

UNDERGROUND INSURANCE.

All insurance companies desiring to do business in Canada are called upon to subject themselves to certain conditions—such as making deposits with the Government (\$100,000 in the case of foreign and \$50,000 for home companies), submitting detailed statements to the Insurance Department, undergoing examination by the Superintendent of Insurance, and maintaining investments within the Dominion sufficient to cover all liabilities to Canadian policy-holders. Upon the latter point the Insurance Act is most explicit, stating that if it appears in the case of any company carrying on the business of fire or inland marine insurance, that the re-insurance value of all its risks outstanding in Canada, together with other liabilities in Canada, exceeds its assets in Canada, including the deposit in the hands of the Minister, the company shall be notified by the Minister to make good the deficiency; and on its failure to do so, within sixty days after being notified, he shall withdraw its license. In addition to thus performing their part in the financial development of the Dominion, the licensed companies are called upon to contribute largely—indeed, too largely—through provincial and municipal taxation; not to mention the growing demands of towns and cities through imposing a tax upon companies' agents before they are permitted to transact local business.

The companies which comply with all legal requirements, pay heavy taxes, and maintain offices employing large Canadian staffs are in all justice entitled to every possible protection against unfair competition from outside concerns which evade all supervision, invest practically nothing in the country and escape the taxation to which the legitimate fire offices are subject. And the unfairness is not the less marked from the fact that among those most actively availing themselves of underground insurance facilities, are firms which strongly advocate, for their own and kindred industries, a considerable degree of tariff protection from foreign competition.

Aside from the essential injustice of permitting unauthorized companies to do business in Canada, there is danger to those very individuals who apparently derive immediate benefits through obtaining lower rates. The unlicensed company is, of course, uninspected, so far as Canada is concerned, and its financial basis and underwriting methods may be far from sound. Neither the ability, nor the disposition, to pay losses incurred can be depended upon with certainty—and the ease with which liability can be evaded by unlicensed companies, doing business in a foreign country where they have neither deposits nor investments, was

abundantly manifested in the case of San Francisco.

Surely the case is a clear one for more stringent exclusion of underground companies—not so much in the interest of the regular fire companies, but for the welfare of the community at large. The companies are essentially instruments of the public itself—their function being the widest and fairest possible distribution of fire losses. That the companies do not profit unduly in thus serving the public is evident from the thirty-eight year record of premiums and losses as given elsewhere in this issue of THE CHRONICLE. So disturbing a factor as the intrusion of underground companies cannot but be highly prejudicial to the interests of the insuring public in general, whatever immediate, and unfair, advantages may be enjoyed by those firms and individuals which avail themselves of smuggled offerings in the way of fire protection—protection, be it always remembered, that may sometimes fail to protect when it is most needed.

The penalty clause of the Insurance Act in this matter provides that every person who carries on any business of insurance on behalf of any unlicensed insurance company shall for a first offence incur a penalty not exceeding fifty dollars and costs and not less than twenty dollars and costs; the offender in default of payment being liable to imprisonment of from one to three months. For a second or any subsequent offence the penalty is prescribed as imprisonment with hard labour for a term not exceeding six months and not less than three months. The act provides that one-half of the penalty when recovered shall be given to the person supplying information. While it is not surprising that the pecuniary reward offered does not prompt many to turn informers, it is to be regretted that cases are not more often brought to court by persons who are concerned with the maintaining of fair business conditions. There is, of course, the difficulty that the larger insurance deals are arranged without any resident local intermediary who can be arrested when information is laid. Is there not a case here for some penalizing of the Canadian party to the contract? Why should not the individual or firm that applies for and accepts a policy from an unauthorized company be held guilty of a breach of the law just as flagrant as that of the merchant who is involved in smuggling foreign goods?

THE GOVERNOR OF COLORADO, Hon. Henry A. Buchtel, has appointed Mr. E. E. Rittenhouse, Commissioner of Insurance for the State, under the new law effective 1st July, 1907. Mr. Morris Lehman has been appointed by the Commissioner, Deputy Commissioner of Insurance, also effective 1st July, 1907.