

THE JARVIS RECORD

JARVIS, ONTARIO

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GEO. L. MILLER

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exercising a deleterious influence on

the results of other provinces, as units

One of the great problems of the

business at the present moment is to

find how that disparity in loss and

earning power may be equalized be-

tween the provinces, et, alternately,

whether it will become necessary to

make every province stand on its own

feet. In the latter case, it will, if put

into effect, bring about a general

higher rate over the whole of the

Province. In the latter case, it will,

undoubtedly increase rates in the

high loss ratio provinces, to a con-

siderable extent beyond where they

are at present.

It must not be forgotten that insur-

ance is a business of averages, that

the fund out of which losses are

paid is collected from those who

suffer losses and those who do not

do so; that the insurance companies

are simply collectors and distributors

of this fund, and that out of it

must be provided the cost of collec-

tion as well as the cost of the fund

itself. It is not surprising, therefore,

that a moiety of profit (which has, been

compulsory by its absence in latter

years) for that risk capitalization

which makes the company possible.

Providing in the final analysis the

rates charged for fire insurance are

determined by the care with which

owners of property conserve their

properties against fire. If they are

careless, then the losses are higher,

and the rates must increase; if they

are careful, and the losses are fewer

the rates decrease.

Much has been made of the so-

called advances in protective mea-

sures installed against fire. It is be-

coming evident that, perhaps too

much credit has been allowed for

these devices; that they either do not

perform as well as anticipated or can-

not make use of to the fullest extent.

Whatever may be the opinions on

these points, it is certain that the

situation is assuming disturbing pro-

portions and that something will have

to be done so that the unquestioned

security of the property holders of

the Dominion may be maintained

through the continued stability of the

Companies.

There are other pressing problems

attached to the business which are

so extensive the concern of the

individual at large. Year after year,

very large amounts of insur-

ance premiums go out of this coun-

try in the pockets of insurers who

are not licensed to do business with

in the Dominion either by the Dom-

inion Provincial Governments.

While the respective Governments

exercise a stringent surveillance over

the affairs of Companies, licensed

within the Dominion or Provinces,

the demand deposits that are held

for the security of Canadian policy-

holders, they afford no protection

to the Canadian policyholder in like

manner in respect to these concerns.

Licensed companies are compelled to

tie up huge sums of money within

the Dominion while these unlicensed

insurers are permitted to do business

without any such deposits. Licensed

companies are taxed on their

premiums, while the unlicensed in-

surers are beyond the boundaries of

taxation. Nor, do the Governments

as they could do, tax the premiums

of the unlicensed insurers. These con-

cerns are to be solved by the

Canadian policyholder, one of the

paramount importance where the un-

licensed insurer is concerned. In ad-

dition, foreign mutual and reciprocal

companies are permitted to take out

provincial licenses without deposit-

ing any security for their policy-

holders of the Dominion, and there-

fore, as perhaps the notarial profes-

sion is largely interested, we will

audaciously to recount some of the

conditions, under which insurance is

insuring at the present time. For

it is certain that the Fire insurance

business is facing critical times.

In the first place, there has been

remarked a gradual increase in the

amount of losses sustained against

the premiums received. In 1920, out

of every dollar of premiums received

there was paid for losses 45.46¢, in

1922, 52.26¢; in 1923, 68.19¢; in 1923,

62.19¢; in 1924, 58.57¢; in 1925, 52.79

¢; in 1926, 49.26¢; in 1927, 40.56¢; in

1928, 46.53¢; in 1929, 53.84¢; in

1930, 52.62¢. In 1931 there was paid

53.6¢. It is apparent from this that

only in the years 1926, 1927 and 1928

there was any relief from a period

of very heavy losses, and the indi-

cations are that 1932 will be no whit

better than 1931.

As against this, the average rate

charged for \$100 of fire insurance

has been steadily dropping. In

1920 it was 1.05, in 1921, 1.11; in

1925, .98; in 1926, .93; in 1927, .90;

1928, .86; in 1929, .83; and in 1930,

.80. In 1931 it was .78. What we

consider the increasing loss ratio as

against the average premium drop,

it requires us to foretell that a

continuance of things along this path

will eventually bring about a rate re-

vision. And that revision will un-

oubtedly be upwards.

While these figures are for the

whole business of the Dominion, it

cannot be said that the Provinces in-

dependently have been better off. Some

of them, taken as units of territory,

are carrying altogether too high a

ratio of loss to premium paid, with

the result that they are gradually

losing their hold on business.

To maintain their hold on busi-

ness which will need to be done by

the Canadian policyholder by

maintaining a healthy average rate,

the licensed companies are com-

peted to a strong constitution and

to exert an effort of a very ex-

ensive character. Therefore, the

costs of conducting the business are

appreciably affected. Just so long

as that effort has, to be maintained

so long will there exist the danger to

the Canadian insurer that its cost

will be turned back to him in the

shape of increased rates. That it

has not already been done speaks vol-

untarily for the fair-mindedness and

generosity of the insurance.

The long drawn out struggle be-

tween the Dominion and the Pro-

vincial Governments as to jurisdic-

tion over insurance affairs, had, it

was thought, been chiefly closed

the present time, they appear it

be hope that the varying viewpoints

will be co-ordinated, and that out of

the present doubtful situation there

will emerge some measure whereby

the operations of the Dominion will

not be made more onerous than it

is at present. This is sincerely to

be desired. At the present time the

confrontation between the Dominion

and the Provinces is a situation of

extreme delicacy. If the Dominion

insists on its position, it will be

forced to make concessions which

will be to the disadvantage of either

the Dominion or the Provinces. It

is, therefore, a situation of extreme