

## CONCLUSIONS.

61. The outstanding feature of the fourth valuation is perhaps the fact that the aggregate net surplus now disclosed is slightly larger than that found on the previous occasion (viz., £36,700,000 as against £35,800,000) despite the heavy strain due to unemployment during the years under review. As a result no less than 87 per cent. of the insured population are in societies able to provide additional benefits out of disposable surpluses. Moreover, as was the case on previous occasions, a considerable part of the surplus has been carried forward, thus strengthening the reserves of the societies concerned. But these reserves, with their interest accumulations, will evidently form a predominant element in the maintenance of additional benefits in the future since the opportunities of accumulating new surplus will necessarily be restricted. In this connection, while it is satisfactory to note that the claims for sickness benefit have, in general, been within the provision made for them, the claims for disablement benefit have tended to grow from year to year and it is clear that in order to maintain the financial soundness of the system, constant care on the part of those responsible for the certification and for the supervision of the claims is essential. The attention of the National Health Insurance Joint Committee was drawn to this matter some time ago, and they have undertaken a comprehensive investigation into the causes of the rising cost of disablement benefit.

62. With regard to the position of women, which gave cause for grave anxiety five years ago, the situation has been fundamentally altered by the measures taken in the Act of 1932 to restore equivalence between benefits and contributions. But it is important to remember that the new scales of benefit can only be supported by the existing contributions if the rates of sickness be maintained at a level 10 per cent. lower on average than that of the years 1928-30. The improvement in women's claims—more especially among married women—is definitely encouraging, though here again the upward trend of the disablement experience should not be overlooked. It is indeed too early yet to form a definite judgment as to the adequacy of the revised sickness standard in relation to the liabilities for benefits at the rates as now fixed.

63. Finally, in considering the prospects of the societies during the current quinquennium\* regard must be had to the financial effect of the amending Act of 1935. In the first place that Act is estimated to have restored medical benefit to about 200,000 persons who, having suffered from very prolonged unemployment, had ceased to be entitled to any health benefits. It also provided as a permanent arrangement that, subject to certain conditions, persons who, after

\* For units comprising nearly three-quarters of the insured population, this started in January, 1934, and 3 years have already elapsed.

passing through the ordinary free period (1½ years on average), are still unemployed shall continue to enjoy this benefit from year to year, so long as they remain unable to obtain employment, the cost of this benefit being provided partly by a new State grant and partly by a levy on the contributions of all societies.

In the second place the rights of unemployed persons generally in regard to health benefits were materially enlarged. As already pointed out, the strain due to shortage of contributions owing to unemployment was very severe during the period under review in this report, in spite of the remedial measures taken in the Act of 1932 to reduce the loss thrown upon the funds of societies. By that Act the concession of complete excusal of arrears due to genuine unemployment was curtailed, the insured persons concerned being made liable for about 40 per cent. of the value of the missing contributions. It should not, however, be inferred that societies were fully protected by this arrangement, since with unemployment at the rate then current the recoveries of arrears, with the support of the permanent provision in the financial basis for unemployment, fell very far short of the losses of contributions, the residual strain on societies as a whole approaching £1,000,000 a year. By the Act of 1935 new arrangements were made and the concession of full excusal was restored. The financial effect of this was that societies gave up the relief afforded by the arrears penalties which for the preceding two years had been borne by the insured persons themselves, but were recouped as to one-half thereof by a new Exchequer grant. Taking all societies together, the net strain due to unemployment was thus increased by one-half of the produce of the arrears penalties which were forgone and also by one-half of the cost of the special extension of medical benefit to the persons suffering from prolonged unemployment referred to above. On the basis of the average level of unemployment which obtained during the quinquennium ended March, 1934, it was estimated that the residual deficiency due to shortage of contributions would be in the neighbourhood of £1,500,000 per annum. Subsequently there has been a substantial drop in the volume of unemployment, materially lightening the burden on societies, but even so it should be appreciated that the shortage of contributions due to unemployment is only partially offset by the available provision, leaving a residual loss of substantial amount which must necessarily retard the growth of surpluses generally.

The position as regards individual societies is affected by the following important supplementary provisions. Through the medium of a levy on contributions, the remaining half of the arrears penalties forgone is redistributed among all societies, each society receiving in proportion to its weeks of unemployment and paying in proportion to its weeks of contribution. Societies whose members have the advantage of regular employment thus assist those whose members are less fortunate in this respect.

I cannot end this report without a reference to my predecessor, the late Sir Alfred W. Watson, K.C.B., who died on 7th May, 1936, when the present valuation, which he had supervised throughout, was nearing its completion. Tributes to his personality and to his career have been paid elsewhere, and those concerned with, or interested in, National Health Insurance will hardly need to be reminded of his unique services to this branch of our social system during the past quarter of a century. The long series of his reports and other published writings on this subject forms only a part of his contribution towards the establishment and maintenance of a sound financial basis for our National Health Insurance system. Not the least important of his publications were the reports on the first three valuations of approved societies, which more than played their part in this, the work which perhaps he had nearest to his heart.

I am, Sir,

Your obedient Servant,

G. S. W. EPPS.

## APPENDIX.

### RESULTS OF THE FOURTH VALUATION OF APPROVED SOCIETIES.

*Notes.*—(a) An “international” society (*see* Part I) is a society approved by the Joint Committee to operate in more than one of the four countries (England, Scotland, Wales and Northern Ireland).

(b) Where a society has transferred its engagements since the issue of the valuation report and prior to the date of the commencement of any scheme of additional benefits the approval number of the society is shown in brackets in col. (1) and the society to which its engagements have been transferred is indicated at the foot of the page. In each such case the figures entered under “Disposable Surplus” and “Contingencies Fund” for the transferee society relate to the combined society, and where this is a centralised society the symbol (‡) appears in col. (9).

(c) In column (2) the titles of societies have, where necessary, been contracted in order to bring them into the space available.

(d) In column (6) the amounts shown for the Benefit Fund are those given in the valuation reports, i.e., as adjusted by the prescribed method of valuing the investments.

(e) In Parts I to V, giving the valuation results of each society without branches (pp. 58 to 107), an asterisk in column (9) indicates that equality of assets and liabilities has been secured by a grant under Section 3 of the National Health Insurance Act, 1926, as subsequently amended. In the remaining parts, summarising the valuation results of branches (pp. 108 to 111), equality has been similarly secured in the cases indicated in col. (5).