SOVEREIGN FIRE OF CANADA WILL RETIRE FROM UNITED STATES.

Announcement is made in New York that the directors of the Sovereign Fire, of Toronto, have decided to retire from the United States and that an arrangement is being made with the Globe and Rutgers Fire Insurance Company, of New York City, to re-insure the outstanding risks.

The Sovereign Fire, incorporated in 1905, and beginning business in the following year, has an authorised capital of $2,000,000. According to the official returns, as at December 31, 1911 the amount of capital subscribed for was $600,200 and the amount paid up $504,888. Several of the large shareholders are residents of the United States. The company's assets at December 31, 1911, were $742,410, of which $557,118 (market value) was represented by Canadian and United States municipal bonds, deposited with the Receiver-General at Ottawa, and on deposit or with trustees in the United States. The liabilities at the same date were $72,266 in Canada and $265,099 elsewhere, a total of $337,365. The excess of assets over liabilities except capital stock was thus $405,045, the paid-up capital at the same date being, as stated above, $504,888.

Last year, the total net cash received for premiums by the Sovereign Fire was $490,249. Of this amount, $70,600 was received in Canada and $419,649 in other countries. Interest, etc., brought the total income, exclusive of $1,750 calls on capital, to $514,183. The total expenditure was $556,868, made up as follows:—Paid for losses, $327,141 ($38,464 in Canada and $288,677 elsewhere); commission or brokerage, $117,242; salaries and travelling expenses, $69,142; taxes, $7,765; all other payments, $35,579.

It will be understood from these figures that the bulk of the company's business is outside Canada, and although the Company, the blue book states, also transacts business in Great Britain, presumably the greater part of the foreign business has been in the United States, which field was entered in 1908. So far as the Canadian business is concerned, the following are the percentage of losses incurred to net cash received for premiums in the years named:—

CANADIAN BUSINESS ONLY.

1906	3.7	1909	64.2
1907	46.6	1910	46.18
1908	95.2	1911	52.65

EVOLUTION IN RATE MAKING.

Scientific rate making promises to be the most important feature of the insurance business in all its branches during the next few years, observes the Standard of Boston, and as, speaking broadly, the fundamental principles of insurance are the same for the fire, life, and the various branches of the casualty business, the subject is one that concerns all underwriters to a greater or less extent, fire and casualty underwriters most of all, life underwriters to a lesser degree, though it concerns them also. Largely owing to the initiative of the New York department, a special committee of insurance commissioners is to take up the question of fire rates with the idea of requiring fire companies to tabulate their loss experience on a uniform classification of risks and to deduce their basis rates from this experience, such rates being modified in individual cases by credits for conditions which make the risk superior to the average and charges for conditions which make it inferior. It is also intimated that casualty rates should be formulated on the same basis. Indications are not wanting that life insurance rates will also come up for consideration. As regards fire insurance the difficulties in the way of securing a uniform classification of risks are serious. No two companies employ precisely the same classification, that of each company depending partly upon the scope of its business and partly upon other considerations born of experience. To compel all companies to adopt the same classification would force them either to disregard this experience or to tabulate results on two kinds of classification—one for their own guidance and the other for departmental reports. And who is to decide on the best form of classification? How will insurance commissioners be able to decide upon a matter on which experts hold divergent opinions! And how, with no experience whatever in fire underwriting, can they determine the equity of any individual rate based on the loss statistics of such classification as may be agreed on! With the probability that the fire loss of the present year will still further reduce the amount of capital invested in the fire insurance business, the present time hardly seems to be opportune for the introduction of any innovation which will increase the difficulty of conducting the business.

CASUALTY INSURANCE RATES.

The New York department seems, however, determined to require not only fire companies but also casualty companies to adopt a uniform classification, at least for their liability and workmen's compensation business. It believes the present method of liability rating to be theoretically and fundamentally wrong, and the proper method to be the schedule system of rating as in fire insurance but based on uniform classification loss statistics, and it suggests that companies adopt this system voluntarily and thus avoid legislation. While the department acknowledges that liability rates "are none too high" and that "none of the companies are making money in this class of business," its action is apparently due to complaints on the part of employers of the "great increase in the cost of liability insurance," by which it presumably means the higher cost of workmen's compensation as compared with that of liability insurance. Experience is more likely than not—judging by the cost of workmen's compensation in other countries—to show these complaints to be unfounded, yet the department believes that schedule rating would result in cheaper compensation rates for the employer who takes precautions to minimize the chances of accident.

LIFE RATES AND ANTI-COMPACT LEGISLATION.

Schedule rating is not likely to be applied to life insurance risks in the near future, though it is evidently applicable to sub-standard business and, if the opinion that the benefits of life insurance are at present too much restricted and should be extended to cover a larger number of sub-standard risks of the better class becomes general, conditions in the life insurance business will ultimately approximate those of fire insurance. An interesting feature of this agitation for schedule rating on a uniform classification loss experience is the effect such rating, if made compulsory, would have on anti-compact legislation. All this legislation would be nullified if companies were required to base their rates on their combined experience.