

U. S. BRANCH OF SOVEREIGN FIRE EXAMINED.

New York Department's Report Shows Great Improvement in Financial Condition in Last three Months—High Loss Ratio and Underwriting Expense.

A report of an examination by the New York Insurance Department of the United States branch of the Sovereign Fire Assurance Company, of Toronto, has been issued. It shows that a great gain in the financial condition of the company's affairs in the United States has taken place between September 30 and December 31, 1912. On the former date the examiners found that the liabilities exceeded the assets by \$14,222, but on December 31 this had been changed to an excess of assets over liabilities of \$162,122. This improvement was in part due to remittances from the home office aggregating \$79,000. The underwriting experience of the company in the United States as computed by the examiners, shows a loss ratio on earned premiums from December 31, 1910, to September 30, 1912, of 90 per cent. and an underwriting expense during that time of 54 per cent. of the earned premiums. Following are extracts from the report as published in the New York press:—

The present examination was commenced on October 7, 1912, and so serious a financial condition was at once disclosed that a preliminary report was submitted to you under date of October 9, 1912. This report showed, that under the capital statement requirements as provided for in section 27 of the insurance law of this State, the minimum deposit capital of \$200,000 had been wiped out and the liabilities exceeded the assets by \$14,222.34.

The capital statement referred to in the preceding paragraph and which was found on thorough examination to be approximately correct shows the company's condition on September 30, 1912, to have been as follows:

ASSETS.		Par value.	Mkt. value.
Securities deposited with the Superintendent of Insurance of the State of New York	\$211,000.00		\$210,800.00
Securities vested and held by trustees	303,948.21		285,290.28
Total assets in the United States			\$496,090.28
LIABILITIES.			
Unpaid losses			\$102,374.47
Unearned premiums			348,104.90
Due for reinsurance			51,833.25
Accrued liabilities			8,000.00
Total liabilities			\$510,312.62
Excess of liabilities over assets			14,222.34

As previously noted in this report, the company was admitted to transact business in the State of New York in November, 1910, and in due course pursuant to the regulations of the insurance department, filed with the superintendent of insurance a "general financial statement" for the year ending December 31, 1910. This statement showed a surplus to policyholders of \$388,085.06, and by charging the minimum deposit capital as a liability the assets exceeded all liabilities by \$188,085.06.

The "general financial statement" as of September 30, 1912, set forth in the foregoing pages of this report shows that the surplus over all liabilities is wiped out and that the minimum deposit capital is impaired in the sum of \$129,043.25. It would, there-

fore, appear that during the period of one year and nine months ending September 30, 1912, the company has sustained a concurrent decrease of assets and increase of liabilities amounting to the total sum of \$317,129.21.

How LOSSES ACCRUED.

In order to ascertain the particular reason for the extinguishment of the company's surplus, as shown by its annual statement for the year ending December 31, 1910, and the impairment of capital as evidenced by this examination, an "underwriting and investment" exhibit has been compiled from the figures contained in the sworn annual statements submitted by the company for the years ending December 31, 1910 and 1911, and the quarterly statements for the first three-quarters of 1912.

A synopsis of the said exhibit accounts for the heavy losses sustained by the corporation in the United States in the following manner:

Excess of assets over liabilities Dec. 31, 1910	\$188,085.96
Impairment of capital Sept. 30, 1912	129,043.25
Total loss sustained	\$317,129.21
Accounted for as follows:	
Underwriting income earned	\$651,196.29
Losses incurred	\$581,429.06
Underwriting expenses	351,144.06
Underwriting losses and expenses	932,573.12
Loss from underwriting	\$281,376.83
Investment income earned	\$41,428.65
Investment losses and expenses	3,919.21
Gain from investments	37,509.44
Loss account of remittances to home office	73,261.82
Total loss sustained from Dec. 31, 1910, to Sept. 30, 1912	\$317,129.21

It will be noted from the foregoing that the underwriting income earned is \$651,196.29 and the losses incurred \$581,429.06, representing a loss ratio of 90 per cent.; that the underwriting expenses incurred to the premiums earned represent an expense ratio of 54 per cent. According to the statistical records of this department the average ratio of all companies for losses incurred to premiums earned for the year 1911 was 53 per cent. and the average ratio for expenses incurred to premiums earned was 39 p.c.

The remittances to home office do not entirely represent cash remittances, but include certain charges for payments made by the United States branch on account of losses and expenses of the Canadian company.

FINANCIAL CONDITION AT DECEMBER 31.

The financial condition of the company as of December 31, 1912, has decidedly improved over the financial condition as of September 30, 1912, for the reasons hereinafter explained.

A capital statement showing the condition of the company as of December 31, 1912, under the provisions of section 27 of the insurance law, would appear to be as follows:

ASSETS.		Par value.	Mkt. value.
Securities deposited with the Superintendent of Insurance of the State of New York	\$211,000.00		\$210,800.00
Securities vested in and held by trustees	303,948.21		285,290.28
Total assets in the United States			\$496,090.28