

defer the distribution, appointment or accounting of surplus to policy-holders for a longer period than five years, and on all policies, hereafter outstanding, under the conditions of which the actual distribution is provided for at a definite or fixed period, the apportioned surplus shall be carried as a liability to the class of policies on which the same was accumulated.

"This Act shall take effect and be in force from and after its passage and publication."

The Act was published on June 24, 1905.

THE SOCIALISTIC FIRE INSURANCE SCHEME OF NEW ZEALAND.

The establishment of a fire insurance department by the government of New Zealand was the theme of an excellent address delivered in April last by Mr. R. M. Simpson, president of the Insurance Institute of New Zealand, who is manager of the Phoenix Fire Office branch in that colony.

The Government scheme is a direct attack upon the fire companies which, said Mr. Simpson:

"Is chiefly directed against the system of combination for establishing uniformity of rating, on the ground that there ought to be free competition between all engaged in the business, or, at any rate, that provision should be made in the rules for greater discrimination between the several groups or classes into which hazard is divided and of the individual risks of each group. The matter culminated in the Houses of Parliament passing a bill to establish a Government Fire Insurance Department ostensibly as a protest against, and a remedy for conditions considered prejudicial to the interests of the colony. During the debate it was affirmed that the charges for fire insurance were excessive, and that improper advantage to the companies was gained by a combination which was undesirable in the interests of the public and unnecessary in a proper conduct of the business.

"There can be no doubt that the contention of those who object to the companies' methods is without proper knowledge or appreciation of the difficulties in the way of arriving at a just estimate of degree of risk in each case. It is interesting also to observe that the position taken up by Parliament is at variance with insurance ethics; it is usually accepted as an axiom, that no one organization conducting fire insurance can stand absolutely alone, and that no one experience is so sufficiently exact or comprehensive as to be reliable under all conditions. The attitude, therefore, was not only antagonistic to the companies upon the question of remuneration, but was at variance with the principle of agreement and combination, which is looked upon by the best authority as essential to the proper conduct of the business."

He went on to show how impossible it is to fix a rate for each individual risk, there must be

most expert as to the worth of each and every line. In free competition, with each risk falling to the lowest bid, every one must be taken under value, for amongst varying estimates the truth may fairly be looked for in the mean of the whole.

Any workable every-day measure to be put into the hands of those who have to deal directly with clients must necessarily be of a somewhat rough-and-ready character; for the regulations must be sufficiently plain and explicit to be easily read and understood by the intelligence of the ordinary country agent. The companies arrive at their rating by conference of all principal controlling officers, and the prices are fixed by consultation and agreement, thus securing, as far as can be, the medium between extremes of opinion. The scale of charges cannot possibly be made to follow all variations, because the gradations of hazard above and below normal or average are so intricate and fine as to prevent any system in the world being competent to provide for each.

"If, as we have to admit, it is impossible for the expert to rightly estimate the worth of each risk, how unsatisfactory must the conduct of business be if the fixing of prices is left to the judgment of the ordinary agent, who has only a very limited knowledge of the business. Even the most reliable table of experience furnished to such a man would not enable him to judge how far each risk presented for insurance is in accord with, or differs from the standard of average in quality, and consequently there would prevail the wildest opinions and estimates, resulting in quite inadequate remuneration being obtained for each and every transaction.

The experience of fire insurance companies demonstrates that there have been heavy losses made throughout a series of years in the Colony while others have been less unfortunate. When the public's attention is drawn to the unfavourable results of the business, they attribute this to bad management, but the better results of other companies they regard as proof of the rates being too high, so it would appear as though nothing would satisfy the public but such rates as would prevent any company accumulating reserves, or making profits.

During the session of Parliament in 1902 a Select Committee was formed for the purpose of inquiring into the conduct of fire insurance business in New Zealand and as to whether it was desirable to establish a Government department for the purpose of contending with the private companies, and obtaining, if possible, for the public a reduction in the charges. The evidence obtained by the committee was such as to induce them to report against the proposal to interfere with the business; nevertheless, even in the face of this adverse report, the department has since been established, and has brought about a war of rates, the outcome of which no one can perceive. It is evident that the desire of the public to obtain cheaper insurance has prevailed against the evidence obtained, demonstrating the blindness of their demand. If the public insist in regard to fire insurance on a measure of more liberal