

traordinary catastrophe. Such an impairment can hardly be avoided at the outset of a company, as there is no other source than capital from which the preliminary expenses can be met; and even in a long established company, if no surplus fund has been formed from the accumulated profits of previous years, an unfortunate year may cause a temporary impairment which may be expected to be extinguished on the average of a few succeeding years.

In estimating the "re-insurance reserve," or "unearned premiums," as a liability, I have followed the method recommended by the Convention of Insurance Commissioners of the United States for universal adoption throughout the States—that is, by considering the companies to be liable for the portion of the gross premiums received on unexpired fire risks (not re-insured) proportional to the unexpired period of the risk. This would be equivalent, on the average, to 50 per cent. of the gross premiums on such risks, if the business had been uniformly distributed with respect to the middle of each period concerned. It has, however, been contended that the estimation should not be made on the gross premiums, but on the premiums after making a deduction of 25 or 30 or 40 per cent. for expenses and profits or surplus; but as these items are still running on, it seems proper that provision should be made for them out of that portion of the premium which has been paid to provide for them. There is more force in the contention that at least the commission or brokerage on the premiums should be deducted, but there would be difficulty in working this, and the difference would not be of much importance.

For inland marine risks (where the computation is not complicated by long-term policies), an average of 50 per cent. of the premiums on risks unexpired has been taken, and in ocean marine the whole of the premium on an unexpired risk has been considered unearned.

In effect, however, a company ought to have much larger reserves than the above theoretical reserve at any particular period, as a series of extensive catastrophes may involve larger losses than are provided for by the premiums of the particular year; and it is only by taking the average over a longer period that these fluctuations are eliminated. Such a reserve is provided for in the case of Stock Companies, either by having a capital the whole of which is paid up and immediately available, or by having a large subscribed capital with a certain amount paid up, the remainder constituting a reserve which can be called upon if needful. In the

latter case, in order to appreciate the real value of this reserve, it is advisable that the public should be able to judge of the ability of the subscribers; and the Act has provided for this by requiring the companies to furnish lists of their shareholders, which are to be found in their respective statements.

The want of such a reserve in the case of so-called "Mutual" companies constitutes the great defect of that system; but if confined to a particular class of risks, such companies may by prudent management attain a position of comparative stability, of this there is a proof in the case of the Agricultural Mutual a Mutual Co., of London, licensed to do business throughout the Dominion, which shows in its statement (p. 113) that after making the usual reserve for losses and expenses, and a provision for the return of the probable unassessed balances of its notes, it has now accumulated a clear surplus in reserve of over \$46,000.

The total paid-up capital employed by Canadian companies amounts to \$2,377,007, representing a subscribed capital of \$14,210,820. Their total assets (not including the unpaid remainder of subscribed capital) amount to \$5,037,918, covering an amount insured \$290,248,628, and thus having on an average \$174 of assets for every \$100 insured; but if we include also the unpaid portion of subscribed capital, they offer a security of \$581 for every \$100 insured.

The total dividends and bonuses paid to stockholders during the past year were \$159,609, being at an average rate of 6.86 per cent* on paid-up capital.

Foreign companies are required by the Act to make returns of their general business "in such form and to such date as they may be required by law to furnish to the Government of the country in which their Head-Office is situated." The returns furnished by the American companies in compliance with this requirement present no difficulty, as the schedule generally used in the United States is similar to our own; but such is not the case with regard to British companies, of which those doing in Britain fire or marine insurance only are not required to make any return to Government. Only three of the companies doing business of fire or inland marine insurance in Canada are in this position, viz:—The British and Foreign Marine, the Imperial, and the Phoenix of London, and of these the two former have voluntarily sent in the statements which will be found under their respective head-

ings. The remaining British companies include life-insurance in their home-business, and are therefore required to make returns to the British Board of Trade, and from these returns the statements herewith given are made. Unfortunately the form of these statements is entirely different from that contemplated by our Statute, and it is in general impracticable to gather from them the precise liability of the companies to the policy holders and the public in the separate departments of fire and life, especially as in the latter business the valuation of the policies is usually made only once in five years.

Table V. gives the income and expenditure of the Canadian companies, and also the income and expenditure in Canada by Foreign companies in their Fire or Marine Departments, and in Tables VI., VII., will be found the ratios of losses and expenses to premium receipts. The ratio of expenses will be seen to vary greatly in the different Canadian companies, the younger companies as was to be expected having large ratios, while in the long-established companies, those ratios have been reduced considerably under the ordinary allowance of 30 per cent.; the ratios in Foreign companies do not admit of comparison with the Canadian, as an undetermined amount of the expenses is in most cases borne by the home offices.*

One could wish that, having a Superintendent of Insurance, we had one with powers exceeding those of a mere compiler of accounts, so that the present unsatisfactory state of affairs might be dispelled. We have a Dominion department issuing Dominion licenses which do not give the power to do business except by the obtaining of additional licenses in many places in the Dominion; for instance, here in Lower Canada a company cannot do a general business without paying license fees as follows, viz: Province of Quebec, \$1 and 2 per cent. of gross premium; City of Montreal, \$400 and 7½ per cent. of rental; City of Quebec, \$500; Three Rivers, \$50; and so on, so that whilst it is a mooted point whether a local license will protect against a Dominion requirement, it is quite evident that the Dominion license has not sufficed to protect against local requirements.

Then whilst any compilations of figures such as are presented by the Superintendent, however correct they may be, can only shew the profit or loss of the individual companies, they fail to point out any defects in the system of insurance as practised amongst us, or the remedy therefor; they do not shew the causes or localities of losses which are stated to be exceptional in their extent, nor how to

* Leaving out the "Ottawa Agricultural" which has not yet been a year in operation.