

## Marine Insurance Conditions After War

Great changes occurred in the marine insurance business during 1917 and further important changes are expected to come in the near future. Some of these movements are interestingly discussed in an interview for the New York Journal of Commerce by Geo. Clarke Cox, Ph.D. Concerning the outlook for marine insurance after the war he said in part:

"The recent activity in marine insurance is due to the war. Premiums have been enormous and nearly everybody has made money because, the risks of war being quite beyond ordinary calculation, the premiums have been high enough to guarantee a profit to any organization with even rudimentary ideas of insurance and with sufficient capital. Many fire insurance companies have done considerable marine business; but there is no way of finding out whether they have made money and in what degree, because their marine business is lumped with fire, casualty, automobile and similar business. But one thing is clear to every student of insurance—namely, that should the war end suddenly, these new companies, except where they have been merely reinsurers, would be forced to withdraw hurriedly from the marine business or suffer great and overwhelming losses. This because the marine business ordinarily yields small premiums for which there is keen competition. It depends largely upon skill which the hastily organized companies have not acquired.

"In the marine business the underwriter is king. Without him there would be no marine insurance, for insurance of sea risks is a highly skilled, technical business, requiring natural endowments first, and then the wide and exact knowledge which comes from handling many risks, so that judgment upon them is instantaneous and rarely at fault. This training should be begun in youth. The marine underwriter combines the functions of the actuary and the examining physician in life insurance. He must know all about the history of vessels, their construction, the reputation of their builders and owners, the character of captains and crews, the destination of vessels, the duration of voyages, the character of cargoes, the probable weather, docking facilities in port, etc. Of course, no one man knows all of these things.

"Now purely American companies write less than half, probably only one-third, of the marine business of the United States, and practically none outside the country. Moreover, hull insurance is almost monopolized by foreign companies, chiefly British. It is the practice of American shippers to take all the marine insurance they can get in the United States and then supply the deficiency from foreign companies, often at a rate which eats seriously into their profits. British and German companies work in co-operation with their banks and shipping owners, as has been most pertinently shown by Henry Evans, president of the Continental Fire Insurance Company, in a pamphlet entitled "The Vital Relation of Insurance to Banking and Shipping in the World's Trade after the War," addressed to bankers, capitalists, shippers and producers of trade commodities. This is a statesmanlike document, worthy of the careful study of all who would take more than a myopic view of our country's trade. He says 'the economic proposition at the base of the foreign trade of every nation is the union of banking, shipping and insurance strength. In the absence of any one of the three the other two factors will be exposed to weakness that will inevitably bring waste or loss if not failure. Great Britain has commanded the foreign trade of the world because she has financed it herself, carried it herself and protected both its credit and its losses by insuring every dollar of her own trade, when possible, with her own insurance.' There has never been such co-operation in America. One does not know whether to say that the fluctuations in the American merchant marine are a cause or an effect of this failure to co-operate. Personally, I believe that, while this three-fold combination is most important, insurance depends upon shipping rather than shipping upon insurance, and no mandate can keep ships under American registry.

"When the war ends, the mere fact that we own a large number of excellent steel ships, entirely adapted to world commerce, will not be sufficient to keep these ships under American registry. The Seaman's act, humane and admirable in some respects, giving an evidence of care for the sailor extraordinary and commendable, contains provisions which make it so much more expensive to operate vessels subject to this law than ships flying another flag, that competition between them is rendered difficult. There

are two possible ways out of this difficulty. One of them is to seek some international agreement approximating our Seaman's law, the other is to subsidize our shipping. It would be well to try both. Then, too, the surveying laws which govern the tonnage measurement of vessels in the American registry are such that the apparent tonnage is largely increased, thus increasing tonnage dues without adding to the capacity of the vessel. These laws ought to be changed to correspond with the general practice of the rest of the world.

"When the war ends, whatever the conditions of peace, there will be a renewal of old trade rivalries, with no mercy to competitors. President Wilson said in his answer to the peace note of the Pope: 'Punitive damages, the dismemberment of empires, the establishment of selfish and exclusive economic leagues we deem inexpedient and in the end worse than futile; no proper basis for a peace of any kind, least of all for an enduring peace. That must be based upon justice and fairness and the common rights of mankind.' 'Now,' says Mr. Evans, 'Comments upon this programme by the associates of the United States in this war have been very guarded. In all matters of trade and foreign enterprise we know that England stands always firmly upon her centuries of experience, which she applies without sentiment, but with energy, courage and tenacity.'

"There can be no narrow parochialism in trade programs. Such a co-operation of the banking, shipping and insurance interests as Mr. Evans has indicated is certainly called for. We have the banks, already awakening to their task; we shall have the shipping, subject to the conditions already indicated in connection with a revision or extension internationally of the seaman's act and some form of subsidy; we must have more marine underwriting and vastly more capital in it with a liberalizing of the laws governing insurance which will permit it to do business in foreign fields.

"The dilemma is this. We must have a large extension of marine insurance for which capital can readily be had, but it must also have expert underwriting and the expert underwriting is strictly limited.

"Is there a solution? Since new companies, especially re-insurance companies, and new capital would not be functioning as rivals of the old American companies but rather as supporters, by a concerted effort the existent skilled underwriters might train new and promising men in much the same way that United States army officers have, in a short time, trained a large body of intelligent and capable men to officer our greatly expanded national army. The objection to this is that only young men, generally, can be trained to this work, and they are taken for the army. Without rivalry or 'lifting' the older skilful men might be more evenly distributed.

"Another solution, suggested by one of the ablest underwriters in America, is that the fire companies go into the business of re-insurance on a large scale. This can be done in co-operation with marine underwriters and needs only a clerical force. Our re-insurance facilities have been largely destroyed by prohibiting marine insurance to Germany. But in any case our re-insurance should be American in every respect."

### "MORALITY" FOR "MORTALITY."

In a recent letter to the editor of the Wall Street Journal, President Darwin P. Kingsley of the New York Life Insurance Company mildly protested over an amusing typographical error. "Mark Twain once stated that a newspaper's reference to his own death was grossly exaggerated," wrote Mr. Kingsley. "Even so the laugh was not on Mark. He didn't pay for the newspaper notice. The 'devil' in your shop (if devils still survive in newspaper shops) indulged in gross exaggeration yesterday when in a statement intended to exploit the virtues of this company he substituted 'morality' for mortality. I beg to inform the devil through you that these words which in form disagree only as to a 't' but agree in every other physical particular, are nevertheless not synonymous and convey to the average shivering citizen totally unrelated meanings. Observe the grin that at once spreads over the face of the proregenerate! 'The lowest morality in the company's experience,' Gadzooks! Don't call that an accident! Our competitors will call it genius."

### ARMY SURGEONS GIVE WARNING.

(Dr. Evans in Chicago Tribune.)

When the school inspectors report that a large percentage of the school children, far more than half, have physical defects, some of us dismiss the matter by saying "a lot of doctors looking for business." When an insurance company made a series of sickness surveys, we again disregarded the warning. Now the examining surgeons for the army are giving a warning that we must listen to.

The object of the entrance examination is twofold: First, to secure healthy soldiers capable of withstanding privations and fatigue; second, to protect the government from unworthy pensioners. When a man enters the army the government assumes responsibility for his health, not only during his service but, to a certain extent, for the remainder of his life.

Between 1914 and 1917 the recruiting surgeons rejected 77 per cent of 205,281 applicants for the army. Just about 75 per cent of the applicants were physically below par. Since we went into the war the standards have been lowered. At that, about 24 per cent of the drafted men were rejected on account of disease or defects.

Consumption or some other form of tuberculosis is responsible for about 5 per cent, or one-fifth of all the rejections. The campaign for fresh air and against consumption is justified by these figures.

Some important causes for rejection are: Defective eyesight, 3 per cent; heart disease, deformities of hands or feet, hernia, and underweight, each over 2 per cent and under 3; flat feet, defective hearing, and discharging ears, each over 1 per cent.

After the draft surgeons had passed the men they were re-examined in the camps. The provost marshal reports that, among less than half a million recruits, these re-examining surgeons found 30,000 who were recommended for rejection. Of these, more than one-fourth were dismissed from the army because of poor sight. Bad teeth caused 8.5 per cent of the rejections. Other important defects and diseases found in this group of men who had passed the draft examiners were: Hernia, 7.47 per cent; ear troubles, 5.94 per cent; heart disease, 5.87 per cent; tuberculosis, 5.37 per cent; mentally deficient, 4.53 per cent; venereal disease, 4.27 per cent; physically undeveloped, 4.06 per cent; and a lot of disorders numerically less important.

About 25 per cent were rejected by draft surgeons, and then the re-examining surgeons rejected an additional 6 per cent, making a total of 31 per cent, or nearly one-third.

The men who get in will become men. They will be better protected against typhoid fever, venereal disease, and many forms of contagion. They will be changed from slouching, sloppy fellows into fine, straight-backed upstanding men. A part of those who are rejected will learn from their physical examinations, change their habits, and escape sickness, disability, and premature death.

The question is, What will the general run of people do about it? If the men between 21 and 31 are bad, the women of the same age are worse. If these picked men made this showing, how about the rank and file of all ages and conditions? Can the state survive if bad conditions are permitted to continue?

### G. W. LIFE ASSURANCE CO.

The Great West Life Assurance Company, whose annual meeting was held in Winnipeg recently, received applications for policies amounting to \$34,435,396 last year, and of this total an aggregate of \$30,309,542 was issued. The total insurance in force now amounts to \$152,643,165, an increase of \$19,626,717 in the year. This is considerably the largest increase in the history of the company. The assets of the company show an increase of \$2683,095.64 for the year, and now amount to \$24,385,666.38. The premiums received during the year amounted to \$4,934,625.12; the receipts from interest and rent were \$1,499,807.37, and the total income was \$6,437,320.11 (not including calls on capital). The company now has \$13,021,491.59 invested in first mortgages on real estate, and the experience of the year, Mr. A. Macdonald, the President, says, has again confirmed the belief entertained by himself and his directorate that this form of investment combines the best security with the highest interest returns. The rate of interest for 1917, as reported to the Government, was 7.36 per cent. The surplus earnings of the company for the year amounted to \$895,823.05, the whole report making a very satisfactory showing.