FIRE INSURANCE IN CANADA.

DURING the year 1910 a total of 60 companies were engaged in the fire insurance business in Canada. Of these 25 were Canadian companies, 19 British and 16 American.

Cash received for premiums during the year in Canada amounted to $18,725,531, being greater than that received in 1909 by $1,676,067, and the amount paid for the losses was $10,292,393, which is greater than that paid in 1909 by $1,645,567.

The gross amount of policies, new and renewed, taken during the year by fire companies was $1,817,055,685, which is greater by $237,079,818 than the amount taken in 1909. The premiums charged thereon amounted to $24,684,292.40, being $2,390,663.15 greater than the amount charged the previous year. The tate of premiums (1.358) is somewhat lower than that of 1909 (1.431), The loss rate 54.966 is 4.24 per cent.) greater than the loss rate of the previous year (50.72) and 8.67 per cent. less than the average loss rate (63.63) for the past 42 years.

As will be seen from the above figures, the loss rate during 1910 was greater than it was during the preceeding year, but somewhat less than the average loss rate for the past 42 years. We cannot expect any reduction in fire insurance rates so long as our present enormous fire waste continues. In the year 1909 we burned up $18,905,538 worth of property and in 1910 a total of $23,593,315. Our rate this year has been almost $2,000,000 per month.

It is generally admitted that the fire insurance companies carrying on business in Canada during the past 40 years have lost money in their operations. An examination of the following statement will reveal the fact that the net loss on 40 years fire underwriting in Canada amounts to $14,727. This is a rebuff to those who talk lightly about the huge profits which fire insurance companies are making.

While complete data are not available regarding the business prior to 1875, sufficient statistics are obtainable to give a clear idea of the trend of the business from 1869 to 1874.

In that period the premiums received by companies reporting at Ottawa amounted to $15,143,463.

From that amount is deducted $100,000 representing outstanding premiums on December 31st, 1868, which leaves $15,043,463 as net premiums. To that sum must be added $210,000 representing premiums unpaid on December 31st, 1874. Here, then, is a total premium amount of $15,253,463.

The net losses paid in the five years' period amounted to $9,620,074; and with losses unpaid at the end of 1874 of $234,176, the total losses incurred are $9,854,250, a ratio to premiums of 64.60 pre cent. The increase of the reserve for unexpired policies in the five years amounted to $2,022,303. Fifty per cent. of that gain, together with estimated expenses of $4,576,039 added to the losses paid, makes a sum of $15,441,400. Deducting premiums received, there is seen to be an actual loss in underwriting in the five years of $187,977, a ratio to premiuns equal to 1.23 per cent.

In examining the figures of Canadian fire insurance reported from 1875 to 1908 complete data are available. In that period the premiums paid and outstanding of Canadian, British, and United States companies totalled $251,260,021. The ratio to premiums of losses incurred by the three groups of companies doing business in the Dominion were 66.75, 65.26 and 60.09 respectively. These losses approximate $163,242,836, a ratio to premiums of 64.97 per cent. To that sum must be added $9,453,479, representing reserve on unexpired premiums and being a ratio of 3.76 per cent. of premium receipts. Finally there are expenses. Those of the Canadian companies were 33.35 per cent.; of British, 30.33, and of United States, 31.85 per cent.

The total expenses of the three groups between 1875 and 1908 were $78,391,456, a ratio to premiums of 31.19. Adding together losses, reserve on uunxpired premiums, and expenses, a total outgo is obtained of $251,087,771, a ratio of 99.92 per cent. This amount deducted from the premiums shows a profit to the companies in the thirty-four years' period of only $173,250, a ratio to premiums of .08 per cent. Against this there is a loss for the six years prior to 1874 of $187,977.

The last annual report of the National Board of Fire Underwriters shows that in 1909, 38.50 per cent. of all the premiums paid for fire insurance in the United States was consumed in expenses; in 1908, 40.47 per cent. was so consumed, while for the entire period from 1860 to 1909 the average was 36.07 per cent.

"Such a ratio of legitimate expenses to receipts hardly seems possible to the property owner, who is likely to think," says Mr. C. F. Carter, in the *American Review of Reviews*, "that the simple process of filling out the blanks in a printed policy form by an agent constitutes the whole process of fire insurance. A liberal share of the expenses of indurance companies can be accounted for promptly under the head of taxes. Of the $1,255,486,068 collected in fire premiums in the United States in the five years ending with 1909, no less than $33,476,213 was consumed by taxes. This amounted to 2.67 per cent. of the gross amount of premiums collected. But as $736,911,795 in fire losses were paid the taxes represented 6.45 per cent. of the premiums remaining after the losses had been deducted; or, in other words, 6.45 per cent. of the expenses.

"Since insurance is nothing more nor less than a method of levying taxes in order to distribute the losses by fire, the states are simply levying taxes upon taxes, or to put it another way, adding an extra burden to that already imposed by the destruction of wealth. For it must not be forgotten that an insurance company cannot pay out what it does not take in. The taxes paid by insurance companies are simply added to the premiums paid by policyholders.

"About 5 per cent. of the premium is required for adjusters and special agents, traveling experts, and their hotel and other traveling expenses for supervising the business. Ten per cent. goes to pay the official staff at headquarters, clerks, bookkeepers, rent, advertising, postage, expressage, printing, stationery and general office expenses. The largest single item of expense is the commission to brokers and agents, which ranges from 5 per cent. to 37½ per cent. The real cause of high rates is the unnecessary waste by fire, which in the last thirty-five years, exclusive of forest, mine and marine fires, amounted to $4,906,619,420. In 1907, a normal year, recorded fire losses were $215,084,709, while fire defence cost $241,401,191. The sum of the two items was equal to half the value of new buildings erected. The fire loss alone in the United States for the five years ending with 1907 averaged $3.02 per capita per annum, whiile the per capita loss in in six nations in Europe, includingGermany and France, for the same period averaged 33 cents a year. Matters are growing worse instead of better, for while the population increased 73 per cent. between 1880 and 1909, the fire loss increased 134 per cent. These facts sufficiently explain why during the half century ending with 1909 an average of 58.43 per cent. of premiums was required to pay losses. It also indicates the obvious way to reduce rates. Official figures gathered by the New York State Insurance Department for the eighteen years from 1891 to 1908 show that an average of only 3.06 per cent. of the premiums remained with the companies as profits each year.

"An average profit of 3.06 per cent. throughout a period of eighteen years is hardly compatible with accepted ideas of trust methods. As a matter of fact there is no such thing as an insurance trust. The instinct of self-preservation has compelled the various companies to pull together in certain specific things for the common good; but aside from these each company works out its own salvation. The specific things include the educational propaganda and the fire prevention campaign conducted by the National Board of Fire Underwriters as already indicated, the limiting of commissions and the making of rates. State rate-making seems to be impracticable. Texas tried it, but gave it up. Kansas tried, but the law as it now stands limits State intervention substantially to inquiries and recommendations. The National Board of Fire Underwriters tried its hand at rate-making, but abandoned the task as beyond its powers in 1888, and has since restricted its efforts to other matters of common interest. Neither can any single company undertake to make rates for itself without inviting ruin for the sufficient reason that it cannot have in its own field broad enough experience upon which to base a rate both high enough for safety and low enough to attract business in competition with other companies. The New York Fire Insurance Exchange endeavors to apportion rates so that each class of risks may come as near as possible to the payment of its own losses and contribute its just proportion to ward expenses, profit, and reserve accounts, distinguishing between individual risks of the same class so that proper credit will be given for variations above the standard of the average risk of that class, and proper charges made for variations below the standard."

AMERICAN MONEY IN CUBA.

THE United States Consul at Havana estimates the investments of American capital in Cuba at $220,000 000, of which $50,000,000 is in sugar mills and plantations, 25,000,000 in public utilities, $25,000,000 in railroads, and 15,000,000 in the mining industry.