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REFORM IN THE LIABILITY BUSINESS.

On another page this week we publish the text of a circular which has been issued by the Maryland Casualty Company to its agents, notifying them that from the beginning of next month a material decrease in the rate of commissions paid upon liability business will be put in force. This action on the part of the Maryland Casualty Company was brought to our attention by Mr. J. William Mackenzie, manager for Canada, who is among those who have expressed their approval of the article on the subject of rates and commissions in the liability business which appeared in our issue of July 25. The present action by the Maryland Casualty Company is commendable evidence of the desire of those responsible for its management to do their share in placing the liability business upon a sounder footing than it is at the present time. Whether this example will be widely followed by other companies remains to be seen. While there may be an apparent hardship to agents in the step now being taken, certain it is that both in the agents' interest and in the interests of the business as a whole it is better that the companies should take action of this kind of their own volition rather than that this and similar steps should be forced upon them by the action of an unsympathetic officialdom.

Evidence that unless the companies transacting liability and workmen's compensation business in the United States proceed energetically with the business of putting their house in order, sweeping action will be taken by officials at no very distant date is rapidly accumulating. Already the State of California has enacted a law which on and after December 31, 1913, requires a liability loss reserve of 70 per cent. of the earned premium increasing to 75 per cent. in 1916. The insurance commissioners at their recent Burlington convention received the report of a committee who found that the present liability loss reserves are too small and recommended that a flat basis of 60 or 65 per cent. be provided for new business, the old to be worked out on the present schedule of ex-

perience. A definite programme for loss reserves is to be submitted at the December meeting of the Commissioners. Of considerable significance in connection with this matter is the speech of Mr. Hardison, the Massachusetts Insurance Commissioner. Massachusetts is hardly a quarter from which one looks for radical action, yet Mr. Hardison frankly said that expenses in liability and workmen's compensation business must come down. In Massachusetts the rate allowed agents is not in excess of 17½ per cent. and to brokers not in excess of 10 per cent., and the general tenor of Mr. Hardison's speech suggests that he is in favor of drastic action making for all-round reductions in expenses.

There might be some excuse for the excessive expense ratios complained of, were the companies finding their liability business an entirely profitable affair. But in view of the heavy losses which have been and are being incurred by the majority of the companies, a continuance of the business on the present lines seems not unlike competition gone crazy. It can only have the result of strengthening the case for State interference in, and administration of this business, and that not merely in the United States, but also in Canada. The influence of United States practice in insurance matters in Canada is well-known and it is not foolishly alarmist to anticipate that if sweeping action be taken by the powers that be in the United States in regard to this matter, sooner or later that action will have its echo in Canada. We again suggest that it would be a wise move for the companies who transact liability insurance in Canada to make a determined effort to alter present conditions somewhat for the better. If they follow an enlightened policy in this connection, they will be strengthening their own position both individually and as a whole to an extent which will only be fully realised when the time comes for a real tussle either with a scheme of State administration or a project of State interference. That time in Canada may be some way off, but there is no reason why it should not be steadily prepared for. To follow a course which has the effect of weakening the companies' case for their own continued existence is folly.