STATE INSURANCE, BRITISH COLUMBIA

In last week's issue, The Chronicle had the privilege of publishing some replies in response to our request for an expression of opinion as to the effect upon the money markets of the world the proposed Bill for State fire insurance in British Columbia would have if it were enacted. As already stated, the invitation for an expression of opinion was addressed to some of the leading bond houses, and mortgage companies in Canada, as follows:—

(1) How would it affect the security behind British Columbia bonds; (a) Provincial; (b) Municipal; (c) Industrial?

(2) How would it affect the rate of interest at which such bonds could be marketed?

(3) Do you find insurance companies amongst the largest purchasers of such securities?

(4) Aside from the foregoing considerations, do you consider it likely insurance companies would continue to regard favorably the issues of a Province interfering with their legitimate business?

The following additional replies have been received:

Winnipeg, October 20th, 1919.

F. Wilson Smith, Esq.,
Publisher, "The Chronicle,"
Lake of the Woods Building,
Montreal, P.Q.

Dear Sir,—We beg to acknowledge receipt of your favor of the 13th instant, advising us that a proposal is before the people of British Columbia that the Province should undertake to write fire insurance, and asking our opinion of the proposed action.

A few years ago advocates of the principles of public ownership urged its application to certain public utilities, loosely described as "natural monopolies," such as the supply of transportation to a community or of light and heat where competition involved the duplication of capital outlay. There are certain disadvantages of public ownership which are offset by the value of a single sersvice. It is travelling far from this principle to suggest that the State should write fire insurance.

Fire insurance is undoubtedly the most hazardous form of business endeavour in which a man can engage. The only safeguard to the capital invested is that the risk should be widely distributed. Western Canadian towns and cities, being built of wood, are particularly susceptible to the conflagration hazard. Practically every argument in favor of the principle of public ownership of public utilities can be used against the State engaging in fire insurance, particularly where its application is limited to one province. The unavoidable result would be that heavy losses will have to be borne by the already overburdened tax-payers. This was the experience of the Province of Saskatchewan in its hail insurance scheme. The Province of Manitoba lost nearly one hundred thousand dollars in its first year of the farm loan plan.

The immediate effect of the Province of British Columbia engaging in fire insurance would be a shrinkage in the market value of both provincial and municipal securities; ultimately, when it was realized that the tax-payers of the Province were being called upon to meet deficits in the insurance department, values of other securities, including real property, would be prejudicially effected.

We see no justification whatever for the Province entering the field of fire insurance and feel that it would prove a very unsatisfactory experiment to the people of the Province.

Yours truly,
OLDFIELD, KIRBY & GARDNER.

CANADA PERMANENT MORTGAGE CORPORATION

Toronto, October 21st, 1919.

F. Wilson Smith, Esq.,
"The Chronicle,"
Lake of the Woods Bldg.,
Montreal, Que.

Dear Sir,—Replying to the enquiries made in your letter of the 11th instant, I beg to say:

1. It would seem there can be no question that the project, if carried into effect, would involve a very large liability on behalf of the Province, which one would think would have a serious effect upon the Provincial credit. While Municipal and Industrial Bonds would not be directly affected, it might be expected that indirectly they would also suffer to some extent.

2. If the Bonds are not looked upon as having the same security behind them, as before, it would necessarily follow that a higher rate of interest would have to be paid.

3. There can be no question but that Insurance Companies are very large purchasers of these securities.

4. It would scarcely be natural to expect that Insurance Companies would look with the same favour upon an investment in the securities of a Government which attempts to shut them out from doing business in the Province.

Yours truly,
GEO. H. SMITH.
Assistant General Manager.