LEGISLATIVE OVER-REACHING IN INSURANCE MATTERS.

Whatever shortcomings or "fargoings" there may be in Dominion and Provincial insurance laws, the error is avoided of forbidding voluntary co-operation among companies. Across the border, the eagerness of some of the States to secure anti-compact conditions in the business of fire insurance leads to rather amusing manifestations. For instance, Arkansas has brought action against a number of companies for violating the State's anti-compact law by agreeing among themselves not to pay more than fifteen per cent. commission to local agents—a plan, the carrying out of which would tend to the lowering of insurance rates in that territory. A more striking illustration would be difficult to find of the absurdity of forbidding necessary co-operation among fire assurance companies, and of seeking to compel them to do business on a free-for-all basis.

In the matter of fixing premiums, the most rudimentary knowledge of the principles of fire insurance should make clear to legislators that the insurance-seeking public itself suffers most from rate-cutting and consequent business demoralization. Insurance Commissioner Love, of Texas—a State which has certainly not been over-indulgent to fire companies—recently expressed the view which all who study the subject carefully must arrive at, namely, that competition in fire insurance rates is illogical, opposed to sound public policy and undesirable from every standpoint. Insurance companies are simply convenient facilities for the distribution of loss, through which the serious losses of an individual or a locality may be absorbed by the general public without serious sacrifice on the part of any individual. Justice demands that these losses should be equitably distributed among the various classes of risks, and equally distributed, as near as may be, among those of the same class.

As the New York Spectator remarks, it certainly seems ridiculous for any State forbidding discrimination between applicants for life insurance (who apparently are on a parity as to expectation of life) to virtually require discrimination in fire insurance rates between risks of the same class, or even between different companies writing on the same risk. Instead, every facility should be afforded the fire insurance companies to ascertain, by combining the results of their experience on all classes of risks, the approximate cost of insuring each class, in order that correct rates may be charged and the stability of the companies assured.

A few weeks since, there was the sight of an insurance Commissioner in an "anti-compact" state taking action against a fire insurance company which he considered to be charging an inadequate rate—a practical enough recognition, one would suppose, of the need for co-operation and system in rate-making. But various States now propose to meet such need in another way—that is by having government regulation of rates, at least to the extent of fixing minimum or maximum rates. To back up such a proposal by arguments from analogy in the matter of railroad rates is absurd. Insurance companies are very differently situated from common carriers in their relation to the public. Physical conditions and charter rights necessarily give the latter a large measure of monopoly. On the other hand, any group of insurance companies entering a tariff agreement among themselves, do so with the knowledge that to charge rates providing for more than a slight margin of profit will bring an onrush of fresh competition from outside offices. The companies can therefore claim, with reason, that government rate-fixing is unnecessary—and that it is bound to be mischievous, as undue state interference always is.

That insurance companies will not hesitate to leave a territory where restrictions pass the limit of endurance, was proved by the withdrawal of twenty-six life insurance companies from the State of Texas, as a result of the enforcing of the Robertson law in July, 1907, with a view to compelling larger investment in Texas securities. As a consequence insurance facilities for the public were so reduced as to result in a general outcry for amendment of restrictions. Especially is it interesting to note how completely the law failed of its entire purpose; during its initial year of operation the investments made in Texas by twenty-two of the twenty-six foreign companies still doing business in the state were less than one-third of the amount of such investments voluntarily made in 1905 by only four of the twenty-six companies which retired.

All paternalistic legislation has this characteristic in common: the involving of unexpected issues. And nowhere has this been more evidenced than in the outcome of various insurance enactments throughout the United States. The slowness with which the changing of fire and life insurance laws in Canada is being proceeded with is perhaps a matter for congratulation rather than for complaint. Since the revision pending was first seriously mooted, there have been "horrible examples" not a few, of what not to do in the way of hampering underwriting enterprise in its serving of the public.

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THE VIRGINIA STATE COMMISSIONER OF INSURANCE, writes correcting the statement made in several insurance papers that the Virginia Department will require all companies to value on the Modified Preliminary Term, American 3½ p.c. He states that the department is not contemplating any change in its reserve requirements.