THE EXTENSION OF AMERICAN INSURANCE INTO FOREIGN FIELDS.

It is easy enough to will the extension of our insurance to foreign countries. The countries are willing; we have the capital; we have experienced men; we have the daring and initiative; we have the companies—many of them—big enough to compete with the biggest abroad. But the rub is found in our own insurance system and laws. Insurance here has developed as a local institution, responsive to State and local jealousies.

The basic difficulty is, of course, our dual system of government—a nation of States, each independent of the other in insurance laws and supervisory practice. So long as the doctrine of Paul vs. Virginia is adhered to by the Supreme Court, this cannot be changed, and our present companies that seek business beyond seas must continue State companies, as distinguished from national companies as are their competitors from other lands. This, in itself, is perhaps not a serious handicap. The difficulty arises, rather from certain limitations on their underwriting and financial power, which are the natural outgrowth of our State system, and of the provincialism of our insurance outlook heretofore.

One of these limitations is the unreasonable and, therefore, unwarranted attitude of some of the States in requiring special deposits as a condition of entry, even by companies incorporated in a neighboring State. Of course, this limitation is not a real difficulty to any company large enough to compete successfully abroad. But out of it has grown another limitation that does present difficulties—the so-called Burlington rule.

The Burlington Rule.

I will not say that there is not, in a legal sense, much reason back of that rule. Securities on which there is a prior lien, either by law or contract, are worth to their title holder only their value after subtracting the lien. I will not say, either, that the American requirement that the foreign company coming here deposit funds in considerable amount for the primary protection of American policyholders is unreasonable. It has proved a valuable reservoir against conflagration or other calamity both here and abroad. But we must all admit that our action in requiring special deposits from State to State and from all foreign companies has proved a good-enough-morgan for other countries in prescribing likewise when our companies seek business abroad.

Which leads me to review somewhat the present deposit requirements of foreign governments. At one extreme is Canada, where, with a $50,000 minimum, the outlander must also keep in the Dominion its loss and reinsurance reserves plus 10 per cent. of the same. At the other extreme are New Zealand and Australia, where, save in one State of the Commonwealth, no deposit is required. The deposit requirements of some of the other nations, as gathered from various sources, seem to be as follows:

England: $97,000 for each line, no deposit, however, for marine or direct reinsurance. France: At present apparently the amount required of French companies by the applicant company's home nation or State. Norway: $13,400 to $26,800. Spain: 5 per cent. of capital (not exceeding 100,000 pesetas). Argentine: $127,300 for one line, as fire, with $42,460 for each additional line. Chile: $100,000. Brazil: $50,000 minimum. Mexico: $25,000. Cuba: $75,000 for one line, with $25,000 for each additional line. Japan: $50,000 plus the reserves, much as in Canada.

All of these amounts, save that reciprocally required in France and potentially in reserve deposit countries like Canada and Japan, are much less than New York's requirements of $500,000 for fire and $300,000 for marine. But the point made is that, as our laws now stand, the entry of a company into, say, all the countries above enumerated will so deplete its "statement" assets as to make such entry practically impossible save for a few of the strongest. Any general imposition of the reciprocal rule (as now imposed by France), which is not at all likely, would, of course, make the entry by our companies into more than two or three foreign countries impossible.

Similarly, our asset laws stand in the way. Most of the nations require all deposits to be in the securities of their own government—again following, and to an extent outdoing, our deposit laws. But such securities would then, even to the amount of the excess over the local lien or liability, be no longer "assets" in the home statement.

Similarly, the non-admission as assets by the Convention blank of agents' balances more than 90 days past due, would seriously affect our companies in world-wide competition, both because of the extension of longer credits in some foreign territory, and due to necessary delays in transmitting reports and funds from distant points.

Our System Impedes Progress.

In short, our American system, developed by domestic needs, regulated by State, not Federal laws, worked out without regard to world insurance practices or a world trade, has set large hurdles in the way of our companies' progress. The American Foreign Insurance Association has already memorialized this body for help. Meanwhile, it is entering one or more of its members in different countries, under a reinsurance agreement whereby its associated companies share in the business, and meeting, so far as it may, the restrictive provisions from which it seeks relief.