

FIRE INSURANCE BUSINESS IN CANADA, 1898.

The following is the article, taken from The Finance Chronicle, of London, England, to which we have made reference in our remarks on the subject of Fire Underwriting in Canada in our editorial columns:

The results of fire insurance business in the Canadian field during the past year are distinctly disappointing, and contrary to the usual experience, British offices have suffered more severely than either their local or American friends. The average loss ratio of all companies from 1869 to 1897 inclusive was 69.9 per cent., whereas that of the British section alone was 68.2 per cent. In 1898, however, the average for all companies reached 72.6 per cent., while that of the British offices rose to 78 per cent.

It is obvious, therefore, that the year's operations have in the aggregate closed with a considerable loss, as the cost of Canadian business is fully 30 per cent. The deterioration in the figures is, of course, partly attributable to the New Westminster conflagration, in which British offices lost heavily; but even if British Columbia were excluded the outcome in the rest of the Dominion would not be of a very satisfactory character. As has been repeatedly demonstrated, the premiums current in the Dominion are only sufficient to leave a very moderate margin of profit after providing for ordinary losses and expenditure, and do not enable offices to lay aside funds to meet exceptional disasters. Yet Canada is particularly liable to sweeping fires. Rarely a year passes without an important conflagration, although not always so serious as those which devastated Windsor, Nova Scotia, in 1897, and New Westminster in 1898, while similar occurrences in places of minor importance are too frequent to attract special notice. There is, moreover, the constant danger of a fire on a more gigantic scale, such as those which destroyed St. John, New Brunswick, in 1877, and St. John's, Newfoundland, in 1892, involving in each case a loss of about three millions sterling. The latter loss is of course excluded from the Dominion returns, but Newfoundland may be regarded physically as Canadian, and the catastrophe should not be altogether lost sight of in considering the conflagration hazard to which many important towns in that field are subject.

In 1877 the British offices were doing much smaller business in Canada than they are at present, and if a similar disaster were to occur they would doubtless lose more heavily. The New Brunswick conflagration cost them £800,000, and it was fully ten years before they recovered from the profits of the business the amount then paid away. Since that time they have realized a profit, or more accurately a surplus of premium over outgo, of about £936,000, but this sum will be reduced by last year's deficit, which is not likely to prove less than £70,000. Moreover, these figures do not take into account the unearned premiums on the increased revenue. In 1876 the premium income was £319,400, and in 1898 it was £1,059,600. On the usual basis of 60 per cent. the unearned increment would be £444,000. Therefore, the net result of twenty-two years' work in the Dominion, from 1877 to 1898 inclusive, is a profit for all the British companies of about £442,000, and as the premiums collected during this period exceed sixteen millions sterling, this profit represents only 2.6 per cent., the greater part of which has doubtless been absorbed in expenses incidental to Canadian business incurred at the head offices.

The various Canadian associations, of which all important companies are members, do excellent work, not only in maintaining uniform rates and conditions, but in inducing local authorities to improve the standard of their towns, while the system under which inspections of important risks, fire appliances, electric light installations, and other features of risk or protection, are made on behalf of the offices generally, is deserving of all praise. But notwithstanding all that has been done, it is evident that the rates current in the Dominion as a whole are too low to repay the offices for its cultivation.

It is not necessary to go back over an extended period in order to prove the unsatisfactory nature of the business. The record in recent years taken alone is even more unfavorable, and only serves to emphasize the necessity for a radical increase in the rates of premium hitherto charged. The following table shows the losses sustained by the Canadian, British and American offices respectively during the past six years:

—Losses Incurred.—						
	1893.	1894.	1895.	1896.	1897.	1898.
	%	%	%	%	%	%
Canadian	72.45	72.47	65.87	69.50	69.06	55.74
British	76.57	67.76	69.32	59.50	63.50	78.05
American	74.40	68.84	73.11	61.72	64.32	63.80
Totals.....	75.55	68.69	69.31	61.31	64.41	72.67

The following are the summarized results of the six years' business, allowing 30 per cent. for expenses, which, although slightly higher than the average of the British and American ratios, is less than that of the three sections combined. The expenses appertaining to the Canadian business of the local companies cannot be determined with accuracy, but in 1897 the cost of their business from all sources was 35 per cent., and our estimate of 30 per cent. all round is probably below rather than above the actual figure.

Premiums.....	£8,421,000
Losses	£5,781,600 = 68.66%
Expenses	2,526,300 = 30.00%
Unearned prem., 60% of increase	109,400 = 1.30%
Profit	3,700 = 0.04%
	£8,421,000 = 100.00%

Thus, during the past six years there has been practically no profit from the Canadian business.

The official returns now extend over a period of thirty years, and a summary of the results in the three sections does not place the business in a more encouraging light. The loss record in the first seventeen years was exceptionally severe, but on the other hand the cost of the business was at that time considerably lighter than at present. The figures are as follows:

	—Canadian.—		—British.—		—American.—	
	Premiums.	Losses.	Premiums.	Losses.	Premiums.	Losses.
	£	%	£	%	£	%
1869-85....	3,805,000	74.0	7,025,300	75.6	929,700	71.2
1886-95....	2,302,600	67.6	8,329,000	63.1	1,401,800	66.2
1896.....	212,400	69.5	1,001,200	59.5	201,600	61.7
1897.....	204,200	69.1	1,033,100	63.5	194,200	64.3
1898.....	237,500	55.7	1,059,600	78.0	187,600	63.8

Totalling these years, 1869 to 1898 [since our columns do not permit of our copying, in its identical form, The Chronicle's table], we find that in 1869-85 the fire losses were 74.8 per cent. of the premiums, 1886-95 they were 64.5 per cent., 1896, 61.3 per cent.; 1897, 64.4 per cent., and 1898, 72.6 per cent.

In 1894 the average rate of premium charged was increased from 1.18 per cent. to 1.25 per cent., and it has since been maintained at about that figure. A further advance is now necessary if the business is to be placed on a remunerative basis. It is interesting to note that, notwithstanding the improvements which have been made in many Canadian towns, the average cost of fire insurance in the Dominion shows no tendency to decrease, but rather the reverse. In 1877 the average rate of premium was 1.07 per cent.; in 1887 it was 1.15 per cent., and in 1897, 1.25 per cent. This is, of course, partly due to development in new districts where, owing to inferior construction and imperfect fire protection, high rates are obtained.

The increase of its business has compelled the Insurance Corporation of Ontario to leave its too-limited quarters in the Janes Building, and to take a suite of offices on the ground floor of the Mail Building. Here is found ample room for the staff, the agents and the public. Mr. Roberts' office is a cosy one in the front of the building, and the apartments at the back have been wonderfully brightened by the use of Luxfer prisms in the large front window. The corporation has already built up quite a business in the purchase of life policies or in making advances of money upon the security of policies, and it is increasing, by means of agents, the public's knowledge of the methods by which a man's life insurance policies may be kept in force for him or how premiums may be advanced, repayable by instalments.