

"UNDERGROUND" FIRE INSURANCE AND THE NEW BILL.

That Section 71 (c) of the new Insurance Bill should have proved to be a fighting-point between manufacturers and underwriters is not surprising. The clause is one that aims at giving effectiveness to the existing provision against "underground" insurance—a provision which at present is somewhat of a dead letter. Henceforth, if the bill becomes law in its proposed form, every person who inspects any risk or adjusts any loss or carries on any business of insurance on behalf of any unlicensed concern, will be subject to the fines and penalties of the act, a second offence being punishable by imprisonment.

This week the Commons Committee on Banking and Commerce was besieged by representatives of mercantile and manufacturing interests who contended that such a provision would create a monopoly of the fire insurance business of Canada. With apparent unconcern for consistency, those who themselves are sticklers for "protection to Canadian industries" urged that "the assured should have the right to purchase insurance in the cheapest market," and that the new act should contain nothing to prevent the placing of insurance outside of Canada, either directly or through brokers resident in the Dominion. THE CHRONICLE has always been rather at a loss to understand the arguments in this connection of manufacturers who, in season and out, advocate protection for their own industries—and keenly insist upon the enforcing of the "anti-dumping" provisions of the tariff law. Their explanation of the difference between "underwriting" and "industries" smacks somewhat of the time-honoured feminine argument of "just because."

Be that as it may, the business is entitled to bare justice—it asks no more. Fire companies licensed by the Dominion Government to do business in Canada are obliged to conform with detailed government regulations, as to deposits, investments and reserves. They are subjected also to supervision—and burdened with over-heavy taxation, provincial and municipal. They employ large office and agency staffs, purchase and rent valuable premises, and spend large sums in incidental ways. Even in the case of licensed British and American companies, it is safe to say that the bulk of what it costs to carry on their branches is spent within the country—the agents, officials and employees being tax-payers and economic consumers. Under these conditions, where is there justice in advocating unrestricted competition from underwriting concerns which evade all supervision, taxation and establishment expenses in the country?

The monopoly bogey is pressed into service every time discussion arises in this matter—but with scant reason. So far as the Canadian Fire Underwriters Association is concerned, there are more companies doing business in Canada outside its organization than there are within it—which scarcely bears out the "combine" idea. Nor could the association, if it would, prevent any new company coming into Canada, which was ready to comply with the laws of the country.

But, manufacturers and others complain, it is impossible for licensed companies to take all the business offered them, especially by large plants; also,

rates are unduly high, as compared with those quoted by unlicensed companies.

Let it be granted for the sake of argument that the first of these objections obtains somewhat at present—though, in view of the licensed companies' facilities for reinsuring surplus lines, the alleged extent to which underground insurance is at present "necessary" seems exaggerated, to say the least. What, then, would be the effect if "smuggled" insurance were effectively debarred? Undoubtedly, if existing insurance facilities within the country are now so inadequate, other outside companies would enter the field at once—complying with the regulations which they now find it easy to evade. Not all the unlicensed concerns with which business is now done would apply for licenses, of course—for the very good reason that not all of them are of such standing as would pass muster with the Insurance Department.

And this leads to the other quoted objection, as to outsiders giving cheaper rates. Regarding this, it may be said in the first place that in so far as the cheapening in rates is made possible by the evasion of restrictions and expenses to which licensed companies are subjected, it is essentially unfair that the manufacturer should enjoy such marginal saving—any more than that an importer should benefit by evasion of customs regulations and charges.

Another reason for lower rates, in some cases certainly, is out-and-out inadequacy—either from underwriting ignorance or dishonesty. To this the larger industrial concerns answer that they consider themselves capable of picking and choosing which organizations are reliable. Probably so—generally. But there are lesser property-holders who are likely enough to get bitten. "Serve 'em right," it might be said with some reason—but, since the Government has set out to protect the public against native prowlers of predatory intent, it can scarcely with consistency take no notice of wild-cats that have come in "under the fence."

A third possible cause there might be for lower rates by way of the "underground route"—namely, some special superiority in underwriting skill, classification and organization in the case of certain of the outside companies. If this be so, such companies would surely continue to compete for whatever Canadian business they desired—even when compelled to make the deposit necessary for the granting of a license.

Two logical courses only seem open in this matter of outside fire insurance. The one course (and in this Provinces would need to co-operate) would be to make effective the regulation that only licensed companies shall be allowed to transact business in Canada—special provisions being framed, if shown necessary, for taking care of surplus risks. The other strictly logical course would be simply to abolish all requirements, as to deposits, licenses, reserves and supervisions—thus letting the race for business become a free-for-all event. Under present conditions, the handicapping can scarcely be termed fair.

THE UNITED STATES CASUALTY COMPANY'S annual report shows assets of \$2,240,840, and states the net surplus over all liabilities (including legal and voluntary reserves) to be \$750,000.