

INSURANCE COMPANIES AS TAX COLLECTORS.

The general public is slow to learn the elementary principles on which insurance companies are compelled to transact business. In fire insurance, rate-making, as respects its basic idea, is extremely simple and capable of being easily understood. Nevertheless, the public persists in maintaining crude notions on the subject, and as legislation is based on the popular conceptions or misconceptions entertained by those who elect the law-makers, legislators do and have long done exceedingly absurd things in devising statutory regulation of the insurance business. Both in this country and in the United States, notably in the latter, legislation has taken the form of devices designed to regulate the methods and curtail the scope of the business in a great variety of ways. Ignoring the plain fact that the companies are taxed on their property holdings just as all other property is taxed, several forms of taxation, municipal and state or provincial, of a special character are levied to an extent that exceeds the impositions on any other line of business. Gross premiums are soundly taxed by provinces and in some cases also by municipalities, fees of all sorts are called for, and constant efforts are made to compel support of fire departments and the like, in the mistaken notion that only the companies engaged in fire underwriting are benefited by whatever limits or lessens the extent of the fire loss.

A FUNDAMENTAL FACT.

People persist in forgetting the fundamental fact that the province of fire insurance is to discover and classify the hazard insured against, and then to fix a price which long and widely extended experience indicates must be charged for the assumption of the hazard. If an efficient fire extinguishing service and solid, fire-resisting construction of buildings exist in a town or city, the hazard assumed is materially less than where these conditions are lacking, and the premium rate charged is correspondingly less, just as the risk of insuring a well-selected, healthy life is less than that of insuring an impaired or sub-standard life. The enforcement of good building laws and the maintenance of an efficient fire department are purely prudential arrangements for the benefit of the owners of property and not for the benefit of the underwriters. They must necessarily charge for the risk as they find it or go out of business.

TAXES MUST BE ADDED.

It follows that if the people, through their law makers, add to the cost of assuming the hazard certain special exactions in the form of taxes, the companies must either add to their rates enough to cover this additional tax or forego any satisfactory profit on the business. Taking one year with another, the premiums collected by the companies, as a whole, have been graded so low that, after paying losses and expenses, scarcely five per cent. is realized as a trade profit. The only logical and business-like way open to the companies is to act as tax-gatherers, and collect as a part of the premium rate the special tax which is levied on them, and which does not enter, primarily, into the rate-making calculations of underwriting pure and simple. Slowly but surely the public is coming to see that the companies are disposed to act on this principle, not of choice but of necessity.

BRITISH AMERICA ASSURANCE COMPANY.

Originally established so long ago as 1833 and therefore taking precedence as the oldest native Canadian insurance organisation in existence, the British America Assurance Company throughout its long career, has consistently upheld a high standard in the conduct of its affairs and in its relations to its policyholders. Closely identified with Canadian developments and business life for several generations, the name of the British America, with its sister organisation, the Western, has long been a household word in the Dominion, and in the foreign fields where the Company has for many years transacted business, it has also become widely known as an exponent of the best insurance traditions and practises. Overcoming last year, the difficulties naturally accruing through the European conflagration, those responsible for the Company were able to carry through a considerably enlarged business, with the gratifying result that the profits for 1915 are the largest reported for any one year in the long history of the Company, and that a very substantial addition has been made to the resources.

AN IMPROVED FIRE AND HAIL EXPERIENCE.

In the British America's accounts, fire and hail business are linked together. The net premiums in these two departments totalled, for 1915, \$1,988,380, an increase of some \$40,000 upon 1914. With this enlargement in premium income, there was enjoyed a loss experience much more favorable than in the previous year, losses absorbing only \$1,050,617 (a moderate ratio to net premiums of 52.8 per cent.), compared with \$1,264,355 in 1914. After payment of expenses and substantially increased taxes, there was a profit in this branch for the year of \$154,262. Practically all the dislocation in long-established connections due to the war has now been rectified, and business is running as smoothly as present-day circumstances permit.

SATISFACTORY MARINE BUSINESS.

Last year was practically the first year of operations following the revival of the Company's marine department and the results shown prove that a very fair share of the increased demand for this class of insurance, owing to war risks, has come the way of the British America. The business is made up almost entirely of short-voyage risks. The premiums totalled \$211,704, and losses and expenses \$166,126, leaving the satisfactory profit of \$45,578.

Total profits for the year (including interest receipts) amount to \$270,412, the following amounts being written off from these:—\$1,821 to cover bad debts and depreciation in insurance maps and \$18,982 to meet depreciation in securities held. Assets, which are written down to market value at December 31st last, total \$2,530,426, an increase of about \$300,000 upon last year. Unearned premium liability on the Canadian Government standard is \$1,360,994, the surplus to policyholders being \$842,373.

Mr. W. B. Meikle, the general manager of the British America, and his staff have evidently had a year of arduous effort. That the energy expended not only last year but for some years past has been well directed is seen in the facts of the present report.