ency towards the reduction of the rate and there is a constant tendency towards the associations of companies doing more and more in the way of more frequent inspection of risks and of municipal conditions, all of which is costly, so I anticipate we may look for an increase rather than a reduction in the expense ratio; but the main thing is to see that value is received for the work and that the result justifies the expense.

In boiler insurance, the loss ratio is ordinarily five or ten per cent., and the expenses eighty, eighty-five and even ninety per cent. In other words nearly the whole of the premium that is paid goes towards the prevention of explosions and I anticipate that, in the years to come a larger proportion of the premium will be devoted to the prevention of fire rather than to the reimbursement of losses. That has already become the case with some classes of property.

The business is one of enormous detail. The number of policies issued annually runs into the hundreds of thousands and the public desire to be dealt with promptly. Through the agency system the companies bring their protection to every part of the country. It is not like a bank which requires a considerable expenditure to open a branch, but through the system of agency representation working on a commission basis the insurance companies are able to bring their protection to the smallest hamlet. Even if there are only half a dozen people, a company may appoint some one there to be their agent, and he can grant protection there at once, and just as effectually as if he were the manager of the company. It is only through the commission system, that is—payment for actual services rendered—that the insurance companies can possibly give to the public the protection which the public ask for, and the service which the public ought to get. It has been suggested that, if the companies would only pay their agents by salary the cost would be greatly reduced. As a matter of fact, it would be much more expensive, and it would be very much less efficient and accommodating to the public. Very few men, as those in insurance circles know, are engaged exclusively in Fire Insurance. They are agents for all kinds of insurance, and, in fact, nowadays, the up-to-date agent requires to be familiar with all the forms of insurance. It is only through a commission system by which a man is paid for the work he does that this protection can be afforded to the public when and where the public requires it.

It may be pointed out, too, that the commission system is universal in Fire Insurance throughout the world. While in a few of the larger cities there are salaried agents who look for a special kind of business, the great multitude of agents throughout the world are paid on the commission system. I might quote from Judge Matson's report in regard to the matter of expense, where he says:

"One of the strongest points in favor of an Insurance combination, such as the Canadian Fire Underwriters' Association, is the fact that its method of conducting business is not only economical and efficient, but incidentally brings about an improvement of conditions that directly benefits the public. The inspection of properties and schedule rating, by which defects are brought to the attention of property owners, tends, in the long run, to effect a considerable betterment of the physical conditions, which are largely responsible for the extent of our losses by fire. No individual company could maintain a staff of experts competent to give this service without tremendously increasing the cost of insurance to the public. It is equally plain that no single company would be in a position to bring about the improvements that can be effected by many of the companies acting in co-operation one with another.

On the grounds which I have here set forth, I am of the opinion that the operations of the Canadian Fire Underwriters' Association have been and are to the advantage, and in the interests of the public and that such a combination tends strongly to maintain the solvency of the companies, to stabilize rates, to eliminate discrimination and to assist in controlling the expenses of carrying on the business.

The conclusion accords with findings of the strongest commissions in the United States that have considered this question."

I have tried to show that the business is one of great detail. I believe that the companies are endeavouring to keep the cost down and within bounds. Notwithstanding that the rewards in almost all other lines have gone up, the agents have not had any increase in the rate of their commission; and they have also been faced with this condition, that the actual rates on which their commission is based have declined—one of the few cases in which something has been reduced in Canada during the war.

After all is said and done, however, the main item that fixes the rate is the burning ratio. That is, it is the number of fires and the fire losses which in the long run make the rates, and, no matter what may be done regarding the methods of the business, you cannot get away from the fact that the fires are the cause of the rates.

If the property burns and you are going to distribute the losses over the whole community, then in order to get the rate down you must reduce your