

PROFITS IN FIRE INSURANCE.

It is astonishing to hear the utterly unreasonable exclamation indulged in against the enormous profits of fire insurance, no consideration being given to the amount of income or the immense interests involved. For instance, a large office is reputed to have cleared, say, \$500,000, after payment of losses and expenses, and providing for its reserve, and an outcry is immediately raised by some discontented insurer against what he calls excessive profits—the result, he maintains, of equally excessive rates. Let us point out that if the premium income of that company is \$5,000,000, the above profit is only ten per cent. thereof, which can hardly be called exorbitant; indeed, we are inclined to think, from what the adjustment of fire losses reveals, that were the aforesaid insurer obliged to make a claim for damages upon the very company he traduces, he would, if a wholesale merchant, put down his own profits at double the percentage earned by the fire underwriting corporation. Yet, we seldom hear of any public condemnation of the profits of merchants.

FIRE INSURANCE A MATTER OF AVERAGE.

If the insuring public will take the trouble to study the returns, so far as relates to fire insurance, they will find that the average loss ratio of the past forty years leaves them with no reason whatever to inveigh against the profits on fire insurance. Thoughtless people entirely overlook the fact that fire insurance cannot be judged by the results of one, two, or even five years; as a disastrous conflagration such as that at San Francisco, may counter-balance the profits of several consecutively good years, and further, that the reserve which they contribute is the security they seek, without which the name of insurance would be like their complaints, "full of sound and fury, signifying nothing."

The following figures show the ratio of losses to premiums in Canada during the last 65 years:—

	Premiums 1850 to 1914.	Losses 1850 to 1914.	Ratio.
Canadian Companies	\$6,718,629	\$4,624,594	62.99
British Companies	229,493,979	148,555,189	62.95
United States and other com- panies	79,435,989	39,796,274	56.52
Grand totals	396,528,597	242,976,038	61.28

If to the losses be added 35 per cent. for expenses and in the case of the British companies a charge for Head Office services, it will be easily seen that the companies as a whole have not made money out of their Canadian business, and that without making necessary allowances for reserve.

FIRE.

Notwithstanding these facts, the most erroneous opinions continue to prevail in the public mind regarding the profits made in the business of fire insurance. We constantly come across believers in the statement that the companies are exacting from their customers an unnecessarily large profit, amounting in the minds of some to absolute extortion, which causes many thoughtless insurers to rail against tariffs, and to stigmatize them as unjustifiable combinations, the outcome of wealthy and powerful monopolies. This feeling is partly the result of a misconception of the basis on which the profits of fire insurance are calculated, and the failing to comprehend the difference between a transaction in fire insurance and one in ordinary trade.

NECESSITY FOR RESERVES.

This difference consists in the fact that the sale of fire insurance unlike that of commercial commodities, is for an uncertain period, and an unknown quantity. A fire insurance policy is a contract (under certain conditions) to pay the purchaser any amount—not exceeding, of course, the total sum insured—at any date during the currency of the policy, so that the company may become liable to make good the entire amount of the insurance immediately after the risk has been accepted, or it may never be called upon at all; or, again, for only a trifling percentage of the policy. A policy therefore for \$5,000, issued for a year from any date does not represent a closed transaction at the termination of the company's fiscal year, because at that date the liability to pay the \$5,000 still exists, a reserve for which contingency has to be set aside, just as a life assurance company puts apart a reserve for unexpired lives. So that the actual premiums collected annually, less the amount paid out by the company, for losses and expenses, by no means represents the profit on the year's business, though there are people ignorant enough to assert this absurdity, and to argue that the reserves of a fire insurance company are so much money mulcted from the public. Yet, where would the policyholders of companies be after a succession of serious fires but for the reserves created by cautious management?

PALATINE INSURANCE COMPANY LTD.

While established as recently as 1900, the Palatine Insurance Company occupies a notable position among younger British fire companies. At December 31 last its fire fund, with the balance on profit and loss account totalled \$2,819,225, a proportion of about 108 per cent. of last year's premium income. In addition to occupying this strong financial position, the Palatine has the great advantage of close association with the Commercial Union Assurance Company, Limited, so that holders of its policies have the comfortable assurance that behind the ample specific security of their policies lie the immense resources of the Commercial Union.

Net premium income last year amounted to \$2,605,780, an advance of over \$100,000 upon 1913. Losses were \$1,683,285, showing a ratio to premiums of about 64 per cent. At the end of the year, the fire fund stood at \$2,686,950, which with the balance on profit and loss account makes a ratio to premium income of about 108 per cent. The total assets of the Company now exceed \$4,600,000 of which the great bulk are invested in the highest grade securities.

In the Canadian field, the Palatine is under the experienced management of Mr. James McGregor, of Montreal, Mr. W. S. Jopling being the assistant manager. Its Canadian premium income in 1914 amounted to \$239,666, and net losses incurred were \$150,712. The Company's influential connections assure it a steady increase of business in this field.

The annual meeting of the all-Canada Fire Insurance Federation took place at Bluff Point, Lake Champlain, on June 24th, under the presidency of Mr. T. L. Morrissey (Union Assurance Society). Reports on the work of the Federation during the year were submitted, demonstrating the value and importance of the Federation, particularly in connection with legislation and in other ways.