

**THE
NATIONAL CONFERENCE OF INDUSTRIAL
ASSURANCE APPROVED SOCIETIES**

BEVERIDGE REPORT

**CASE FOR THE RETENTION OF
APPROVED SOCIETIES**

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BEVERIDGE REPORT

CASE FOR THE RETENTION OF
APPROVED SOCIETIES

This Memorandum is issued on behalf of the following Approved Societies associated with this Conference :—

- Blackburn Philanthropic Approved Society.
- Blackburn Philanthropic Mutual Approved Society.
- Liverpool Victoria Approved Society.
- National Amalgamated Approved Society.
- Prudential Approved Societies.
- Royal Co-operative Approved Society.
- Royal Liver Friendly Society.
- Reliance Benefit Society.
- Tunstall & District Assurance Collecting Society.

February, 1943.

THE BEVERIDGE REPORT.

THE CASE FOR THE RETENTION OF APPROVED SOCIETIES.

This memorandum is submitted on behalf of the National Conference of Industrial Assurance Approved Societies in support of the retention of the present system of administration of National Health Insurance by Approved Societies.

These Societies have administered the Scheme for the past 30 years and have a membership of well over 10 million insured persons, nearly one half of the insured population. They can, therefore, claim to have a wide and comprehensive knowledge of health insurance and the inherent difficulties in the administration of sickness benefit.

They welcome, and indeed have urged, an extension of Social Insurance and an increase in benefits. They have contended, and still claim, that any extension of sickness insurance and increase in the rates of benefit can be given under the Approved Society system. They have a comprehensive, efficient and experienced organisation capable of undertaking any extension of Social Insurance that may be approved by Parliament, and are, therefore, opposed to Sir William Beveridge's proposal for the abolition of Approved Societies.

The Societies are self-governing organisations with financial autonomy, and each Society is prevented by Statutory Regulations from spending on administration more than a limited sum which to-day is five shillings per member per annum, or just over one penny per week; thus all insured persons, whatever Society they may have selected are protected by the same limits of cost of administration. It is significant that not one word of criticism has been levelled against Approved Societies as administrators.

In the case of the Industrial Assurance Approved Societies, the Industrial Life Offices are used as agents, but the Approved Societies' organisations are separate entities and the only payment made by them to the Offices is for the servicing of their members. The amount of that payment is reviewed periodically and has to be sanctioned by the appropriate Government Authority. There has

never been any suggestion that it is anything more than the cost of the service. The accounts of the Approved Societies are subject to the closest scrutiny by Government Auditors and on no account can any part of any surplus of the Approved Societies be paid to the Offices.

ORIGIN OF THE SOCIETIES.

The proposal to destroy Approved Societies is naturally regarded with grave apprehension by those who have been instrumental in their establishment and administration. The method of administration through Approved Societies adopted by Parliament met a fundamental difficulty in the conduct of sickness insurance. The risk of falling sick and the duration of sickness varies very widely between persons following different occupations.

As an example of this, it is only necessary to instance the different cases of the coalminer and the rural worker—possibly the least and the most healthy respectively of all occupations in this Country. The problem was: should the contribution or the benefit be varied as between the different hazards of occupation? To adopt different contributions in possibly many occupations would involve such complications in stamping contribution cards as to make this course impracticable. It was rejected. The alternative—to leave the compensatory adjustments to benefits—was adopted.

The Scheme was: let insured persons form their own Societies for National Health Insurance or join any such Society they choose for this purpose. All the contributions of all insured members in each Society would then fructify for the benefit of those members as a body. At each quinquennial valuation a Society's financial position is ascertained and it is then found what surplus, if any, remains in the Benefit Fund for expenditure upon what the Act calls "Additional Benefits." These may be additions to the statutory Cash Benefits (Sickness, Disablement and Maternity) or certain treatment benefits including Dental, Ophthalmic and Convalescent Homes, as prescribed in the Act.

In theory and in practice, therefore, a Society which spends all its resources in the payment of the statutory Cash Benefits has nothing left for Additional Benefits; but those Societies whose sickness claims have been less than the provision made will have something over for other benefits. This system was devised to give each group of contributors an equitable return for their contributions. At the same time it provides a most valuable safeguard against the payment of improper claims because lax administration in this respect would jeopardise the surplus earning capacity of a Society.

SICKNESS INSURANCE NECESSITATES SEPARATE FUNDS.

Sir William says (paragraph 42) :

“ To some extent a Social Insurance Fund raised to meet the various needs of the same general body of insured persons should be a common fund, and will be stronger for being so.”

This statement ignores the all-important matter of avoiding improper sickness claims. Only if these result in a strain on a separate sickness fund will those responsible for the administration have a direct incentive to proper supervision and the control of claim payments.

Experience of the administration of sickness insurance for more than a century has proved that very special machinery and careful supervision are essential in order to keep the rate of claim within proper limits. The rate of claim in sickness insurance increases rapidly with a substantial rise in the weekly rate of benefit. The rates of disability benefit proposed in the Report (to be continued indefinitely and not reduced after 26 weeks, as at present) will represent such an increase as will make the limits of the future claims experience unpredictable.

This is borne out by the Government Actuary's memorandum (see paragraph 22, page 183), which gives these and other reasons for expecting an increase in incapacity claims arising out of the proposed comprehensive health and rehabilitation service. The Government Actuary has allowed for an increase in disability claims of an average of $12\frac{1}{2}$ per cent., but in spite of this goes on to say :

“ The position is definitely speculative, but it is clear to me that the realisation of a level of incapacity as low as that which I have adopted can only be achieved with a full appreciation of their responsibilities on the part of all concerned, that is to say, the active co-operation of the insured persons together with a high standard both of medical certification and administrative supervision.”

Actuarial investigations have shown that under the present scheme after the payment of 26 weeks of benefit there is a maximum rate of declaring off the funds. This is due to the fact that under the present scheme benefit is reduced after 26 weeks, but with benefit continuing at the new high level which is now proposed, our experience convinces us that despite close supervision the increase in the claim rate is likely to be very much higher than the modest $12\frac{1}{2}$ per cent. for which provision has been made.

The high standard of supervision to which the Government Actuary very properly refers exists already in a highly efficient form by virtue of the Approved Society system. The system has weathered many storms—a great war and economic depressions involving heavy arrears of contributions. It has also been adjusted to deal with variations in the structure of the scheme, including increases in the weekly rate of benefit. The chief criticism of the Societies appears to arise from the very circumstance of their success, in that the inequality of benefits has been caused by the emergence of surpluses and the absence of deficiencies. Yet it is proposed to take out of the hands of Approved Societies the work of administering sickness insurance just at a time when the conditions likely to result from the proposed greatly increased rates of benefit will call for experienced administration of the highest order.

SIR WILLIAM BEVERIDGE'S ARGUMENTS ANALYSED.

With these preliminary observations we turn to examine in more detail the arguments upon which Sir William's case has been based.

Uniform Benefits and Contributions.

Sir William's proposal to abolish Approved Societies is primarily based on the fundamental need for uniform rates of benefit and contribution which he associates with the principle of a National Minimum. There is really no substance in the argument for he is forced to admit that there may have to be variations, for under his scheme there are already nine different rates of contributions for men and eight for women in the basic classes (paragraph 403), and these contributions and the rates of benefit are subject to adjustment if found desirable and practicable (paragraph 408):—

- (a) because of occupation or region ;
- (b) in regions where cost of living is high ;
- (c) reduction of contribution if part of week only is worked ;
- (d) for apprentices.

Rates of contribution and benefit are more uniform at present than under the plan and his suggestion to abolish Approved Societies because uniform rates are desirable is past comprehension. Once the necessity of meeting those different standards either by variations in rates of benefit or contribution, or both, is admitted his main argument falls to the ground. It is significant in this connection that Sir William is forced to depart from his basic principle of uniform contributions and benefits when he deals with workmen's compensation. He will not be unaware, too, that the heavier sickness rates in many hazardous industries are attributable to the nature of the occupation.

Unification of Social Insurance Schemes.

In paragraph 43 the Report states that "unification of contributions and insurance documents is hard to reconcile with administration of sickness benefit as at present through numerous financially separate societies." That contention cannot be accepted. Separate contribution cards for unemployment insurance were originally adopted because certain classes of workers, although insured for health benefits, were not brought into unemployment insurance, *e.g.*, domestic workers, a class which is still excluded because of the absence of the need for such insurance. At the present time the pension contribution is included with the health insurance stamp, and Approved Societies furnish the Government Departments with the necessary contribution records when a pension claim is made. Similarly, the unemployment contribution could be included with the other contributions in one stamp and dealt with by the Approved Societies.

Later in the same paragraph Sir William endeavours to make a point that if pensions are to be dependent on the insurance record throughout life, as is proposed, "it will probably prove impracticable to rely upon Approved Societies for this information." That contention, also is emphatically challenged. There is absolutely nothing to prevent the carrying forward in the insurance record of the accumulated credit of contributions.

National Minimum.

In paragraph 60 Sir William says that the Approved Society system "is inconsistent with the policy of a National Minimum," which he defines as "benefit up to subsistence level."

All Approved Societies pay the minimum statutory rate of benefit and if a new rate were fixed in accordance with the subsistence level this would automatically become the rate paid by the Societies. There is, therefore, no ground for his suggestion of inconsistency.

ADAPTABILITY OF EXISTING SYSTEMS.

Any extension of social insurance can be made within the framework of the existing systems and the same machinery can be adapted to accommodate any proposed development.

Approved Societies can

- (a) collect all contributions for health, pensions and unemployment insurance ;
- (b) keep all necessary records ;
- (c) pay sickness and maternity benefits as at present ;
- (d) deal with all changes of class of insured persons ;
- (e) administer treatment benefits in the same efficient manner as they have done hitherto.

THE FIVE "DISADVANTAGES."

In paragraph 64 Sir William mentions, in general terms, what he describes as the five principle disadvantages to insured persons of the Approved Society system, and these are given below, together with the comments of the Conference.

1. The Approved Societies are of every size and sort. Insured persons are continually liable to change their place of work and residence. Unless, therefore, an insured person belongs to one of the larger societies with agencies everywhere, he has no assurance of any personal treatment or contact, if he has to move his residence.

The fact that Sir William should give this as a primary disadvantage is in effect a tribute to the successful administration of the Approved Society system, for the Approved Societies have continued to keep contact with their members in spite of changes in occupation and places of residence.

The few cases of difficulty encountered by Approved Societies in this direction would also be experienced under any other form of administration.

Records under the plan will be kept either centrally or in Regions (paragraph 388); if centrally all claims must be authorised centrally; if in Regions it is not apparent that the insured person will be better cared for under the plan, for his records must be traced and obtained in any new area of residence.

If Sir William is convinced that this disadvantage exists, it is surprising that he should propose to sever the Industrial Assurance Offices' connection with the administration of National Health Insurance, for these Offices service well over 10 million insured persons and have the largest agency organisation in the whole country. It was of their agency system that Mr. Lloyd George wrote in 1933 :

“With their national organisations and their agents in every district their Approved Societies have exceptional facilities for helping those who move from one part of the country to another. Insured persons are thus put in touch with local representatives as soon as they reach their new abode, and the transfer arrangements can be completed so expeditiously that no delay in the payment of benefits is likely to arise.”

2. Maintenance of the Approved Society system involving separation of responsibility for ordinary sickness from responsibility for industrial accident and disease or for unemployment, involves, by consequence, maintenance of the conflict of interests between different administrative authorities, each rightly endeavouring to reduce charges on its own fund, and referring any doubtful claims to some other agency.

The conflict of interests between different administrative authorities responsible for dealing with sickness benefit and compensation for Industrial Accident and Disease respectively, is in fact not a disadvantage but in the best interests of the insured person. For example, the Approved Societies investigate most closely those cases where, *prima facie*, there is a claim for compensation or damages and in the majority of cases give free legal assistance to the insured person to enable him to recover the compensation or damages to which he is entitled.

Where delay occurs in the payment of compensation, the Society, where necessary, makes payment of benefit by way of advance. As illustrating the extent of the work of Approved Societies in this connection it may be mentioned that in 1941 the Industrial Assurance Approved Societies dealt with over 150,000 cases where the nature of the incapacity disclosed a *prima facie* claim for compensation.

As compensation under the new proposals will be different from disability benefit, the question has,

in any event, to be decided. Does Sir William Beveridge intend to imply that it is immaterial which account is to bear the cost of benefit? In connection with the payment of unemployment benefit to which reference is also made, the conditions are quite distinct from those governing sickness benefit and it is essential that it should be determined precisely under what head a person is qualified for benefit.

3. Maintenance of the Approved Society system involves maintenance of different procedures for determination of claims, different and often not well-known routine as to appeals, and different principles of decision.

The administrative procedure prior to the determination of the claim can vary very little between Approved Societies as the claim is determined in accordance with the National Health Insurance Acts and Regulations made thereunder; the member is never adversely affected. It is really difficult to see how there can be any substantial differences in the principles followed by Societies in admitting claims for benefit. If there are differences they can be remedied if necessary by laying down new rules of procedure. It must be remembered, however, that the decision taken in many cases will be of a judicial character and must be influenced by the individual official's judgment. Approved Societies have administered National Health Insurance with understanding and sympathy and with a standard of interpretation of regulations which is not likely to obtain under a system directly under bureaucratic control operating from an enormous number of decentralised offices.

In regard to the routine for appeals this can quite easily be made uniform for all Societies by laying down a fixed procedure. From the point of view of the members, the essential thing is that in cases where dispute

arises the members should be notified by their Society of their rights and the correct procedure to be adopted. That practice is followed by the Approved Societies.

4. The Approved Society system, as explained in paragraph 43, requires either the keeping of separate contribution cards for health and unemployment insurance or special machinery for assigning health contributions to particular Societies. Whichever method is adopted, there must be a separate valuation every five years of each of the financial units, now numbering about 6,600. Whether through duplication of insurance documents or through the setting up of alternative machinery, additional cost and trouble to all parties is involved, not for the purpose of enabling insured persons to pay for additional insurance, but in order to enable particular groups of such persons to obtain larger or smaller shares of a fund to which all alike have contributed compulsorily.

Throughout the existence of unemployment insurance and National Health insurance there have been separate cards for these insurances and they have worked satisfactorily. As previously explained, the separation was not instituted to suit the convenience of Approved Societies, but because the Unemployment Insurance Community did not coincide with the Health Insurance Community. The stamps on the health insurance card have included, since the year 1926, the contributions for pensions purposes, and the Societies have quite successfully dealt with the administrative work associated with the entitlement to these pensions. If all workers are now brought into unemployment insurance the primary objection to a single stamp disappears.

With regard to the number of financial units, the experience of the Societies has demonstrated beyond all question that the maintenance of separate financial responsibilities for sickness insurance is required by the nature of the risks involved, but the number of financial units could, of course, be very greatly reduced within the framework of the Approved Society system if such a reduction were deemed desirable.

It may be mentioned here that throughout the Societies comprised in this Conference, with a membership of over 10,000,000, there are only 26 separate financial units.

Sir William's suggestion regarding the purpose of the present machinery was dealt with earlier in the present memorandum. In point of fact, his statement should be reversed because the system is required to ensure that these groups should not receive larger or smaller shares than is equitable.

5. No organised disinterested information is available to guide insured persons in the choice of an Approved Society, and no such information could be provided by any official or semi-official body, since this would mean favouring some Societies and appearing to criticise others. Officially, all the Societies must be allowed to compete for members on equal terms and the insured persons must make their choice—which may affect their benefits very substantially over long periods of time—without systematic guidance or any easy means of comparing different Societies.

A person coming under National Health Insurance for the first time naturally tends to choose the Society to which his relations or fellow workers belong. The contact may be through Industrial Assurance, Friendly Society, Social or Trade Union or other associations.

Sir William apparently takes no account of personal recommendation which happily plays a big part in this connection.

THE ROYAL COMMISSION REPORT, 1926.

In paragraphs 59–60 Sir William Beveridge attempts to bring to his aid the Report of the Royal Commission (Cmd. 2596), under the Chairmanship of Lord Lawrence of Kingsgate, which was appointed in July, 1924, to enquire into the scheme of National Health Insurance, and made its report in February, 1926. Sir William quotes the following passage from the Report :—

“ It must be clearly understood that our recommendation (*i.e.*, in favour of the retention of Approved Societies) is made in relation to the scheme of National Health Insurance as it

exists at present and that our view in favour of the retention of Approved Societies does not necessarily imply that developments in the system of social insurance outside the range of present contemplation might not necessitate a reconsideration of the position."

Sir William endeavours to turn the point to his own end by saying, "The case for reconsideration is clear. Reconsideration leads to the conclusion that the Approved Society system in its present form has served its purpose and had its day."

The matter is not to be dismissed in such a cavalier manner. The "reconsideration" is entirely his own and it might well be that a Royal Commission now would with equal emphasis recommend the retention of the Approved Societies under present conditions.

Sir William also quotes the Minority Report in favour of supplanting Approved Societies by the Local Authorities—a proposal which has little in common with his own Plan—but he omits to quote the following passages from the Majority Report (paragraphs 221-2) which are of vital significance when it is remembered that they represent the views not of one individual but of a Royal Commission appointed to review the whole subject:—

"We feel that if a centralised system were adopted it would compel the dissolution of the Approved Societies, since the reduction of the Societies to mere paying agencies would involve the separation of administrative and financial responsibility, a result which could not, in our opinion, be defended. This is a serious consideration and one involving more than a mere change of method in the administration of the Health Insurance system. We feel that it is to the public advantage that this great Scheme should be administered by the representatives of the insured persons themselves, and that the governing bodies should have that full responsibility for the results of their own activities without which it is as hopeless as it would be unreasonable to look for a high standard of efficiency and vigilance. In this connection we realise that there are features of the system which must appear to many as defects and that these cannot be eradicated from it. On the other hand, we cannot disregard the consideration that opinion as to faults and defects in a Scheme of this kind is largely a matter of the individual standpoint, and that what amounts in the eyes of some to a flaw will commend itself to others as an element of equity and justice. It is clear that if effect is to be given to the views of one school of thought, acute dissatisfaction will be aroused in the minds of those who hold the contrary opinion

and regard the present machinery as equitable in its operation. **We do not ourselves think that the best interests either of the State or of the insured population would be served by a vast amalgamation of all the resources of the Scheme in a common fund administered from the centre, and for the reason given we are satisfied that such an amalgamation would create as much discontent as it would allay.** From this point of view, therefore, we have come to the conclusion that a system of self-governing bodies is to be preferred and should be retained.

“ As to the other type of criticism, the substantive plea behind which is that the system of administration through the Approved Societies is open to so many objections that some new method of administration should be substituted for it, **we have to take note of the fact that the Approved Societies are in possession of the field, by the action of Parliament, that they have their organisations widely distributed over the whole of the country and their staffs trained in the details of what, in many respects, is an intricate piece of social administration.** The onus of showing that the system, either from causes inherent in itself, or from personal shortcomings of those by whom it is operated, works so imperfectly that it ought to be abolished, rests upon those who take this view. We have considered their evidence with care and, we trust, without bias. We have also reviewed the evidence given to us by the large number of officials who have appeared before us as representing the Societies, and we have studied their attitude of mind in their relations with the insured person and their work generally as revealed to us by the answers given to the many questions which we have put to them. **In the result we have come to the conclusion that no case for the abolition of the Societies can be established on the broad ground of defects and shortcomings in administration.**”

PROFIT-MAKING CONCERNS.

In paragraph 70 Sir William says :

“ . . . It is not easy to see how supersession of Approved Societies as separate financial units . . . can be combined with giving to the Industrial Life Offices in their present form any continuing association with the administration of health insurance. To say this is not to belittle the service rendered by these offices in the past, in providing efficiently and on reasonable terms the machinery of health insurance for the large numbers of insured persons who are not members of friendly societies. . . . But this service to national health insurance is directly associated with the purpose of securing

customers for industrial assurance, and has undoubtedly been of great advantage to the Industrial Life Offices in the extension of their business. . . . It is impossible to contemplate an arrangement under which bodies working for private profit were allowed to act as agents of the Social Insurance Fund at the risk of the Fund, and to use this agency as a means of extending their business; on these terms the Industrial Life Offices so far from having any motive for careful administration of disability benefit, would have a direct economic motive to be liberal with the money of the Social Insurance Fund, in order to obtain or retain customers for industrial assurance and to increase the profits of their shareholders or the pay of their staff."

In paragraph 72 he goes on to suggest that Friendly Societies and Trade Unions should be employed as agents to work for the State in the administration of the Social Security Plan.

It will thus be seen that Sir William, having categorically stated that the Approved Society system has served its purpose and had its day now tries to find a way of utilising part of the Approved Society organisation by making his "paying agency" proposals from which he excludes the Industrial Assurance Approved Societies on the grounds that they are associated with bodies working for profit.

The reasons advanced by Sir William for this discrimination are unjust and inaccurate.

It cannot be emphasised too strongly that in no circumstances can an Industrial Life Office benefit by the surplus made by an Approved Society, nor can any such Office or its agents influence in any way the amount of the Sickness and Disablement Benefit or the period for which it is paid.

Moreover, it has to be remembered that the Industrial Life Offices have played a very important part in the administration of National Health Insurance for 30 years and Sir William himself says that they have provided efficiently and on reasonable terms the machinery of Health Insurance for large numbers of insured persons. How then can he reconcile this with the passages in paragraph 70, where he makes the sinister suggestion that in the administration of the Social Insurance scheme they might resort to questionable tactics to increase the profits of their business? The suggestion is unworthy of the author of the Report, and is in direct opposition

to his own testimony to their work in the past. The Industrial Assurance Approved Societies, with a view to eliminating improper claims, have set up a comprehensive system of sick visitation, thus ensuring that all claims for benefit are properly scrutinised; and before the war they used to refer well over 350,000 cases each year for examination by the State appointed Medical Referees. It is a fact, also, that the sick visitors are directly employed and remunerated by the Approved Society and the Industrial Offices have no control whatever in the adjudication and supervision of claims.

As regards the suggestion that the Industrial Offices benefit indirectly from National Health Insurance contacts by an extension of their Life Assurance business, it would be more true to say that they obtain members for the Approved Societies from their Industrial Life Assurance operations. Practically every new member obtained for Industrial Assurance Approved Societies comes from a home at which the agent is already calling by reason of an existing Industrial Assurance policy in the household and it is only in isolated cases that a member is enrolled in a house where there is no Industrial business. Even the infantile insurance, effected on the birth of a child, is not obtained through the payment of maternity benefit, as is often loosely stated, but is due to the simple fact that a child is born in the household at which the Industrial Assurance agent is already calling for the purpose of collecting premiums on existing Industrial Life Assurance business.

PAYING AGENCIES.

When the National Conference of Friendly Societies gave evidence before Sir William on 24th March, 1942, they were asked by him to consider an arrangement whereby they would be utilised as Paying Agents.

For reasons set out in their Memorandum of the 24th April, 1942, Appendix G, page 81, they declined a Paying Agency and stated that they "can be no party to any arrangement of the nature suggested." Subsequently, on the 22nd August, 1942, Sir William again offered them an Agency, but they again declined it, stating that they were "forced to the conclusion that the administration of National Health Insurance through such a channel does not disclose any advantage to the insured population over the existing Approved Society system, the retention of which they have already advocated on more than one occasion to the Interdepartmental Committee."

This Conference is in entire agreement with the view expressed by the National Conference of Friendly Societies on this matter.

PROPOSED SOCIAL SECURITY OFFICES.

It is quite clear that if Approved Societies are abolished their place must be filled by a very large measure of direct State administration through the Security Offices which Sir William proposes to establish in towns and villages throughout the land. Presumably the Employment Exchanges would be used as the nucleus for the development of the State organisation and it is evident that the Plan would necessitate a great increase in the number of Exchanges because no system of State insurance could be satisfactorily administered unless there were Security Offices within easy reach of the homes of the insured population.

Moreover, all these Offices would have to be adequately staffed with skilled officials, because under the new Social Security plan they would have to deal with a great variety of administrative and legal problems owing to the contemplated unification of all forms of State insurance.

The National Conference of Industrial Assurance Approved Societies consider that the success of any national scheme is entirely linked up with the continuance of the home service and should there be a development of the social services or an extension of existing ones, the need for maintaining that home service will become even greater.

In the opinion of the Conference a system run on bureaucratic lines under the control of State officials would be an extremely unsatisfactory substitute for the more flexible machinery provided by the Approved Societies, and it is a matter of grave doubt whether the service would be administered in a manner so acceptable to the insured person as at present.

ADMINISTRATIVE COSTS.

Sir William has admitted that the National Health Insurance scheme has been administered on "reasonable terms" in the past. His suggestions to set up a system of Social Security Offices with the partial provision of an agency service for the payment of sickness benefits at the homes of the sick people, and the organisation of a sickness visitation service are, in our opinion, incomplete and will not result in any economy of administration expenses; indeed they may well prove more expensive.

It is worthy of note that the Government Actuary in referring to the scheme as a whole gives it as his opinion (in paragraph 69

of his Memorandum) that "it appears unlikely that there will be a saving, at any rate for a considerable time to come." After making certain estimates of administrative costs, he goes on to say in paragraph 73, page 203, that these estimates "do not include any sums in respect of capital liabilities which might arise at the outset of the scheme, whether in respect of the acquisition or construction of buildings, the payment of compensation or other similar items."

SUMMARY OF THE ARGUMENTS FOR THE RETENTION OF THE APPROVED SOCIETY SYSTEM.

After reviewing in detail the proposals contained in the Report and the arguments put forward by Sir William, the National Conference of Industrial Assurance Approved Societies remain strongly of opinion that the destruction of the Approved Society system, so far from being a necessary outcome of the Social Security Plan, would actually impede its smooth operation.

They therefore put forward the following arguments in support of the retention of the system :—

- (a) National Health Insurance, whilst retaining the Approved Society system, can be extended by Statute to provide to insured persons such benefits as Parliament may decide.
- (b) Medical Benefit and specialist and hospital service to insured persons and their dependants, can be provided in whatever form Parliament may decide. It does not involve the abolition of the Approved Society system.
- (c) The retention of the Approved Society machinery—
 - (i) is not inconsistent with the introduction of a single stamp to cover all contributions;
 - (ii) provides the means of independent control of Approved Societies by their members;
 - (iii) ensures the continuance of the home and personal service which is essential for sickness insurance and has been proved by experience to be conducted on sound and sympathetic lines;
 - (iv) will keep political influence in National Health Insurance at a minimum as in the past;

- (v) will retain a separate fund for National Health Insurance which they believe essential to the proper administration of sickness insurance ;
- (vi) will ensure a proper supervision of sickness claims which will be of paramount importance in view of the expected increase in claims consequent upon the higher rates of benefit which will be payable ;
- (vii) will preserve the incentive to Committees of Management to see that affairs are economically and properly administered in a manner which may not be present in an administration by State officials of one Social Security Fund ;
- (viii) will obviate the confusion and difficulties which will arise if millions of insured people are deprived of the machinery on which they have relied during the past 30 years and are transferred to a State-controlled organisation ;
- (ix) will preserve a considerable measure of individual freedom and a degree of administrative flexibility which would not be possible under an all-embracing bureaucratic organisation.

CONSTRUCTIVE SUGGESTIONS.

The National Conference of Industrial Assurance Approved Societies are convinced that the criticisms of the Approved Society system would be met if Parliament adopted the constructive recommendations put forward in their original Memorandum to the Beveridge Committee and by the National Conference of Friendly Societies which together represent fully 90 per cent. of the insured population.

They recommended the payment of uniform cash benefits, that dental treatment benefit and ophthalmic treatment benefit should be included among the statutory benefits, and that medical benefit should be extended to all dependants of insured persons and include specialist service.

Both Conferences also suggested that effect should be given to recommendations Nos. 40 and 41 in the Majority Report of the Royal Commission on National Health Insurance, which would result in 50 per cent. of the accruing surplus on the valuation of an Approved Society being pooled.

Such a scheme would retain a separate National Health Insurance Fund and it would continue to be self-supporting as in the past—two eminently desirable features. It would also ensure that the National Health Insurance Funds are not used to make good a deficit on other forms of social insurance, such as unemployment with its entirely different background.

The Approved Societies could collect the contributions for the various social insurance schemes, maintain all necessary records and pay benefits as indicated on page 6.

The merits of the solution outlined are :—

1. Benefits could be increased to any figure that Parliament might decide and the payment of the appropriate contributions would preserve the insurance basis.
2. Uniformity in the rates of cash benefits would be ensured and there would be some financial fluidity as between different groups of workers with varying social and industrial conditions.
3. The valuable experience the Approved Societies have gained in the administration of National Health Insurance would not be lost to the Nation, and there would be an organisation in being available for any extension of social insurance which commended itself to Parliament.
4. It would render unnecessary the setting up of a large number of Social Security Centres which in the aggregate inevitably would prove a heavy financial burden on the country.

Finally, the Approved Society machine has run smoothly and proved itself thoroughly reliable and efficient throughout its existence. These qualities have never been more in evidence than they are to-day, and it is submitted that the wisest course would be not to scrap the machine but to permit it to continue the work for which it is so eminently suited and to utilise it for any additional duties which Parliament may decide are desirable.

30, Euston Square,
N.W. 1.

February, 1943.



