

Fire Insurance—Business and Government

Nature of Insurance—Intricacy of Ratemaking—Government Insurance Neither Desirable or Practicable—Huge Liability involved would threaten Credit of any Government.

Under the auspices of the Insurance Federation of British Columbia Mr. J. B. Laidlaw, manager for Canada of the Norwich Union Fire Insurance Society, addressed a meeting of business men in the Hotel Vancouver on October 1st last, on the subject of Fire Insurance.

Mr. Laidlaw is one of the best known insurance men in Canada and has taken an extremely important and prominent part in the formation of the Canadian Fire Underwriters Association Schedule, which has now been introduced in the principal Provinces of Canada and is the basis for ratemaking of risks assumed.

In a few words Mr. Laidlaw traced the history of Insurance and its development, showing that the business is one of gradual evolution played upon by many forces—by the competition of one company with another, by the sense of fair play in management, by the exigencies of the business and by the conflagrations that have tested the solvency of the companies; by and through different tariffs the business has gradually evolved until today we have a complicated system so far as rates are concerned, yet it is only a step in the gradual evolution that will continue to go on and become more and more intricate. The insurance business must keep pace with the gradual growth and development of civilization and of the various methods of manufacture and of the variety of costs and variations in fire protection and construction in order that fire insurance may be made equitable, and so that there should be a proper discrimination upon risks as to location, construction and occupancy and as to the classes of property insured and the interest that is covered.

It is always well to remember that fire insurance is not an insurance of property—it is an insurance of interest. There may be half a dozen interests around a particular property and the different interest will be variously affected by the event of fire, and consequently the rates may vary. The rates which are now made have gradually been evolved. These rates are not arbitrary and they are not permanently fixed. All companies do business in this country and in all civilized countries through Boards of Underwriters. It is one of the fundamental bases of insurance that all companies soon come to charge about the same rate, and it necessarily follows that there must be some method by which a consensus of opinion can be reached and what that rate shall be, and that is accomplished by a Board of Underwriters and the rate fixed by them represent the consensus of opinion and the average view of all companies comprising the Board upon the different classes of risks that are insured.

Then Mr. Laidlaw pointed out how the average view changes with change in conditions and their methods of rating so as to avoid discrimination. In connection with the insurance investigation in Ontario the question was raised as to the Province fixing the rates and Mr. Laidlaw clearly showed that this would work very poorly and would, in fact, injure the public rather than benefit them.

On the subject of insurance, Mr. Laidlaw pointed out the elements concerned therein and showed that the increasing amounts together with increasing efficiency, with competition, was gradually reducing the rates from year to year. He defended the payment of commissions in the way of doing business through local agents as the most economical manner of carrying on the business as well as rendering the most service to the assured. On the other hand Mr. Laidlaw pointed out the losses from fire were continuing to grow and that in this connection the Province of British Columbia had a higher average loss per capita than for the

whole of the Dominion. In addition the conflagration hazard was a potential force in practically every city in Canada, and strange to relate the conflagrations of the most serious nature had always occurred in the maritime cities. Mr. Laidlaw also pointed out the work of the Conservation Commission and the gradual enlisting of public support for fire prevention.

In regard to the matter of rates Mr. Laidlaw read from Judge Masten's report the two following paragraphs:

"It must at the same time be recognized that the Insurance Companies are the chief exponents of systematic fire protection and that their methods constitute one of the most potent influences in the efforts of safeguarding property from fire."

"It is my opinion that the salutary influence of schedule rating can most advantageously be supplemented and reinforced by legislative action in the direction of compelling owners of property to safeguard their property in the public interest, quite apart from the personal advantage which they secure by lowered rates of insurance."

In connection with this whole matter of fire prevention the Dominion Government passed an Act imposing heavy penalty upon everyone who by negligence caused any fire which occasioned loss of life or loss of property. There is the further provision making anyone liable to fine or imprisonment who does not attend to an official order for the improvement of conditions with certain safeguards calling for proper service of notice and for approval by proper official of the Dominion Government. This Act is a step in advance, and it is believed will become a powerful factor in securing the correction of conditions found in premises where little or no insurance is carried and where in consequence the insurance companies have little or no influence.

On the subject of Government Insurance Mr. Laidlaw summarized Judge Masten's remarks as follows: "I am clearly of the opinion that Government Insurance of property is neither desirable nor practicable in Ontario at the present time. In the first place it would involve a re-inspection by experts of all risks in the Province for the purpose of determining the rate of premium which each risk ought equitably to bear. This would be an enormous preliminary task and would involve the establishment by the Province of a huge insurance department conducted by managers of great experience and high ability. Such men could be obtained only from the staffs of the insurance offices now doing business and only by offering them such remuneration as would warrant them in resigning from their present service.

In the second place it is generally agreed that at the present time no adequate data are available from which there can be deduced such a scientific system of rating as will perfectly adapt itself to the infinite variety of risks and the uncertain hazard of conflagration and to the moral hazard. The fixing of the rate is still, notwithstanding all the experience of the past, somewhat of guesswork, assisted by the practical sagacity of the experienced underwriter. In my opinion the public is not ready and would not be willing to adopt such changes in their mode of doing business as would be necessary if this method of insurance were adopted. This inherent difficulty exists quite apart from the practical objections which might arise in the conduct of such a system owing to the abuse in the direction political or personal favoritism or animosity by Government inspectors entrusted with the duty of reporting on risks and adjusting losses." Judge Masten mentions in his report that his conclusions are in accord with the conclusions of other Commissions.

Mr. Laidlaw, continuing on this subject said: "That as far as Canada is concerned I doubt very much if any Province could introduce an obligatory system of state insurance because of Dominion Legislation which grants to the