PROFITS OF FIRE INSURANCE COMPANIES

The newly-published report of the Superintendent of Insurance, a volume, the development of which in recent years, does Mr. Findlayson much credit, contains an interesting compilation showing in summary form, the experience of the fire companies in Canada from the point of view of profits during the whole period of fifty years, for which statistics are now available. The present compilation amply supports the contention of The Chronicle for many years past, that taking it by and large, the business of fire insurance in the Dominion is by no means remunerated on a scale commensurate with the responsibilities which it assumes. The whole story of 50 years is briefly told in the following figures:

Canadian Companies.

	Cash Premiums.	Underwriting Profits.	Rate of Profits % of last Premiums
1869-78	$11,152,050	—$1,573,433	—15.01
1879-88	11,233,998	— 239,699	— 2.13
1889-98	11,356,824	59,153	0.52
1899-1908. .	24,923,206	— 410,307	— 1.65
1909-18 . ..	47,735,334	1,374,386	2.88
Totals . .	106,401,414	— 889,900	— 0.84

British Companies.

1869-78 . ..	$15,889,898	— 2,790,580	—17.56
1879-88 . ..	30,218,934	3,082,288	10.20
1889-98 . ..	46,058,237	1,767,839	3.84
1899-1908. .	77,125,320	4,190,785	5.43
1909-18 . ..	132,991,741	12,829,474	9.65
Totals . .	302,284,130	19,079,806	6.31

Foreign Companies.

1869-78 . ..	$2,536,720	— 57,776	— 2.28
1879-88 . ..	3,382,384	561,216	16.59
1889-98 . ..	8,722,057	— 74,293	— 0.85
1899-1908. .	21,091,374	1,910,877	9.06
1909-18 . ..	73,522,420	5,336,774	7.26
Totals . .	109,254,955	7,676,798	7.03
Grand Tot.	517,940,497	25,866,704	4.99

Thus taking the whole aggregate of Dominion licensed fire insurance during the last fifty years, the underwriting profits realised is hardly 5 per cent., and this, be it noted, before any allowance is made for conflagration reserve. The latter, however, it may reasonably be argued, would be offset by earnings on invested assets, so that the figures above constitute a very fair approximation to the real profit-earning capacity of the companies, so far as their underwriting operations in Canada are concerned.

New cash premiums in fire insurance correspond very fairly with gross turnover, or sales in an ordinary commercial business. They are not exactly similar, of course, but sufficiently similar for legitimate use in the present connection. How many business men, carrying on ordinary commercial operations, would be satisfied if at the end of a long term of years, they could show no better results than an average profit of 5 per cent. upon their turnover? How many executives of large corporations would be contented with such a showing? It is to be remembered also that in the case of fire insurance, the risks assumed are very much larger than in the case of ordinary commercial enterprises engaged in dealing in staple commodities. It is a business truism that the greater the risk undertaken, the greater the return which may be fairly asked by those undertaking the risk. But any attempt to supply this sound business principle to fire insurance by way of a moderate increase in rates usually result sin loud protests from those who would hesitate before undertaking such risks themselves for prospects of a similar rate of remuneration.

It will be noted from the table above that in the case of the Canadian companies, whose business in the Dominion is alone taken into consideration, including operations as a whole, have been conducted at an actual loss during the period under review. In fact, the history of Canadian fire insurance, until comparatively recent years, contains an almost continuous record of ill-starred ventures in this field of activity by native companies, which have come to a disastrous end through bad management, poor underwriting or the sheer ill-luck of the business. The fact emphasizes the enormous dependence of the Dominion upon fire companies from abroad, and particularly the great British companies, in the maintenance of the industrial and commercial structure by their protection from the disastrous financial consequences of fire, and obviously suggests the unwisdom of the policy of placing any hindrance, legislative ordevelopment, in the way of their legitimate deevlopment in the Dominion. Incidentally, also, the present figures show that from the point of view of the Canadian investor, fire insurance is decidedly not attractive.

Number, please?

Never mind, Central, I wanted the fire department, but the house has burned down now.—Life.