

A RADICAL REPORT.

For some years past, as has from time to time been announced, the Commission of Conservation has had under its consideration the problems presented by Canada's fire waste and the methods pursued by the fire companies operating in the Dominion. Mr. J. Grove Smith, formerly, if we mistake not, an official of the C.F.U.A., has had the matter in hand on behalf of the Commission, and a few days ago issued a report of his conclusions. We have not yet had the advantage of pursuing the full report, but the newspaper summaries which have been sent out, suggest that it is a document which certainly does not lack interest, whatever opinions may be held regarding the wisdom of some of its conclusions.

What Mr. Smith has to say in connection with the extent of the Canadian Fire Waste, and its causes will not be new to the Chronicle readers. Mr. Smith makes some admirable recommendations, particularly in regard to the necessity of better building by-laws and their strict enforcement, the imperative need for legislation making careless individuals responsible for their acts, and in this matter the courts are giving a lead, and the desirability of a long continued campaign of education of the public. Readers of this journal, however, will be more interested in Mr. Smith's conclusions about the business of fire insurance. They are radical enough. There are too many agents, they are paid too highly, the method of compensating them is all wrong, a contingent commission system is essential, and the expenses of the insurance companies are altogether excessive.

We may be wrong, but the newspaper summaries certainly also give the impression, that Mr. Smith is not altogether averse to the idea of Government fire insurance.

There is nothing very original about the programme of reform. Agency problems were being discussed as keenly, thirty years ago as they are today, the allegation that insurance companies, expenses are excessive, is an old story, and the idea that the advent of the millenium depends upon government fire insurance is older still. Fire insurance has been a favourite target for the would-be reformer from time immemorial and faith in the efficiency of Government operation of it, pathetic. But thus far, there has been no proof adduced why the Government should take over the fire insurance business in preference to taking over, say, the retail grocery business. It would be easy enough to present an argument, showing that the present system of free competition, in the retail grocery trade is absurdly wasteful and ridiculously inefficient, and that our old friend, the "ultimate consumer" would save 50 per cent., if he could purchase his butter, cheese, pork, and beans at a government food distribution centre. Mr. H. E. Wells once actually got up an argument of this sort about the milk business. But why government fire insurance any more than government groceries or government milk, or feminine fripperies. Admittedly, the functions of government have been extended vastly in the last four years, and it would be foolish to ignore the possibility of even more sweeping extensions within the next decade. But if other business is to be allowed to go on and prosper, why is fire insurance to be decapitated? Thus far we have not seen an answer.

Mr. Smith is scarcely fair in his comparison of

the ratio of expenses of the fire insurance business with the similar ratio of the customs and the inland revenue departments. The two things are not comparable. There is no analogy between the cost of collecting public dues avoidance of which is punishable, and the cost of collecting premiums for fire insurance, which however essential theoretically are in fact voluntary payments by only a section of the population. Moreover customs and inland revenue dues are not subject to taxation which forms a preceptable and in these days, increasing, proportion of fire insurance expenses. The fact is that although the assertion is made frequently enough. It has yet to be proved that fire insurance expenses in Canada are excessive. They certainly are not so in comparison with those of other countries. The official returns show an average expense ratio of all the Dominion licensed insurance companies, transacting business in Canada last year of approximately 33 per cent. This rate is, we believe not higher than the general rate in the United States, and is certainly not higher than the rate reported from year to year, in their annual statements, by the great English and Scotch Companies, who have some small reputation for not making expenditures recklessly.

Prima Facie, it would be expected that the cost of conducting insurance business in a country like Canada, where the few large cities are hundreds of miles apart, and such a thing as a reasonably thickly populated area, outside those cities is unknown, would be higher than in a thickly populated country. This factor needs to be borne in mind.

Mr. Smith pins his faith for a reform of the Canadian fire insurance business, as he sees it, on a system of contingent commissions, as he terms them, profit sharing commissions. There may be something in the idea of rewarding the good and faithful agent according to his deserts. But the very fact that at this date, after so many years of discussion of the agency problem, this plan has not yet been adopted in any large scale elsewhere so far as we are aware, makes for scepticism as to its practicability and essential effects. Has Mr. Smith considered what the effects would be if such a measure as he proposes as a compulsory contingent commission in regard to unlicensed companies business in Canada? If any legislative action eventually develops as a result of this report, it appears more likely to deal with the matter than with any other of the collateral questions discussed by Mr. Smith. As regards a government scheme of fire insurance it does not seem likely in spite of the movement of the present times that this will become a really live question in Canada, in the immediate future. Governmental financial responsibilities are at the present time heavy enough without any attempt to shoulder an additional load, now being very conveniently carried by others.

MOUNT ROYAL APPOINTMENTS.

Mr. Arthur A. Lefavre for the past fourteen years inspector of the Norwich Union at Montreal has resigned that position to accept the position of Inspector for the Province of Quebec for the Mount Royal Assurance Company. Previous to his connection with the Norwich Union, Mr. Lefavre was for thirteen years Inspector of the North British & Mercantile.

Mr. J. Deslongchamps for past ten years cashier of the Mount Royal Assurance Co. has been promoted to the position of Secretary Treasurer.