

REDUCTION IN AVERAGE RATES

Mr. Frank Lock, the United States manager of the Atlas, in referring to the experience of the fire companies in the United States, states in the New York Journal of Commerce, that in the large cities there is a marked tendency to a reduction in premium income owing to the great increase of areas under protection of automatic sprinklers, to the increase in slow combustion construction, and to the general betterment in water supplies and fire departments, which last have been largely brought about by the systematic work of the National Board of Fire Underwriters' Engineering Department. In the single city of New York it is estimated that the reduction in premium income due to rate reductions, is not less than \$5,000,000, and the tendency to reduction is still unchecked. A similar feature is to be observed in other large cities, notably Chicago.

FURTHER DECREASE PROBABLE.

It seems inevitable, says Mr. Lock, that the average rate of premium must continue to decline since the insurable values enclosed within slow combustion walls or which are covered by sprinkler heads are increasing by leaps and bounds, so that it would be a fair estimate that at least 25 per cent. of all insurable values are now so protected. One instance which came up recently serves well to illustrate this phase of the business. It is of an individual manufacturing plant carrying \$10,000,000 of insurance, for which the premium paid is less than \$7,000 per annum. At the average rate of the country that single item would have demanded a premium of over \$100,000.

The average rate shows a persistent and uniform decline since 1907, when it stood at 1.14. For 1914 it was under 1.02. This does not tell the whole story, as included in this figure are both annual and term policies unadjusted to an annual basis, and each year the term business shows a steady advance in relation to annual business. If the reduction in the rate of burning continues it will demonstrate that we have reached "a better risk at a lower rate," and therefore the possibility of a more steady ratio of profit; but this in itself will intensify competition for the smaller volume of business to be distributed; with intensified competition will come an increase in expense with a lessening of the precautions against fire loss, elements which will automatically react to reduce the ratio of profit without any corresponding gain to the general public.

UNDERWRITING RESULTS IN 1915.

There is a reasonable expectation, says Mr. Lock, that after deduction of losses and expenses, together with increase for unearned premium reserve, there may be a margin of some 5 per cent. profit which is much better than the average and which, could it be continued, would make the best managed companies very prosperous. Fire insurance is a business of averages, and with the same figures, which make the strong companies stronger, it still remains true that companies below the average line become weaker and fall out. No conditions can be framed which will overcome the handicap of poor management yet which will prevent the strong from becoming stronger.

During the year 1915 quite a number of reputable companies have either retired from business or have run for refuge under the lee of stronger organized companies who protect their proteges with their prestige and skilled management. This has become quite a marked feature of the times.

EXPENSES.

The ratio of expense to premiums written continues steadily to mount, Mr. Lock points out, and the end does not appear to be in sight. The ratio for 1915 will scarcely be under 41 per cent., an increase of some 2 per cent. since 1912. This single item of increase in the expense ratio means about \$6,500,000 additional paid out with nothing to show for it, and the demand from all quarters is unceasing for still further cost additions. Naturally if the expense ratio were calculated against the amount of business written instead of premiums, that ratio of increase would not show; but after all, what the companies have to deal with is the disposition of premiums, and it has reached the point where companies lose money with any loss ratio over 50 per cent. However distasteful, we must accept the axiom that reduction in average rate means an automatic increase in ratio of expense. The chief item of increase is undoubtedly to be found in taxation. Upon all the statute books of the country there is found no more extravagant method of collecting taxes from a community than by taxation of fire insurance premiums.

ROLL OF HONOUR.

The Head Office of the London & Lancashire Life and General Assurance Association has sustained a loss through the death of Captain George Archibald Percy Douglas, formerly of its Fire Department, who, on November 30th, while in hospital at Alexandria, succumbed to wounds received in Gallipoli. Captain Douglas, who was still in his 22nd year, was gazetted in November, 1913, to a second Lieutenancy in the 10th London Regiment (T. F.). He was promoted lieutenant in January last, and proceeded with his battalion at the end of July to the Dardanelles, where he was at once engaged in heavy fighting. He became temporary captain on September 14th and on September 22nd was selected for the post of adjutant of the 1/6th Essex Regiment, being subsequently promoted captain as from the latter date. —*Post Magazine*.

WHAT RATE ON THIS?

A new public school at Cochrane, Ont., comprising a two-storey brick building with first-class roof, brick interior walls, cement cellar, electric light in conduits and steam heating, was just ready for occupancy when it caught fire in some unknown manner last week and became a total loss. What rate would the Ontario Railway and Municipal Board name on this?

LONDON AND LANCASHIRE FIRE INSURANCE COMPANY, LIMITED.

In publishing the list of insurance companies' subscriptions to the Dominion Government War Loan, the sum of \$100,000 subscribed by the London & Lancashire Fire Insurance Company was omitted.

That the compensation of life insurance agents is not too high with present methods and probabilities of success is shown by the fact that it does not induce more persons to take up agency work, notwithstanding its opportunities.—Edward A. Woods.