

THE FIRE INSURANCE BUSINESS IN CANADA.

SOME CATASTROPHES AND RETIREMENTS SINCE 1877—THRE EMILLIONS OF CAPITAL SWAMPED—

AVERAGE RESULTS TO BE CONSIDERED.

The fire insurance companies are to be congratulated upon having had a prosperous year, an experience they will appreciate all the more from its novelty.

The losses of 1902 having been less than the average of several previous years excites hopes that an era of better conditions has been entered upon. Owing to the results last year having been more favourable, there has arisen a demand for a reduction in rates, which were advanced owing to the disastrous experiences of several preceding years. The business, however, of fire insurance has a much broader basis than the results of any particular year, and there is always present the risk of conflagrations which must be provided for in the interests of insured property owners. Rates having to be fixed in advance, have necessarily to be based upon the ascertained average results of the past, and not upon those of one year exclusively, or upon the records of a narrow area, but an average has to be struck so that the excessive losses of disastrous years may be compensated for by the profits of favourable ones. The fire insurance companies are not organized as philanthropic societies; they are business enterprises conducted by business men for the universally recognized business purpose of securing a fair return upon the capital invested, and a fair reward for the skill and the work devoted to their management.

Were the fire companies to live, as it were, "from hand to mouth," by fixing rates based upon a narrow experience, they would be in constant danger of being overwhelmed by a sudden catastrophe, a conflagration, or succession of more serious fires than had occurred in the period on which their rates had been based. If they had no years of abundance out of the profits of which to lay up a store, they would be starved to death by a succession of lean years, just as so many are now suffering from lack of fuel owing to their having made no provision for a coal famine. If the companies were content to provide for the ordinary contingencies of their business, from whence would come the funds necessary to pay such enormous claims as are created by occasional conflagrations? These claims would not be paid at all if the fire insurance business were conducted as some of its critics seem to desire, such as those who demand that rates be so fixed as to merely cover the needs of each year without any regard to average claims and to the extraordinary ones of a conflagration. Would insured owners of property be willing to pay a conflagration assessment? We

throw not; if they were asked to do so they would tell the companies it was their business to provide for contingencies, and business men would point out the necessity of averaging their losses and of securing an income proportionate to their liabilities, both actual and contingent.

It must not be forgotten or omitted from consideration that even conflagrations occur with startling disregard of all questions of average. It is the unusual and unforeseen conflagrations of the last ten years, both in number and extent, that have so largely contributed to the notoriety Canada has achieved as a most unprofitable field for fire insurance. In this connection we quote from the report of the Superintendent of Insurance for Canada, W. Fitzgerald, who says:—

"In prosperous times it is well to prepare for the day of adversity. Conflagrations such as that at Hull and Ottawa must be looked for at irregular intervals of course, and probably widely separated from each other as regards both time and space. Such disasters are experienced in every country. The recent fire was the most destructive one which has occurred in the Dominion since the St. John, N.B., fire in June, 1877, but there have been in the interim several of minor importance, for example, that at Windsor, N.S., on October 17, 1897, and that at New Westminster, B.C., September 10, 1898. The possibility, indeed the probability, of such disasters, constitutes a liability on the part of the fire insurance companies for which provision should be made by the creation of special funds, varying according to the nature of the business transacted, and to the many conditions and circumstances to which the business of each company is subject, but which it would be impossible to enumerate.

Such a liability cannot be accurately estimated, but it should always be regarded as substantial in amount, and the fund created to meet it should be looked upon as an actual liability and not treated as surplus.

What has been the result of companies conducting fire insurance business without adequate resources and income is shown by the fate of the following organizations which retired from business in Canada during the past 25 years:—

CANADIAN FIRE INSURANCE COMPANIES WHICH HAVE RETIRED FROM BUSINESS DURING THE PAST 25 YEARS.

	Retired.	Loss of Capital.
Canada Agricultural of Montreal.....	1877	\$381,156
Stadacona Insurance Co. of Quebec.....	1878	556,542
Ottawa Agricultural of Ottawa.....	1879	128,910
National Fire Insurance Co. of Montreal....	1880	162,929
Dominion Fire and Marine of Hamilton.....	1881	41,587
Canada Fire and Marine of Hamilton.....	1882	135,981
Isolated Risk (afterwards Sovereign), Toronto	1884	127,690
Royal Canadian of Montreal.....	1892	799,565
Citizens' Insurance Company of Montreal..	1893	324,185
Eastern Assurance Company of Halifax....	1895	82,864
Victoria, Montreal.....	1901	188,601

\$2,928,960