

of the failure of the company. The by-laws of the company deal with all the matters pertaining to the management of a company, and give the board of directors power to engage and to fix the salaries of all officers, agents and employees and to define their duties and to carry on the work of the company. It was after due consideration of this plan and of the other proposal of straight government ownership, under which the people would have absolutely no voice in the management or in the method of transacting the business, that your committee decided to ask on your behalf for a system of public owned elevators where the management would rest entirely with the shareholders themselves, and where the government would assume the capacity of financial agents to the extent of advancing the necessary capital at a low rate of interest and take as security the elevators upon which the amount would be advanced.

#### Committee's Recommendation

Your committee would therefore recommend—

1. That the provincial government be requested to introduce an act providing for the incorporation of The Alberta Co-operative Elevator company, and that this act be based as far as practicable upon the one now in force in Saskatchewan and known as the act to incorporate The Saskatchewan Elevator company (assented to March 14, 1911).

2. That for the purpose of securing the charter and the formation of the required number of locals, the executive committee of the United Farmers of Alberta be named as the provisional

directors, with power to take subscriptions for shares and to receive payments thereon, to organize locals, to make all necessary payments for costs and expenses incident to the sale of shares and the organization of locals and generally to perform all acts necessary for the organization of the company.

3. That the government make a grant of six thousand dollars (or of the amount actually required, not to exceed the sum) for organization purposes.

4. That the head office of the company be at Calgary, as this is the present centre of the grain trade, but with power to move to any other place should same be considered necessary.

5. That the government be asked to accept this proposal and provide the legislation so that the locals can be organized and the business of the company be established in time to assist in handling the 1912 crop.

6. That the executive committee press the Dominion government to secure either an amendment to the Grain Bill or an order in council whereby Calgary will be made an order point and a terminal point.

7. That in so far as Alberta is concerned the Grain Bill be made to read that an elevator operator shall notify the owner of the grain in store of his intention to ship to a terminal before shipping instead of after as at present, and receive the consent of the owner, so that he may have the opportunity of stating whether that grain shall be shipped east or west, or stored at the local terminal at Calgary, if such is established.

All of which is respectfully submitted.

## Hail Insurance Report

The following report of the Hail Insurance Committee was presented at the annual convention of the U.F.A. by M. E. Sly of Strathmore:

In the hope that a summary on hail insurance conditions may be of use to the members the following extracts, dealing with insurance against hail, have been taken from the Bulletin of Economic and Social Intelligence, and shows how the problem is being handled in other countries. This report shows that insurance against hail made great advances in the last part of the nineteenth century and this has been continued up to the present date.

"At the beginning of the century in most countries, after violent hailstorms, it was still necessary for the farmers to have recourse to begging or to appeal to charity, while now there are numerous insurance societies through the activity of which thousands are profiting. Hail does not strike the same places with equal frequency, so, as no one knows on what lands or what crops the blow may fall, one of the essential conditions for every kind of insurance is realized, that is, the uncertain character of the danger to be guarded against. Further, the damage that occurs is absolutely independent of the will of the insured and the possibility of fraud or of abuse to the detriment of the insurer is therefore excluded, and this circumstance greatly facilitates the calculation of the premiums necessary for compensation for losses.

"It is stated that all attempts that have been made up to the present to prevent the formation of hail have been ineffective, or have not been tried often enough for their efficiency to be guaranteed. The main reason for the great progress made in this form of insurance is the seriousness and the extent of the damage produced by hail. In a few moments the harvest of a whole region may be completely destroyed and the annual average loss caused by hail on the banks of the Rhone alone, in the south of France, is estimated at nearly \$2,000,000. The object of the insurance society is to raise the farmer from his present uncertain and precarious position by guaranteeing him that if the disaster occurs just when the crops are reaching maturity he will escape poverty and, at any rate, ruin, by the receipt of their equivalent in cash. The process employed for the attainment of this end is the yearly collection by the insurance societies of contributions or premiums from all the farmers exposed to the risk of damage from hail, to be afterwards apportioned among the farmers suffering by the disaster.

#### European Experience

"The calculation of the premiums is generally based upon two fundamental points; the frequency of the hail in a cer-

tain locality, and the more or less susceptibility to damage on the part of the crops cultivated; and that this part is well worked out can be shown from statistics from five countries, Germany, Austria-Hungary, France, Italy and Switzerland, where in 1909 the premium incomes amounted to 80,375,076 francs, and the compensation paid to 49,295,113 francs. The rapid progress of this form of insurance is based on two causes; the active competition between the two kinds of organizations, insurance companies limited by shares, and mutual societies and the encouragements on the part of the state. With few exceptions the business is carried on both by companies limited by shares, and by mutual societies.

The earliest mutual societies adopted a system of assessment, the sum necessary for compensating losses being shared among the insured at the end of the year in proportion to the premiums paid. The system gave rise to many difficulties as the farmer cannot calculate in advance the cost of his insurance and if his harvest is preserved intact he does not readily agree to pay premiums when the danger is over. The societies limited by shares had the system of fixed premiums, where the farmer pays a certain premium in anticipation of disaster and in case of loss immediately acquires a right to be compensated. However, the companies do not always compensate entirely for the loss sustained and in the worst years the reserve fund and guarantee are insufficient for compensation of the losses and the compensations are in such case reduced, which means that the insured themselves must bear a portion of the loss. The mutual societies are now adopting the policy of collecting a provisional premium at the beginning of the financial year, calculating it upon the average frequency of the hailstorms, the society reserving the right to exact from its members the payment of a supplementary contribution in case of exceptional disaster.

#### In Britain and America

"In England the business is not a special enterprise, only five insurance companies insuring farmers against hail. There are no mutual societies and statistical data as to the operation of the companies are wanting. In the Argentine the business is also done by companies limited by shares. In the United States in 1908, there were about 2,000 local mutual insurance societies occupying themselves with both fire and hail insurance. In Norway in 1908, there was no insurance society for this class of risk,

and the Norwegian minister of agriculture attributes the absence of such societies to the very limited extent to which cereals are cultivated. In Spain and Portugal the damage done by hail is of less importance than in other countries, and they have only reported two mutual societies. In Bulgaria and in Serbia, insurance against hail is arranged for by the state, and it is obligatory for all farmers.

#### The Bulgarian System

"Obligatory insurance was established in Bulgaria by law on December 30, 1895. The owners of wooded lands, pasture grounds and tobacco plantations are excepted from the insurance and the tax, and all farmers are obliged to pay a maximum supplement of 5 per cent. in addition to the land tax, for the insurance of their crops against hail. If the premiums collected do not suffice for the compensation of losses, the compensation is reduced in proportion to the amount of the premiums received. If, on the other hand, the amount of loss is less than the total of premiums, the excess is put to the reserve fund. The estimation of damage done is made by a commission, consisting of an expert agricultural scientist, the mayor of the commune and an employee in the department of direct taxation. A special division for insurance alone has been formed by the minister of agriculture. The state paid an annual contribution of 500,000 francs to the insurance fund from 1896 to 1903. The premiums collected amounted to 2,560,371 francs, the state contribution to 4,000,000 francs, and the damage compensated to 10,636,273 francs. In Serbia the law of November 15, 1905, created a special insurance bank with initial capital of 1,000,000 francs. It is not only the farmers who are exposed to risk from hail who are obliged to pay insurance premiums, but all who pay direct taxes. For this purpose 16 rates of premiums have been established; the lowest contribution is 20 centimes a year for those who pay 10 francs in taxes; the highest contribution is 20 francs for those who pay 1,000 francs or more in taxes. Kitchen gardens and vineyards as yet providing nothing, lands in the immediate neighborhood of towns as well as lands belonging to the state or local authorities are alone exempt from obligatory insurance.

#### Government Supervision

"In most other countries the government has endeavored to encourage this form of insurance and for the attainment of this object Germany, Austria and Switzerland pursue a course that is almost identical: 1. The creation of certain state officers charged with the control of insurance societies. 2. The establishment of absolute rules with regard to insurance contracts in order to safeguard the farmers' interests and to hinder the abuses of societies that offer little guarantee, and consequently to increase the confidence of the public in insurance generally. 3. The grant of subventions or the creation of state institutions to compete with private insurance societies in their undertakings, only in case the said private societies are incapable of covering the risks in a given district.

"The German law grants the insured four days in which to declare his loss to the insurer and while the valuation of the damage is still undetermined the farmer may only carry out such works as, according to the rules of the current agricultural economics, cannot be deferred. The farmer has always the right to be present at the valuation of the loss and to protest against it and appeal to the courts if he judges that it injures his interests and does not correspond with the truth. Many of the German states have made further arrangements guaranteeing the insurance societies certain sums annually in the event of the premiums collected not being sufficient to pay the compensations. The same conditions prevail in Austria, and the right of each of the contracting parties to demand that the valuation of the damage be deferred until the time of harvest is sanctioned. Further it is established that parties cannot denounce the end of the contract within the normal term of a month, but they must be considered as bound for the whole period of insurance in course, that is to the end of the agricultural year. In this way the farmers are sure that once the contract is signed, even if the hail fall frequently, the insurance society is bound to give them compensation.

"Switzerland also provides for this protection and assures to the insured the full returns of his insurance. In France, Italy and Belgium the policy has been to

encourage the small local mutual societies. Companies limited by shares are regulated very closely, and have to pay a guarantee, depending upon the amount of their capital, before they can do business. A system of control on the spot for all agricultural mutual societies has been organized. The legislation is based on the system of publicity; that is, the principal guarantee established by the law to safeguard the rights of the insured consists in the publication of the act of constitution of the insurance societies, their rules, the acts modifying the societies or their rules, and the publication of their financial statements.

"In the United States there is no uniform legislation with regard to insurance, the laws varying from state to state, and this is also true of Canada, where the intervention of the authorities varies according to the province.

"Dealing with losses it is found that in 1910, the State Institute of Insurance against hail, created by the Bavarian government shows an average of losses of 1.42 per cent. of the sum insured, and the institute was able to pay the insured 100 per cent. of their losses. In Austria a bill has been recommended for the compulsory insurance against hail in lower Austria, and according to the proposer this system would have the advantage of stimulating a spirit of solidarity among the farmers of the different regions obliging those who inhabit districts less exposed to the scourge to come to the assistance of the farmers more frequently afflicted. The main private company in Austria was able to pay a dividend of 7 per cent. after paying all losses for the year, but unfortunately the report does not show the premium charged for the insurance. In Italy during the years 1896 to 1909 inclusive, the average premiums have run from 4.0 to 5.2 per cent. and the average of losses from 34.0 to 44.1 per cent. Steps are being taken for the establishment of fixed districts which can combine together for the purpose of mutual aid in insurance against hail, the sum necessary for the insurance being collected by the tax collectors, the proceeds being turned over by the minister of finance to the society in the form of an annual subsidy. In other words a form of compulsory insurance where the premium is collected by the government and expended by what might be called the mutual society formed by a number of communes or municipalities grouping themselves together."

#### The Alberta System

This information has been gathered from the bulletins to hand, and it would probably be as well to study conditions in Alberta for a brief space. At present we have only the one plan of insurance, that of government, and it can be said without fear of contradiction that the system as at present administered is satisfactory to no one, neither government, farmer, nor business man.

When the business was first established by the government the rate of premium was fixed at 10 cents per acre for \$4 indemnity. This was raised the next year to 15 cents per acre and this rate stayed in force for a number of years. Then a demand was made for a graduated system of insurance and at the same time the government announced that the cost of the insurance to the province was 30 cents per acre for \$4 indemnity for which only 15 cents was collected, and that the rates would have to be raised.

The government was approached to leave the premium for \$4 indemnity at 15 cents, to arrange for further insurance at \$6 and \$8 per acre at the actual cost to the province, that is 45 cents and 60 cents respectively. This proposition was agreed to, but when the bill amending the Hail Insurance Act was introduced into the House instead of the proposal which had been made, the provision for premium was at 20 cents, 30 cents and 40 cents per acre. The loss that year was heavy, many taking advantage of the \$8 indemnity, and when the government was again approached on the matter the proposal was made a second time that the rate to be charged this time should be 20 cents, 45 cents and 60 cents respectively, but again the legislature met and no change was made. The loss that year, 1910, was heavier than ever, so last year the Act was once more amended, this time making only one class of insurance, that of \$4 per acre, and the premium 25 cents.

#### An Unsatisfactory System

That the change was unpopular and unsatisfactory is apparent to all, and the

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