

FIRE UNDERWRITING IS EXPERTS' BUSINESS

Men Must Be Qualified by Temperament and Experience to be Successful

From certain points of view, the business of fire insurance seems, in a particular sense, to be one which can be better conducted by private individuals than by even the most perfect governmental machinery. It seems to possess certain features which make it a particularly dangerous field for the people in their organized capacity to attempt to enter. A good many kinds of business lend themselves quite easily to the designs of those who would like to see a socialistic state established. The idea of governmental operation presents no insurmountable difficulties in a number of cases. In the case of fire insurance, our present-day reformers and radical thinkers, bent on deriving private capital out of the field and leaving this in the exclusive control of government, are confronted upon the threshold by unusual obstacles which are inherent to the business itself, and few suggestions have yet been made, of a practical nature, respecting the manner in which these obstacles can be avoided. It is no overstatement to say that, at the present time, a formidable and aggressive movement is on foot, having for its ultimate purpose the virtual transaction of the business of fire insurance by government.

Experts Only Can Understand Such Business.

What is the peculiar feature of the fire insurance business which makes the problem of state participation in this business a more difficult one than the corresponding problem in the case of railroads, for instance, or of water companies, or of telegraph and telephone companies? Broadly speaking, what is referred to is of course the fact that fire insurance has always been, and must always be, to an extent not approached by any other legitimate business, a game of chance pure and simple—a game of chance in which men who are qualified by temperament and experience to play it, and who are willing to risk their money in it, can survive, but in which none but experts can with any safety engage.

I entirely understand, and to a considerable extent sympathize with, the reluctant attitude of the older fire insurance men toward anything which savors of governmental aggression in their chosen field. They are engaged in a very peculiar and essentially hazardous business—one in which expert knowledge is absolutely necessary in order to succeed, said Mr. W. T. Emmet, superintendent of Insurance of New York State, at Cincinnati, and I do not in the least blame the men who have grown grey in this business for viewing with alarm the increased activities of the government in respect to their affairs. It is the last business in the world that the people ought to be eager in their organized capacity, to engage in.

Place on Sounder Foundation.

It differs altogether from life insurance in this respect—although I do not want to be understood as favoring state insurance in the life field either, for I certainly do not favor it. But the time has come, I think, when broad-minded fire insurance men must recognize the inevitable drift of things. They must view their problem in the light of actual conditions, not in the light of conditions as they would like them to exist. They must recognize the universality of the demand for good cheap insurance, and the utter dependence of the people upon it. They must appreciate the truth of the proposition that, after competition has died out in any branch of business, and monopoly reigns in its stead, the only direction in which men can look for protection against the possible abuses attendant upon monopolistic conditions, is the state. Monopoly having to a greater or less degree taken the place of the old competition in the fire insurance field, the leaders in the fire insurance business should realize that henceforth they must adopt a different attitude toward governmental activities in connection with fire insurance. The strong men who have performed such wonders in this useful field of work will readjust themselves quickly to the new conditions. In so doing, they will be establishing additional grounds, besides those which now exist, for the praise which no right-thinking man will withhold from them for all the splendid results they have achieved. And they will be taking the final step necessary to place their great business—without which the affairs of the world could not be carried on at all—upon a sounder foundation than it has ever yet occupied.

BANK OF MONTREAL BONUS

With the regular dividend of 2½ per cent. for the fourth quarter of its year, payable December 1st to stockholders of record November 15th, the Bank of Montreal has declared a bonus of 1 per cent., the second extra distribution for the year, and bringing the total return to shareholders for the twelve months up to \$12 a share.

BRITISH FIRE COMPANIES IN CANADA

How They Fared Last Year—Larger Volume of Business and Expenses, Lower Premium Rate and Losses

The total cash receipts from premiums of the 23 British companies doing business in Canada last year, were \$12,092,125, being an increase of \$886,433, as compared with the previous year; the payments for losses were \$6,319,064, being \$137,175 greater than for 1911, while the general expenses amounted to \$3,764,912, being \$403,616 greater than in 1911, thus showing balance of \$2,008,149 favorable to the companies. In the previous year there was a favorable balance of \$1,662,507:—

Paid for losses	\$ 6,319,064
Paid for general expenses	3,764,912
Total	\$10,083,976
Received for premiums	12,092,125
Balance in favor of the companies	\$ 2,008,149

Details of the Companies.

The following details give the balance for the different companies:—

Balance in favor.—Alliance, \$35,002; Atlas, \$44,454; Caledonian, \$84,545; Commercial Union, \$130,058; Employers' Liability, \$57,325; General Accident Fire, \$47,903; Guardian, \$60,905; Law Union and Rock, \$31,168; Liverpool and London and Globe, \$177,061; London and Lancashire Fire, \$162,227; London Assurance, \$55,907; North British and Mercantile, \$200,986; Northern, \$137,839; Norwich Union, \$118,530; Palatine, \$38,081; Phoenix of London, \$146,926; Provincial, \$20,067; Royal, \$91,163; Royal Exchange, \$75,118; Scottish Union and National, \$112,320; Sun Fire, \$56,579; Union Assurance, \$70,696; Yorkshire, \$53,289. Total balance in favor, \$2,008,149.

For every \$100 of premiums received there was spent on the average \$52.26 in payment of losses, and \$31.13 for general expenses.

In 1911 the loss rate was \$55.17, and the general expense \$30, for every \$100 of premiums received.

For the fire business the rate of premium was \$12.584 per \$1,000 of risks taken, as against \$13.305 in 1911.

Hence these companies have done a larger volume of business than in 1911 at a lower rate of premium, a higher rate of expense, and at a lower rate of fire losses.

Experience of 38 Years.

Collecting the result for the 38 years from 1875 to 1912 as regards the receipts for premiums and the expenditure of the British companies we find:—

Paid for losses (1875-1912)	\$128,171,707
Paid for general expenses	57,450,353
Total payments	\$185,622,060
Received for premiums	204,478,607
Excess of receipts over expenditure	\$ 18,856,547

An adverse balance was in existence from the year 1877 till the end of the year 1886, due to the exceptional circumstances of the conflagration at St. John in the first-mentioned year—when the losses paid by British companies amounted to almost \$5,000,000. The adverse balance was reversed at the end of the year 1887, when a favorable balance of \$341,938 was shown, and this favorable balance increased thereafter from year to year (with the exception of 1893) up to the close of 1899, when it amounted to \$5,020,980. In 1900 the loss by the British companies on account of the Ottawa and Hull conflagration amounted to over \$2,500,000. To this is due the large deficit of that year, \$1,365,476, wiping out the savings of the preceding four years, and reducing the favorable balance at the end of 1900 to \$3,664,504, which sum had been still further reduced to \$3,512,636 at the end of 1901. The favorable experience for the years 1902 and 1903 increased this balance to \$7,123,044 at the end of 1903, but it was again reduced by the unfavorable experience of 1904 to \$3,969,472. During the past eight years the favorable balance has been largely increased and now amounts to \$18,856,547.

WANTS PARTNERSHIP IN FINANCIAL HOUSE

In another column an advertiser seeks a junior partnership in a good financial house. The advertiser has presented his credentials to *The Monetary Times*, and we will be pleased to discuss these with any who have taken up the question of partnership with the advertiser.