

The Chronicle

Banking, Insurance & Finance.

ESTABLISHED JANUARY, 1861

PUBLISHED EVERY FRIDAY.

Vol. XXXIII. No. 44

MONTREAL, OCTOBER 31, 1913.

Single Copy 10c.
Annual Subscription \$5.00

THE CASUALTY SITUATION.

The task which was recently given to the Committee upon whom has been laid the duty of drawing up a schedule of rules, which will serve practically as a new constitution for the Canadian Casualty Underwriters' Association is in many respects a difficult one. They are to draw up new rules regarding the employers' liability and workmen's compensation business, to which rules all the companies transacting business of that kind in Canada will be called upon to adhere. The past history of the Casualty Underwriters' Association is the best example possible of the difficulties surrounding the attempt to get anything approaching unanimity of action in this important matter, and bearing in mind the widely different interests involved, it is hardly likely that unanimity is likely to be secured at the present time with any less difficulty than heretofore. But the effort has been undertaken under circumstances which are at least fairly favorable, and it is to be hoped that the committee's difficult labours will be brought to a successful conclusion.

There are sound reasons why having regard to the general trend of this class of business, underwriters at the present time should get together. In the first place the menace of State insurance will have to be faced in Canada sooner or later. Probably it will be a long time before there comes a straight contest in the Dominion between State insurance and liability companies' insurance, yet the signs are not lacking that the idea of State insurance is making headway quietly both in Eastern and Western Canada. In Ontario, the new Workmen's Compensation Act will apparently be accompanied by what is in reality a scheme of quasi-State insurance. Moreover, all indications suggest that the prairie provinces, particularly Saskatchewan and Alberta, will be in the near future hot-beds of what is commonly known as "advanced" legislation. They are likely enough to follow the example of Wisconsin and some of the other Middle-Western states whose experiments in State ownership and operation are well-known. Saskatchewan already has a State hail insurance scheme in force, and it is not likely that its ventures into the insurance field will stop there. Under these circumstances it would seem to be desirable for the companies to pursue a policy which will result in their being able to show that they are performing this service to the community more efficiently than it could be performed by the State. Otherwise, it is likely enough that in the long run they will be beaten by the advocates of State insurance.

Liability insurance in Canada is comparatively speaking, yet in its infancy. The modern legislation now in force in most of the provinces has only been recently passed and it is probable that the tendency to progressive increase of losses which always follows the spread of the knowledge of the allowances secured to workmen under compensation acts has not yet been felt in full volume by the companies. The recent drastic action of the New York superintendent in regard to the liability insurance companies is an important indication of the trend of events in this business. Practically the Superintendent told the companies that they will have to conduct their business in future on the lines laid down by the Department, on penalty of having their licenses revoked. The main requirements of the Department are that (1) underwriting is to be based upon general statistical experience modified by the physical and moral hazard of each individual risk and free from the influences of competition; (2) commissions to brokers are not to exceed 15 per cent. of the premium and total commissions are not to exceed 20 per cent. of the premium; (3) total compensation to brokers, agents, agency directors and branch office managers is not to exceed 20 p.c. of the total premium income, and (4) administration expenses are to be minimized.

The reasons why for the Superintendent's drastic action are well-known. Conditions in the American liability business have been by no means satisfactory for a prolonged period. Many of the companies have incurred heavy losses through this business. Their reserves are computed in accordance with the present loss reserve law, but are said not to be sufficient, which fact is not surprising in view of the universal experience in regard to the capacities of liability business for swallowing up what have appeared to be entirely adequate reserves. However, apparently the conditions described have not prevented the companies from engaging in sharp competition among themselves, with the result that expenses have been pushed up, and the consequence that the companies incurred the wrath of the Superintendent of Insurance.

This action by the New York Superintendent of Insurance is already being followed in other States. In view of these and other developments, it is particularly important that the Canadian liability companies should follow an enlightened policy at the present time with a view to the strengthening of their own position both individually and as a whole to an extent which will only be fully realised when the time comes for a real tussle either with a scheme of State administration or a project of State interference.

