



MEMORANDUM FOR SIR THOMAS WHITE. P6 667 (a) 2

INSURANCE DEPARTMENT

OTTAWA

March 1, 1917.

Payment of War Claims by Life Insurance Companies.

The life insurance companies operating in Canada are having considerable difficulty in obtaining satisfactory proof of the death of enlisted policyholders reported killed in action or missing and believed to be dead, and the dependents of these policyholders complain at the delay in settlement of their claims.

Practically all life insurance policies issued in Canada provide that "satisfactory proof of the death of the insured" shall be furnished before the claim will be paid, and as is to be expected, there is a wide difference in the practice of different companies in interpreting this condition. When a claim is made under a policy on the life of an enlisted soldier some companies pay the claim upon receipt of the first report from the Front that the insured is dead; others await the receipt of the "official certificate of death" by the Department of Militia and Defence, while others require, in addition to the foregoing, corroborative evidence such as letters from the insured's comrades or officers who had seen his body after death.

It has been stated by some of the latter companies that it has been found that errors have been made in the official reports and that claims have been paid on the strength of such reports and the insured later found to be alive. The companies therefore contend that they are justified in the interests of their policyholders in general in refusing to pay the claims until complete evidence of death is produced.

An additional difficulty presents itself in the case of those soldiers reported missing and believed to be dead although no affirmative evidence of their death can be produced. In such cases many companies take the position that they should not be required to pay these claims until after the termination of the war. It has also come to the attention of the Department that in some cases the relatives of the insured are being required to continue to pay the premiums on the assumption that the insured may still be alive.

I have referred to the Department of Militia and Defence the question as to what procedure is followed in ascertaining whether a soldier reported missing may still be alive, and the reply received is as follows:-

"In the case of officers, non-commissioned officers and men who have been reported missing for a period exceeding six months a report is obtained from the Canadian Record Office, Canadian Expeditionary Force, London, England, to the effect that all available evidence concerning them has been collected and that neither that office, the Unit, the Base in France nor the Canadian Red Cross Society have any information suggesting that they may still be alive. Enquiry is also made from Militia Headquarters of the next of kin in each case. After all this has been done, then and then only, are the official certificates presuming death issued under authority of an order of His Excellency the Governor General in Council".

I have also asked that Department for a statement as to the chance that soldiers officially certified as dead or as missing and presumed to be dead may subsequently prove to be alive, and I am informed in reply that the casualty records of all men whose death has been officially presumed, have been carefully searched, and not a single instance has been found of any man having been found to be alive in respect of whom an official certificate of death has been issued.

It would therefore appear that the precaution which is being taken by many of the insurance companies in refusing to pay claims upon the production of the official certificates of the Department of Militia and Defence to the effect that the insured is dead or missing and officially presumed to be dead, is unnecessary, and that the danger of an unwarranted payment being made is negligible.

On the other hand there is no doubt that the companies are entitled to be fully satisfied that their policyholders in general will not be prejudiced by failure on the part of the companies' officers to obtain the most complete evidence of death possible under the circumstances.

In the meantime the fact is that dependents of dead or missing soldiers are being embarrassed and in some cases, reduced to a state of dependence by the delay in payment of these claims, and it appears to the undersigned that some steps should be taken to bring relief to the dependents of these men.

A suggestion has been made that the Insurance Act should be amended to require the companies to accept as satisfactory evidence of death, the official certificate of the Department of Militia and Defence. Such legislation would, of course, have the effect of modifying the conditions of the companies' contracts, and should, if possible, be avoided.

It is to be pointed out that such legislation could only be justified if the official certificates are complete evidence of death, and if no chance of loss is incurred by the companies in recognizing such certificates as satisfactory proof. If, however, this is granted, the obvious course would appear to be for the Government to ask the companies to accept as satisfactory proof of death the official certificates issued by the Department of Militia and Defence and pay the claims upon production of such certificates, and to state that it will become surety, in the event of the insured in any case subsequently proving to be alive, for the return to the company of the amount by which the payment made to the beneficiaries of the insured exceeds the actuarial reserve on the company's basis at the date of payment.

Section 2 of the War Appropriation Act, 1916, provides that payments may be made out of the Consolidated Revenue Fund beyond the ordinary grants of Parliament for inter alia

"(c) promoting the continuance of trade, industry and business communications whether by means of insurance or indemnity against war risk, or otherwise;

(d) the carrying out of any measures deemed necessary or advisable by the Governor in Council in consequence of the existence of the state of war;"

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and section 6 of the War Measures Act, 1914 is in part as follows:-

"6. The Governor in Council shall have power to do and authorize such acts and things and to make from time to time such orders and regulations as he may, by reason of the existence of real or apprehended war, invasion or insurrection, deem necessary or advisable for the security, defence, peace, order and welfare of Canada."

It would appear from these sections that it is competent to the Governor in Council to make a regulation under the War Measures Act, 1914, to cover the foregoing suggestion, and the undersigned has therefore the honour to recommend that the Governor in Council be asked to make a regulation providing that all insurance companies transacting the business of life insurance in Canada shall accept as satisfactory proof of death the official certificates of death or presumption of death, as the case may be, issued by the Department of Militia and Defence, and shall, on the production of the said certificate, pay to the beneficiary under any policy of life insurance held by an enlisted soldier resident in Canada at the time of the issue of the policy or at the time of enlistment, the amount to which such beneficiary is entitled thereunder, and that in the event of such policyholder subsequently proving to be alive there may be paid to such company out of the Consolidated Revenue Fund under the provisions of the War Appropriation Act, 1916, the amount by which the payment so made to the said beneficiary exceeds the actuarial reserve maintained by the company in respect of the said policy at the date on which the said payment was made.

There is enclosed herewith a draft recommendation to Council for the Minister's signature if the foregoing recommendation is adopted.

Respectfully submitted,

*D. Donlayson*  
Superintendent of Insurance.

F/PM.

Encl.



P.C. 667

INSURANCE DEPARTMENT

OTTAWA March 3, 1917.

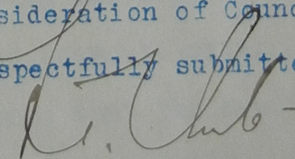
To His Excellency

The Governor General in Council

The undersigned has the honour to report that he has received from the Superintendent of Insurance a memorandum with reference to the payment of war claims by life insurance companies in Canada in which it is stated that on account of the difficulty experienced by the said companies in obtaining satisfactory proof of the death of enlisted policyholders reported killed in action or missing and believed to be dead, the payment of the amounts due to the beneficiaries of such policyholders is being delayed; that in some cases the companies are reluctant to accept as conclusive evidence of death the official certificates of death or presumption of death issued by the Department of Militia and Defence, and that such companies require in addition corroborative evidence from comrades or other persons who have seen the body after death; that as in many cases such additional evidence cannot be produced it is probable that the payment of the claims of such policyholders will be deferred until after the conclusion of the war, and that the beneficiaries of such policyholders will be inconvenienced or injured by the said delay; that the Department of Militia and Defence has stated that the casualty records of all men whose deaths have been officially presumed, have been carefully searched, and not a single instance has been found of any man having been found to be alive in respect of whom an official certificate of death has been issued, and that therefore the precautions being taken by the said companies appear to be unnecessary; that it is undesirable to modify by legislation or regulation the provisions of existing contracts even to the extent of prescribing the form of proof which the companies shall accept as satisfactory without some provision for compensation in the event of unwarranted payments being made; and that for these reasons it is desirable that a regulation shall be made by the Governor in Council under the provisions of the War Measures Act, 1914, providing that all insurance companies transacting business of life insurance in Canada shall accept as satisfactory proof of death, the official certificates of death or presumption of death, as the case may be, issued by the Department of Militia and Defence, and shall, on the production of such certificate, pay to the beneficiary under any policy of life insurance on the life of an enlisted soldier resident in Canada at the time of the issue of the policy or at the time of enlistment, the amount to which such beneficiary is entitled thereunder, and that in the event of such policyholder subsequently proving to be alive and the amount of the said payment not being refunded by the said beneficiary, there may be paid to such company out of the Consolidated Revenue Fund under the provisions of the War Appropriation Act, 1916, the amount by which the payment so made to the said beneficiary exceeds the actuarial reserve maintained by the company in respect of the said policy at the date on which the said payment was made.

The undersigned concurring in the report and recommendations of the Superintendent of Insurance has the honour to submit the same for the consideration of Council.

Respectfully submitted,

  
Minister of Finance.