

THE SECURITY LIFE'S POSITION.

Some two years ago, THE CHRONICLE called attention to the extraordinary scale of expenditures of the Security Life Insurance Company, then of Montreal. In the interval the control of the Company has apparently changed hands and the head office has been moved to Toronto. Up to the end of last year, however, these changes appear to have had very little, if any, effect in improving the Company's financial position. According to the Dominion blue book now issued, at December 31st last, the shareholders had paid up in cash for their stock \$93,746 together with premiums of \$124,417, a total of \$218,163. Of this amount at December 31st last, only \$16,755 remained in surplus of assets over liabilities. In other words, over \$200,000 of the shareholders' good money has gone in the attempt to establish this Company, which received its Dominion license in 1911.

Last year income did not meet outgo by over \$7,000. With a net premium income of \$33,334, commissions and expenses amounted to \$48,472. Head office salaries alone took the comfortable sum of \$14,402, and commissions, agency advances and salaries and travelling expenses, another \$14,068. The total income for the year, including calls on capital and premium on capital stock amounting together to over \$11,000, was \$47,698; the total expenditure, \$54,928, of which policyholders got \$6,455.

So far as the insurance in force of the Company is concerned, the expenditure of \$48,472 in commissions and expenses produced in the ultimate result, less than nothing. The Company issued new policies during 1915 for \$517,200 and revived old policies of \$6,000—a total of \$523,200. Cessions, however, amounted to \$550,300, all of which amount, with the exception of \$3,300 death claims was the result of not taken, lapses, surrenders, etc. At the end of 1915, the Company had in force insurance of \$1,217,900, compared with \$1,245,000 at the beginning of the year.

The net result of the Company's operations during a period of a little over 4½ years, is then that it spent over \$200,000 of its shareholders' money to get on its books business amounting to \$1,217,900 and obtain a net premium income of \$33,334. Outside a few large blocks held by those intimately concerned with the management of the Company, the shares of the Security Life are mainly held in small amounts by country doctors scattered over the province of Quebec and elsewhere. Probably enough, the prospect of medical fees were held out to encourage them to take stock. It will require a good many medical fees to replace the amounts they expended in the purchase. What the capital resources of the present management are to keep going the 1915 scale of expenditure we do not profess to know. But it is pretty obvious that a new life company can't

go on very long with expenses a long way ahead of its premium income. The policyholders are, of course, adequately protected. But the usual end of that game is a request to some established company to re-insure the business.

FIRE COMPANIES' RESERVES.

The Insurance Commissioner of the District of Columbia recently delivered an address which, in pamphlet form, he has sent to THE CHRONICLE. Mr. Nesbit—that is the Commissioner's name—wants a revolution in the reserve system of the fire companies, so that reserves shall be calculated on the basis of the risks assumed. Unfortunately, the Commissioner does not go into detail as to how in the fire business a so-called scientifically fixed reserve is to be obtained for any and every risk. Perhaps, however, this omission is a wise one. A large insurance company will take many thousands of risks; but if there are two exactly alike in hazard it is something remarkable. Under these circumstances, how is it possible to ascertain beforehand with any degree of accuracy the amount of possible loss on the amount of premium paid on a certain risk? The essence of the fire hazard is its uncertainty. The best that the fire companies can do is to charge rates which experience shows are generally adequate to cover the risks involved. Competition ensures that these rates will not at any time be higher than will give the capital supporting the companies anything more than a very reasonable return for the risks undertaken in the business. Sometimes, competition does not ensure even the reasonable return.

The astonishing thing is that an official, who has presumably had a good deal of experience in the work of insurance supervision, should imagine that it is possible to estimate beforehand what part of an individual fire insurance premium is likely to be loss. Mr. Nesbit should try running a fire company according to his own ideas. Practice is usually of great benefit to the theorist.

A. O. U. W. MEMBERS' TROUBLES.

Here is a letter written by a member of the A. O. U. W. of the Province of Ontario showing the pathetic and tragic side of the pruning of A. O. U. W. policies in order to put the Order on an actuarial basis:—

"The action is high-handed and cruel. I am paying \$8.56 per month for \$2,000. For over twenty-five years I have dreamed and prayed that my wife may have something to keep body and soul together after I am gone, only to be told now at seventy-one, that it is not \$2,000, only \$955, and to keep on paying the same \$8.56 per month to secure this. This is cruel, to throw the old man down when he is unable to help himself. One just feels wronged and helpless. However active at seventy-one, you are not wanted, and God knows how long I can pay this. Then I lose all. Provision should be made to let the old man down easy."

The Order has paid \$21,000,000 in death claims on account of members who paid barely \$5,000,000 in premiums. This is a real case of "dying to win," and the survivors now have to pay the piper.