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SESSION 47

Risks at Work in Europe: Perception, Repair and Prevention (18th-20th Centuries)

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The development of industrial accident insurance, from private to national insurance in 20th century Spain

The first industrial accident law was passed in Spain in 1900 (Mart n Valverde, A. and alter., 1987). This law, despite the fact that it did not oblige employers to insure their workers, is considered as the origin of social insurance in Spain [Alonso Olea, M, (2000); Cuesta Bustillo, J. (1988) Montero Garc a, F. y Mart nez, M. E. (1988); Samaniego, M. (1988)]¹. But, It only covered industrial and agricultural activities which used machines and established that the employers were liable for accidents at work and would have to compensate workers. This law did not oblige the employers to take out insurance but allowed for this possibility. This represented the birth of a new branch of private insurance until 1963. In this year, a new law incorporated industrial accident insurance in the State social security system.

Employers had two ways of providing industrial accident insurance: through an insurance company or through an employers' mutual. The government wanted to encourage the spread of this type of insurance, therefore, they created a favourable environment for the employers' mutuals (Bibiloni and Pons, 1999). This included lower deposits, lower taxes and less government control. In spite of this the private insurance companies (both Spanish and foreign) dominated the market until the 1930's. Both mutuals and insurance companies developed an important medical infrastructure to deal with industrial accidents. In the case of the mutuals, maintaining a balance between earnings and expenses was difficult during the 1920's.

However, the government of the 2nd Republic introduced new legislation that affected the insurance companies. In 1931, they extended the law to include all agricultural workers and in 1933 they made the insurance obligatory for the majority of industrial and agricultural workers. The obligation turned this branch of insurance into one of the most important developments of the decade and attracted the interest of all the general insurance companies and encouraged the proliferation of employers' mutuals for industrial accidents in all of Spain. In 1932, the premiums represented 13.29% of all insurance premiums. By 1933 this had increased to 22.67% (Pons Pons, J. 2006). All businessmen wanted to be involved in providing insurance through employers' mutuals. The reasons are clear: to have lower premiums; control of the care of injured workers and, they could obtain rebates from the profits of the mutual company. The employers' mutuals started to introduce accident prevention programmes. The birth of the employer's mutuals gave rise to increased competition between the mutuals and the insurance companies.

The characteristics of these employers' mutual companies can be established. Firstly, one of the clearest characteristics of the employers' mutual companies for insurance against accidents at work is the geographical area in which they operated.

Originally, and during the first decades of the 20th century, most of the employers' mutual companies were of a notably local and provincial character. Of the 155 industrial mutual companies in existence in 1935, only 24 percent operated on a national scale. 35 percent only operated in a single province.

Secondly, it should be mentioned that on adopting the form of a mutual company these insurers did not have any stock capital. The founding partners provided the initial deposit needed to receive governmental authorisation. When new partners joined, they had to pay an inscription fee (5% in the case of the *SSMV*). However, the need to get new companies, especially the larger ones, pushed those running many mutual companies to negotiate discounts or even to do away with the inscription fee in some cases.

There is a third element that distinguishes the employers' mutual companies for accident insurance and explains, in part, their success among businessmen, especially from 1933 onwards. It is the matter of rebates, or refunds, of part of the premium paid by companies, in times of increased profits. Low premiums, along with the possibility of a refund of part of what had already been paid, were the most attractive elements when it came to choosing an insurer.

It is certainly true, on the other hand, that the employers' mutual companies themselves initiated a system of inspection and of prevention of accidents in their companies (Soto Carmona, 1985). The systems of control were, however, very limited. Although many envisaged inspections of the associated companies to be carried out by engineers or architects, the reality was that to avoid extra costs they limited themselves to medical inspections to check the hygienic and sanitary conditions of the insured company. The first preventative programmes carried out were to prevent hernias. It is true, however, that in the odd case they did take action against companies that were so irresponsible in their working habits that they risked causing an important increase in the accident rate (Alonso Olea, 1996, pp. 10, 40, 43).

The growth of the employers' mutual companies from 1933 onwards led to an increase in competition in the accidents at work branch and the appearance of two phenomena: diversification and collusion [(Iparraguirre (1933); Pons Pons, J. (2003)]. The growth in the number of mutual companies led to an attempt to reduce the fees. It is probably in the provinces where this process was most evident. The local employers' mutual companies had to confront the expansion of national mutual companies with a long tradition, such as the *Mutua General de Seguros* set up in Barcelona in 1907. In 1922 two Catalan mutual companies (*Mutua General de Seguros* and *Mutua Catalana*) already insured 100,000 workers compared with the 5,635 of the *SSMV* (Alonso Olea, 1996, p. 26). Diversification was the path chosen in order to deal with this competition. From 1933 onwards, the employers' mutual companies tried to offer their partners other services, usually other types of product such as fire insurance, transport insurance or health insurance. In theory, the only requirement demanded by the government was that the accounting of the branch of accidents at work was kept separate from other types of insurance.

Although more difficult to detect, we know of cases of collusive agreements. That matter in the Balearic Islands market has already been described (Bibiloni and Pons, 1999) in which *Mutua Balear* dealt with the competition from the Catalan *Mutua General de Seguros* by reaching an agreement with its main competitor, the *Mutua Catalana de Accidentes e Incendios*. The latter promised not to contract insurance against accidents at work in Majorca, and the Majorcan company agreed not to contract fire insurance with the textile industries on the island. This agreement was intended to be detrimental to the *Mutua General de Seguros*.

The control of the management of insurance against accidents by the employers themselves offered great advantages to the partners of the mutual companies. These included lower premiums, the paying back of premiums when there were profits, discounts in the case of large companies, and control of the workers who suffered accidents, as well as other benefits deriving from belonging to this type of institution. In many cases, the employers' associations that had promoted the mutual companies continued exerting a great influence over their development, at least until 1940. When insurance against accidents was obligatorily extended to companies working the land in 1931, agricultural employers copied the industrial associations, creating their own employers' mutual companies². Although at first they only insured agricultural employers, they soon found ways of extending their clientele to the field of industry. With time, some of them would become leaders in their particular branch.

The employers' mutual companies were not always advantageous, however. There were risks. A calculation of the premiums that was too low, or employers hiding salaries, were in some cases the cause of problems in some mutual companies. The best known case of the time was the bankruptcy in 1935 of the *Mutua de Madrid*, which had been founded in 1926.

The companies, and in particular the mutuals, developed a medical infrastructure in a country that had little. In fact, after the civil war, when Franco's government wanted to introduce sickness insurance in 1942, it had to turn to and collaborate with the employer's mutuals on industrial accidents. When the Social Security Act was finally passed in 1963 they were the only ones continuing to offer this type of insurance (Velarde, 1963 and Velarde, J.; Guindos, A. de and Lázaro, M. (1963)).

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NOTES

¹ The law that was passed was strongly influenced by the French law of 1898 (Frax and Matilla, 1998). This law differs in many aspects from the law applied under the Anglo-Saxon system, based to a large extent on the system of compensation. For the British version see Dinsdale about the Employers liability insurance (1954, pp. 147-173), or consult the American case studied by Fishback and Kantor about the worker' Compensation Insurance (1996, pp. 809-836; 1998, pp. 109-139 and 2000).

² In Spain in 1934 there were four great mutual companies dealing in accidents in agricultural work, linked to agricultural employers' associations: *Mutua de Seguros Agrícolas* (known as MAPFRE) founded by the *Agrupación de Propietarios de Fincas Rústicas de España* ["Spanish Association of Country Estate Owners"]; the *Mutualidad General Agropecuaria* dependent on the *Asociación General de Ganaderos de España* ["Spanish General Cattle Breeders' Association"], the *Caja de Seguros mutuos contra Accidentes de Trabajo* created by the *Asociación General de Agricultores de España (MESAI)* ["Spanish General Farmers' Association"] and the *Mutualidad Española de Seguros de Accidentes de Trabajo* of the *Confederación Nacional Católica-Agraria* ["National Catholic-Agrarian Association"] (Hernando de Larramendi, 2001, p. 221).