

MUTUAL vs. JOINT STOCK INSURANCE.

PART II.

In continuation of the subject of Mutual v. Joint-Stock Insurance, from the October issue of INSURANCE SOCIETY, the condition of the so-called "purely mutual" companies, as given in the several annual reports of the Ontario Insurance Department for the five years (1878 to '82, both inclusive) have been selected as fair representatives of this class of offices in the Dominion; and to the end that we may not be chargeable with disingenuousness or unfairness in any deductions that may be made from these official figures, we have, at the expense of considerable time and labor, condensed the business of the entire five years into a series of seven tables, viz.: Assets, Liabilities, Loan Account, Assessment Account, Loss Accounts, Cash Income and Cash Expenditures, all of which, with exceptions to be hereafter noted, will embrace the exact figures as given in those reports. And in this connection we take the liberty of adding that we fully sympathize with Ex-Inspector O'Reilly in his difficulties, caused by "lax bookkeeping in vogue with many of the companies," during his incumbency, and agree with him that competent auditors should be appointed, either among the offices outside or inside of the Department itself. This inefficiency in the matter of book-keeping is the natural result of expecting officers to work for nothing and board themselves; for it is the boast of this class of companies generally that "they have no expenses and pay no salaries." We shall have occasion to refer to Mr. O'Reilly several times before we complete our discussion of these accounts. We commence the series of tables with "Assets," and follow it with the other six.

ASSETS.

| AMOUNTS OF | 1878 41 Cos. | 1879 47 Cos. | 1880 55 Cos. | 1881 48 Cos. | 1882 51 Cos. |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Premium Notes..... | 1,125,962 | 1,131,653 | 1,284,606 | 1,307,510 | 1,499,744 |
| Unpaid Assessments..... | 29,099 | 26,777 | 25,438 | 26,330 | 25,950 |
| Total Contingent..... | 1,155,061 | 1,158,430 | 1,310,044 | 1,333,840 | 1,525,694 |
| Cash and Mortgages..... | 46,890 | 37,416 | 50,284 | 43,603 | 56,145 |
| All others Assets..... | 18,479 | 10,738 | 15,617 | 10,433 | 10,652 |
| Total Cash..... | 65,369 | 48,154 | 65,911 | 54,041 | 66,797 |
| Gross Assets..... | 1,220,421 | 1,206,584 | 1,375,955 | 1,387,881 | 1,592,491 |

LIABILITIES.

| AMOUNTS OF | 1878 41 Cos. | 1879 47 Cos. | 1880 55 Cos. | 1881 48 Cos. | 1882 51 Cos. |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Insurance at Risk..... | 30,159,841 | 37,955,304 | 43,724,775 | 44,053,270 | 52,142,307 |
| Unpaid Losses..... | 22,154 | 17,425 | 27,251 | 10,595 | 7,891 |
| Borrowed Money..... | 30,133 | 32,857 | 23,657 | 29,273 | 33,104 |
| Sundries..... | 9,549 | 4,116 | 5,743 | 951 | 410 |
| Total Cash..... | 61,836 | 54,398 | 56,651 | 40,819 | 41,611 |

LOAN ACCOUNT.

| AMOUNTS OF | 1878 41 Cos. | 1879 47 Cos. | 1880 55 Cos. | 1881 48 Cos. | 1882 51 Cos. |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Balance due Jan. 1st..... | 34,236 | 30,133 | 32,857 | 23,657 | 29,273 |
| Borrowed during year..... | 597 | 14,345 | 10,772 | 18,044 | 12,417 |
| Paid during year..... | 4,700 | 11,621 | 19,972 | 12,428 | 8,386 |
| Unpaid Dec. 31st..... | 30,133 | 32,857 | 23,657 | 29,273 | 33,304 |

* See "Loan Account" post. See also "Cash Expenditures" for interest paid on these Loans.

ASSESSMENT ACCOUNT.

Including first payment on Notes.

| AMOUNTS OF | 1878 41 Cos. | 1879 47 Cos. | 1880 55 Cos. | 1881 48 Cos. | 1882 51 Cos. |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Balance due Jan. 1st..... | Est 25,000 | 29,099 | 26,777 | 25,438 | 26,330 |
| Assessment Laid in year..... | 149,327 | 118,501 | 139,050 | 105,609 | 109,262 |
| Paid in year..... | 145,228 | 130,913 | 140,389 | 104,711 | 109,642 |
| Unpaid Dec. 31st..... | 29,099 | 26,777 | 25,438 | 26,331 | 25,950 |
| Unpaid—Wiped off..... | 5,371 | 6,686 | 11,511 | 3,951 | Est 6,800 |

LOSS ACCOUNT.

| AMOUNTS OF | 1878 41 Cos. | 1879 47 Cos. | 1880 55 Cos. | 1881 48 Cos. | 1882 51 Cos. |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Unpaid Losses Jan. 1st..... | Est 20,000 | 22,154 | 17,425 | 27,251 | 10,595 |
| Losses for the year..... | 86,168 | 72,368 | 78,704 | 65,532 | 68,662 |
| Paid for Losses..... | 84,014 | 77,097 | 68,873 | 79,188 | 71,366 |
| Unpaid Dec. 31st..... | 22,154 | 17,425 | 27,251 | 10,595 | 7,891 |
| Losses to Amt. at Risk, p. c. | 0.287 | 0.190 | 0.180 | 0.130 | 0.131 |

CASH INCOME.

| AMOUNT OF | 1878 41 Cos. | 1879 47 Cos. | 1880 55 Cos. | 1881 48 Cos. | 1882 51 Cos. |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Assessment on Notes..... | 135,328 | 130,913 | 140,389 | 109,717 | 109,642 |
| Interest..... | 1,840 | 1,624 | 1,534 | 1,709 | 2,073 |
| Other Sources..... | 38,019 | 3,965 | 6,117 | 12,604 | 7,272 |
| Total Income..... | 175,187 | 136,502 | 148,340 | 124,030 | 118,987 |
| Borrowed Money..... | 597 | 14,345 | 10,772 | 18,044 | 12,417 |

CASH EXPENDITURES.

| AMOUNTS OF | 1878 41 Cos. | 1879 47 Cos. | 1880 55 Cos. | 1881 48 Cos. | 1882 51 Cos. |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Losses paid..... | 84,014 | 77,097 | 68,878 | 79,188 | 71,366 |
| Loans paid..... | 4,700 | 11,621 | 19,972 | 12,428 | 8,385 |
| Interest on Loans..... | 1,417 | 1,624 | 1,534 | 1,709 | 2,073 |
| Expenses..... | 63,824 | 44,797 | 48,898 | 31,693 | 34,715 |
| Other Expenditures..... | 5,974 | 1,938 | 6,848 | 5,597 | 2,352 |
| Total Disbursements..... | 159,929 | 135,452 | 144,596 | 129,782 | 118,042 |

* Included in Expenses.

Having thus presented our tables we now propose to take them up seriatim and discuss them so far as may be germane to the object we have in view :

ASSETS.

We classify assets as *contingent* and *cash*.

Contingent, or that not in hand in a convertible shape, but which has to be "called in" after the emergency arises, such as assessable premium notes; and just how promptly the "called" respond to these calls will be apparent upon investigation of the "assessment account" (post). As "unpaid assessment" calls—especially where, *by law*, an assessment over 30 days due voids the policy, *ipso facto*—cannot under any circumstances be denominated *cash assets*, we place them where they belong, among the contingencies.

Cash Assets: Supposed to be sums of *money*, or its equivalent in available securities, readily convertible into cash when needed. Just how far assets, under the phrase "all other assets" especially in "purely mutual" companies will be likely to be available as *cash* is scarcely conjectural. It is a very convenient phrase, and is usually counted for all it is worth; but it is always very unsatisfying, nevertheless, when called upon to fill an aching void in the cash assets. See in this connection Mr. O'Reilly's remark, Report 1878, p. 100.

LIABILITIES.

Here, as in assets, there are *contingent* and *cash* classes of liabilities. The "amount of insurance at risk," or carried by the office, is here apparently a heavy contingency; but in ordinary experience the *actual* resulting liability under it is but a minimum. Turning to "Loss Account" (ante) we find that the percentage of loss for the year 1878, upon the "amount at risk" was but 0.287 p. c., while in 1882 the percentage had fallen to 0.130, and the average per centage of the entire five years was but 0.185. So that the 0.190 of 1879 and 0.180 of 1881 were about the average or normal loss of the term. These percentages of the average losses that may be expected each year, added to the cash liabilities of each year, will give