established.

If Council approves a study of this kind the Administration will propose a collaboration to the Commissioner of the Yukon Territory.

May 1, 1964.