

INSURANCE, A NATIONAL ASSET.

Insurance as a national asset is a phase of the general business of underwriting that is very frequently overlooked by the public. In his presidential address before the Insurance Society of Edinburgh, Mr. James Allan touched informally upon the benefits which accrue to a nation as a whole, from the operations of insurance. Similar treatment may interestingly be applied to Canadian conditions.

Up to within the last two or three centuries the conditions of civilization did not call insurance into being—an evidence that in the early history of the world community of interest in its higher phases was very largely non-existent.

In considering insurance as a nation's asset the first point to claim attention is the accumulation of funds by the companies engaged in the business whose headquarters are within the country. Including in these all Canadian companies which transact insurance under Dominion license, the aggregate assets reach the figure of about \$167,000,000,—including some \$14,000,000 of assessment society funds. In this total are included the shareholders' capital, the accumulations of reserves for whatever purpose, and the balances standing at the credit of profit and loss account and the like. The bulk of the money has been built up out of life policyholders' premiums and there are now life assurance assets alone amounting to over \$150,000,000 if assessment societies be included.

While a considerable proportion of these funds is held outside Canada, owing to companies' foreign business, this is vastly outweighed by the assets held in Canada by British and American companies licensed to do business in the Dominion. For life and fire companies alone the total in this regard is over \$100,000,000. And a growing proportion of funds thus held by trustees for the protection of Canadian policyholders is being invested in Canadian securities. That such companies will continue investing largely in Canadian securities is certain—a glance at the Dominion insurance blue books of recent years shows how considerable the volume of their holdings has become. Without any legislative compulsion, the widely recognized attractiveness of Canadian security offerings can be counted upon to bring about an increasing investment demand from British and United States insurance companies.

Such accumulations of funds must necessarily play an important part in the financial welfare of the country. A set of circumstances under which all insurance funds were withdrawn upon short notice from a nation's assets, would (as Mr. Cook remarked of the 420 million pounds sterling held by British insurance companies of all classes) be a calamity of the first magnitude.

Applying to Canada Mr. Cook's methods of analysis, the second point to which attention may be called is the "floating capital" engaged in the business, and in this there need be considered only the revenue side of insurance companies' accounts. The outgo, whether it consists of expenditure or is added to existing accumulations, in either case but indicates the destination of revenue. In premiums and interest the annual incomes of Canadian insurance companies, under Dominion license, amount to well nigh \$45,000,000. This figure again illustrates the importance of insurance in the country's economic progress.

So much for a concrete financial statement of the national asset which a country has in the activity of insurance companies. Looking beneath the surface there is to be considered that financial security of the individual—and hence of the community—which is only made possible by insurance in its various forms.

The department of insurance which calls for first mention in illustration of its relationship to security is the life department. Its growth is partly the cause and partly the effect of the sense of security referred to. Cause and effect have acted and reacted upon each other. The needs of human life called for a freedom from financial anxiety. Insurance responded to the call, and, in the handsome way in which it provided the security required, it itself became a cause of the great and rapid development which has taken and is taking place.

The second section of the insurance business which contributes to security is the fire department, and here is found a business without the security provided by which it would be impossible to carry on any of the numerous large manufacturing and mercantile enterprises which are carried on throughout the world. It has been estimated that the annual fire waste of the world, apart from special conflagrations, reaches a total of over \$250,000,000. Under the system of fire insurance this loss is distributed amongst premium payers, and, as these premium payers meet the small charge as an ordinary incident of their business or private expenditure, there is, notwithstanding the enormous value of what is annually destroyed, no crushing burden or serious dislocation of financial conditions. Were there no system of insurance, the incidents of fire waste would entail ruin upon individuals and occasionally ruin to cities and even to countries.

As Mr. Cook points out, this latter fact is too often overlooked by advocates of municipal insurance. Supposing such cities as San Francisco, Chicago, Boston, Baltimore, Toronto, Valparaiso, Guayaquil and Kingston, and other places which could be named, had been practical supporters of municipal insurance schemes, it would not have been difficult to describe the financial ruin which