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THE MONETARY TIMES, AND TRADE REVIEW.

TORONTO. CAN., FRIDAY, OCT. 27, 1871.

FIRE INSURANCE RATES IN CANADA.

One useful lesson taught by the late Chicago fire is that the interests of the insuring public and of the insurance companies are, in a great measure, identical. Judging from certain practices too prevalent, the contrary has been commonly regarded as the fact. The ingenuity exercised by wealthy property-holders, of which numerous instances are within our recollection, entrap insurance companies into the acceptance of their risks at starvation rates shows their opinion to be that every dollar saved in premiums is a dollar gained. This is the common notion. It is not our purpose here to detail the wily ways of brokers and others in scenting out the weakest-kneed brother in the insurance fraternity, and saddling the companies with their risks at the rates which the deluded victims of their snares has been seduced into quoting; this will be discussed hereafter. How wrong in principle and mistaken in conception is the disposition to get business done at the lowest possible rates becomes plainly apparent from the experience in Chicago. That city was probably insured at a cheaper average rate than any city on the continent. There the work of brokers and "drummers," of competition run mad, has produced their legiti-

mate fruits in absurdly low rates and a reckless acceptance of risks with little regard to the hazard assumed. The local companies—"whose name is legion"—led the van in the career of demoralization, and never succeeded, as a matter of course, in making any money, being contented with the bare existence which their business afforded them. About 25 companies, with an aggregate capital of \$5,161,507, had assets amounting to only \$6,746,393, including, of course, all the various classes of unrealized items which go to swell up their statements. In this state of things they were visited by the great fire, and swept out of existence, the assets paying but a small per centage of the debts. Giving due weight to the exceptional circumstances of this case, there is still the lesson remaining that had these companies, by the maintenance of paying rates, built up their reserves, the position of the assured would be a very different one from what it is to-day. The pennies saved by the low premiums paid these companies would have been now returned with compound interest, and all parties—insurers and insured—could have discharged their obligations. Therefore, it is to the interest both of the companies and the public that a fair rate be in all cases demanded and ungrudgingly paid.

Such is the fluctuating nature of fire insurance business the world over, that it is only possible to conduct it safely and to a successful issue by maintaining rates at a point that experience has shown to be self-sustaining. Any wide departure from this basis reduces the business to the low level of gambling—when solvency and success both become the puppets of luck and chance.

Is the business conducted on a sound basis in Canada? Are rates such as to fortify the companies against such a calamity as befel Chicago, or anything approaching it in severity? Are the necessary reserves being created to provide for the exigencies of great disasters? These questions ought to be seriously considered now, unless the intention is to drift headlong on, leaving the future to the manipulation of fickle fortune, trusting to wind and weather without compass or helm.

If we take the business of 1870 we find that instead of any addition to reserves being made from profits arising out of that business, it resulted in a positive loss. By the sworn returns made to Government, it appears that the business done by twelve prominent English Companies, whose operations extended throughout the country was: Premiums received, \$1,189,166; amount of policies, \$141,624,283; losses (including losses in suspense and resisted), \$1,291,460, or an actual loss by fire in excess of pre-

miums of \$102,293. If, then, we add to this 25 per cent. for the expenses of the business, the balance against the year's operations is increased to \$399,585! Taking next the results shown for the same year of the business done by the Canadian Companies doing a general business and reporting to the Finance Minister, we find: premiums, \$392,740; amount of policies, \$37,428,228; losses (including losses in suspense and resisted), \$282,858, or an excess of premiums over losses of \$109,882. Again deducting 25 per cent. for expenses, we have the insignificant surplus of \$11,697—not sufficient to pay the yearly dividend of one company.

Two American companies received \$189,350, and had losses to the amount of \$170,640, including losses resisted and in suspense. Allowing again 25 per cent for expenses, the balance against the year's operations of these companies is \$28,628.

Are these results satisfactory to the companies? Do they seriously intend to continue to do business in this fashion? We look in vain for any negative reply to this latter question. The evil is admitted, but the application of an effective remedy is supinely treated as an impossibility. Whatever changes might be useful, there is only one specific that can really reach the seat of the disease, and that is, *an advance in rates*. If the above figures are analyzed, it will appear that the average rate realized by the English companies was 94 cents, whereas the Canadian companies had 105 cents, making a difference in their favor of 25 per cent. in the average rate; the average loss to the amount at risk with the English companies was 91 cents, against 75 cents in the case of the Canadian companies. Owing to a deficiency in the returns of American companies, we are unable to extend the comparison to them.

It seems that a legitimate conclusion to deduce from the foregoing is that the change demanded in the conduct of the business, that is the exaction of rates adequate to the risks assumed, ought to be initiated by the British companies. None are more deeply interested in the work of reform, in consequence of the large proportion of the business done by them, which is \$1,189,116 of premiums out of a total of \$1,581,907, as above given.

Combinations among the companies are generally regarded as unworkable, the experience with them having been most unsatisfactory with us in the past. While there is no prospect that any compact, even if it were entered into, would stand the pressure, yet there is certainly nothing in the nature of the business to compel or justify the acceptance of risks at rates that experience