

YEAR'S UNFAVORABLE EXPERIENCE.

AVERAGE RATE OF PREMIUM STEADILY DECLINES—WITH HEAVY LOSSES, UNDERWRITING RESULTS POOR.

While 1914 will go down into history as the "year of the war," the outbreak of the war itself came too late to put its full impress upon the year just closed; the consequences from it will doubtless overlap into the new year. Its influences upon United States underwriting so far can be fairly well defined; what have been the effects upon underwriting in the rest of the world cannot at the present time be known, writes Mr. Frank Lock, the well-known United States manager of the Atlas of London. Apart from the overshadowing event of the war, the year just closed has been replete with incident and far removed from monotony.

PREMIUM INCOME AND RATES.

The steady decline in the average rate year by year about offsets the premium derived from the natural increase in material wealth. The premium income for the year will prove to be about \$320,000,000, not differing materially from the year 1913. The average rates of premium for the seven years 1907 to 1913, inclusive, are: 1.14, 1.12, 1.11, 1.07, 1.06, 1.05 and 1.03. This last figure is the lowest rate recorded in the present century and has only been equaled during periods of demoralization after long absence from conflagrations. The 1914 figure may be expected to go still lower. Had the companies received the average rate of 1907 on the amount insured in 1913, the aggregate premium would have been about \$32,000,000 larger. This is eloquent tribute to the reductions in annual rates made over a period of seven years.

LOSSES.

The year started in its first three months disastrously. Then came a sensible improvement in conditions (apart from Salem) until the middle of October, since which time to the end of the year the flood of losses of medium amount has been unparalleled in number. These losses mainly affect dwellings and smaller mercantile risks and undoubtedly reflect the stringency of financial conditions, being an indirect effect of the war. These conditions are very marked in the "cotton belt," and apparently the end is not yet in sight.

The loss ratio for the year upon net "premiums earned" (as distinguished from "premiums written") will probably run about 58 per cent., the previous five years having averaged 55 per cent. In years not marked by heavy conflagrations the steadiness of the loss ratio is noteworthy. To the student of the business it is of deep interest that the loss ratio of the whole world for the year 1912 upon "premiums written" was 54 p.c. This calculated upon "premiums earned" would prove a little higher. Having regard to the differing conditions of insurance and the wide range of rates charged in the different countries, it is a tribute to universal underwriting practice, indicating that the business is established upon very precise methods, when there is shown so little variation in the ratio of loss to premium in the United States as compared with the world at large, it being borne in mind that the ratio of "burning" to the amount at risk varies in the different countries enormously, which is of course reflected in the great

difference in average rates shown in the several countries, that is to say, a high rate of burning means high rates and *vice versa*.

EXPENSES.

The expense ratio still continues to rise and there is no prospect in sight of any reduction. In 1912 the expense on "premiums written" amounted to 39.14 per cent.; in 1913 to 39.66 per cent. The year just closed will probably show the 40 per cent. mark turned and 1915 promises to closely reach 41 per cent., for the reason stated. Upon "earned premiums" the ratio is about 1½ per cent. higher; after all, this is the figure upon which the companies have to make their calculations and, while this matter of expense is a subject of constant public criticism, the power of controlling it is virtually taken from the companies. Commissions and brokerage represent say 22 per cent., taxes in 1915 will run well over 3 per cent., together say 25 per cent., out of 41 per cent.; the maintenance of the rating and inspection machinery, which is absolutely essential to the conduct of the business, will absorb at least another 3 per cent., thus not leaving much margin out of which to effect economies since the remainder has to provide for expenses of management, including office rents, salaries, stationery, maps, travelling, postage and sundries.

UNDERWRITING RESULTS.

While for the first ten months of 1914 the underwriting results of the country were probably about the same as for 1913, the last two months have resulted disastrously and it is to be expected that losses and expenses deducted from "premiums written" will not leave 5 per cent., or from "premiums earned" not 3 per cent. margin. This will mean, of course, that a number of the companies will have nothing but loss for their pains and already some companies have, towards the close of the year, retired from further conflict with hopeless conditions.

DON'T CHANGE YOUR POLICY.

Policyholders who have secured certain accumulations by carrying policies for a year or more must sacrifice something when the policy is cancelled even though they obtain one containing some features not incorporated in the first. The insuring public should realize that in purchasing insurance as well as in purchasing any commodity that they seldom receive more than they pay for. It is true that certain policies may be better adapted to the personal needs of some persons than others, but to constantly change the company carrying the insurance does not enhance its value and it is very possible that a person following this practice or allowing agents to induce him to follow it may find himself in time of need without the protection he desires.

The Compensation Committee of the Canadian Manufacturers' Association has issued a circular to the members denouncing the plan of assessment adopted by the Workmen's Compensation Board of the Province as unjust and one that "takes the money out of the pocket of the employer whether it is needed or not." The committee would have preferred the Washington system, where assessments are made monthly or quarterly.