

MODEST RETURNS FROM CANADIAN LIFE INSURANCE.

One of the stock arguments of the politician when he makes periodically his claim for a handsome increase in the amount of taxation upon fire insurance is that the business is an exceedingly profitable one, which can well afford to pay larger taxes. In adopting this attitude, the politician is, of course, merely following a prevalent public impression. The opinion is widespread that fire insurance is a bonanza for those engaged in it, and anything which fire underwriters have yet done by way of correcting this wrong impression has probably had but the most trifling effect in dissipating it. Yet in spite of the popular impression to the contrary, it remains absolutely true that fire insurance, so far from being a bonanza to those who hazard their capital in it in Canada, generally speaking produces an exceedingly modest return to the capital invested. Of course, nobody denies that in some instances very fair and even handsome returns have been secured in the business. But these fortunate exceptions are usually due to one or other of two causes: first, the steady persistence in a refusal on the part of the management of the company to write anything but high-grade business—a course of action which requires a good deal of perseverance and self-control, or secondly, to the gradual accumulation of funds over a prolonged period, so, that a large earning power from investments is achieved apart altogether from the underwriting experience of a particular year. Probably a combination of these two causes accounts for most of the success which has been hitherto achieved in the Canadian fire insurance field.

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In this connection it is instructive to view the experience of the Canadian fire companies in Canada over the period of thirty-nine years, for which their returns are now available. In that period they have received in premiums, \$199,843,407, and paid out in losses and for expenses \$202,971,641, an excess over premium income of more than three million dollars. Payments for losses alone amount to \$133,655,309, a ratio of 66.9 per cent. of the premiums received. This, of course, is an exceedingly heavy proportion, being swelled by the unhappy experiences of a crowd of unfortunate, who have gone to the wall during the thirty-nine years after making the discovery by expensive experience that, unless properly and conservatively directed, fire insurance is perhaps as easy a way as there is in ordinary commercial life of losing money. What the figures show in fact is that, on the whole, the dividends of the Canadian fire companies over this long period have been paid out of the earning power of the capital which has been contributed to them by stockholders, and has at all times been available for

the protection of policyholders. Interest and dividends earned during the period totalled \$7,930,681; dividends to shareholders were \$7,296,065. In 1913 dividends were only \$478,263 against interest and rents earned of \$674,907.

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In fulfilling its function of protecting policyholders, a good deal of the capital engaged in the fire insurance business has been lost; more of it has secured only the most nominal of returns and on a thorough analysis it would probably be found that only a minor part of it has achieved returns anything like commensurate with the great risks taken. In any case, capital employed in a legitimate business enterprise is entitled to expect from that enterprise a fair return, and it cannot be said of fire insurance in Canada that it has given to those engaged in it more than the legitimate return to which they are duly entitled; in fact, on the whole it has given considerably less. The companies which have been conducted with discretion have reaped the fruits of that discretion, although sometimes owing to unexpected blows from the conflagration hazard to a considerably lesser extent than they deserved. Those conducted without discretion have suffered accordingly. But it is a fair statement of the case as a whole to say that capital invested in fire insurance in Canada has yielded very modest returns.

LEGAL EFFECTS OF WAR ON INSURANCE.

Some of the effects of war on insurance offices (according to *Bunyon*) are as follows:—

During war with the native country of an alien his right to enforce a contract entered into previous to the commencement of the war is suspended until the restoration of peace.

A contract entered into during war with an alien who is not resident in this country and under the protection of the Crown is absolutely void.

It may be doubted whether, if the policy were valid at its inception, but, after the declaration of war, the alien assured died in battle contending against the forces of this country, his representatives could, even after peace was restored, recover upon it.

The life of an alien enemy cannot be insured even for the benefit of a British subject.

An alien, resident in this country by permission of the Government, is not considered an alien enemy so long as he peaceably demeanes himself, but if residence is accompanied with trading in an enemy's country the alien is considered an alien enemy.

In case of war remittances of money to the country where the head office is situated may be impossible, and then it becomes necessary to consider whether the non-payment has been excused or the policy has lapsed.

Companies necessarily act through agents in all matters at a distance. If the agent's authority continues, payment or tender to him is sufficient to keep the policy alive, and if during war the company keeps no agent a tender of the premiums after it was over might entitle the insured to recover damages if the company repudiated liability.