

MUTUAL INSURANCE COMPANIES  
AND THEIR INSPECTION.

(COMMUNICATED.)

Referring to an editorial upon the duties of the Ontario Insurance Inspector, which appeared in your columns on the 1st instant, kindly permit space for the following remarks.

A form of "return" under the statutes which regulate Mutual Fire Insurance Companies, is sent to each of those companies doing business in Ontario, which does not possess a Dominion license; and from the aggregate of such returns a "statement of affairs of Mutual Insurance Companies" is prepared and published by the Treasury Department. It is quite possible that a change may be made in both matter and manner of the "return," and the object of this paper is to show that such a change is needed.

Among other subjects information is required about "the actual assets of the company from premium notes," and an attempt is made to show how this information is to be arrived at. Now the "actual assets" from them are their full amount less whatever may have paid on them. For in the event of disaster, and inability otherwise to provide for it, the total amount remaining unpaid of these notes can be summarily collected by authority of the statute. For all practical purposes therefore, it would be quite sufficient to give the net amount of premium notes without going into superfluous detail.

Moreover "the amount still payable on premium notes or undertakings on hand exclusive of over due assessments" being simply the gross amount of such notes less the first payments, and the actual assessments subsequently levied, on them—the proportions of fifty, seventy five and eighty five, per cent as the values of premium notes having less than one, two, and three, years to run respectively, is manifestly absurd. Such proportions might obtain with companies, if there are any, which have had an annual uniform assessment rate of twenty five per cent, with a first payment of fifteen,—but certainly not with such old and established companies as the Wellington, the Waterloo and the Gore, whose rates of assessment for the past twelve years have averaged very much less, commission, bad assessments and every conceivable expense included.

How ridiculous to apply such a cast iron rule to, say the Dumfries Mutual, in which the annual cost of insurance has never exceeded two cents in one hundred dollars. True, that company is managed by one of the most conscientious and worst-paid insurance men in the Dominion, and that its members are farmers second to none for excellence in this thriving portion of Her Majesty's Dominions.

The official who prepared the form in question might have exercised his ingenuity in formulating for a reserve for the re-insurance of premium note policies. The Dominion Superintendent of insurance is evidently in possession of such a formula; for he states in his report for the year ending 31st Dec. 1877, that at that date the "Reserve of unearned premiums for all outstanding risks in Canada" of the Agricultural Mutual was \$194,113.50. Perhaps Mr. Inspector O'Reilly, when recently in Ottawa, was enlightened on this subject by Prof. Superintendent Cherriman.

But the "return" is defective in many other essential particulars. It ignores the fact that there are Mutuels which have branches, some two and others three, and that each branch to all intents and purposes is a separate company; and that a company having branches may seem to be strong in the aggregate, but, when subdivided, be proved to be very weak indeed.

Again the item, "all other amounts due the company," includes very important sums. In

the statement of affairs of mutual insurance companies which was issued from the Treasury Department 15th March 1879, they range from \$11 to \$20,778.66. There is manifest carelessness in not insisting upon the particularization of the subjects of which these figures were composed. The probability is that they consisted mainly of "Due Bills" or "Bills Receivable," so long over due as to be worthless. Another serious imperfection in the return is that—instead of being specified, "Cash at head office, or in banks, or agents hands" is grouped in one sum. It is important to have these items stated separately, for they include amounts from \$1.27 to \$24,875.67. And more especially having reference to the balances which are due by agents, there is ever a suspicion of weakness and bad management when they are large. The return should therefore be made to show over what periods the indebtedness of agents extends, and whether the debtor balance of each agent is good, or not; and no respectable company will object to such an exhibit. The return should also be made to show, whether policies are assessed at intervals of one, two and three, years from their respective dates, or altogether, at one time; the rate of assessment for the last year, and the average rate of assessment for the last ten years; or if any company has not been in existence for that time, for as long as it has been; its expense account in detail; how much it carries on a single risk, without re-insurance; that is to say, on a risk that is not within burning distance of any other risk insured by the company; and how the tariff of rates for insurance on the premium note system is framed, or, in other words, what multiple it is of the ordinary tariff of rates adopted by proprietary companies.

But all these matters thus set forth in brief will assuredly claim the attention of the insurance inspector from whom great things are expected. What we want is an amount of information about these companies sufficient to enable any of us to say whether a company is safe or not. We do not require the inspector's opinion on the subject; if he will give full details there are amongst us those who can express an opinion for him and will not hesitate to do so. But ample details must be given, not after the defective and clumsy form in the statement of affairs before referred to, but in an instructive, intelligible and concise manner.

## Meetings.

BRITISH AMERICA ASSURANCE  
COMPANY.

The Annual General Meeting of the Proprietors of this Company was held at their Offices, corner of Front and Scott Streets, Toronto, on Wednesday, August 13th, 1879. Among those present were the Governor, Deputy-Governor, Hon. G. W. Allan, Messrs. J. D. Ridout, E. Howland, J. Priestman, J. Morison, H. Pellatt, Duggan, G. J. Boyd, Gunn, Fennell, George Boyd, Forbes, Lyman, Smith, Baines, Ramsay, Gamble and Thompson.

The Governor was called to the Chair, and the Manager requested to act as Secretary.

The Minutes of last Annual General Meeting were taken as read, and the Governor then read the Annual Report and Statement, also the Auditor's Report, which were as follows:—

## REPORT, 1879.

The Directors have the pleasure of laying before the proprietors the results of the Company's operations for the twelve months ending 30th June, 1879.

For the first six months of the year under review, the profits in all branches were very

satisfactory, but from January to June of this year, the losses in the Fire Branch, and especially in the United States Department, have been unusually severe. However, the Directors believe that this Company's ratio of losses to net premium will be found less than the average of Companies transacting Fire business in the United States.

The Manager, during his visit to England last year, opened a branch at Liverpool, the results of the business through which, so far, have been very satisfactory.

The usual Statements of Assets and Liabilities, Profit and Loss, Surplus Fund, and Re-insurance Liability, are annexed. From these it will appear that the Assets have been increased from \$1,067,528.34 to \$1,193,632.74; the Gross Premiums from \$720,618.13 to \$817,306.31; the Gross Surplus from \$484,358.69 to \$583,387.43; and the Net Surplus from \$212,275.19 to \$272,730.23; the latter showing a net gain on the year's transactions of \$60,455.04, after providing for the payment of two half-yearly Dividends at the rate of ten per cent. per annum.

The actual cash profit on the business of the year, including interest, amounts to \$158,185.68. This has been reduced by the sum of \$9,156.94, which has been written off to Profit and Loss, for depreciation in the Company's investments, and which is included in the item \$11,907.74. This leaves the balance \$149,028.74.

The Directors are convinced that the proprietors will share with them the gratification they feel, on examination of the above figures, especially in view of the depression which has so seriously affected all branches of trade during the past two or three years.

Inasmuch as the Government of Canada, and the Insurance Departments of the various States comprised in the Union, require detailed reports of the Company's transactions for the year ending 31st December, it has been determined to recommend to the Proprietors that in the future the Annual Statement shall be made to close on the 31st December in each year, and that the Annual Meeting shall henceforth be held on the second Wednesday in February, instead of in August as at present, and in order to carry out this proposal a By-Law will be submitted to authorize the change of date for the Annual Meeting.

All of which is respectfully submitted.

P. PATERSON,

Governor.

F. A. BALL,

Manager.

Toronto, August 13th 1879.

## Assets.

Cash on hand and in Banks.....	\$64,801 01
Dominion stock.....	52,250 00
Debentures and mortgages on real estate.....	91,366 14
Bills receivable.....	43,397 56
Sundry accounts receivable.....	814 24
Agents' balances.....	63,686 80
Real estate.....	112,790 09
Bank and other dividend paying stock.....	200,210,51
United states registered bonds....	550,058 33
Office furniture, head office and U. S.....	6,412,21
Salvage property and claims on losses already paid.....	7,845 85

\$1,193,632 74

## Liabilities.

Capital stock.....	\$500,000 00
Losses under adjustment.....	83,535 24
Dividend No. 70 (balance).....	1,710 07
" " 71.....	25,000 00
Balance.....	583,387 43

\$1,193 632 74

## PROFIT AND LOSS.

Fire losses.....	373,088 36
Marine losses.....	58,959 59