

upon their policies proportionately rather more freely than American policyholders, the proportion of American policy loans has since become higher. The figures suggest that while our people have been accustomed at all times to borrow upon their life policies to finance business deals or speculations, that American policyholders have only within recent years awakened to the possibilities of the policy loan, and are, perhaps, using them less for business purposes than for luxuries. The automobile and the cost of high living are largely blamed for policy loans in the United States; apparently the effect of these in Can-

ada in this connection is not nearly so pronounced.

Regarding the experience of life insurance companies abroad in regard to policy loans, the British companies reported for 1910 loans on policies equal to 10.1 per cent. of their assets and, in addition "loans on policies and personal security" equal to 6.1 per cent. The Australasian companies reported for 1910 "loans on policies and personal security" equal to 14.2 per cent. of their assets. Apparently, therefore, in comparison with life companies elsewhere the present experience of the Canadian life companies in regard to policy loans is normal.

## RATES AND COMMISSIONS IN THE LIABILITY BUSINESS.

The trenchant circular recently issued by the New York Superintendent of Insurance to the liability companies and published in our issue of July 4 is deserving of serious attention beyond the bounds of those who are immediately affected by it. In brief, the Superintendent told the companies in language whose bluntness was its most outstanding characteristic, that unless they amend their present ways of conducting business along lines which he indicated, their licenses will be revoked. The Superintendent stated that the department will insist upon the companies conducting their liability business upon a sound basis and in particular that they are to follow these lines:—(1) Basing their underwriting upon statistical experience and the physical and moral hazard of each individual risk and free from the influence of competition; (2) total commissions are not to exceed 20 per cent.; (3) administration expenses are to be minimized.

### REASONS WHY.

The reasons why for the Superintendent's drastic action are well-known. Conditions in the American liability business have been by no means satisfactory for a prolonged period. Many of the companies have incurred heavy losses through this business. Their reserves are computed in accordance with the present loss reserve law, but are said not to be sufficient, which fact is not surprising in view of the universal experience in regard to the capacities of liability business for swallowing up what have appeared to be entirely adequate reserves. However, apparently the conditions described have not prevented the companies from engaging in sharp competition among themselves, with the result that expenses have been pushed up, and the consequence that the companies have incurred the present wrath of the Superintendent of Insurance.

### CONDITIONS IN CANADA.

We call attention to this matter at the present time because it is whispered that conditions in the liability business in Canada are not altogether what they should be. It is said that the evils which have been so vigorously denounced by the New York Superintendent are by no means unknown also in the Dominion. The suggestion is not here made that

they are such as to call for so strong a condemnation as that administered by Mr. Emmet, but merely that it would be a wise thing for the companies who transact liability insurance in Canada to make a determined effort to alter present conditions somewhat for the better.

### POSSIBILITIES OF STATE INSURANCE.

The results of the Superintendent's circular are yet to be seen. But it would seem to be shortsighted merely to jibe at the Superintendent's threats of sweeping action and allow events to take their normal course along the present lines. Because by so doing the companies are merely proceeding to deliver themselves into the hands of the State insurance enemy—the victims of their own folly. Some of us may not like it, but there is no use in blinking the fact that the tendency towards diverting various forms of business activity into administration at the hands of the State is making considerable headway at the present time. Here in Canada, owing to the predominance of a sturdy form of individualism, we are probably somewhat less affected by it than elsewhere. But inevitably the effects of the tendency will be felt here, sooner or later. If the companies transacting a liability or workmen's compensation business cannot show in opposition to any proposed State scheme that they are performing this service for the community more efficiently than it could be performed by the State, and in fact in the most efficient manner possible, they are certain to be beaten, and to now pursue a course which is not conducive to efficiency is merely to weaken their argument for their own continued existence. It is possible that there will not be a contest in Canada between State insurance and liability companies' insurance for many years. But the necessity for paying serious attention to the present action by the New York Superintendent still holds. The commanding influence of New York legislation has been felt before now not only throughout the Union, but also on this side of the border, and drastic action in New York in regard to this matter might easily have its reflection here. It would be a wise move for the Canadian liability companies to put their house in order. Otherwise they may one day find someone bent upon doing it for them without consulting their wishes.