

Experience of Casualty Companies in the United States

The *Spectator*, New York, in a recent issue, published a comprehensive table embracing information as to the underwriting and investment transactions, of the more prominent casualty, fidelity, surety, plate glass, and other miscellaneous insurance companies, doing business in the United States in the ten-year period, 1910 to 1919, inclusive.

In its excellent analytical Editorial dealing with the Table, *The Spectator*, says:—

The general result shows that upon underwriting income earned in the last ten years by the ninety-three companies tabulated, which amounted to \$1,524,108,409, there was an underwriting profit of but seven-tenths of one per cent.

In the same period, however, the investments of the companies yielded over \$59,000,000, which amount was sufficient to pay the dividends of the American companies and the net remittances of foreign companies (\$37,000,000), provide for a net increase in contingent funds, special reserves, etc., of over \$6,000,000, and enable the companies to add \$16,000,000 to net surplus, also permitting the addition of the entire underwriting profit to surplus.

Sixty-seven distinctively casualty companies lost over \$1,700,000 on their underwriting operations, or more than one-tenth of one per cent. upon \$1,195,000,000 of underwriting income earned. In this group, the greatest percentage of profit for an individual company was 44.4 per cent., while the greatest loss was 653.9 per cent., which was the experience of a company which was organized in 1919.

The twelve fidelity and surety companies made an aggregate profit of 4.1 per cent., with ratios ranging from a profit of 32.2 per cent. to a loss of 41.7 per cent.

The four companies writing principally plate-glass insurance made a net loss upon their underwriting transactions of 7 per cent., their individual experiences ranging from a profit of 8 per cent. to a loss of 2.6 per cent.

In the fourth group are embraced a credit company, which made a profit of 6.2 per cent. on its underwriting; six live stock insurance companies, which all experienced underwriting losses, ranging from 4 per cent. to 64.6 per cent.; a steam boiler insurance company, which made a profit of 5.9 per cent.; a physician's defense company, whose profit was 5.1 per cent., and a title insurance company, which made 11.3 per cent. upon its transactions.

A condensed summary of the aggregate results shown in the main table is presented herewith:

earned.. . . .	\$1,524,108,409
Investment income and accretion	59,315,540
Total.. . . .	\$1,583,423,949
Losses and underwriting expenses	\$1,513,615,222
Dividends and foreign companies' remittances	37,061,319
Increase in contingent funds, etc .	6,040,316
Increase in net surplus.. . . .	26,707,092
Total.. . . .	1,583,423,349

In looking over the main table, it is noted that fifty-two of the ninety-three companies made underwriting losses in the periods covered by their statistics as shown. The companies tabulated in 1917 showed an underwriting profit of nine-tenths of one per cent. In the decade ending with 1917, the profits declined to seven-tenths of one per cent., and to six-tenths of one per cent. in the decade ending with 1918, while in the ten-year period which closed with 1919 the profit was seven-tenths of one per cent. A percentage of profit on such tremendous transactions, which naturally involve enormous risks, amounting to considerably less than one per cent. of the turnover cannot give much satisfaction to the stockholders, whose money invested in the business, nor does it stimulate the investment of new capital.

The general casualty companies show rather badly in the table, and the several catastrophes in the last few years which have affected the plate-glass companies have produced bad results for that class of companies.

The companies whose experience is set forth supply indemnity which is much needed, and would be greatly missed by many millions of our citizens, and which is a necessity for the business community. This is proved, of course, by the vast volume of business transacted, and which is increasing from year to year. That the companies as a whole have transacted their business for less than one per cent. on premiums, indicates that they have not been sufficiently remunerated for the risk assumed.

Policyholders must realize that if the companies are to continue to bear the burdens which cannot well be carried by individuals, and to pay claims as promptly as they arise, they must receive sufficient premiums to enable them to do this, to provide the legal reserves required, and to afford some reasonable compensation to the stockholders. It is also desirable, from the viewpoint of policyholders, that surplus funds should be steadily increased, in order to qualify the companies to meet such an emergency as arose recently during the epidemic of influenza.

Underwriting income or premiums