

CONTROL OF FIRE INSURANCE RATES

Underwriting is Important Business and Legislative Enactments Must Go No Further Than Necessary

Reporting upon steps taken outside the province of Ontario to regulate fire insurance rates, Mr. E. P. Heaton, in his evidence submitted to the Ontario commission of inquiry, states:—

"As a general rule, conditions governing the conduct of the fire insurance business, and the establishment and maintenance of rates, are on parallel lines in both countries, but the attitude of the people to insurance rating associations has been much more demonstratively hostile there (as it has in matters of trusts and combines) than it has here. As a consequence, legislation of one kind or another has been general throughout the States, and, while much of it has been wholesome and sane, some of it has been oppressive, ill-advised and pernicious. While I shall briefly refer to both classes I shall more particularly confine myself to an outline of the legislation which seems to have commended itself to the good sense of the people, including the insurance companies, against whom the legislation was primarily directed.

Co-Operation of Insurance Companies.

"Before I left New York I took the opportunity of calling upon a number of representative managers and underwriters, and the general experience and testimony followed the opinion expressed by Mr. David Rumsey, vice-president and counsel of the Continental Insurance Company, who said, in effect:—

"We do not want to encourage state regulation of insurance rates, there is no necessity for it, but as the general trend of legislation throughout this country is to do something in that direction, we are not averse to the adoption of the New York law as it now stands. It has worked advantageously to the insuring public and has caused us the minimum amount of trouble."

"I could quote several similar opinions, but this one may be regarded as typical of all."

Business of Importance.

Mr. Heaton concludes his supplementary report with these paragraphs:—

"The supplementary information now given will, I hope, be of service in the further consideration of the measure that should be adopted to deal with the subject of the control of insurance rates within this province, and I cannot do better than inscribe in this record a few general remarks placed before the Honorable the Attorney-General in a memorandum recently prepared, as follows:—

1. "The business of fire insurance is of such commercial importance that it ranks with banking, railway, express and telegraph service, and public interests demand that the institution should be preserved; that its usefulness should be increased, and that its capacity for efficient public service should be unimpaired.

2. "It is in the public interest that stability in rates should be established to the end that unjust and discriminatory conditions should not be allowed to exist, and equally that adequacy of rate should be maintained for the purpose of securing the solvency of the insurance companies.

3. "The determination of just and adequate rates must be based upon two fundamental conditions, namely, first, an accurate statistical record of fire losses in classes and territories; and second, upon inspection and written surveys of properties to be insured.

4. "It is practically impossible, because of the enormous cost, for companies, large or small, to prepare their own rates and rate books, involving, as has been said, statistical information, surveying, inspecting and reporting. Co-operation between them is, therefore, in some degree essential.

5. "Legislation should, therefore, assist in the proper regulation of the agencies used for rate-making purposes, and, like all supervisory and restrictive laws, should go no further than is absolutely necessary for the protection of the people.

6. "Oppressive legislation, that is, legislation forbidding the association of companies for rate-making purposes, has

always failed, and has resulted in demoralized commercial conditions.

7. "In the State of Missouri, two years ago, such a law was passed by the legislature, whereupon all fire insurance companies, except those of domestic origin, retired from business and completely demoralized commercial credit. Conditions became so bad that the state executive called into conference bankers, manufacturers, merchants and insurance representatives, with the result that the oppressive legislation was withdrawn and a sane law controlling and regulating the rate-making body was substituted. The insurance companies thereupon returned to the state for active business.

"A condition exactly similar is now operating in the State of South Carolina. Sixty-seven insurance companies have withdrawn, and it is manifest that with demoralized commercial credit remedial legislation must be enacted.

"The whole matter of an effective, yet wise control of various insurance rate-making bodies is of tremendous importance, and requires the most thorough and careful consideration."

AFTER WAR IN MARITIME PROVINCES

Editor, *The Monetary Times*:

Sir,—Referring to the above subject in your issue of October 13th, you say that "from Canadian business men the response to the government's invitation to take stock of the national situation has been poor."

Because the hard-headed business men of Canada, who have their hands full in keeping their own enterprises afloat and in assisting in the multitudinous patriotic and military schemes that are almost daily projecting themselves for consideration, have not responded to Sir George Foster's "call to action" in greater numbers or with greater warmth, it does not follow that they are not giving serious thought to the national situation, or that there will be no concrete suggestions to submit to the national business conference when it meets.

Business men and statesmen realize that the close of the war will thrust great problems upon them, but with the day of peace uncertain and with the possibility that the complexion of these problems may undergo very decided changes in the meantime, they hesitate to recommend the adoption of any post-war scheme. But they are doing serious thinking, and when the time is ripe for action they will be heard from.

As an example, I might point out that an important branch of the manufacturers of the maritime provinces was summoned to meet at New Glasgow, Nova Scotia, last week to give consideration to the situation which may confront it when the war has closed.

The topic is also being considered by almost every board of trade in the maritime provinces.

A circular has been addressed to the members of the council of the St. John board of trade, which indicates a desire to make the proposed national business conference as successful as possible.

In order to give direction to thought and to stimulate a greater interest in the conference, Sir George Foster has been invited to address a meeting of business men at St. John, and he has promised to do so when his engagements with the Dominions Royal Commission will permit.

The St. John board has also been addressed by Mr. W. F. Hatheway, who was one of the trade commissioners to Great Britain and the continent, and a special meeting of the board council will give consideration to the subjects he has reported upon. Representatives of banking institutions and of some special trade branches met last week to discuss phases of the situation.

Representative business men of this province have been in conference with the local government on post-war settlement problems, and as a result a scheme of land settlement is being evolved under the auspices of the farm settlement board, assisted by the provincial advisory committee, so that there is no reason for despair over the outlook, so far as the business men are concerned. Initiation, however, must come from the government.

Yours, etc.,

R. E. Armstrong.

St. John, N.B., Oct. 23rd, 1916.