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THE PUBLIC AND FIRE INSURANCE.

We have often pointed out various misconceptions which the public in general have regarding the business of fire insurance, but until a certain letter addressed to the Board of Trade by Mr. Coghlin appeared in the daily papers, even we had hardly any idea to what extent those misconceptions prevailed, or how complete the ignorance entertained by some otherwise intelligent men. How true is the saying we learned at school that: "*Nemo mortalium omnibus horis sapit*," for the writer of the letter referred to was certainly not very wise when he on that occasion put his pen to paper.

The assertions made in this epistle—prodigious from its very absurdity—may be briefly summed up as follows:—viz., (1) That fire insurance rates have been recently increased 100 per cent, (2) that the net profits of the companies during last year amounted to 9.40 per cent. and (3) that policyholders are now called upon to add 100 per cent to the latter.

Now these three assertions are so ridiculously untrue that any virtuous indignation we may naturally feel towards unfounded statements gives way to a feeling of pity towards one who madly attempts to deal with a subject of which he has no more knowledge than a babe unborn has of astronomy. Most of us are a little diffident when we try to treat of something on which we do not feel entirely at home, but we look in vain for any such diffidence in the letter before us, and therefore we are awkwardly reminded of those who "rush in where angels fear to tread." However, wishing to be charitable, and presuming that there must be a large portion of the public as innocent of fire insurance business as Mr. Coghlin, let us endeavor to meet the assertions gravely, and if possible (though of this we have our doubts) convince the writer and those who side with him that he

has been misled into stating (unconsciously, of course) an immense amount of rubbish. First as to the increase of rates, by reference to the last issue of INSURANCE SOCIETY it will be seen that, while the average rate on the business of fire insurance in 1883 was 90c., last year it was 97c., from which to prove an advance of 100 per cent. requires a species of arithmetic with which we are unacquainted. There are some risks probably on which the rates may have been doubled but these are quite the exception, and as on the bulk of mercantile and other non-hazardous risks the rates have scarcely been altered, if at all, the actual average advance is rather under 10 per cent. Secondly, as to the profits for fire insurance companies we may remark this is a very dangerous subject for the uninitiated to handle, though it seems very simple to Mr. Coghlin, who quietly takes the premiums, and deducting therefrom the losses and expenses boldly gives the net profit as 9.40 per cent. for the year 1884. Did it ever occur to our worthy townsman's mind, that, even if shareholders never expected any dividends—which, as a rule, they do—policyholders look to the companies to provide security for unexpired business, and, as we have repeatedly explained, the difference between transactions in ordinary articles of trade and in fire insurance is that the former are for a definite period, being closed on a certain date, while the latter is practically for an unknown term, and there is no certainty as to when the transactions will be closed,—hence the necessity for fire insurance companies to provide a reserve or re-insurance fund to meet the liability of unexpired risks,—because, to make the matter still clearer, if a company ceased doing business on the 31st December, 1884, it either has to pay a sum to a re-insuring company, or retain a reserve sufficient to meet losses on outstanding business. This is understood by every underwriter, but has entirely escaped Mr. Coghlin's notice, and he will probably be astonished to learn that the liability of the fire insurance companies in Canada was increased so decidedly between the end of the years 1883 and 1884 that, in order to comply with the insurance law, they had to increase the reserve put aside for business not run off by the sum of \$352,327.81, or about 7 per cent. on the total premium income for last year, thus reducing the much-vaunted profit to something quite nominal. Beyond this let us point out that fire insurance cannot be judged by a single year, and that if anyone will take the trouble to study the figures as