

The Insurance Chronicle

March 9th, 1907.

The Traders' Fire Insurance Company, of Chicago, established in 1872, was a concern of which that city used to boast a good deal. It had assets of \$3,257,000, \$200,000,000 at risk, and a surplus of \$1,344,000. In its thirty-fourth year, occurred the San Francisco earthquake and fire, which wrecked the company completely. It will not resume business, having gone into a receiver's hands. The receiver says that the estate will likely pay 70 cents in the dollar.

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A text here for a little sermon on conflagration hazard, and a lesson, too, upon fire insurance reserves. A million and a third of dollars was a very respectable reserve for a company whose premium income was about the same amount, with average losses not over 50 per cent. But it was put out of business by one conflagration; after it had for a long life-time paid its ordinary losses and accumulated a good surplus. Its proprietors, having had a sufficient shock, refused to resume—hence the receivership.

INSURANCE REPORT CRITICIZED.

The Monetary Times has obtained some interesting expressions of opinion upon the report of the Royal Insurance Commission. These are printed below. Mr. D. M. McGoun, manager for Canada of the Standard Life of Edinburgh, says:—

"Considering the huge mass of evidence taken by the Royal Commission, covering as it did 4 volumes of 700 pages each of closely typewritten matter the Commission are to be complimented in drawing their deductions so soon and in so comprehensible a manner. Unquestionably it has been revealed that the holding of the investigation has been amply justified, for the length to which we all tend to go when uncontrolled, and when the Department's recommendations can be cast at defiance, as has been done, has been fully demonstrated in the evidence published.

"It was surprising that there should be any diversity of opinion upon such methods as the formation of subsidiary companies through which the investing of funds had to pass or were made to pass. Why such investing could not be done directly between the company and the borrower, or at least, in the open market. I have never been able to comprehend. In my opinion, the specious argument which is still persisted in even since the report came out, that 'the investment in first-class securities has proved disastrous,' should be most emphatically condemned. In fact such a view of trust funds is to my mind very reprehensible. These methods have been plainly condemned by authority we must all recognize as competent. It is more than time that the evils were being stamped out, for the assuring public have come to see that they were not getting as much for their money as they were entitled to.

Public Must Watch Companies.

"The differences of opinion, which through the weakness of the law were permitted to be subjects of argument to the extent of refusal to obey between companies and the Insurance Department, the Arbitrators have declared that the Insurance Department were right and the companies wrong; and it now remains for the public to watch if the companies are going to learn the lessons we have been taught in this judgment, and show a desire to remedy the evils.

"I do not quite see with the Commission as regards the placing of loan and surrender values on a policy. To my mind such information tends to defeat the main object of life assurance. By putting values on a policy in plain figures the argument is used that a man can at a moment go into a bank and get an advance on its security. All very convenient—but the temptation to take an advance is very great and the result is that when the policy matures, instead of it being a substantial provision for those dependent upon us, it dwindles down to what a savings bank account generally gives; so that the baneful effect of too easy access to what one has laid by is very far-reaching. The cost of business has got to come down, in many of the companies, if policyholders are to get more of their due. Flaming advertisements with fancy forms of policy and reports exhibiting huge assets and contingent funds do not amount to much unless after a careful and conservative laying aside of sufficient to meet the liabilities the surplus is divided in profits to policyholders.

"The annual distribution of profits would, I consider, not be in the best interests of the policyholders, as it is, and

must be a huge task for the actuaries to overtake, and a costly thing to the companies if done every year. I should think a quinquennial distribution sufficiently frequent, but I also think that where a man pays a with-profit rate a profit of some description by a system of intermediate forms should be paid with the policy from the very beginning. Deferred profits, for a period of 15 or 20 years I am not in favor of.

"The Commission have been straight in their condemnation of abuses, and I am sure the bulk of unbiased public opinion agrees entirely with their findings."

Suggestions Have Far-Reaching Effect.

The following expresses the view of Mr. B. Hal. Brown, Canadian manager of the London and Lancashire Life:—

"The recommendations contained in the portions of the report which have appeared in the daily press, indicate that legislation will follow. The suggestions raise questions of far-reaching effect, both to companies, and to policyholders. The language used by the Commissioners when contrasting conditions which exist between Great Britain and Canada is particularly striking. The fact is emphasized that very special attention is required to the insurance business in Canada, if it is to be placed upon as high a plane as is occupied by the business in Great Britain. Such an idea would be uppermost in the minds of those recommending or undertaking the revision of the Canadian Statutes, regulating Life Insurance within the country.

"The Commissioners have had great opportunities of obtaining information respecting existing conditions. They apparently, have taken advantage of the same in session and out of it. Mr. Shepley visited England and interviewed the leading insurance officials and actuaries there. The Canadian Life Insurance Officers' Association was requested to submit recommendations to the Commission; showing a desire to proceed guardedly and intelligently. The Life Insurance Officers complied, and in their memorial referred specially and eulogistically to the British system. The memorial stated that, 'The history of life insurance in Great Britain, where the conduct of the business reaches a high standard, furnishes proof of the success of legislation based upon freedom and publicity and is worthy of minute consideration.' This view was further emphasized in the Minority Report presented to the Royal Commission by members of the Life Officers' Association.

"It would seem that the importance of the question of 'Expenditure' in the conduct of the business, has been given the greatest prominence by the Commissioners. It also seems clear, to some, that there is no better means known or available of reducing expenditure and to bring it within reasonable limits, than to have a proper form of accounting to the Government each year. 'Annual statements' based upon the British form of 1870, suitably adapted to Canadian requirements are apparently favored. Their adoption would prevent or rectify abuses in book-keeping methods, evidently in vogue, and would encourage a healthy and enlightened public opinion.

Must Not Be Undue Haste.

"There is danger perhaps that the report of the Commissioners will produce undue haste in legislation. No greater mistake could follow. The situation requires the earnest deliberation of the best, the most conservative, and the most successful experts in the business.

"The members of the Commission have specially recognized recommendations made to them by the members of the Life Officers' Association, and have paid high compliment to the methods of British life offices and the prevailing conditions in Great Britain. The words used by the Commissioners are:—

"The freedom from legislative control which obtains in Great Britain in life insurance matters, indicates an ideal condition; no legislative check upon investments, no standard legal reserve, but a system of returns (annual statements), which lends itself to complete publicity in all essential details."

"A similar position can be attained in Canada, only following wise legislation."

Mr. T. B. Macaulay, of the Sun Life, being asked for his opinion said:—

"I have not yet seen the full report of the Commission and know nothing of its contents except what I have learned from the papers and from a hasty examination of an advance copy of the proposed bill. I hesitate, therefore, to speak of details.

"One feature of the report has, however, impressed me strongly, and that is, its American character. Those of us who have been hoping for a distinctively Canadian insurance law will look in vain for it in the recommendations of the Commission. In banking matters Canadians have little to learn from the United States. We have developed a Canadian bank act and a Canadian system that are more nearly model, we believe, than any others in the world. It is possible for us to make our insurance law equally perfect, but

OF TRADE HISTORY.

part of the St. John, N. B., Board of of the good work which this organization since its inception. 1819 a number of merchants associated Saint John Chamber of Commerce, ted in 1854. In 1872 a re-organization Act of Assembly obtained incorporation as "The Saint John Board of of Trade has been the means of corrections regarding the navigation of the Harbor of St. John. materially in the development of the on at this port, and provides a means tion on the part of the mercantile com- munity Council and Provincial Government of the Dominion.

strumental in promoting many measures cement of the commercial interests of of Trade requires the support of all the welfare and progress of Saint its work may be made most effective.

a railway to the shores of Hudson's attention of the Government.