

require from the applicant for an annuity is a medical certificate that he is "in no immediate danger of death."

The funds of the society, which is entirely self-supporting, have increased year by year, and the accumulations at the close of the year 1889 amounted to 61,000,000 kroner, or £3,400,000. The surplus ascertained at the last valuation, in 1885, was 4,500,000 kroner or £250,000. In commenting upon the future of this hitherto successful society, Mr. Goschen is careful to avoid giving any opinion as to the desirability of introducing a similar scheme amongst the servants of other States, where the population is denser than that of Denmark, and where wealth has accumulated to a larger extent. He also hints at the jealousy with which private individuals might view "encroachments by the State," upon ground that is held to be peculiarly their own in certain countries.

VIGILANS.

Jan. 13, 1891.

### WALKERTON ON INSURANCE "MONOPOLIES."

Editor INSURANCE AND FINANCE CHRONICLE:—

In commenting on the circular not long since issued by the Walkerton Board of Trade, on the subject of fire insurance, you are pleased to inform your readers that "Walkerton is in Ontario." After delivering yourself of this important announcement, you kindly add that it has a "Board of Trade," and that this "Board of Trade is composed of wise men." You are further pleased to announce that a committee of "exceptionally wise men" of this wise body have made a discovery, viz.—that the fire insurance companies are charging too much for fire protection, and that "the people of small towns in their corporate capacity could run their own insurance machines at an enormous saving!" After thus wittily crediting us with this discovery, you, rather unfairly we think, seek to deprive us of its merit, by stating that "this discovery has been made several times each year for the past twenty-five years by the wise men of small towns and villages like Walkerton." It is to be regretted that a due regard for truth will not permit us to return your compliments to our wisdom. Your article renders it difficult to be even courteous, for it misrepresents our statements, and sneers at the people of small places, from whom in the main its patrons derive their living. Walkerton is certainly a small town, but this is the first time it has ever been suggested in print that men's wisdom is to be measured by the size of the place they live in. Let us console ourselves, however. There are compensating advantages in all causes of human misery. If our town does not contain so many wise men as the city in which the INSURANCE CHRONICLE is published, neither does it contain so many fools.

Fire insurance costs the people of Canada a great deal of money. In 21 years they paid to the insurance companies \$50,000,000 in premiums, out of which the companies paid back to them \$56,610,852 for losses, keeping to themselves for profits and expenses \$23,391,148. Commenting on this fact, you say:—

"There are just two things which these good people in Walkerton seem not to know. The first is, that the results to capital in fire insurance can only be determined by the experience of a series of years in a widely extended field; and the second is, that it costs something to transact all the business incidental to fire insurance. Experience throughout a long period, under the watchful eye of capital, has shown that the expense of management cannot be reckoned at less than 30 per cent. of the premiums on the average, and this is under rather than over the actual expense. Now, in the 21 years from 1869 to 1889 inclusive, the total fire insurance premiums received in Canada were \$50,000,000, and the losses \$56,610,852. Reckoning expenses at 30 per cent. of premiums, we have a total of \$80,611,452 for losses and expenses, or a demonstration that the business during that time has resulted in a loss to the companies on underwriting account of \$609,452!"

Sad, is it not, that these benevolent gentlemen should be conducting their business at a loss! And how kindly they must feel towards the people of small places thus to continue managing their affairs after being \$609,452 out of pocket on the transactions of 21 years! As a matter of fact, their own figures show a profit of \$23,391,148 over losses, in the 21 years. But then you say that all this, and more too, has been used up in expenses. You reckon these expenses at 30 per cent. of premiums, which of course brings them out behind. But on turning to the Government reports, we find good reason to doubt the correctness of your reckoning. Here it is (page XI Report of the Supt. of Insurance for the Dominion of Canada 1889):—

"For every \$100 of premium received, there were spent on the average \$19.58 in payment of losses and \$27.30 for general expenses, leaving \$23.12 for the companies."

To pocket \$23.12 out of every \$100 collected by all the insurance agents in Canada is not an unpleasant way of losing money. They collected that year \$2,876,211. You say of course that we pounced upon the figures of 1889, because "it was the most favorable year as to losses (one year, 1880, excepted) in 21 years." Very good. We will take the figures of an unfavorable year, 1888. Here they are (page XI Report of the Supt. of Insurance of the Dominion of Canada for the year ending 31st Dec., 1888):—

"For every \$100 of premiums received, there were spent on the average \$54.27 in payment of losses and \$26.22 for general expenses, leaving \$19.21 for the companies."

Not bad certainly, especially when we consider that \$3,073,822 were collected. Most men, yea even the wise men of the Walkerton Board of Trade, would be quite satisfied to lose money in their own business at a similar rate. We have no means at present of ascertaining the exact proportion of general expenses to income for the whole 21 years. But the *Monetary Times* of Dec. 19, 1890, in commenting on our circular, says:—

"Taking the 21 years' experience referred to by the committee of the Walkerton Board of Trade, 70.76 per cent. of the premiums was required to pay fire losses, leaving 29.24 per cent. for expenses and dividends. The average expense of conducting companies is over 25 per cent. of the premiums, which leaves in the case under notice less than 4½ per cent. for the stockholders."

Thus we see that whilst the INSURANCE CHRONICLE has the companies conducting their business for 21 years at a loss of \$609,452, the *Monetary Times* credits them with a profit of 4½ per cent. of all their \$50,000,000 receipts for the same period! The Government reports for 1888 and 1889 credit them with a much higher proportion of profits, the figures being 19½ per cent. for the one year and 23½ per cent. for the other. This, be it observed, is in addition to the unknown quantity of "general expenses," a good portion of which also finds its way into the pockets of directors and stockholders in the form of fees and salaries. "Of course, statistics never lie," says the INSURANCE CHRONICLE, "when accompanied by collateral and modifying facts; otherwise they do most generally lie outrageously." We believe they do. Therefore we call upon the INSURANCE CHRONICLE to produce the collateral and modifying facts that will explain this little discrepancy between itself and the *Monetary Times*. One or the other is lying outrageously; and in the absence of collateral and modifying facts, that one would appear to be the INSURANCE CHRONICLE.

Now, why should the people of Canada continue paying all this money to these gentlemen for managing their insurance business, if they can manage it themselves through their municipal councils? We see by their own figures that in 21 years the directors and stockholders received \$23,391,148 over and above the amount required for the payment of losses. And they got all this vast sum for nothing. Not one dollar of their own money went into the business. Their stock, subscribed as a guarantee, was invested in Government bonds and municipal debentures, on which they received every year the current rates of interest. The millions drawn from the people for insurance went into their pockets at a bonus.

The principal business objection urged against our scheme by the INSURANCE CHRONICLE is thus stated:—

"Now, suppose Walkerton, or any other town, proceed to tax the people—supposing the corporation to have the legal power to do this—a portion of the amount paid now to the insurance companies in premiums, the corporation taking the place of the companies as insurer. Then let us further suppose, what is happening every day to some other town, that a big fire comes and burns up half the place, or even \$50,000 worth of it. What then? Nothing much, only that the same people who have paid the assessed premium must put their hands in their pockets and pay their own loss! Suppose the city of St. John in 1877 had been its own insurer? Nothing much, only that there would have been no St. John to-day. Insurance money to the extent of nearly a quarter of a million dollars came to the relief of that city, and rebuilt its stores, and factories, and dwellings, just as it did those of Chicago, and just as it does everywhere else."

In the cases of St. John and Chicago, we have merely to remark that they were built at first without the aid of insurance money. And they would be built again in the same way. If the people who were burned out could not rebuild them, others would take their place. The commercial advantages of St. John and Chicago would always secure the presence of a population able to handle their resources. Your statement that "without the quarter of a million dollars' insurance money that came to the relief of the city, there would be no St. John to-day," is such arrant nonsense that it would be gross flattery to regard its author as anything but a wind-bag. The Government report makes the loss about five millions.

In our own case, we have had an experience similar to that of St. John. Half the front street of Walkerton, which was then built of wood, was burned down in 1877. Had we then been