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REFORMING THE LIABILITY BUSINESS.

Mr. Emmet, the New York Superintendent of Insurance, is pursuing his campaign for the reform of the liability business with considerable energy. On another page we publish the text of a second circular which he has sent this week to the companies, setting out definitely new requirements which will come into force on October 1. These requirements are in brief that (1) underwriting is to be based upon general statistical experience modified by the physical and moral hazard of each individual risk and free from the influences of competition; (2) commissions to brokers are not to exceed 15 per cent. of the premium and total commissions are not to exceed 20 per cent. of the premium; (3) total compensation to brokers, agents, agency directors and branch office managers is not to exceed 20 p.c. of the total premium income, and (4) administration expenses are to be minimized.

The Superintendent specifically mentions in this second circular the satisfactory fact that the companies have been unanimous in their approval of the sentiments set forth in the Superintendent's previous circular, and have expressed their intention of complying with its requirements, while a number of the companies have already intimated that they are now conducting their business on the lines indicated. The fact that the companies have thus quickly fallen in with the Superintendent's requirements is, in our view, a very important and gratifying one, which will be of considerable moment in strengthening the position and adding to the prestige of the companies. It is of vital importance at the present time that such reforms in the liability and workmen's compensation business should be undertaken as will enable the companies to occupy a sound position where they are able to meet all their engagements, many of which, owing to the character of the business, are of necessity a very long time in maturing, and that while doing this they should be able to secure a moderate profit upon their business. Under present conditions, many of the companies have not only

been securing no profit from their business, but have been losing heavily upon it, and so prejudicing their ability to meet future obligations. Obviously reform by the companies themselves in co-operation with the authorities is a better course of action than the pursuance of a reckless policy which could only result eventually in action by the authorities alone and of a kind which might quite possibly have no consideration at all for the companies' wishes.

Second only in importance to this matter of maintaining the financial stability of the companies is that of conducting the business along lines which will secure their continued prestige in face of the general tendency to turn over considerable sections of business activity, and this among them, to the tender mercies of the State. If the companies are able to show that they are conducting their business on entirely reasonable and economical lines, they will be able to make a much better stand against the encroachment of socialistic tendencies into this business than would be possible had they already given the case away for their own continued existence by their extravagant and wasteful methods.

We understand that steps are now being taken to place conditions in the liability business in Canada upon a more satisfactory footing. Whether the efforts of the committee who have this matter in hand will be successful remains to be seen, but it is sincerely to be hoped that such will be the case. As was recently pointed out by Mr. John Emo, general manager and secretary of the Canadian Railway Accident Insurance Company, the trouble has largely arisen from the fact that various inexperienced and incompetent underwriters in their greed for business take it at rates too low to carry the hazard and at the same time pay unnecessary and exorbitant rates of commission to agents. Unfortunately these people do considerably more harm to the business at large than they do to themselves. The wiser heads in the business recognise the absolute necessity on placing it on a more practical basis by paying a uniform and reasonable commission and by reducing expenses wherever possible, and it is much to be hoped that the efforts now being made in the Canadian field will be successfully completed at no very distant date.