

FORTY-SIX YEARS OF FIRE UNDERWRITING IN CANADA.

In an article appearing in THE CHRONICLE last week on the subject of the poor returns from fire insurance in Canada, the records of fire insurance in the Dominion during the past forty years were pointed to as confirming the view that conditions in Canadian fire insurance are such that it is a most difficult task, calling for a high degree of underwriting skill and ample resources to transact the business of fire insurance in Canada on a basis which shall be even reasonably profitable for the individual company. In the Government blue book, the records of forty-six years' underwriting are available and it cannot be said that on the whole they make cheerful reading. There can be scarcely another business which during all these years of marvellous growth, expansion and development in Canada has shared on the whole so little proportionately in the prosperity of the country.

PREMIUMS RECEIVED.

The amount which has been received in premiums by the fire companies during the 46 years is almost \$400,000,000. Classified according to nationality the amounts received by the respective companies are as follows:—

Canadian Companies	\$ 86,718,629
British Companies	239,403,979
American and French Companies	70,405,989
	<hr/> \$396,528,597

It may be noticed as an indication of the growth of the business during recent years that since 1902 the aggregate of these premiums has been more than doubled, and this doubling represents an extension of business larger than the bare figures would indicate, owing to the downward trend in rates through improvements in building construction and the installation of modern methods, for both of which fire underwriters are always ready to give credit.

LOSSES PAID.

The losses paid by the whole of the companies during forty-six years reach \$242,976,048. The details are:—

Canadian Companies	\$ 54,624,594
British Companies	148,555,180
American and French Companies	39,796,274
	<hr/> \$ 242,976,048

That is to say, during the forty-six years companies operating in Canada have paid away in losses 61.3% of the premiums they received, the proportions being respectively as follows:—

Canadian Companies	63.0
British Companies	62.1
American and French Companies	56.5

The best that can be said of this ratio is that it is better than it used to be. During recent years, thanks to a fairly favorable experience, this loss ratio has been steadily reduced as the following table of percentages shows:—

To end of 1914	61.3	To end of 1909	64.2
" " 1913	61.7	" " 1908	65.0
" " 1912	62.2	" " 1907	65.4
" " 1911	63.0	" " 1906	66.3
" " 1910	63.6	" " 1905	67.8

In regard to the difference in loss ratio between the British and the American companies, it must be borne in mind that the British companies have for years been the mainstay of Canadian fire insurance. On them has fallen the brunt of the conflagrations entailing enormous insurance losses, which have from time to time occurred in Canada and may occur again at any time. The American companies are later comers to this field and have found conditions perhaps a little more favorable for fire underwriting at a profit than in earlier days.

VERY SMALL PROFITS.

Objection has been taken by some critics to cumulative statistics of this kind on the ground that they attempt to prove too much. It is said that conditions have so changed in Canada, in comparison with, say, thirty-five or forty years ago, that no legitimate inferences can be drawn from figures of this kind. This argument, however, is not convincing. A man who retire from active business at the close of a period of 40 years and finds that he has only accumulated a moderate fortune, can hardly be charged with having gained extravagant profits from his business. Probably enough, he did better in some years than in others, but the fact that over a series of years he has only been able to secure a moderate fortune for himself is sufficient proof, given the ordinary qualifications of business life, that he has got from his business no more than a reasonable profit. The insurance companies are in the same position as the man of business, only in their case their profits over a period of years can hardly be described as even reasonable. When an all-round allowance of say 35 per cent. has been made for expenses, and the increased premium reserve is reckoned with, a loss ratio of 61.3 leaves possibly a 1 or 2 per cent. profit, for which magnificent remuneration the companies have to be prepared at all times to cope with the inroads upon their resources caused by another huge conflagration. These figures form a perfectly fair argument on the part of the companies against those busy people, in and out of legislatures, who are always arguing that fire insurance rates are too high; that rates are not justified by the loss experience; and that they should be regulated by government or something of that kind. Not even a high and mighty legislature can compel anyone to transact his business at a loss, though apparently that is what some noisy fire insurance critics of the present day would like to bring about.

MORTALITY OF FIRE COMPANIES.

A large number of fire companies which were operating in Canada at one time or another during the period of 46 years, have gone out of business. They include twenty-one Canadian companies, eleven British and five American companies. In some cases, their disappearance has been due to amalgamations; but among the Canadian companies particularly the reason for disappearance has largely been that the hazards of Canadian fire insurance have been overwhelming.