HAS A CRISIS BEEN REACHED IN LIABILITY INSURANCE BUSINESS?

New York Official Circular Stirs Companies—One Corporation Has Already Cut Commissions—Canadian Concerns Are Interested

Companies transacting Employers' Liability Insurance in Canada, 1912, under supervision of Dominion Insurance Department	Premiums of the Year $	Number of Policies new and renewed	Amount of Policies new and renewed $	Number of Policies in force in Canada at date	Net amount in force at date $	Losses incurred during the Year $	Claims Paid $	Unsettled Claims: Not Resisted $	Unsettled Claims: Resisted $
Canada Accident	224,202	983	9,067,761	965	8,927,761	130,479	113,481	51,966	
Canadian Railway Accident	110,789	732	7,290,000	664	6,602,857	75,645	52,377	41,335	none
Dominion Gresham	802	14	......	28	.....	545	none	545	none
Employers' Liability	746,373	2,584	25,798,428	2,387	23,798,428	431,902	382,902	205,000	none
Fidelity and Casualty	5,835	130	1,317,500	102	1,174,500	1,045	45	1,000	none
General Accident of Canada	150,283	1,244	12,318,750	1,060	10,476,500	81,316	84,233	26,809	none
Guardian Accident and Guarantee	28,861	211	......	201	......	9,614	4,040	5,574	5,275
Imperial Guarantee acd Accident	786	8	40,000	11	60,000	none	none	none	none
International Casualty	12,503	101	955,224	101	960,329	3,373	3,104	1,435	none
Law, Union and Rock	43,165	709	......	533	......	16,678	12,787	7,232	none
London Guarantee and Accident	275,569	1,317	13,170,000	1,210	12,100,000	121,947	97,551	50,925	none
London & Lancashire Guar. & Accident	64,385	943	7,107,500	728	4,921,000	32,159	40,446	7,871	none
Maryland Casualty	397,479	1,568	5,156,600	1,415	4,750,600	185,952	154,260	63,530	18,162
Norwich Union Fire	none	2	20,000	2	20,000	none	none	none	none
Ocean Accident and Guarantee	467,385	....	17,364,400	....	18,089,400	244,318	192,001	190,284	none
Railway Passengers	67,074	330	3,293,000	303	3,023,000	30,599	23,904	14,095	none
Royal Exchange	4,551	42	420,000	38	370,000	396	296	100	none
Travellers Insurance Co.	185,576	1,088	10,880,000	970	9,700,000	96,003	79,074	84,192	none
U.S. Fidelity and Guaranty	55,737	774	25,483,000	735	24,875,500	20,045	7,095	14,575	none
Yorkshire	4,718	51	510,000	49	492,447	729	729	none	none
Totals	2,846,073	....	......	....	......	1,482,745	1,248,329	766,467	23,437

The superintendent of the New York insurance department did not mince words in his recent circular issued to the liability insurance companies. The superintendent said as follows:—The condition in the liability business has become so serious that this department intends to hereafter call the various companies to strict account in their conduct of this class of business. The companies generally have been and now are writing liability business at a premium insufficient to take care of the losses and expenses. This method of doing business means a loss to the companies, and its continuance will mean insolvency. The liability policy protects the assured, not only against claims maturing during its life, but also against claims maturing years after the policy expires, on account of accidents occurring during the policy year.

Solvent Now and Later.

It is of particular importance to the assured that the company which issued the policy shall continue solvent, not only during the life of the policy, but for a number of years thereafter. A study of the loss reserves of the various companies shows that practically every one of them has set aside an insufficient amount to take care of future losses on its liability business, although the reserve is computed in accordance with the present loss reserve law. The expenses chargeable against this class of business are excessive, and, in view of this situation, it would seem that the aim of the various companies should be to remedy this condition by securing adequate premiums and by reducing expenses to a minimum. But the contrary is the fact. Competition is the basis for the underwriting, and the same influence is responsible for the high commissions now being paid on this class of business. There can be no justification for a commission in excess of 15 per cent. to brokers, and perhaps a slight increase over that rate to agents, but in no event should the total commissions exceed 20 per cent. This department will insist upon the companies conducting their liability business upon a sound basis and in particular as follows:—

What the Superintendent Requires.

First—Basing their underwriting upon statistical experience and the physical and moral hazard of each individual risk and free from the influence of competition.

Second—Commissions not to exceed the percentages stated above.

Third—Administration expenses to be minimized.

If it is found, through examination or otherwise, that any of the authorized companies of other states are transacting their business contrary to the above recommendations, and in such a manner as to jeopardize the interests of the assured, I will not hesitate to use the power vested by law in the superintendent of insurance to revoke the certificate of authority of any such company whenever, in my judgment, such revocation will best promote the interests of the people of this state.

If it is found, through examination or otherwise, that any of the domestic companies are continuing such practices this department will, through publicity and other means, call the attention of the insuring public to the character of the protection such company is affording.

If it becomes necessary this department will seek through legislation further means for the protection of the insuring public.

Conditions in Canada.

Such a strongly-worded circular naturally has created a stir among the liability insurance companies. Those doing business in Canada are also interested in New York's action and it is thought by authorities in the business that there is likewise room for improvement in the conduct of the business in the Dominion. The heaviest losses by the companies have been in employers' liability risks. This business has reached fairly large proportions in Canada where, as the table at the head of this page shows, twenty companies are transacting the business.

No Money Made at Present.

A report recently made by the New York insurance department on the examination of the United States branch of the London Guarantee and Accident has shown conclusively that even a company which has a well-established business and writes conservatively, can be a sufferer from the present conditions prevailing in the liability insurance business. In the case of American companies which do not have a foreign home office to fall back upon for more funds when occasion demands, the situation is particularly puzzling. While some of the larger companies, undoubtedly, have been able to make up their underwriting loss on liability business from profits in other lines or by reason of profitable investments, the fact remains that even with the existing high rates, which the general public complains of, there is no money to be made in the liability insurance business as it is now conducted. When a company like the London shows an underwriting loss of more than $200,000 on an underwriting income of about $3,500,000, it is generally acknowledged, as the New York insurance press says, that the handwriting on the wall is unusually plain.

This Company Will Cut Commissions.

While the discussion on this subject is in full swing, Mr. John T. Stone, president of the Maryland Casualty Company has announced that the commission rates paid to his company's agents, on all forms of liability business, will be reduced, commencing on September 1st. Mr. Stone continues:—"Such a measure as this is, we are fully aware,