

THE PROGRESS AND PROSPECTS OF FIRE INSURANCE AS A SCIENCE

At the inaugural meeting of the Glasgow Insurance and Actuarial Society of Glasgow, a paper on the above subject was read by the President, Mr. David L. Laidlaw, manager in that city of the North British & Mercantile Insurance Company. The following passages therefrom condensed from a report in the "Review" will be found of value and interest. The sterling figures have been converted into currency at par. The progress of fire insurance business is shown by the whole value of the property insured by all offices throughout England and Wales amounted in the year 1800 to \$1,216,750,000, which was less than one fourth of the aggregate amount now insured in London alone. Prior to 1710 "buildings" only were insured, and it was only in that year that "contents" of buildings were first protected by insurance. The first definite movement in the direction of uniting the experience of offices in fixing the rates of fire insurance premiums was in 1829, when a tariff of minimum rates in regard to some of the more important classes of risk was established by a combination of the managers of the Scotch fire offices, but it was not till 1858 that the leading British offices combined into what is now known as the Fire Offices Committee. There were at present 68 tariffs in force in the United Kingdom, and of those 15 are entirely new, having been issued for the first time during the past ten years; and the following was an approximate estimate of the proportion of tariff to non-tariff business in the United Kingdom:—Tariff risks—including dwelling houses and non-hazardous property rated at a minimum of 1s 6d per cent.—say 80 per cent. of the total premiums; non-tariff risks, say 20 per cent. It was pointed out that the associated offices never formulate a new tariff for any class of risk until it has been demonstrated beyond question that the current premiums are grossly inadequate, and even then legislation is tempered with fairness and moderation. As a proof of the latter, reference has only to be made to the official yearly returns of the result of fire insurance business. Last year the average margin of profit of the 54 British fire offices was less than 5 1-2 per cent., from which dividends had to be provided and reserves increased. This result was by no means exceptional, as the average profit for the past 18 years was only about 5 3-4 per cent. of the total premiums. Of this result the largest proportion has been applied in strengthening the reserve funds—a most essential process in the interests of the insuring public—the actual proportion received by the shareholders being less than 2 1-2 per cent. It must, therefore, be freely admitted that the enormous business of the British fire offices, representing an annual premium income of nearly \$97,340,000, is being worked on the smallest possible margin of profit consistent with ordinary prudence and adequate protection to the insured. It likewise justifies the combination which exists among the insurance companies for the purpose of fixing equitable rates—a vital necessity

of the business—as no individual office, however extensive its transactions, would be safe in fixing rates of premium solely based upon the results of its own experience. After referring to the perceptible progress on scientific lines which the business of fire insurance has been making, Mr. Laidlaw proceeded to explain with considerable minuteness the rating methods adopted in America under the scheme known as "The Standard Universal Schedule for Rating Mercantile Risks," which is too familiar to those engaged in insurance to need repeating in THE CHRONICLE. This scheme Mr. Laidlaw stated was the most advanced and the most able and striking contribution which had yet been made in the direction of analyzing and measuring with detail and completeness the fire hazard of city mercantile risks. The partial adoption, sooner or later, of a similar system in the United Kingdom was considered not improbable so far as regards the rating of town and city risks. He afterwards dilated upon the advantage which, in his opinion, would result if a uniform system of classification of risks and losses were adopted by the offices, instead of the practice at present in vogue of each office adopting its own system, and he advocated the establishment of additional salvage corps in the more important cities and towns, whose duties, in addition to the systematic inspection of warehouses and other risks, might include the compilation of classified statistics of the entire fire losses of each district. In his concluding remarks, Mr. Laidlaw dwelt upon the advantage of having the average clause or the percentage co-insurance clause introduced more generally into fire insurance contracts, and he also pointed out the benefits which would ensue to the public, as well as to the insurers, if the offices adopted uniform policy conditions.

THE TRUST AND LOAN COMPANY OF CANADA.

The semi annual meeting of the Trust & Loan Company of Canada has been recently held at its offices, No. 7 Great Winchester street, London. The net profits for the half year ending 30th September last amount to \$67,496.48, which, as compared with the net profits of the previous half year of \$50,299.87, shows an increase of \$17,196.61.

The profits were disposed of by paying the usual dividend at the rate of 6 per cent., and a bonus at the rate of 1 per cent. per annum, carrying to the Reserve Fund a sum of \$10,023.24, and leaving a balance of \$2,114.92 to be placed to the credit of next half-year, which, with the sum of \$56,747.38 carried forward from previous half years, leaves the handsome total of \$58,862.30 to be carried to the credit of the current half year's account.

It is a pleasure to note that the first loaning company which ever did business in Canada is still able in these fierce days of competition to present such a satisfactory statement to its shareholders, and that in spite of its conservative financial methods in doing business.