

1902.
NEW ZEALAND.

STATE FIRE INSURANCE BILL COMMITTEE

(REPORT ON), TOGETHER WITH MINUTES OF EVIDENCE AND APPENDIX.

(MR. TANNER, CHAIRMAN.)

Report brought up 1st day of October, 1902, and ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

FRIDAY, THE 18TH DAY OF JULY, 1902.

Ordered, "That a Select Committee, consisting of sixteen members, be appointed, to whom shall be referred the State Fire Insurance Bill; five to be a quorum: the Committee to consist of Mr. J. Allen, Mr. Atkinson, Mr. Barclay, Mr. Fowlds, Mr. A. L. D. Fraser, Mr. Hanan, Mr. T. Mackenzie, Mr. Massey, Hon. Mr. McGowan, Mr. R. McKenzie, Mr. Napier, Mr. G. W. Russell, Sir W. R. Russell, Mr. G. J. Smith, Mr. Tanner, and the Mover."—
(Hon. Sir J. G. WARD).

THURSDAY, THE 10TH DAY OF JULY, 1902.

Ordered, "That the State Fire Insurance Bill be referred to the Committee appointed to consider the same."

REPORT.

THE Committee on the State Fire Insurance Bill has the honour to report that it has taken all the evidence forthcoming, and is of opinion that sufficient has been given to show that compulsory insurance is an undesirable feature of the proposal.

The Committee recommends that the evidence be printed and circulated.

WILLIAM W. TANNER,
Chairman.

Wednesday, 1st October, 1902.

MINUTES OF EVIDENCE.

TUESDAY, 5TH AUGUST, 1902.

PETER EDWARD CHEAL in attendance and examined. (No. 1.)

1. *The Chairman.*] Now, Mr. Cheal, will you please give us your full name, and state by what authority you appear here?—My name is Peter Edward Cheal. I am a mining engineer, living at Auckland. As I was in Wellington, I was asked to act as a delegate on behalf of the Auckland Trades and Labour Council to give evidence in connection with the State Fire Insurance Bill. I may say that I am in touch with the Trades and Labour Council at Auckland; they know that my sympathies are with the workers, and I know what their views are in connection with this matter. Had I been in Auckland they would have expected me to address a meeting on the matter last Saturday. I may say that it is the idea of the Trades and Labour Council at Auckland that all public utilities—*i.e.*, everything that is of benefit to the community at large—should be in the hands of the State. The Council are of opinion that fire insurance is a corollary to life assurance, and as State life assurance has been a success they do not see any reason why State fire insurance should not be added to that, with the same buildings and the same managers, and be made a success also. The Council are quite aware that when the State Life Assurance Bill was first brought before the House many pessimistic views were held at that time by members of the House regarding it, who said that it would entail a serious loss to the colony; and the Council have noticed that some of these very members who were pessimistic in their views with regard to State life assurance are enunciating the same views with regard to the present proposal of State fire insurance. One of the great objections to the present condition of things—in connection with the Auckland District, at any rate—is the fact that the fire underwriters are continually altering the rate of premium. The idea seems to me to be, “Heads I win; tails you lose”—*i.e.*, if there are any serious losses during the year, in order that the insurance companies may pay dividends they increase the rate of premium next year in order to recoup themselves. The idea that State fire insurance should be run on the same lines as State life insurance—*i.e.*, that bonuses should be given—is one that meets with the approval, I think, of a great number of people in Auckland. Some time since we were talking of starting a fire-insurance company on those lines—*i.e.*, that a certain return should be made out of the profits to those who paid premiums into the company. We cannot understand the attitude of the Auckland Chamber of Commerce—we all know, of course, that they are against any measure which is brought forward by this Government—but I wish to point out that the Council of the Chamber of Commerce stated the other day that if a State Fire Insurance Office were opened it would entail serious loss to the colony, and then they turned round and said it would be an interference with private enterprise. We considered that these views did not meet one another. The Council were concerned as to the loss to the colony, and they were also concerned with the loss to themselves.

2. We want your evidence, Mr. Cheal, on the Bill and its provisions?—There is a provision in the Bill about the surplus profits being used for a Reserve Fund and to pay bonuses. We take that to mean that bonuses will be paid to those who insure. I would also point out that the statement has been made that under the Advances to Settlers Act—it being a *sine qua non* that those having loans should keep the property mortgaged insured—in that Department alone something like £24,000 has been paid in premiums for insurance, while the losses have been only £16,000; so that it seems to us that something like 33 per cent. has actually been profit.

3. *Mr. G. W. Russell.*] Those are the figures for properties mortgaged to the Advances to Settlers Department?—Yes; those are the gross figures.

4. *Mr. Napier.*] Are you speaking on behalf of the Trades and Labour Council now, or are these your own views?—I am in a peculiar position; as a delegate I am trying to state what the Council think about the matter.

5. *The Chairman.*] You were asked to give their views?—Yes. With regard to fire brigades, we think it is an essential part of the Bill to provide that brigades should be equipped and maintained, virtually, I take the provision to mean, at the hands of the State. In Auckland—and I may say that I am speaking of Auckland only—in the past there have been large conflagrations, and serious loss sustained, through the fire brigades not being fully equipped. There have been meetings to decide whether the insurance companies and the local bodies should not bear a proportion of the expense in equipping them, and we think that if the provisions of the Bill were adopted and the fire brigades were placed under the control of the State they would be well equipped and under the same supervision right throughout—similar to the Police Force—instead of one local body having, say, a fire-engine that was useless and another having a well-equipped one. There would be equality right through the different towns as to life- and fire-saving apparatus. Those are the ideas expressed, so far as my knowledge goes, at a meeting held by the Trades and Labour Council. I do not wish to say anything more, but am willing to answer any questions as far as I can.

6. *Sir W. E. Russell.*] Can you give us any idea what the profits of the fire-insurance companies have been, speaking generally?—They have not been very large, I believe, but you must remember that the companies put by very large reserve funds.

7. I was not asking about the dividends paid, but the profits generally?—I think they have been very small as far as the profits are concerned—I mean, the paid profits. Do you mean the amounts placed to Reserve Fund?

8. Yes?—Then, I think there have been very large profits made in that respect, if you add the dividends and the amounts carried to reserve together.

9. Can you give us any idea of the percentage they would be upon the capital?—No, I could not give you any idea.

10. Do you think they would be 3 per cent.?—I should think the profits would be larger than that, if you add the premiums paid to the reserve. The difficulty, I take it, is this: it is not a question of the percentage of profit on the Reserve Fund, but on the amount actually paid in by the shareholders in the first instance. The total amount paid in by the shareholders may be only, say, half a million, but the capital may be a huge one.

11. What I want to get at is the value of the assertion that fire-insurance companies have not been successful on the whole in New Zealand—*i.e.*, that for one company that has succeeded in making profits two or three have failed?—I do not think the proportion is quite so large as that. I believe that there have been failures, but taking the whole of the fire-insurance companies who have carried on business in New Zealand I do not think two out of three have failed.

12. Then, have you formed any idea as to the saving there would be to the insurer if it was a colonial risk instead of an ordinary company risk?—It would not be very large. I do not think it would be more than 2 per cent. or 3 per cent.

13. On the amount paid for insurance?—Yes. Of course, as to whether the scheme were a success would depend on the amount of the Reserve Fund, for there are companies in the Old Country which have a Reserve Fund of three or four millions, and although they have serious losses during the year which sweep away the premium income the amount they receive in interest on the reserve is sufficient to enable them to pay a dividend. So that the success of the State insurance scheme would depend on whether the Department was just struggling along, or whether it had a large reserve.

14. Do I understand that the Auckland Trades and Labour Council approve of the Bill in its entirety?—Yes.

Sir W. R. Russell: That is to say, they approve of what we may call the compulsory clauses?

15. *Mr. Napier:* Have you ever been before the Council?—Yes. The Council believe in compulsory provisions in almost anything affecting the welfare of the community.

16. *Sir W. R. Russell:* In this case the Council believe in the compulsory clauses?—Yes.

17. What effect do they imagine the bringing into effect of the compulsory clauses would have on the other companies?—The Council think that it would help to drive the others out of the market; but I personally do not think that would be advisable.

18. But the Trades and Labour Council wish it?—They naturally wish to see the State do all the insurance by means of one office, but I think they do realise that it would be a great risk if not shared by other companies.

19. What do the Council think about the possibilities of an enormous conflagration absorbing the whole of the Reserve Fund and the premiums paid and leaving the colony to make up a large sum?—I myself do not think that their knowledge is sufficient to enable them to realise the position in that respect.

20. Do the Council think that the Government should reinsure, or that they should not?—They were satisfied to leave that to those who would have charge. The persons appointed by the State to take charge would be men of capability and integrity, who would see that proper reinsurances were effected, and not take too great a risk.

21. Do they think it would be possible to reinsure if we had no other companies in New Zealand?—No, they do not think that.

22. I understand from you, then, that the Council have not gone into the details of the Bill, but they have a general idea that the effect of it would be good?—They have not the knowledge to go into it in detail.

23. With reference to fire brigades: it is provided in clause 68 that the Council of any district should pay for the fire brigades. Would that be a charge on those insured, or on the borough funds generally?—The borough funds, I think; the borough paying a certain amount, the companies a certain amount, and the State a certain amount.

24. But the companies would be got rid of altogether?—I take the meaning to be that the Council should still pay its fair share towards the brigade.

25. That would be a general charge upon the rates?—Yes, as far as the Council were concerned.

26. Well, then, in the Bill, I notice, power is given to refuse to insure certain buildings altogether?—There ought to be such power, because if you know a person who wants to insure you can simply tell him that you refuse provided it is not a desirable risk to take. It is a matter of the quality of the tenement and the quality of the tenant.

27. In that case, if you have driven out all the insurance companies, how is a man—unfortunate or scoundrel—to provide against fire risk?—I do not take it that the idea is that every other insurance company will be driven out of the colony. There must be others to take reinsurances.

28. But would not the compulsory clauses practically drive other companies out?—They would in a measure; but I do not think the compulsory clauses would drive them out altogether. There must be a system of reinsurance.

29. If the Bill were passed and the compulsory clauses brought into force in any borough, would not that drive the fire-insurance companies out of that borough?—I do not think it would necessarily.

30. I think that is so. I read the Bill, and I am sure that I am right?—I understood that that part of the Bill had been dropped.

31. It has not been dropped yet. We want to get the merits of the Bill?—I understood that Part II. had been dropped.

32. You think that there ought to be some means left by which persons not insured under the Government scheme would be able to insure somewhere or other if they chose?—Yes, I think so.

33. And your individual opinion is that it would be a pity to drive all the private companies out?—As a matter of business, I think it would be only safe policy to keep them.

34. Therefore you personally would be against the compulsory clauses?—Yes, if the effect would be to drive out all other insurance companies from the colony. That would be a mistake.

35. Then, you would be against the Bill?—Not against the Bill; against that part of it.

36. *Mr. R. McKenzie.*] Are you a member of the Auckland Trades and Labour Council?—No.

37. Do you know whether the Council has considered this Bill at any time since it was introduced?—They have had it before them, because they had a public meeting in connection with the matter.

38. I mean a meeting of the Council?—Yes; they had it before them, and on the strength of that they decided to hold an open-air meeting.

39. Had you any directions from the Council as to the evidence you were to give?—No; no more than this: that they expected me to have taken part in the meeting had I not been coming to Wellington, and therefore, on learning that I was coming, they knew I should be able to speak as to their views.

40. Your instructions were general?—Yes.

41. Have you got any idea of the cost of maintaining the present staffs of the fire-insurance companies in the colony?—No; I do not know what it would take for the whole of them.

42. From your knowledge of the subject, do you think that a considerable saving would be effected in wages if fire insurance were carried on by Government officers employed at the present time, rather than by the staffs at present kept by insurance companies in this country?—We think that a saving would be effected, because the fire-insurance business could be carried on by the Life Insurance Department—the same managers and the same buildings would be available, and very little addition to the staff would be necessary. Many companies now are both life and fire companies, and we thought that the two Departments could be run in the same way by the Government.

43. Can you give the Committee any idea of the saving that would be likely to be effected in the staffing?—No; I do not know how many men there are employed.

44. Have you any idea as to the saving in rent of buildings? Very large buildings are taken up by the companies at present, are they not?—I suppose that the Government Insurance Buildings really pay for themselves by the rents derived from the portions let.

45. You know the insurance companies' offices in Auckland and this city?—Yes.

46. If fire-insurance business was carried on in the Government buildings at present in existence, what saving do you think would be effected?—I could not say. But I think there might be a saving in the salaries. I have always considered the salaries paid to managers of companies—insurance companies—are very much in excess of what would be paid to them if they were in private life.

47. Do you think that that saving would amount to much?—It is hard to say.

48. What would be the salary of an insurance-office manager, say, in Auckland?—£1,500, I think.

49. I mean a fair average salary?—£500 or £600 a year, I suppose. £1,500 is paid to the general manager for the colony of one of the companies.

50. Say a man in charge of an Auckland branch office?—I should say £500 or £600 a year.

51. How many such salaries as that would be paid by one fire-insurance company throughout the colony?—The managers would all be paid that amount in the main centres; but those at smaller places would not be paid nearly so much.

52. Places like Napier, Nelson, or Wanganui?—The salaries paid to the managers there would not reach anything like £500 or £600.

53. Have you any idea of the amount of the premiums paid for fire insurance in New Zealand?—No.

54. Nor of the amounts insured?—No.

55. Do you think that if this measure was placed on the statute-book the Government Department could effect reinsurance, either here or in other countries? Have you considered that phase of the question?—I have. I do not know whether they would effect it outside the colony, but I take it they would with the various companies in the colony.

56. Have you considered the Bill carefully?—I have looked into it. I have read the Bill through, but I have not really studied the matter, because I did not anticipate coming down here to give evidence.

57. So that, although you are giving evidence, it is merely of a general character—you have not gone into the details of the Bill?—No.

58. Will you please read clause 61 of the Bill, subclauses (1) and (2)?—Yes. [Witness reads clause.] This seems to point to the fact that there would be another company, from the words "the company that issued the policy."

59. Does it not mean this: If this Bill became law the policies in existence with other companies would be cancelled, and that the people would be compelled to insure with the Government?—That would be under the compulsory clauses. I take it that, if the compulsory clauses were in, it would mean that, but if the compulsory clauses were withdrawn that would be withdrawn. Of course, we looked at the matter in the light of the compulsory clauses being withdrawn. It was stated in the papers that Sir Joseph Ward had decided to drop the compulsory clauses.

60. Of course, the whole of Part II. is purely of a tentative nature; it would have to be adopted by a poll of the people in a locality before it could be brought into force?—Yes, that is so, I think.

61. Do you not think that, in the event of a poll being carried in Auckland, it would be rather harsh to adopt section 61, subclause (2), compelling the people to insure with the Government whether they liked it or not?—That comes under the compulsory clauses. If the compulsory clauses are passed, I take it that will mean driving all the companies out of New Zealand. But I do not think that would be politic.

62. The effect of it would be to drive them all out?—If there was no reinsurance, I do not think any company would care to remain in New Zealand.

63. If clause 61 became law, would not the other companies lose all their business after twelve months?—As I say, that would be the effect.

64. Do you think that desirable?—I do not.

65. *Mr. G. W. Russell.*] Do the Auckland Trades and Labour Council wish fire insurance to be a monopoly of the State?—I do not see how it could be a monopoly, unless there was only one company for the whole of the colony, which, I think, would be a serious risk to take. The Council think that a Government Fire Insurance Department would do the greater amount of the business.

66. I understand that the Auckland Trades and Labour Council wish a rival company to be set up under State patronage and State management?—No; I do not think they desire that.

67. They either want a monopoly of fire insurance by the State or they want another fire-insurance institution added to those already in existence. Which is it?—I believe the idea is that it would gradually lead to a monopoly as the Government institution got stronger and was able to take insurance without requiring to reinsure. I do not think the Council think it right to drive the other companies out at the start.

68. You are not able to define the position of the Auckland Trades Council as to whether they desire a Government monopoly in fire insurance, or whether they wish a rival institution to those in existence set up?—Naturally, it would be a rival company if set up to compete with the others.

69. You said in the course of your evidence that the Auckland Trades Council think the Bill, if passed, would help to drive the other companies out of the market, but that you, yourself, do not think that desirable. That is why I asked you the question which I put to you just now. I want to know in what capacity you appear here—as the representative of the Trades Council, or are you expressing your own views?—The Council's view is that if the Government undertook fire-insurance business there would not be the constant rise and fall in the rates of premium that there is now; the Government would keep them more stationary.

70. Well, now, you said that the Government Fire Insurance Department should be under the same managers as the Life Insurance Office?—That is, where they have knowledge with regard to fire business. The idea is that you would not want two sets of managers and officers to run the two Departments.

71. I suppose you understand that fire insurance is regarded as a highly expert profession?—I look upon it as a gamble. That is the experience of the highest authorities.

72. Even in gambling, I suppose there is something in understanding how to gamble to make a profit?—The best gambler comes out on top in fire insurance.

73. The point I want to come to is this: according to every law of supply and demand, if the gentlemen who were referred to are being paid salaries of £1,500 a year to manage a business, is not the presumption this, that they are worth the money as experts in their business?—I have strong ideas about that. I do not consider there is that difference between a manager getting such a salary and a clerk getting, say, £150.

74. Would you be prepared to hand over to the Manager of the Government Life Insurance Department in Auckland the question of the insurance of the whole of that huge city and its suburbs, so that he alone may be the manager for that part of the colony?—I know Mr. Speight well, but I do not know what his knowledge of fire insurance is. I do not think I should be called upon to answer the question as to whether he should have the control of the Fire and Life Insurance Department or not.

75. You said that life insurance conducted by the Government had been a success and there was no reason why a Fire Insurance Department should not be a success also under the same managers?—I did not mean the same men, but under one management—not dual management—and with the same staff of officials.

76. You stated also—and this is a very important statement—that at Auckland the underwriters were constantly altering the rates, and that if losses occurred the premiums were raised—presumably in the following year—to cover these losses. Are you prepared to justify that assertion with any figures?—No, I have not got any figures; but there have been meetings held about the increased rates in the Auckland district. Auckland has been singled out because there have been more fires there than in other parts of the colony, and the premiums are higher on that account. The people are in the hands of the fire underwriters, and they have no redress; whatever the rate is you have to pay it.

77. Are you prepared to stand by your assertion—noted in your evidence—that at Auckland the underwriters are constantly altering the rates, and that if a loss occurs the premiums are raised to cover it?—That has been done in the past.

78. I would like to ask your authority for stating that during last year £24,000 was paid in fire-insurance premiums on properties mortgaged under the Advances to Settlers Act, and that only £16,000 was paid on losses in the same period?—My authority would not be accepted here. I saw the statement in the newspapers that a return showing the figures which I have quoted was laid on the table of the House.

79. *Mr. G. J. Smith.*] I understood you to say that the Government life-insurance business had been a success, and, therefore, Government fire insurance would be a success?—I think it is possible for fire insurance to be made a success in the same way as life insurance has been.

80. Do you know that life insurance is now reduced to almost an exact science?—Yes; I am aware of that.

81. And do you know that fire insurance is just the reverse?—I know that fire insurance is more of a gamble than life, because it is more uncertain.

82. If it is a gamble for private companies would it not be equally a gamble for the Government?—I suppose so. That is the category in which the greatest fire experts place it; they cannot make anything else out of it. As you say, Mr. Smith, you cannot determine fire insurance as you can life insurance.

83. You spoke about the premium income just now, and the profits made in New Zealand: I suppose you know that every company has what is termed a premium income and an investment income?—Yes.

84. You also spoke of reserve funds amounting to three or four millions in some cases?—Not in New Zealand.

85. I suppose you know how these reserves have been accumulated?—Yes.

86. Do you know whether they have come from the premium income?—I take it that they have mostly, because we go by the amount paid by the shareholders in the first instance.

87. Do you not think it possible that the profits from the premium income may have been assisted, we will say, by profits on investments?—Of course; but where do the accumulated funds come from if they do not come out of the pockets of the shareholders?

88. Take, for instance, the Australian Mutual Provident Association: they made investments in Melbourne and Sydney in the early days for a few pounds, from which they are now getting very handsome returns: would you say that these were from their premium income or from their investments?—I take it that it comes to the same thing; the money comes from the premiums in the first place.

89. Under the proposal of the Bill the profits are to be distributed among those who insure?—Not the whole of the profits I take it, only a certain amount.

90. After a small Reserve Fund has been created. But the source of income of the older and wealthier companies would not be available for this scheme, would it?—No; I do not say that it would.

91. On that score there would not be the enormous profits that you anticipate?—The point is that if fire insurance were in the hands of the State—if the State were at the back of it—it would not be a good thing to create a large Reserve Fund, but rather to hand back some of the profits to those who paid the premiums.

92. Have you any figures to prove what the profits from the premium income in New Zealand for the last few years have been?—No, I have not.

93. Do you not think that is a question that ought to be looked into very carefully?—Certainly.

94. As the Auckland Trades Council are supposed to have approved of this Bill, do you not think they ought to have had some figures to justify their approval?—I think so: that the matter ought to be gone into very carefully.

95. They have not supplied you with such figures?—The figures are very hard to get, because I am not satisfied that what we see in the newspapers are the actual facts in connection with insurance.

96. This Bill deals with the question of the insurance of buildings. Have you considered the question of the insurance of machinery, stocks, furnishings, and so on?—I think it would cover everything, the same as in ordinary insurance. The different items should be kept separate, I take it.

97. Have you found provision made for them in the Bill?—No. But I take it that furnishings, machinery, &c., would be insured in the same way as a piano or anything else separately.

98. *Mr. Barclay.*] Do you know whether there is a combine as to tariff amongst all the insurance companies? You have to pay the same rate to one as to another?—Yes.

99. There is an agreement amongst them?—Yes.

100. And everybody must pay a certain tariff?—Yes.

101. So that practically, as far as competition is concerned, am I correct in saying that competition has no effect on the rates?—There is no competition.

102. We may take it for granted, I suppose, that the Auckland Trades and Labour Council have not gone into all the figures and details, but have just considered the general principle of State fire insurance?—That is so.

103. You, as the representative of the Council, approve of the State taking up this matter, on the ground that, with the State to deal with, the insurers—the workers—would feel safe?—They think that they would get fairer treatment than they receive at the present time. There would not be the constant changes in the tariff.

104. They think that they would feel safer in the hands of the State than they do now in the hands of private companies, who are all merged in one ring, with the power of charging whatever rates they choose?—That is the position.

105. You do not pretend to go into figures?—No, I do not.

106. *Mr. Napier.*] Is it not a fact that the insurance combine has discriminated as against the Auckland Province?—I think so, from what I can see.

107. The companies in the combine have increased their charges there to a higher rate than that prevailing in the South?—Yes, because, they say, they have had more losses in the North Island.

108. The increase is a comparatively recent one, going beyond the scale which had been adopted by the united companies?—Yes, comparatively recent. There have been meetings in connection with the question in Auckland.

109. Immediately on that discriminating increase—if I may so term it—being agreed to by the Auckland agencies, did not the Chamber of Commerce protest?—It did.

110. Against that increase?—I am a member of the Auckland Chamber of Commerce, and we had a meeting about it.

111. And, I believe, a deputation from the Chamber of Commerce waited upon the insurance companies?—They did.

112. And protested against what they considered an injustice?—Yes. The reply was to the effect that the losses had been so serious in the North Island that there must be an increase in the premiums in that part.

113. Are you aware whether any of the commercial classes—even large merchants—in Auckland are in favour of the permissive portion of this Bill?—Yes, some of them are.

114. The voluntary portion, Part II.?—Yes.

115. Were you present at the meeting of the Trades and Labour Council at which this Bill was considered?—No, I was not.

116. Is it not a fact that the Trades and Labour Council only approve of the institution of a State Fire Insurance Department on similar lines to the State Life Insurance Department?—Evidently that was the idea in their minds. They did not go into details.

117. You said that the Auckland Trades Council were in favour of everything being compulsory—in the hands of the State: you surely do not mean that?—I mean all the utilities.

118. Everything that is useful and beautiful?—I mean everything that is for the benefit of the masses, or the whole community, as against the individual.

119. I am speaking of things that are useful and beautiful, too: but you did not mean to make that general statement as voicing the opinion of the Trades and Labour Council of Auckland, because I have heard contrary opinions expressed at meetings of that body?—What I wished to imply was this: everything for the benefit of the community at large, if it could not be carried out in any other way, should be done compulsorily. For instance, the Council, I know, would be strongly in favour of municipalising all the utilities.

120. Is it not a fact that the Auckland Trades Council, in so far as their opinion has been elicited at all, are against Part II. of the Bill, which has been characterized by some of them as “Russian”?—Yes, that is so.

121. The Trades Council represents, I think, a considerable number of unions?—Thirty-five, I think.

122. Composed of thrifty working-men?—Yes, and of all trades.

123. Do they consider that it would be desirable to have no opportunity of insuring their furniture or their effects?—The idea is that they should be insured, as well as houses. There should be provision made for insuring them.

124. Under the Government system?—Yes. I take it that they think there would be the same provision as at present for insuring separate items.

125. Voicing the opinions of that body, do I understand you to say that all they want is a State institution to which they can go, and which will charge fair premiums, but that they shall not be compelled to pay through the rates for everybody's insurance?—That is so.

126. *The Chairman.*] Have you been present on any occasion at a meeting of the Auckland Trades Council when the provisions of a Government Fire Insurance Bill have been discussed?—No; they have had only the one meeting about it.

127. But other Bills have been introduced in former years?—I am speaking of this one.

128. With regard to what you said as to its general adoption and its becoming a monopoly throughout the country, would this be a fair expression of your views: That the Auckland Trades and Labour Council would welcome a Government institution as a rival in the first place, but that, as they anticipate its being successful, they would view it as a monopolist with complacency?—I think that is the idea, sir. They do not take it that the Government institution would drive out all the other companies at once. It would not be politic to do so. But, if the Government institution should become strong enough to be able to bear the losses, it should become the national insurance office.

129. You are aware that the compulsory provisions in the Bill could only be adopted by any district after a vote of the ratepayers had been taken?—That is so.

130. Would not that amount to a popular decision to dispense with private companies in that locality?—I do not know whether that would be the idea any more than that a Government office should be established in that locality irrespective of whether it drove the others out or not. I do not know that that is the idea in the minds of the Council.

131. You think that the taking of the poll—provided it was in favour of the provisions being brought into operation—would not indicate a desire on a part of a majority to dispense with other companies, but rather a desire to welcome the advent of a fresh one?—It would be like a rival company being established which would treat the people fairly and squarely—not as at present.

132. In fact, your evidence goes to show that in Auckland especially there is a great deal of chafing on account of the treatment the people are subjected to by the insurance companies?—Yes, on the part of the whole community, and the Trades and Labour Council particularly.

133. *Hon. Sir J. G. Ward.*] I was not here when you were giving the first part of your evidence, and consequently did not hear what you said; but since I came, I understood you to say that the Auckland Trades Council object to Part II. of the Bill?—Yes, I think most of them object to that.

134. *Mr. R. McKenzie.*] Do you know that for certain?—Of course, the Council have not power to decide for the whole of the members of the labour unions in that respect. As I said before, we saw a statement in the papers to the effect that Part II. had been dropped, and took it for granted that such was the case. I know that the general idea in Auckland is that the compulsory clauses of the Bill have been dropped.

THURSDAY, 14TH AUGUST, 1902.

J. H. RICHARDSON, Government Insurance Commissioner, examined. (No. 2.)

1. *Mr. G. J. Smith.*] Have you gone into the question of the likelihood of this scheme proving a paying one or otherwise?—I have not gone into the matter, because it is hardly in my Department. My functions are confined to life and accident insurance.

2. You have not gone into the question at all; you have simply looked through and revised the Bill?—I have made suggestions in relation to the Bill, mainly in connection with the forms of account, and that sort of thing. I have, however, considered some of the main principles of the Bill, and if you desire to ask me any questions I shall answer them to the best of my ability.

3. Have you had any experience of fire insurance?—Nothing to speak of. My experience has been almost entirely confined to life insurance.

4. From your experience in connection with the Government Life Insurance Department, do you consider there is a good opening for a payable fire-insurance business on the part of the Government?—Any legislation of this kind must be purely experimental. I could not say definitely whether such a scheme would pay or not. It seems to me that it would depend a good deal upon the lines upon which the business was conducted. One can only form an idea as to how the scheme would succeed by what has taken place in other countries. So far as I can ascertain, the only country in which a scheme of this kind is in active work is Switzerland—that is to say, a scheme on an extensive basis. There the cantons insure buildings and contents. I believe, though I have not read up the matter lately, that in most of the cantons the insurance of the buildings is compulsory under the scheme. The authorities, owing to the friction with the insurance companies, found the scheme was not workable except on a compulsory basis; and in some of the cantons friction with the companies was so acute that the authorities were obliged to make the insurance of the contents of buildings compulsory also. So that, judging by the experience in Switzerland, it seems to me that the part of the Bill which makes the insurance of the buildings compulsory is necessary. I do not see how a scheme like this will be workable unless there is some such solid basis.

5. You think that the compulsory part of the Bill is a necessary one?—I think that is the backbone of the scheme.

6. Then, if the compulsory part goes by the board, the whole scheme will too?—I would not like to say that. A great deal would then depend upon the manner in which it was determined the business was to be conducted—that is to say, upon the view the Government took of the matter. A great deal, to my mind, would depend upon whether some compromise were arrived at at some stage with the other companies. I would not be prepared to say that if a compromise were arrived at some workable scheme might not be evolved; but if the State Department were continually fighting the other companies you can imagine what a state of chaos there would be so long as the struggle continued. That is my feeling about the matter. If the State Department were established on a voluntary basis, it seems to me that at some stage or other there must be a compromise; otherwise if the State Department and the companies were “cutting” one another’s throats indefinitely they would all come to grief, so far, of course, as the business in the colony was concerned. Of course, the persons insured would benefit in the meantime, but where would the State Department get to? My feeling in the matter is that there must be some bed-rock of payable rates which every one must reach sooner or later; every one would have to conform to that. Otherwise there would simply be chaos, so far as I can see.

7. You have not a compulsory side to your Life Insurance Department?—No; but the bases of the two systems are entirely different. In life insurance there is a dominant factor—age—on which everything primarily depends. The premiums depend upon the age of the lives insured, and all life-insurance businesses are conducted on the basis of a mortality table. For instance, the experience of the British life-insurance companies has been collected and tabulated by the British Institute of Actuaries and a definite mortality table has been the result, and from that the premiums are deduced. All life companies have to depend on such a mortality table as a basis. Some companies put more loading on the premiums for expenses than others, and some adopt a different rate of interest from others in calculating the premiums. I should have mentioned that in life insurance the premiums depend first of all on the mortality table adopted, then on the rate of interest assumed as being likely to be realised on the funds during the currency of the contracts, and finally on the amount of the loading added to the pure premiums to cover expenses and contingencies. In such circumstances there is something definite to act upon. There is a mortality table which all the companies adopt. If they did not conform to some scheme of that kind disaster would be inevitable. That is perfectly clear. If a life company were to conduct its business on a basis that did not depend upon a sound mortality table it would sooner or later come to grief. The first actuarial valuation, if properly conducted, would show a deficit. Then, again, the contract of life insurance is for the whole of a man’s life, or for a definite portion of it. It is not a contract for a year, as in fire insurance. Therefore there is all the more necessity that the premium should be calculated on a stable basis. In fire insurance the contract is a yearly one; it is renewable annually at the option of either party, whereas in life insurance the contract is renewable at the option of the insured only, the insuring company having to carry it on to the end of its term if the insured so wishes. There is, therefore, a great difference. Unless, therefore, some compromise is arrived at at some stage with the other companies, you can imagine that “cutting” of the rates would be taking place that would be ruinous to everybody. There must be some stage below which matters cannot go.

8. So far as life insurance is concerned, you have got it down to almost an exact science?—Yes.

9. And so far as fire insurance is concerned, it is practically an unknown quantity?—It is more or less hypothetical, mainly because there are so many different points to consider. *Inter alia*, there are the different classes of trades, the construction of buildings and their contiguity to

other buildings, the prosperity or otherwise of districts, as well as the possibility of conflagration. There is also the question of moral hazard, which, of course, does not come into play in life insurance at all, or, at all events, to an immaterial extent.

10. Not to any large extent, at any rate?—Of course, you may have it represented that a man is dead while he is still alive somewhere; but that does not often occur, and when it does there is not much difficulty in clearing the matter up. In fire insurance, as in marine, a man does not need to lose his life to get the insurance money, so to speak. In life insurance it is extremely unlikely that a man would commit suicide for some one else's benefit.

11. Well, now, the Bill provides for the compulsory insurance of buildings?—Yes.

12. But I do not see any provision in it for the insurance of stock, furniture, plant or machinery: would you suggest that the insurance of those things be brought within the scope of the Bill?—I think that in the first stage, if Parliament does adopt the compulsory scheme, such compulsory scheme had better not extend beyond the insurance of buildings. It seems to me that the compulsory part of the scheme should be experimental at first in relation to buildings only.

13. But if you did not make provision for the insurance of plant, stock, &c., do you think that the other companies would stay in New Zealand and take those risks, while all the buildings were compulsorily insured under the Government scheme?—I do not think all the companies would leave. I cannot conceive that. Of course, if there was—as there would be—a considerable amount of business to be done in connection with the insurance of contents there would, apart from new companies which would probably be established, surely be some companies left to undertake the business. Besides, the Bill does provide for the voluntary insurance of the contents of buildings as well as movables, &c.

14. If you made the insurance of the buildings compulsory, would you propose that the Government Department should carry the whole risk, or that they should reinsure?—There is no doubt that the question of reinsurance is a very important one. It seems to me that in a large town such as Wellington it would be very imprudent for the Government Department to undertake the insurance of the whole of the buildings under a compulsory scheme unless there was some provision made for reinsurance. I think in such circumstances the State Department would have too many eggs in one basket. That seems to me to be a weak feature in any municipal scheme. Such a scheme might come to grief at any time on that account. I do not think that even a city so large as Wellington could carry the risk of a scheme of that kind without some method of reinsurance.

15. I should think that Wellington would be one of the worst cities to try it in?—I think so too.

16. Do you not think that an optional system of a Government office, created and run on a simple competitive basis, would pay?—It seems to me that, under such a scheme, the "cutting" of rates would be inevitable at the commencement; and that consequently at some stage there must be a compromise; otherwise if the State office and the other companies were cutting one another's throats I do not see how the business could be conducted without serious loss to every one.

17. Do you not think that they could arrive at some definite basis on which fire insurance would be payable? The Government office would have this advantage: it would have the State security behind it, in the same way as the Life Insurance Department; that being so, it would simply be a matter of competition between the outside offices and the Government office for the business of the colony?—I do not think that the value of the State being at the back of the office would be so great in fire insurance as in life. A life contract extends over the whole of life or over a definite term, and the person insuring knows that the State will see that the policy contract is met at due date, no matter how the life branch may be conducted. In fire insurance the contract is simply a yearly one, and, as long as the insurer gets over the year, he does not look much further ahead.

18. You have not gone into the question of the premiums charged by the fire-insurance companies, or the profits made, with a view to giving evidence before this Committee about them?—No. I do not think that such information is available unless the fire-insurance companies are willing to supply it. They do not deposit returns with the Treasury, as the life-insurance companies do. It often seems to me that it would be advisable if such a course were prescribed by law, so far as the New Zealand business is concerned.

19. You personally think that the success of a State fire-insurance scheme would really depend on the compulsory clauses of the Bill?—I think so, unless, in the other case, some compromise were arrived at as would, I think, be absolutely necessary at some stage.

20. If it was indiscriminate "cutting" no one would be benefited in the long-run?—The companies, as well as the State, would lose heavily, and at some stage there would have to be some sort of compromise. The public would, in such circumstances, no doubt, say that the State office had entered into a combine; and, although the Manager might be doing the right thing, unthinking people, who knew nothing about the difficulties of the position, would possibly imagine all sorts of things.

21. *Mr. Atkinson.*] You think, Mr. Richardson, that if the compulsory part of the Bill is dropped—I mean Part II.—the whole Bill may as well be dropped?—I think so, unless some compromise were arrived at.

22. Why should not the State office be carried on on a business footing in competition with private enterprise, in the same way as the Life Department is conducted?—Mainly because there is no dominant factor in fire insurance, as there is in life insurance—in respect to age—on which the premiums can be rigidly based.

23. Each is a business which must be carried on on recognised principles. You do not state that fire insurance is a mere gamble—you do not say that there are no rules which govern it?—I do not think fire insurance is on the same basis as life insurance.

24. Nobody said that it was ; but I want to put it to you whether an expert in each line of business does not proceed according to definite principles, and whether there is any reason why these principles should not be followed by a State Department in competition with other offices in one line of business as in another?—I do not think that in fire insurance the experts do go on mathematical lines to anything like the extent they do in life insurance. I feel satisfied they do not, because they have to take into account all sorts of things—moral hazard, blocks, constructions, occupations, districts, and so on. All that fire underwriters endeavour to do is to bring out satisfactory results on the average of their business as a whole. So long as the result comes out satisfactorily, that is all the experts care about.

25. I will put it in this way : Is the business of fire insurance all guesswork, or is it not?—I would not like to say that it is entirely guesswork, but it is much more empirical than life insurance.

26. I can understand anybody saying that if fire insurance is so hazardous the State should not touch it at all : you do not say that?—No, I do not say that.

27. I cannot understand the position of a man who says it is so hazardous that the State cannot carry it on in competition with private enterprise ; but, notwithstanding that, can carry it on as a monopoly. How does fire insurance become safer by being a monopoly?—Because where there is a monopoly there is no “cutting” of rates. Mr. Smith asked me about the compulsory insurance of buildings, and I told him that if that were eliminated from the Bill it would be a very serious thing. Then I was asked about reinsuring buildings, and I said that a re-insurance scheme would be necessary, because it would not be prudent for the State office to carry the whole of the risk under a compulsory scheme.

28. That is so. You say that fire insurance is a hazardous business, and therefore on a different footing from life insurance, from which you infer that the State should run this hazardous business as a monopoly, but should not run it in competition with a private company. That seems to me to be a *non sequitur*, and I want you to make the point more clear?—I said that if the State conducted fire insurance on a voluntary basis there must be some compromise arrived at with the competing companies at some stage or other. The fact of the State competing in that way might, however, have the ultimate effect of reducing the premiums to the lowest payable limit—that is, of course, if the companies chose to charge the same rates ; but if, as has often happened amongst themselves, they adopted a “cutting” policy and went below these rates, where would the State office come in? It could not charge higher rates than those charged by the other companies, or it would not get much business.

29. I understand that the Bill is brought forward not because the State wants to increase its business, but because insurers want lower premiums. That result should be achieved now, on your hypothesis, without the State undertaking a penny risk?—The State must have the necessary machinery, whether it does much business or not. There must be managers, there would be salaries to pay, rent for premises, and other inevitable expenditure. Besides, unless the State Department obtained a fair amount of business, there would be such violent fluctuations in the loss rate. The mere fact of having an office open for any one to come into would not make the business pay. There must be a certain amount of business to obtain the necessary average. The more business is done the more likely is the loss rate to be stable, and the business to be satisfactory, provided the premiums are sufficient.

30. You see a danger if the State undertakes fire insurance in competition with private companies which may be charging rates that are too low?—I do. If the private companies agreed amongst themselves they might “cut” rates below payable limits for a time. Apart from that, one or two companies might do the “cutting” rather than lose the business, and that would involve the others.

31. I understand that is what the promoters of the Bill would like—*i.e.*, to get the private companies’ rates down as low as possible ; then they would be able to say that the State could do business so much cheaper than the companies?—The State Department would be in this position with respect to the other companies : Take a large block in Wellington. You can conceive that in some of the larger blocks the insurable interests in buildings and their contents might run into £200,000 or £300,000. No insurance company—*solus*—would hold the whole of that block, or even hold any of the larger lines in it. One of the people in the block might go to the State office and say, “What will you take?” The Manager would look up his books, ascertain what he had on the block, and would reply, “I will take £4,000, or £5,000, or £10,000,” or whatever his limit of risk might be in that block. If the man said, “I have sixty or seventy thousand pounds’ worth of stock which I want to insure for £50,000,” the State office could not possibly undertake all that unless it had some scheme of reinsurance. If the State merely held £5,000 on such a line the State policy would require to be “allowed” by the other companies, which would indorse their policies accordingly if they were agreeable to share the risk with the State Department. Therefore, at some stage or other, if the State office worked in a voluntary way there must be a compromise with the other companies on that point alone.

32. The only compromise you seem to favour is that of the State office swallowing all the others. That is one sort of compromise. I see no objection to the compromise in the ordinary sense on business lines, but you seem to think there would be an objection to that, because there would be suspicions against the promoters?—I think that people would at once say the State Department had entered into a combine. Although the State might be carrying on its business on perfectly prudent lines, and on lines really in the interests of the insured, if they only knew it, I think that people would say that. If the State office were on a voluntary basis it might, of course, in a great measure regulate the rates, but it would have to work, as far as possible, in harmony with the other companies.

33. You think that the charge of a State Department being in a combine would be of itself so serious that it would be fatal?—Well, it is impossible to say what construction would be placed on it.

34. The general inference from your view would be that the State competing in any line of business, as business, would be very undesirable?—I would not say that. I said that if the State office were conducted on a voluntary basis at some stage or other it and the companies would have to cease fighting, otherwise they would all come to grief so far as their New Zealand business was concerned.

35. How do you suppose reinsurance would be arranged when all the other companies were driven out?—It would have to be done at Home, or on the Continent, or in America.

36. Have you considered that aspect of the question?—No.

37. We had an idea at our last meeting that you had planned the Bill, Mr. Richardson?—No, that is not so. I simply made suggestions in connection with the accounts, and in some other directions.

38. You think that the companies would stay here merely to do the furniture-insurance business?—Some of them might go, but I think a number would stay.

39. Do you not think that the whole of them would clear out the moment the compulsory part of the Bill came into operation?—I doubt that. I do not think that companies look at these matters from the point of view of sentiment.

40. You do not think that companies would be cleared out?—I do not think so.

41. It would be a matter of business, not of sentiment?—From a business point of view, if they could insure the contents of buildings, some companies would, I think, remain here to do such insurances, or new companies would be started.

42. *Mr. Barclay.*] With regard to the Swiss cantons that you mentioned, a system of State fire insurance is in force in several of the Swiss cantons?—Yes, in a considerable number.

43. I think it is generally admitted that the scheme has worked successfully—that is, it gives satisfaction to the insurers and the Government—I mean compulsory insurance?—The information that I have was supplied confidentially from Switzerland by an official of one of the cantons.

44. You have the information direct from the officials in Switzerland?—It came to me indirectly some three or four years ago. I gathered from what this official said that the system was a success, but he mentioned the trouble that had arisen with the companies, and that ultimately his particular canton had been compelled to deal with movables and contents on a compulsory basis, just the same as they dealt with the buildings.

45. Have you seen Mr. Vincent's book in which he deals with the subject?—No, I cannot say I have.

46. Do you know that the rate in Switzerland goes down to 1s. 7d. per £100?—I have not looked the matter up lately, but I believe that in some of the papers which I have rates are quoted. I could not, however, say, speaking from memory. Of course, Switzerland is not like New Zealand.

47. In what respect, as far as fire insurance is concerned, is it different?—They have not such large wooden towns.

48. Surely Geneva, Berne, and Zurich are large towns?—I do not think they have the large wooden buildings that we have. I should not imagine so, though I have not been there. I should think they would not be so liable to a catastrophe as Wellington might be at any time, although, of course, there have been large fires in Switzerland.

49. Can you tell us what is the largest loss by fire that has ever occurred in New Zealand by any one conflagration?—I could not say. That would be a matter to get from the fire underwriters.

50. You could not tell us, for instance, whether in any fire in the colony more than £30,000 was lost?—I could not tell you, but that amount must have been exceeded. Of course, in fixing fire premiums it must be borne in mind that you must take the average over a series of years, and provide for catastrophes or excessive losses at some stage or other. They will occur. We have had several narrow escapes in Wellington from very serious fires.

51. You can say this, at all events, I should think: that in consequence of the operation of the Municipal Corporations Acts in the various centres, and from natural causes as well, wooden buildings are disappearing and brick and stone buildings are taking their places: is not that so?—Yes, I should imagine so.

52. Take, for instance, a large warehouse like Sargood's, in Dunedin: do you know that that is supposed to be an absolutely fireproof building?—I dare say that I have seen the building in Dunedin, but I do not remember it.

53. I suppose there are such things now as fireproof buildings, or what are supposed to be?—They are supposed to be fireproof; but occasionally there still happen great fires, such as those of Chicago and Boston, where the fires seem to have gone through bricks and everything, and got entirely beyond control.

54. In cases like Sargood's warehouse, with what you call a fireproof building and every precaution taken, such as huge tanks on the top of the building, &c., the danger of large fires in places where most risk lies—*i.e.*, in the wholesale warehouses—would be largely minimised, would it not?—I should think it would in the building you have mentioned. But, still, if buildings become larger and larger as the colony progresses, there may be such a heat inside them that it might communicate with adjoining buildings when a fire did occur. The tendency here is to put up higher buildings. I suppose that ultimately Wellington will be very much the same as American cities—composed of very tall buildings.

55. I assume it is no use asking you, because I suppose you have not gone into the question, how many buildings there are in the colony?—No.

56. Or what is the total of the insurance premiums?—It has not interested me sufficiently to go into that matter. It is not in my line. I simply deal with life insurance; besides, I question very much whether the figures are published or are available. The best way to find out would be to call such a man as Mr. Lyon, the secretary to the Underwriters' Association in Wellington.

57. Do you think that he would have particulars of the business done in New Zealand by the foreign offices?—I think he would have the information; at all events, he could put you in the way of getting it if he liked. Mr. Lyon could give you particulars of the local business in this district, and could tell you where to get the information as to business done by the companies elsewhere in the colony if such companies liked to supply it.

58. As far as you know, there are no tables based upon rules formulated after long experience relating to fire insurance?—I should think that the larger companies make some sort of effort to construct loss tables; in fact, I have heard that they do so. I do not know whether much is done in the colony in that direction, but I expect that at Home the companies tabulate their various experiences, keep records on which they enter the individual risks and the corresponding losses that occur, and make up their experience in that way. I think that the larger Home offices do that a good deal now.

59. This is a question that you can tell us about: *i.e.*, as to the facilities which the Government would have for carrying on a fire-insurance business by making some use of the insurance staff which you have now, and also the premises. In your opinion, would the State not be able to carry on a fire-insurance business very economically from the point of view of management expenses, rent of premises, &c.?—All the premises used for life insurance belong to the life policyholders; they do not belong to the Government.

60. The Life Insurance Department is a mutual institution?—Yes; all our premises have been purchased out of our life funds.

61. Is that great building at the corner of Princes Street in Dunedin?—It is part of the Life Department assets.

62. That belongs to the policyholders, and not to the Government?—Yes; it belongs to the policyholders, as do all the Government Life buildings throughout the colony. They are nominally vested in the Crown, but are simply held in trust for the life policyholders.

63. Then, the Government could not use those premises for fire-insurance purposes without making arrangements with the Life Department?—That would be necessary.

64. *Sir W. R. Russell.*] They would have to pay rent?—Yes. In fact, we have not got a room vacant in our offices at Wellington at the present time, and very few, if any, at our branches.

65. *Mr. Barclay.*] You spoke about the Government office being accused of going into a combine if it charged the same rates as the other companies. Under such circumstances as this, might not the office be able to do a business and pay a dividend like other companies, even though it had gone into a combine?—I think so, as long as it was run on strictly business lines.

66. Supposing that the Government office was perfectly satisfied that the rates charged by the combine were really more than were actually necessary, could it not steady the market by saying, "Our rate will be a payable rate of so-much—lower than yours—but still a payable rate"?—I think the Government would have to fix a scale and stick to it, and say, "That is our rate. If other companies like to go below it they can." I do not see any other way of conducting the business. If the State-office rates were found to be too low they would have to be raised. The rates would be more or less experimental in the first instance. Of course, there would be an outcry straight away to reduce the present rates.

67. The Government could make up their minds as to what was a payable rate, fix that rate, and say that the others could please themselves?—Yes; but if the other companies charged exactly the same rates the people would at once say that the Government office was in a combine.

68. You think so?—That is what has happened with the Accident Branch of the Government Insurance Department. We first of all had one table, which I think was about right; then, owing to competition, we were forced to reduce it. The companies went below even those rates; they continued cutting rates, but now they have come back to our rates.

69. But, at all events, the people in the country, if they are wise and have any sense, will know that the State has fixed an honest rate, and that if the other companies like to go below that so much the better for the people: what do you think about that?—You get back immediately to the question of reinsurance. I have in my mind a large block in the city in which are several places of business. It would be utterly impossible for any insurance, corporation, or Government Department to cover the whole of them. The State might or might not be able to cover the whole of one of these business places. A large drapery establishment, we will say, might have a stock worth £100,000, and the proprietor might want an insurance of £80,000 on it. It would be utterly impossible for the State office to take the whole of that risk without reinsurance. Then the question of a compromise with the other companies immediately arises, otherwise they would not reinsure. You are met by that trouble immediately.

70. Perhaps it is hardly fair to ask you the question, seeing that you have not gone into calculations, but can you say what the total amount of risks and premiums are?—I do not see how that information could be available unless supplied by the companies.

71. Supposing all the premiums paid in New Zealand were paid to the Government office, could it not, under those circumstances, afford to take the risks?—I dare say it could, if it accumulated large reserves to meet violent fluctuations, because we can never know when a catastrophe will occur, or there may be excessive losses. If this were not done this scheme would probably come to grief. My own opinion is that the compulsory part of this scheme is the backbone of it. That is my opinion—subject to some scheme of reinsurance for buildings or the accumulation of large reserves.

73. *Mr. Massey.*] In speaking of a compromise, do you mean an arrangement with the other

companies?—Not necessarily so; but there would have to be some sort of unwritten compromise of some kind or other, including an assimilation of the rates. I do not see how you could get away from it.

73. *Sir W. R. Russell.*] If the scheme were compulsory?—No; not then, for the State office would fix the rate for buildings, and there would be no competition at all. That would soon get it on to a sound basis, subject, of course, to reinsurance or the accumulation of special reserve funds to meet catastrophes or excessive losses.

74. *Mr. Massey.*] The other companies would go out of business as far as the buildings were concerned, and the State would do the lot?—Yes.

75. Do you know whether State fire insurance has been successful in any other countries where it has been adopted?—I have heard that it has been successful in Switzerland according to information supplied by people connected with the State offices there.

76. Do you mean that the premiums are lower than would be charged by insurance companies?—I would not like to say that. What happened was this: the canton had a monopoly of the insurance of buildings first of all—the rates, no doubt, being fixed like any other rates of a local body. In the first instance, so far as I can recollect, they had movable premiums—that is, the rates varied from year to year according to the losses. An assessment was struck, and if during the year the losses were greater than the premiums the premiums next year were increased to make the deficit good. It was, however, found in some of the cantons that this arrangement did not work satisfactorily, and it became necessary to build up reserve funds to meet fluctuations. That is the basis ultimately reached, and I understand the system is still on that footing—at all events, in most of the cantons.

77. You mean, when you say that a State fire-insurance scheme has been successful in Switzerland, that the Fire Insurance Department in that country has been able to make ends meet—it has paid?—I have not any very late statistics. The information I have reached me some few years ago, when I understood that the system was a success.

78. The point you are not able to answer is whether the premiums have been lower than those that would have been charged by ordinary companies?—I think it is probable they were lower.

79. You do not know positively?—I am almost certain they were lower.

80. With regard to the proposal before us as to State fire insurance, do you think that in the event of this Bill being placed on the statute-book, and a State Fire Insurance Department being set up, that Department would be able to insure at lower rates than the average rates which have been charged, say, for the last five years by the companies doing business in this colony?—I am not prepared to say, because, as I have said, the fire-insurance companies are not compelled to deposit their returns with the Government. As far as I know, there is no means of ascertaining their incomes or their losses, except from themselves. If the companies had been in the habit of depositing returns of their New Zealand business with the Treasury, it would be a comparatively easy matter to take the whole of the New Zealand premium income of the companies and ascertain the proportion of losses to premiums received.

81. *Mr. Barclay.*] Do the local companies not send in any returns now?—I do not think they do.

82. *Mr. Massey.*] Do you know anything about the rates charged at present?—No.

83. Do you know anything of the mutual insurance associations of Canada?—I have heard a good deal about them, but I am dubious as to whether they have been successful.

84. You are not sure?—No. I could look it up if you wish me to do so.

85. You do not know sufficient about them to be able to answer the question?—Not definitely.

86. Have you any idea how much capital will be required for our State Fire Insurance Department if we go on with the scheme?—I think the amount is stated in the Bill.

87. That is so; clause 24 fixes £250,000?—I should be inclined to think that amount somewhat small for a nominal capital to start with, but there is power to float additional capital should excessive losses occur.

88. Do you think half a million would be sufficient?—I think so.

89. Do you know anything about the capital of the other companies doing business here—one of the New Zealand companies—say, the New Zealand Insurance Company or the South British Company?—I think their paid-up capital would not reach £250,000. I should think, speaking from memory, that with most of them it would run probably from £40,000 to £100,000.

90. But they have reserve funds, have they not?—Yes, as a rule, which they have accumulated out of profits. They have also the reserve of the uncalled capital.

91. What would the uncalled capital amount to in the case of the South British Insurance Company?—I forget for the moment, but I could give the information if desired. I will be pleased to look up any point about which you want information.

92. I dare say we will be able to get the information from the representatives of the companies?—Yes. Any copy of the Melbourne *Banking Record* will give you what you asked for just now.

93. Do you think there would be any difficulty about reinsurance?—I do not know. Of course, a lot would depend on the other companies.

94. As to whether they would work with the proposed Department?—Yes. It might be possible for some scheme to be arranged with some of them providing for insurance.

95. I suppose the position would be this: If the other companies reinsured the business of the State Fire Insurance Department, it would be expected to reinsure theirs?—Clearly.

96. There would have to be reciprocity to a certain extent?—Yes, clearly. That is the trouble with regard to this measure. There must be reciprocity, unless the State cares about taking the risk that no ordinary company would undertake. That is the trouble, to my mind, if the business

is established on a voluntary basis. There must sooner or later be some compromise with the companies. If all were on an even footing as regards rates, the State Department would, subject to the reinsurance question, be able to see whether its rates were too high or not, and if too high they could be reduced.

97. Then, your opinion, Mr. Richardson, simply amounts to this: it would not be possible for the State to go into the business unless we could arrange for reinsurance?—I think that is clear.

98. *Sir W. E. Russell.*] Speaking of the capital of insurance companies, is not the risk in fire-insurance companies always unlimited?—Besides the capital?

99. Yes, besides the capital?—I think it is in some companies, but not all. I could look up the information if you wish it.

100. Have you considered the question whether State fire insurance would tend to increase or diminish incendiarism?—I doubt very much whether State fire insurance would increase it.

101. Or have any effect at all?—I doubt it.

102. Have you any idea what percentage of fires is caused by incendiarism?—I do not know. I would not like to say.

103. Do you think it would be as much as 40 per cent.?—Hardly that percentage, I should think. But there is no doubt that the percentage of fires caused by incendiarism is considerable. Then, again, I think the jerry buildings that are frequently erected in this colony are responsible for a number of the fires. Chimneys are often run up in a most careless way, especially away from the large centres. There is frequently very little mortar in the joints, and the beams often rest in the bricks. No wonder there are fires.

104. Do you think that incendiarism is a more common crime in this country than in Switzerland, for instance?—I do not feel competent to say.

105. Have you any means of knowing whether fire insurance has been a profitable business in New Zealand?—No, I have not.

106. Do the fire-insurance companies separate into various tables the business done in the different countries in which they carry on operations?—I expect they do so at Home. A company in London would be sure to keep in its books its New Zealand business separate from that of other places, if only to know how matters were progressing in New Zealand.

107. It is stated, no doubt with an object, that fire-insurance business in New Zealand is in itself non-paying?—The only way to ascertain that would be by compelling the companies to deposit returns with the Treasury, as the life companies do.

108. You think it is practically impossible to obtain any reliable information as to the profits or losses made by fire-insurance companies on their New Zealand business alone?—I should think so. I do not know of any means of getting it unless from the underwriters' associations or from the companies themselves.

109. Do you know whether there is any company doing business in New Zealand only?—I think there is one in Canterbury—the Canterbury Farmers' Co-operative Association; but it works with the other companies, I understand.

110. If the compulsory clauses of the Bill were brought into operation, that virtually would drive all the other companies out of New Zealand?—I should not like to say that, because I feel satisfied that there would always be some companies to insure the contents of buildings. It seems incredible that they would all go.

111. But would they not be driven out?—I doubt that.

112. Under one clause of the Bill—I forget which at the moment—all policies in existence would lapse at the expiration of twelve months after the coming into force of the Act?—Yes, on the buildings.

113. You do not think there would be a danger of the insurance companies being driven out of New Zealand?—I cannot conceive that. It seems incredible that the whole lot would go.

114. Do you think, if the scheme was compulsory, we should have to run our own risks or be able to reinsure?—That is the difficulty. It would be a matter that the Government would have to inquire about in London, the Continent, or in America, with a view to arranging some scheme of reinsurance.

115. But suppose we could not reinsure?—That might be more or less got over by accumulating large reserves, or the Government might say, "This is a matter for the benefit of the whole of the people of the colony, and we shall run the risk." They might do that, and then the taxpayers as a whole, who would enjoy any advantages accruing, would also run the risk.

116. In the Bill power is given to reject certain buildings altogether?—Yes, that is so.

117. Is not that a dangerous power?—Power must be given to the Manager to discriminate in some way. I think it is necessary for him to have some power of the kind to enable him to discriminate. Of course, he would have to exercise it judiciously.

118. How would buildings owned by, or in the occupation of, "dangerous" occupants get insured?—They might not be insured at all.

119. Would not that be a hardship?—It might, and probably would be. I do not think, however, if they were included on a compulsory basis, that such inclusion would wreck the scheme. They might be thrown in on a compulsory basis. I do not think the inclusion would wreck the scheme provided they were not overinsured.

120. *The Chairman.*] Do you think that the colony is overmanned with fire-insurance associations?—I think there is a good number—about thirty. But in the larger centres the question of reinsurance and bearing one another's burdens comes in, and unless there are a number of companies people may find a difficulty in getting the cover they want if they are in a large way of business.

121. So that a certain number of companies over and above the number required for actual

insurance are almost a necessity?—I think so from that point of view, but it is only in the larger centres that they are wanted. In the country districts it would not matter, because the risks are spread more, and one risk does not, as a rule, affect another should a fire occur unless they are contiguous.

122. Can you tell us whether many associations have vacated this colony as a field of business?—I do not think a great number have. At the present moment I do not recall many.

123. You are aware that it is alleged that the business has been of such a non-paying character that it has been abandoned by many companies?—Yes, I understand so. I cannot recall for the moment many companies that have left New Zealand. If you like I will look up the matter, and see if we have any information about it.

124. Do you know of any alternative method of insurance practised in the colony to that of insuring with capitalistic companies? Have you any knowledge of any mutual associations?—Only the Canterbury Farmers' Association that I can remember.

125. Then, if I understand correctly, your evidence really goes in this direction: that if a State fire-insurance scheme is started the State office must sooner or later make arrangements with other companies doing business, or expel them from the colony?—It must either have a monopoly as respects buildings or come to some compromise.

126. To compete with the companies by reductions of rates would simply mean the cut-throat competition to which the colony was subjected in 1885 and 1886?—Yes, I think that would be inevitable for a time. The State would drop money in such circumstances if the cutting were continued.

127. And the other companies too?—Yes; and then there would have to be a compromise when they sobered down.

128. If the other alternative was taken, and by a strong hand the other companies were pressed out of the field, the risks to the State under the fire-insurance scheme would be increased?—There would always be trouble in the large centres. With the scattered and detached risks in the country the State Department would be all right; there you would soon get an average: all the buildings would be insured under the scheme, and the State would soon ascertain what the true rates were. But in the large centres, where one risk affects another, there would always be the liability to fluctuations, which must either be provided for by reinsurance or the accumulation of large reserve funds.

129. And reinsurance would be difficult when the companies, many of which have their headquarters outside the colony, had been compelled to quit the colony as a field for operations?—Yes, no doubt.

130. That would arouse hostility?—No doubt it would.

131. And reinsurance would have to be effected in Europe?—Yes; in England, the Continent, or in America.

132. You spoke of the power in the Bill by which the Manager could, at his discretion, refuse to insure buildings?—I think that is not a serious matter, because it seems to me that the good, bad, and indifferent might be included in a compulsory scheme. I do not see any objection to that so long as the buildings were not overinsured.

133. But you will admit that the personal equation in the matter of fire insurance is greater than in life insurance?—Clearly. But the personal equation does not come in where everything is on a compulsory basis. In life insurance an average could be got on a compulsory basis by taking the number of people passing our office, supposing we started to count them early in the morning and there was a big enough crowd going by—say, some thousands during the day—it would not matter whether some were consumptives or not. The result would come out all right in the average. And that is how it would be on a compulsory basis as regards buildings. The personal equation occurs more where the system is voluntary; but where the insurances are compulsory the personal equation or, as we call it in insurance, adverse selection is not material, because the good make up for the bad.

134. Then, that points in this direction: the larger the volume of business the more steady effect it has?—Yes, I think so. Usually, in all transactions the greater the number the more stable the average. With a few transactions fluctuations would be very great; you could have very little idea how they would turn out; but if you had, say, a thousand similar transactions you would obtain a good idea of the law governing the loss ratio. It is like tossing a halfpenny. If you tossed it three or four times it might turn up "heads" each time; but if you tossed it a thousand times it would come up "heads" nearly as often as "tails."

135. The gambling element is not entirely absent, then?—The greater the number of transactions the more likely is the law to be followed.

136. Is not that an argument in favour of compulsory insurance, including all property?—I think it is, if you can get over the difficulty of big blocks and the liability to disaster. That is the whole trouble. It seems to me that if there were not the liability to disasters or excessive losses occurring a compulsory basis would be perfect; and, of course, if large reserves were accumulated excessive losses and disasters might be risked.

137. Would not the State be in a more difficult position to accumulate big reserves than the private companies?—I think it would, because the people would expect so much of the State. And there is no doubt that the smaller the premiums are the more expensive is the management—that is to say, a larger proportion is absorbed in expenses. That is the experience of all insurance companies, and, for the matter of that, of business of all kinds.

138. It is the demand for lower premiums which has led to the introduction of the Bill?—No doubt.

139. *Mr. R. McKenzie.*] In reference to the buildings excluded from the Bill, do you know of any reason why they should be excluded?—I do not know whether it matters much. I suppose it is for the purpose of giving the Manager a certain discretion; but it seems to me that it does not matter whether they are excluded or not so long as the scheme is compulsory and they are not overinsured.

140. Do the fire-insurance companies, as a rule, classify their risks as first, second, and third class, and charge accordingly?—They usually classify their risks according to whether the buildings are of brick, stone, or wood, and then very often according to the occupation of the occupant—*i.e.*, whether he is a tradesman, or a hotelkeeper, or anything of that kind. They also take into consideration whether the risks are fully detached, town or country, &c.

141. Could not all risks be classified in the same way in connection with the buildings?—I do not know. If differential rates were charged according to the character of the owner the Manager would have to justify his charging a man a higher premium on moral grounds, a position that might be perfectly sound, but difficult to explain.

142. Could you justify the State excluding any man?—What I said was that it would not matter much whether the point was waived or not in the case of buildings. It seems to me that, so long as the buildings were not overinsured, the provision preventing a man from being insured might be waived, and no building excluded, provided, of course, the scheme were on a compulsory basis.

143. Is it your opinion, then, that it would not be detrimental to the Bill if that clause were struck out?—I do not think it would matter if the clauses were revised accordingly.

144. Do you think there is any reasonable probability of fire insurance being successfully carried on as a State function?—That is a question which is hardly fair to put. It opens the whole question of the policy of the Bill. On that I can express no opinion one way or the other. It is not for me to say.

145. If this measure becomes law, do you anticipate any material reduction of premiums for fire risks?—I could not say. It seems to me that the business must be purely experimental for a time. The real rates can only be ascertained by experience. Unless the information can be ascertained from the companies there is no means of finding out what the real rates should be. Even the experience of one company would hardly be suitable unless it were large. The State would have to fix hypothetical premiums, and if it was found that they were too low it would have to raise them, and *vice versa*.

146. Do you think you could supply the Committee with statistical information as to the amount of salaries paid by the companies carrying on fire-insurance business in the colony at present, and also as to the rents paid by them?—I do not think that such information is published anywhere. The fire-insurance companies' accounts, as a rule, relate to the whole of their business; for instance, the New Zealand Insurance Company does not publish statements of its New Zealand business only, but of the whole of its business. The same is the case with all the other companies, so that there are no means of getting the information unless the companies are willing to supply it.

147. Do you think the Commissioner of Taxes could supply it?—I expect that he would have a lot of confidential information, but do not think he would supply it.

148. *Mr. Barclay.*] You have said, Mr. Richardson, that the stability of an insurance business is to a considerable extent dependent on the size of its field of operations—that is to say, the larger the field the more stable the average?—Yes, that is so; and it applies to other businesses as well.

149. It applies, of course, to life insurance as well as fire?—It does not apply so much to life insurance, because there are practically no fluctuations in that business. In New Zealand we have about the healthiest country in the world, and our mortality is, I believe, the lowest in the world. We have, however, no means of knowing exactly what the true mortality rate is, because the colony is hardly sufficiently long established to eliminate the divergences that are inseparable from a comparatively newly established country, consequently life-insurance companies in the colonies base their rates, both as regards insurances and annuities, on the experience at Home. For example, the Institute of Actuaries in England and the Faculty of Actuaries in Scotland have jointly collected from the whole of the British companies their experience. They ascertained the lives at risk and the deaths, and combined the information into one large table. It is on this table that our premium rates are calculated. For some years the same societies have been collecting the later experience, and have recently issued another table, which shows a higher rate of mortality than that of assured lives in this colony, but exactly how much higher we do not know. We do know, however, that the mortality at Home is, on the average, higher than in New Zealand. We know that New Zealand is better than England in this respect. The inclusion of English risks would therefore tend to neutralise the advantage here. A broader basis would therefore be of no advantage so far as mortality is concerned.

150. *The Chairman.*] The new table shows a decrease, does it not?—I do not think it shows much difference. I am inclined to think that with some ages it will differ, and with some it will not. Probably on the whole it may show a slight decrease. With regard to annuitants, we have no suitable experience of them in this colony. We can only take the English experience—the English Government experience—and that is the table on which our annuity rates are based. We know that with annuities, on the average, people are likely to live too long here from our point of view, so that we are not anxious to unduly push annuity business. The extension of our annuity business to Great Britain might therefore help us, but it would be immaterial. In life-insurance and annuity business the element of bad times does not affect the death-rate, or if it does the increase is immaterial. It is different, of course, in fire insurance, where moral hazard comes in.

151. *Mr. Barclay.*] Supposing that you had the whole of New Zealand to yourself with regard to life insurance, you would not be at all afraid to undertake the business, would you?—No; because one risk does not affect another, as is the case with fire insurance in large centres.

152. Would it be correct to say that if you had the whole of New Zealand to yourself you would probably be able to lower the rates?—I think we should, because we should not then have so many canvassers. We could do without them, but at present we must have them. It is the

same in all insurance businesses—where there is competition the expenses go up. In life insurance competition increases the expenses: it does not mean cutting the rates. If a company reduced its rates it would be ruined.

153. You mentioned that you had some information, not from a book, but from correspondence, or in some other way, with reference to State fire insurance in Switzerland?—Yes.

154. I want to quote a passage from a book which I have here, and ask you whether the information you have received corresponds with the information given here. The book is "Government in Switzerland," by Dr. J. M. Vincent, associate professor in the Johns Hopkins University, in America, and was published in 1900. This is what Dr. Vincent says (page 120): "In eighteen cantons Government takes the place of private insurance companies, receiving premiums and paying losses resulting from fire. This system began in Switzerland in 1808, and nearly all of the States which accept fire risks adopted the idea during the first four decades of this century. In most cases insurance in the State company is obligatory: all buildings above a certain small value, except those involving extraordinary risks, such as chemical-factories, powder-mills, and the like, being subject to enrolment and taxation with the Government premium, to the exclusion of private enterprises of the kind. . . . Participation in this has been quite general, and the results satisfactory both to the Governments and the protected?"—That practically corresponds with the information I have received, but, as you see, the insurance there is on a compulsory basis.

155. *Mr. R. McKenzie.*] Do you think the proposals in the Bill could be carried out without any material increase in the present staff of the Department?—I am not prepared to say that my Department would have the administration of the scheme. You are assuming that.

156. I am asking your opinion?—To my mind, there is no doubt that a separate Department would be needed. The scheme could not be worked by the Life Department.

157. Would that staff require to be large?—Yes, no doubt, it would require to be large.

158. Do you think State fire insurance could be carried on in the existing Government buildings—such buildings as the post-offices?—I could not say. I have no doubt that, if the Government liked, the Postmasters could collect the premiums. There is no reason why they should not at all the small centres.

159. Do you think Part II. of the Bill is essential to the success of the scheme?—Yes, I do.

160. You are aware that it is to some extent optional?—Yes; but the whole Bill could not be brought into operation unless polls were taken in the first instance.

[Exhibit A, Return of Fire and Marine Insurance Companies trading in New Zealand, supplied by Mr. J. H. Richardson.]

TUESDAY, 19TH AUGUST, 1902.

J. KIRKER, General Manager of the South British Fire and Marine Insurance Company, examined. (No. 3.)

1. *The Chairman.*] I assume that you have seen the State Fire Insurance Bill of the Government?—Yes, I have seen it.

2. Will you please give us your opinion of State fire insurance in general, Mr. Kirker, and of the scheme outlined in the Bill: I would prefer that you should follow the usual practice and make a statement in the first place?—I am very much obliged to the Committee for giving my company an opportunity of expressing its views. The Committee in the first instance, I understand, extended an invitation to my local manager in Wellington. I was sorry, however, not to be able to allow him to attend, for the reason that a branch manager is not in possession of some of the facts that must be known only to the general manager. That is why I thought it desirable that he should not attend, and that I should come. I was further desirous, as also were my directors, that every opportunity should be afforded the Committee of getting such information as we might have at our disposal that would likely to be of service to you. You have asked me what is my opinion of State fire insurance in general. Of course, I am rather hesitant to express an opinion, because you may say I am biassed, being an insurance-man; but I think it is fair that I should express my opinion of it in two capacities—first as a private individual, as a taxpayer, as an ordinary citizen; and an also as insurance-man. As a private citizen I would say that State fire insurance is bad in principle. It is, in effect, trading, and in my opinion it is not desirable for any Government to enter into trade relations in opposition to private enterprise. It is wrong in principle, I think, to do so, because you use the credit and the influence of the very people that you compete with in order to further the object of the Government trading. As an insurance-man, speaking quite impartially, I can see—and I speak with definiteness on this point—that State fire insurance is fraught with extreme danger to any Government which undertakes it. Especially is that so in a country like New Zealand. I understand, from statements made by the Acting-Premier and by people who have urged the Government to bring in a State Fire Insurance Bill, that the reason why such people are in favour of State insurance is because of the extremely profitable nature of fire-insurance business in New Zealand, and because, in the opinion of the supporters of the Bill, rates are too high in New Zealand. It seems to me to be a wrong position for the Acting-Premier and the people who support this Bill to take up. Such of the public who are in favour of and desire this Bill are really the purchasers of an article—they are the purchasers of insurance; and it is quite impossible for purchasers to know as well as the seller what is the actual cost-price of the article to be sold. If you buy tea, or sugar, or any article of ordinary commerce you can ascertain with some precision what the article has cost, and what it must be sold for to yield a profit. With insurance that is not so. The most highly gifted expert and experienced underwriter finds it impossible to tell you the exact cost-price of insurance. It varies. Over an experience of one year a remunerative price may be such-and-such a figure. The next year it may be altogether different, owing to the fact that there may have been an

unusually large number of losses during the second year, or, on the other hand, a comparative freedom from loss. Even if you take a period of five, ten, fifteen, or twenty years you will find the same variation. In an experience of, perhaps, twenty years you may have no conflagrations, but in the twenty-first year you may have a conflagration involving the loss of millions of money to the insurance companies, which altogether alters the price. Well, gentlemen, from what I can gather, supporters of State fire insurance have quoted my company as a standing monument of the extremely profitable nature of underwriting. Of course, it is very gratifying to my directors and myself to find our company spoken of in this way, yet we do not like you to labour under a misapprehension. My company is a New Zealand company. Its headquarters are in Auckland. We have been established thirty years. We have nearly four hundred shareholders, nearly the whole of whom reside in New Zealand. Our net revenue last year from premiums amounted to £234,000. This year, I dare say, the sum will be close upon £250,000. Our premium revenue is derived partly from fire business and partly from marine. Four-fifths of our total revenue comes from outside New Zealand. We are doing business throughout Australia, South Africa, India, China, Japan, the Malayan Peninsula, Fiji, and in London. I have just remarked that four-fifths of our business comes from outside New Zealand: one-fifth only comes from New Zealand, and, if you eliminate from that proportion of our revenue from New Zealand our marine business in New Zealand, about one-sixth only of our net revenue is from fire business in New Zealand. During the last twelve years, of all the Australian or New Zealand companies, our company, I am pleased to say, has been the most prosperous in its underwriting operations. Our underwriting profit for the last twelve years has amounted to an average of 8·75 per cent. per annum; that is to say, for every £100 we have taken in premiums we have made a profit of £8 15s. And, mark you, we have been the most successful company in Australia or New Zealand. The New Zealand Insurance Company's average profit for the last twelve years on its underwriting has amounted to 7 per cent. That company, like ourselves, also does business all over the world.

3. *Mr. G. J. Smith.*] The underwriting is based on the premium income, without taking investments into account?—That is so, they have nothing to do with the underwriting. The National Company's operations are limited entirely to Australia and New Zealand. Its average underwriting profit has been 8·83 per cent., which is £8 16s. and some pence per £100. The Standard Insurance Company is also limited entirely in its operations to Australia and New Zealand. Its underwriting profit over the same period has been 8·57 per cent., which is £8 11s. per £100. Well, now, we ourselves have made, from the whole of our premium revenue, fire and marine business, 8·75 per cent. profit on our underwriting for the last twelve years. That does not convey much to you; but I hope it will convey this: that the profit that we make is not very large. A general reduction in rates all round of 10 per cent. would mean a dead loss to us of some thousands of pounds every year. You will be interested now to know of our experience of fire-insurance business in New Zealand. That, I take it, is what you want to get at. I have a little hesitation in giving you this information, because you can understand that companies do not like to tell each other what they are doing, whether they are doing well or badly. But I am going to expose my hand a little freely to you gentlemen, because I am desirous that you should have good information. I have already told you that, of our net revenue of about £240,000, one-sixth comes from our fire-insurance business in New Zealand. During the last twelve years our underwriting profit on the New Zealand fire business has amounted to 4·22 per cent. For every £100 in fire premiums that we have taken in New Zealand during the last twelve years we have made a profit of £4 4s. Now, gentlemen, that, I think, is a complete answer to the charge that the rates which the companies are charging and have been charging in New Zealand are exorbitant and leave too large a margin of profit. Well, you people who are outside insurance business altogether, and who probably do not know much about the business, can form a conclusion as to whether the rates are too high or not in New Zealand from another point of view, but I would ask that the information on this point that I am going to give you be not taken down and printed. [The witness here gave some information which was not taken down in shorthand by the reporter.] Well, now, the statement has been made that during the last few years rates have been "jumped up" on the public in New Zealand. I have a statement here—not prepared for the Committee—which is part of my statistical system since I took charge of the South British Company, in 1890. Here it is: In 1890 the average rate that we got in the Provincial District of Auckland for all risks amounted to 16s. 8d. per cent. For the year just ended the average rate for the provincial district was 13s. 5d.—a reduction in the average rate of 3s. 3d. per cent. In the Provincial District of Wellington in 1890 the average rate was just 20s. per cent. For the year just ended it was 19s.—a reduction of 1s. In Canterbury the average rate in 1890 was 15s. 3d.; for the year just ended it was 12s. 8d.—a reduction of 2s. 7d. In Otago the average rate in 1890 was 9s. 7d.; for the year just ended it was 12s. 1d.—an increase of 2s. 6d. per cent. That is explained in this way: For many years prior to 1890 and up to 1895 there was no tariff at all in Otago and Southland, and I may tell you, gentlemen, that up to 1895 my company made a dead loss on its fire underwriting in the Provincial District of Otago and Southland. The increase of 2s. 6d. per cent. on the whole of our Otago and Southland business under the new tariff in 1895 resulting in turning a loss into a small profit. In the Nelson Provincial District in 1890 the average rate was 24s. 10d.; in 1901 it was 20s. 10d.—a reduction of 4s. per cent. In Hawke's Bay in 1890 the average rate was 23s. 11d.; in 1901 it was 20s. 8d.—a reduction of 3s. 3d. per cent. On the West Coast—Hokitika and round about there—in 1890 the average rate was 37s. 10d.; in 1901, 30s.—a reduction of 7s. 10d. per cent. For Greymouth and up that valley, in 1890 the average rate was 33s.; in 1901 it was 24s. 5d.—a reduction of 8s. 7d. per cent. For the last eleven years the average rate has been less to my company, and the experience of the other companies must necessarily have been the same. What has happened is this: When the tariffs which the companies adopted in 1895—and which are the most scientific

of any tariffs up to that time in existence, probably in any part of the world—came into force the burden of insurance taxation was shifted, and made to fall more equitably on the shoulders of insurers—that is to say, risks under the new tariff were rated more equitably and more in accordance with their own inherent danger than previously; and while the result, as far as the companies were concerned, has been that the average rate is less now than it was eleven or twelve years ago, yet the rates for some sections of the public have been put up, while other sections have been relieved. An objection to the proposed State Fire Insurance Bill is this—and it applies particularly to New Zealand: there is no country outside South America where the moral hazard is so bad as in New Zealand. That is our experience, and that is the experience of all the insurance companies. To illustrate how serious that is, I may mention that in Chili the law of the land is that when a man's place catches fire he is sent to gaol until he can prove to the satisfaction of the Judge that he did not set fire to it. Chili is said to be a second New Zealand.

4. *The Chairman.*] Does that apply whether a place is insured or not?—No. If a man's place is not insured there is an end to it; but where there is insurance the law is that if a fire takes place a man is sent to gaol until he can prove to the Judge that he did not set it on fire. Now, I have said that the moral hazard in New Zealand is very bad, and I am convinced that if we had State fire insurance here the losses would be even more serious than they are, because it is notorious that, while individuals do not think it particularly wrong to "do" the Government, the same kind of people would hesitate a good deal before they would do a wrong to a private individual or a private concern. A State Department could not be worked as cheaply as a public company, and risks would be taken by the Department through political pressure which should not be taken, and losses would be paid under political pressure which ought not to be paid. These features are quite absent in the conduct of public companies. The introduction of a State Fire Insurance Department in New Zealand would probably lead to the withdrawal of most, if not all, of the English companies doing business here. There are twenty-six companies doing business in New Zealand. Out of that number only four are New Zealand companies. The other twenty-two have behind them, including their reserve funds and accumulations of that kind, sixty-nine millions of money, hard cash, as security. In addition to that, most of the English companies are unlimited as regards the liability of the shareholders, which means many more millions of security to insurers, because you must remember that men like Rothschild are largely interested, as shareholders, in some of the English companies. To show that the New Zealand business has been unsatisfactory all through, I have only to draw your attention to the number of companies which have been doing business in New Zealand during the last twenty years, and who have retired from the field. They number in all sixteen. Out of that number four are companies that were floated in New Zealand. The names of the companies are as follows: The Transatlantic Fire Insurance Company; the Mutual Fire and Marine Insurance Company of New Zealand, started in Auckland on the mutual system—it lived for less than two years, selling out to another company; the Hanseatic Fire Insurance Company of Hamburg; the Hamburg and Magdeburg Fire Insurance Company; the Fire Insurance Association (Limited) of London; the Australian Mercantile Union Insurance Company (Limited); the Batavia Sea and Fire Insurance Company. Then, there was the Equitable Insurance Association of New Zealand, fire and marine, whose headquarters were in Dunedin; they did business in Australia and New Zealand—the bulk in New Zealand. They went into liquidation; the shareholders lost their capital of between £50,000 and £60,000, and a sum of about £40,000 in addition. Then, the Mannheimer Insurance Company was another company that withdrew. Also the Fire Insurance Company of Hamburg; the Palatine Insurance Company; the Straits Fire Insurance Company; the Magdeburg Fire Insurance Company. The North German Insurance Company withdrew from the whole of the North Island when the tariffs were introduced in 1895 because of the unprofitable nature of the North Island business. The North German still continues to do business in the South Island, though it has withdrawn from the North. Then, there was the Union Fire and Marine Insurance Company of New Zealand. Not liking the outlook, they sold out to the Alliance Company. And the Colonial Fire and Marine Insurance Company of New Zealand sold out to the Commercial Union Company. That makes sixteen companies which have withdrawn from New Zealand in the last twenty years.

5. *Mr. G. J. Smith.*] Withdrawn, or been bought out?—Twelve have withdrawn; one New Zealand company has gone into liquidation at a cost of about £100,000 to the shareholders; while three other local concerns have sold out—one to the New Zealand Insurance Company, and the other two to English companies. Now, there has been a good deal of agitation in the North Island about the increase of rates there, or the higher rates charged in comparison with those ruling in the South. I have already mentioned about the bad moral hazard in New Zealand. I am not going to name the localities or the provincial districts, but I am going to give you a little information as to one or two places. During the last five years in four country towns and the surrounding districts—and these districts are the most prosperous in the whole of the North Island—our loss-ratio on dwellinghouses amounted to 22s. 16 per cent. We received a net rate from the owners of those dwellinghouses of 13s. 11d. per cent.; while to come out square we ought to have received 31s. 9d., and that is without making any provision whatever for expenses. Those are country districts. There is one provincial district where, during the last five years, our loss-ratio on dwellinghouses throughout the whole of the provincial district has been over 100 per cent. You can draw your own deductions from those figures. Now, gentlemen, there may be something more that I may be able to tell you. Broadly, those are the main facts that I have. If I can give you any more information I shall be pleased to do so in answer to questions.

6. *Mr. Atkinson.*] Your objection is to the State undertaking fire insurance, even in competition with the private companies?—Yes; I object for two reasons. I think in principle it is wrong; and I think it is absolutely impossible for the Department to be conducted except at a very serious loss to the Treasury.

7. You said you thought that the State undertaking the business of fire insurance would lead to the withdrawal of most of the foreign companies: did you mean if the State undertook fire insurance in competition with the other companies?—In competition rates would fall to such an extent that quite a number of companies would withdraw, the business being unprofitable. Under a compulsory scheme of insurance certainly the companies would withdraw. I am not quite certain, but I am inclined to think that my company would cease to do business in New Zealand under a compulsory insurance system as regards buildings.

8. But it would still be open to you to conduct the insurance of furniture, plant, and chattels?—Why should we? If it were compulsory that all buildings should be insured with the Government the companies would have three options: the option of putting their price on the contents down to such an extent as to make the rates charged by the Government on the buildings appear ridiculously high to the assured, and thus disgust the insurers; or they could make the assured pay very much higher rates on the contents of the buildings; or they could place the country in a dilemma by refusing to do any insurance business at all in the country, thus throwing the onus of insuring contents as well as buildings on the Government, which it would be quite impossible for the Government to undertake.

9. That last course would not profit the companies at all, would it?—The conditions would be so bad from an underwriting point of view that nothing would be gained by staying in the country.

10. Would not the insurance apart from buildings be enough to keep some companies here?—I do not think so.

11. Assuming that, as you say, a number of companies retired on the State undertaking fire insurance, do you think it would be possible, by the State competition, for premiums to be reduced to a payable minimum, so that the State and the private companies remaining could keep going together? What do you regard as a payable minimum?—I have already told you that our fire underwriting profit in New Zealand during the last twelve years has amounted to 4.22 per cent., which is £4 4s. Do you think that is too much profit to make?

12. Of course, I am not here to answer questions. Do you think that the bulk of the companies would not even wait for the compulsory clauses of the Bill to be brought into operation in any district?—I do not know what they would do at all.

13. Assuming that the State had a monopoly of the business, it would need to provide for reinsurance?—Certainly.

14. How do you suppose that would be effected if the State obtained a monopoly?—Reinsurance by the State would be an impossibility.

15. Why do you say that?—Because I know that the Government could not reinsure.

16. Why?—I cannot put it any plainer than that.

17. Do you mean that the companies would not reinsure?—Certainly. Why should they?

18. That is to say that no companies would reinsure the Government, assuming that it was a case of the Government against the companies in competition?—I mean what I say. The Government Fire Department would find it absolutely impossible to effect any reinsurance cover whatsoever. I am able to say that.

19. That would be with any of the companies competing in New Zealand?—I think I might go as far as to say that it would be impossible for the State Department to arrange reinsurance cover anywhere or with any company, unless the Department was prepared to name a scale of fixed rates which the Government would pay for different classes of risks, somewhat higher than those ruling at the present time; because for a consideration you can get anything done nowadays.

20. The rates would have to be higher to enable them to do it?—I do not know that a higher rate would even tempt companies to give reinsurance facilities to the Government; but I think it would only be by a substantial inducement of that kind that the Government could reinsure.

21. Do you know anything about experiments in State fire insurance elsewhere?—These kinds of fads have been talked about for the last three, or four, or five hundred years. I cannot do better than refer you to Mr. Gray's letter that appeared in the paper the other day, which you no doubt saw.

22. Can you tell us what the present position is in Switzerland?—No; all I can tell you is this: so far as my information goes, Mr. Gray has not exaggerated anything in his circular. I am sorry that I have not got the data with me; it is at my head office. A proposal was made in America for some form of State insurance many years ago—some thirty or forty, I think. I did not notice anything about it in Mr. Gray's pamphlet. The Government would have none of it, however, and it was thrown out.

23. A system of State fire insurance was actually in operation in Switzerland for some years, was it not?—I am not familiar with the circumstances.

24. You do not know the present position there?—No.

25. *Mr. Napier.*] I am sorry that I was not here at the beginning of your evidence; but I would like to know whether you gave any explanation of the fact that very much higher rates of insurance prevail in the North Island than in the South, particularly so in the Provincial District of Auckland?—The experience of the companies seems to have been, for many years back, that losses were more frequent and heavier in the North Island than in the South, and that is the reason why some time ago the rates were increased in the North Island.

26. Do you think it a fair thing thus to penalise one particular portion of the colony, and to sever the interests of the colony in that respect, instead of averaging the loss over the whole of what I may term the national entity of New Zealand?—It seems to me that when you find the culprit you punish him, do you not? Why should the people of the South Island be forced to pay higher rates than are absolutely necessary to cover the losses there because people in the North Island have more fires than the people in the South?

27. Would it not be still fairer to adopt preferential rates for each city and each parish of each city, according as the fires were greater or fewer in number in each particular small area?—We carry that system out now so far as our tariffs are concerned. We take into consideration the efficiency of the fire brigade, or as to whether there is a fire brigade and a water-supply in a town or otherwise. In the towns in this country, where there are very congested blocks, you will find that on buildings in those blocks the rates are very much higher than on the same kind of risks which are not in blocks. We recognise the principle of discriminating between good, bad, and indifferent localities. On that point, gentlemen, I would like to say this: If Parliament is really desirous of securing still lower rates for the people of New Zealand they can do it, not by means of a State Fire Insurance Bill, but through the medium of a Fire Brigades Bill. The onus of supporting fire brigades now in all municipalities rests upon the municipalities, and they are very backward. To the whole of the Australian States Fire Brigades Acts now apply, under which it is compulsory for the insurance companies, the municipalities, and the Government in most States to contribute to the support of the fire brigades. In these different States many thousands of pounds are spent every year in keeping the fire brigades in an efficient state and thoroughly up to date. Now, if you had a similar Fire Brigades Act in New Zealand the result would be that the fire brigades in all the municipalities would be brought right up to date, and such pressure, of course, would follow on the municipalities as would make them go in for a good water-supply, and the result would be a very substantial reduction in insurance rates.

28. From what you have just said I conclude that you are in favour of Part III. of the Bill, with regard to fire brigades?—Theoretically, I am not in favour of the insurance companies supporting fire brigades. I cannot possibly be, because why should we support fire brigades for the purpose of reducing rates? From an underwriting point of view the theory is this: We take the risk as it stands; we charge a rate accordingly; but if we support fire brigades, and make it impossible for a fire to get a hold, we are reducing the rates on ourselves. On principle I am opposed to a Fire Brigades Bill. Practically, I think, seeing that Fire Brigades Acts are in existence in Australia, it would be a very proper thing for the Government of New Zealand to introduce a Fire Brigades Bill here. The fire brigades provisions, however, tacked on to this Bill are quite unworkable. They will not do at all.

29. Then, fires are really a source of profit to the insurance companies, I understand?—If you are not interested in them yourself they are. There is nothing I like better than a big conflagration when all the other companies are in it and I am out. Fires increase business.

30. Therefore you do not want to diminish the number of fires, it would not be good business?—Oh, yes, we do. Of course, if there were no fires there would be no insurers; but to say that we want fires would be a gross untruth. We do not want any conflagrations such as you may have here in Wellington at any time.

31. But you are not in favour of adopting such means as will very largely diminish, and perhaps reduce to a vanishing-point, fires in the colony?—You would not ask me to legislate my company out of existence altogether, would you? I have said that, so far as the principle is concerned, I am opposed to companies supporting fire brigades; but, seeing that Fire Brigades Acts are in existence in the Australian States, I would not oppose but would be in favour of the introduction of similar Fire Brigades Acts in New Zealand.

32. Would you punish the districts where there are fires by increasing the premiums, notwithstanding that, as you have said, fires really mean increased business?—The answer to that would be Yes and No. Of course, if we find business unprofitable we put rates up. We cannot afford to sell the article of insurance at less than cost-price.

33. Do I understand you to say that you are in favour of having different rates for every parish in the colony, according to the number of fires that take place annually?—Oh, no, not at all. All country towns are much alike, and you can classify them in that way. You can classify all the towns. They are all classified now under our present tariffs.

34. But I understood you to say that you classify country towns in the North Island differently from country towns in the South Island?—They are classified precisely in the same way, but to the North Island a slightly higher tariff is applied.

35. For the same class?—For the same kind of risk.

36. That, you say, is owing to the fact that there has been a greater number of fires within recent years in the North Island?—Yes.

37. You told us about the loss that had taken place on dwellinghouses in particular districts: do the figures that you mentioned faithfully represent the actual loss over the whole of the securities taken in those districts, or only over the class of security known as dwellinghouses?—I specially singled out dwellinghouses because they are supposed to be the best class of risk with underwriters, and I wanted to show you how in some districts the best class had given such bad results.

38. Would you give me the figures for the same districts showing the losses over the whole of business done?—I could if I were at my head office; I did not bring the figures with me. I did not think that was material.

39. You see, it is very easy to pick out the loss on one particular class in one district?—The rest of the risks in those districts that I mentioned would probably have a worse record. Dwellinghouses are supposed to be the best class of risks an underwriter can have.

40. It would have conveyed, perhaps, better information if we had had the total loss, especially now you say it was greater than the figures you gave?—It seems to me that that is immaterial. The broad fact remains that, so far as the whole of New Zealand is concerned, during the last twelve years, for every £100 we have taken in fire premiums we have only made £4 4s. per cent. profit. That is the fact that you must get hold of if you are going to run a State Fire Insurance Department—*i.e.*, what the business as a whole over the whole of New Zealand is going to give you. You see that under the most favourable conditions it has yielded us—the most successful of all local companies—£4 4s. per cent. profit.

41. You said that you thought that if a State fire-insurance system were established claims would be settled from political motives. That is rather a bold assertion to make. Judging by the experience of the colony's other Departments, have you any grounds for that statement?—Well, you see, I am not a politician. It is only an expression of opinion on my part, after all said and done.

42. I want to see the value of your expression of opinion. We accept your figures as statements of fact with regard to the working-out of insurance business; but, you see, in addition to the facts, you, as an expert here, have given utterance to opinions as to what would take place under a State fire-insurance system. Are you not giving utterance to two classes of opinions—expert opinions, and opinions of your own apart from your profession?—I have expressed the opinion that political pressure would be brought to bear on the officials running a State Fire Insurance Department, and that is my opinion as a citizen.

43. Not as an expert?—As a citizen, I myself have had no transactions with any of the Departments of the Government, so I have never found it necessary to ask for political assistance or political influence, or anything of that kind. But I have heard it said outside that such influence is at work. You can take that for what it is worth.

44. *The Chairman.*] To put it shortly, you have expressed an opinion, but you give no evidence in support of it?—Well, you see, you have not got a State Fire Insurance Department running, and therefore it is quite impossible to do so.

45. *Mr. Napier.*] We have a State Life Insurance Department: are you aware of any instance where a risk was taken by that Department or where a claim was settled by reason of political pressure?—I have not heard of a case at all. I know nothing about it.

46. Are you aware of any loan having been granted by the Advances to Settlers Office because of political pressure, or any claim having been settled?—Not to my knowledge.

47. You say that it would be quite impossible for the Government to undertake the insurance of the contents of buildings: why?—It would be quite possible for them to do so if they were imprudent enough to do it. It would be impossible for them to do so if they were going to run their business on safe lines. The aggregation of value is so great in buildings and in localities that it would be quite unsafe for the Government to undertake the insurance of contents without courting certain disaster at some period or other.

48. But it is done now by the companies?—No.

49. The contents of buildings are not insured?—Oh, yes. The companies insure buildings and contents, and will take probably very large amounts, but they themselves keep very small amounts on these places. Their retention over all would be a very small amount comparatively. You must take what I said in conjunction with the whole of my evidence. I said that the Government might obtain reinsurance at a price; if they could not, in my opinion it would be impossible for them to insure the whole of the contents as well as the whole of the buildings in the colony without courting disaster.

50. My questions are not directed to Part II. of the Bill, which I personally regard as inadmissible—I mean the proposal for compulsory State fire insurance. My questions are directed more to Part I., which empowers the Government to establish a Fire Insurance Department as a competitor with the existing companies, allowing for freedom of action to all concerned. Would the same objections that you have mentioned apply to the establishment of a system of State fire insurance under Part I. of the Bill?—I think so. If a State Fire Department were created on the lines set forth in Part I., the Government would still find it impossible to reinsure. Underwriting really is an instinct, and you are not going to put the underwriting instinct into a Government Department or into Government officials. It is quite impossible.

51. But would it not be possible, by offering reasonable salaries, to tempt those persons possessing the instinct to become Government officials?—I think the Government would find it absolutely impossible to secure the services of a thoroughly competent underwriter.

52. Have those people conscientious objections to serving the State?—In the first place, there is the difficulty as regards salary to get over. The Government Life Department pay their Commissioner £800 a year. He ought to be getting £2,000 a year at least. And reasoning by analogy, if that is the way the Government would pay its officers under the State Fire Insurance scheme, it would be quite impossible for them to expect to be able to attract skilled men.

53. I was assuming that an adequate salary would be paid?—I do not know any insurance-man worth having who would imperil his reputation by taking charge of a Government State Fire Department, because his reputation would certainly suffer. The Department could not last more than three years.

54. Do you think that the private companies would go out of business if the Government started a Department under Part I. of the Bill only? Would they not remain and take their chances as competitors with the Government Department, in the same way as the Australian Mutual Provident Society and other life-insurance associations have done with regard to life insurance?—You must not expect me to answer that question. I will give the Committee all the information I can to help it to arrive at a right decision as to whether it would pay the Government to undertake fire insurance, and so on; but as to how the companies would meet that competition if it came along I am not prepared to say.

55. Because you have not formed an opinion?—Oh, yes. I know very well what I shall do.

56. If you have formed an opinion we want the information?—I am not going to give that information. What the companies will do in the event of the Government starting a Fire Department you must wait and see. We cannot tell you in advance.

57. *Mr. G. J. Smith.*] You may have reasons to modify your plans?—Yes; circumstances may arise —

58. *Mr. Napier.*] We are accepting opinions from the witness as well as facts: do I understand, Mr. Kirker, that you wish to withhold a certain class of opinions?—I do not desire to say what my company, or what I think other companies, will do in the event of the Government undertaking State Fire Insurance. I think that is a perfectly fair position for me to take up.

59. You see, it would guide members of the Committee considerably, I have no doubt, if we thought that, even though the Government were to confine their operations to Part I. of the Bill, the other companies would retire from the colony. That is what I seek to get information upon. You will not answer that question? It is too speculative, I suppose?—At the present time it is premature for me to say what my company would do in the event of the Bill becoming law; and I certainly have no authority to say what the other companies would do.

60. I suppose you know that there have been many expressions of opinion, both in the Press and elsewhere, as to what would take place if the Government established a Department under Part I. only?—I am not responsible for what appears in the papers.

61. I am asking you whether you are aware that that is so?—Yes; I have seen statements in the papers.

62. Are you prepared to say whether those expressions of opinion are accurate or erroneous?—If you get me the papers and show me the expressions of opinion I will tell you.

63. It has been stated by leading newspapers that, if the Government were even to establish a Department under Part I. of the Bill, probably most of the stable companies would throw up the business of fire insurance in New Zealand in disgust?—I think that is not unlikely. I feel that the creation of a State Fire Department would be a serious shock to the credit of New Zealand in the Old Country. This is outside the State Fire Bill altogether—I am speaking from a political point of view only.

64. You said that the cost of management of a State Fire Insurance Department would be excessive: upon what data do you form that opinion?—I see from the balance-sheet just published of the Government Accident Department that their expense-ratio is 45 per cent.; and I notice, too, that the Government Life Department's expense-ratio is higher—I think I am correct in saying—than the Mutual Provident's. The latter office does a very much larger business. I am not quite sure whether my statement is correct, but I think I saw that in print somewhere. But, apart altogether from those two points, it is my opinion that the Government Department's expenses must necessarily be higher than those of a public company. That is only an expression of opinion, but I give it with some authority from the knowledge of how my own company and other companies are managed.

65. *Mr. G. J. Smith.*] You think it would be impossible for the Manager of the Life Insurance Department to be also the Manager of the Fire Insurance Department?—Yes, quite. That would only make confusion worse confounded. Mr. Richardson is not a fire underwriter, and has no knowledge of the business. If he is competent to take charge of a Fire Insurance Department, any man you might pick up in the street is capable of taking charge of my company.

66. The suggestion that the Fire Department should be run by the Life Department, with its officers, would be quite impracticable?—Quite impracticable.

67. Is this the difference between fire and life insurance: that life insurance has been reduced to practically a scientific basis, while fire insurance is more or less an unknown quantity?—In life insurance you know the expectation of life; you know the death-rate; anybody who knows anything at all about the business can calculate to a nicety what rate a healthy man's life ought to be insured at—what is a remunerative rate. With fire insurance it is absolutely impossible to say what is a payable rate. For instance, we may be getting 10s. per cent. for dwellinghouses here on the Terrace in Wellington this year, and at the end of the year we may find that 5s. per cent. would have paid us well. Next year the Government Buildings might be burnt—as they will be some day—and take the whole of the beach and the whole of the Terrace right up those hills; and instead of 10s. per cent. leaving a profit as it did the previous year, it might take £10 per cent. to leave a profit. You cannot fix the rate with exactness. If it were possible to do so, underwriting would be a splendid business, and free from a good many of the anxieties attached to it at the present time.

68. I understand that you are not in favour of the companies subsidising fire brigades?—That they should do so cannot be defended on principle.

69. But where fire brigades are established the Fire Insurance Association makes—or is supposed to make—a corresponding reduction in rates?—Where there is a thoroughly efficient fire brigade and a good water-supply we take that into consideration, and give the people the benefit of lower rates—lower than they would have to pay if those fire brigades and water-supplies were not in existence.

70. But the companies reserve to themselves the right to say what is an efficient fire brigade?—Well, necessarily they must know more about these matters than the public.

71. Would not any recognised fire-brigade plant tend to reduce the risk somewhat?—Somewhat. For instance, a comparatively small manual fire-engine, or something like that, would put out a small fire. But something far different would be required when a fire got into a block.

72. You say that the moral hazard in New Zealand is very bad, and that people would hesitate to rob a private concern more than a Government Department?—That is notorious.

73. So far as fire insurance is concerned, we have not had any experience of that sort, have we? That is just the general assumption?—Speaking perfectly frankly, the insurance companies know that they are often "had," and they sometimes bowl people out in trying to "have" them. Speaking for myself, I am confident that people would have less hesitation in trying to "get at" the Government than they do with private companies.

74. How many different tariff rates have you in New Zealand?—You mean how many different tariffs?

75. The different classifications—about six or eight, I think?—Not so many as that. We have seven classes altogether.

76. Does the association give special rates for special buildings?—Every risk that you like to name in the colony is provided for in the tariff; but, if in any class some particular risk is worse than is usually the case with that particular kind of risk, the association has power to charge a higher rate for that risk.

77. Still, the risk on, say, stone buildings of a similar character ought to be the same, and the premiums charged the same?—Yes, that is so.

78. Then, are the premiums charged based on the estimated risk or on the actual result of experience over a number of years?—When the general managers framed these tariffs they gave each other the benefit of their united experience. The tariffs are very scientific in character. They start first with a basis rate, and on that basis rate are the loadings for the increased hazards in connection with the risks.

79. I suppose that the premiums charged are really based on the results?—As far as possible—results and experience.

80. The different rates of premium charged throughout New Zealand are the results of the different experiences throughout New Zealand; or, to put it in another way, Dunedin risks ought to be, I suppose, the best in the colony?—Yes; Dunedin is the best city in New Zealand, from a physical point of view.

81. There are more stone buildings there in proportion to the size of the town, and a better water-supply?—I do not know about the water-supply being better there, but there are more stone buildings. The construction of the town in the centre is better. Of course, there are more stone dwellinghouses about Dunedin than in any other place in New Zealand.

82. And the moral hazard in Dunedin is, perhaps, not so great as in other parts?—I would rather not say what I think of that moral hazard.

83. The balance-sheets of the insurance companies published from time to time show that very high dividends are declared?—Yes.

84. Take your own company. The profit on underwriting has been 8·75 per cent. for the last twelve years?—Yes.

85. And the dividend declared by your company for the last twelve years would probably be 15 or 16 per cent.?—I have not worked it out.

86. But, that being so, could you give us any information as to how much of the dividend arose from Investment Account, and how the funds represented by that Investment Account were accumulated?—You have referred to my company—

87. Simply because I thought you would know more about it?—Yes. My company was established thirty years ago, and during the thirty years it has been in existence the revenue from interest and rents—*i.e.*, from investments—has amounted to £278,195. The dividends that we have paid to the shareholders have amounted to £253,835. That is to say, we have paid to our shareholders £25,000 less in dividends than we have received from our investments. During the thirty years it has been in existence my company has taken £5,214,573 in premiums, and the underwriting profit on that sum has amounted to £211,253—equal to 4·05 per cent., which is a fraction over £4 per £100 net. In 1890 my company had to write off half its capital, £64,628—this information will perhaps interest you—which reduced our funds from considerably over £200,000 to £124,000. Since then we have added to our Reserve Fund £140,000, and to our Reinsurance Fund £15,000, and to Profit and Loss £21,000; so that now we have £310,705. But those funds have increased for this reason: no part of the underwriting profits has ever been paid to the shareholders. After we wrote £1 a share off our capital we paid only 10 per cent., which was really 5 per cent. on the old capital, and put by the underwriting profits from year to year, until now the dividend is 5s. a share, which is 12½ per cent. on the capital as it was before being reduced, and this dividend comes out of the investments. But, gentlemen, during the last twelve years our funds have increased by £186,000. The funds of the New Zealand Insurance Company have increased by £75,000. The funds of the Standard Company, doing business only in Australia and New Zealand, have increased £17,400; while the funds of the National Company, doing business in New Zealand and Australia only, have during the last twelve years decreased by £27,108. You see that our profits come from outside New Zealand.

88. Are we to understand from that that the dividends you have been paying have really come from your Investment Account?—Yes.

89. And that your profits on your underwriting business have been added to your reserve funds, &c.?—Certainly.

90. Then, the dividends that have been paid by your company and the Standard Company, for instance, though they apparently look very large, really arise from satisfactory investments made years ago?—The Standard Company's dividend is a very small one.

91. I think it was 18 per cent. last year?—Only 7 per cent. last year, I think. The National Company, I think, paid a dividend of 15 per cent.

92. Perhaps that is what I am thinking of. But those dividends are the result of satisfactory investments made years ago?—No; I would not put it in that way. I will speak about my own company. The same principle will apply to the other companies to some extent, but not altogether. Our policy of paying no part of the profits to the shareholders, but reserving them, has enabled us to increase our funds; and in that way from time to time our dividend must automatically increase. It meant a good deal of self-denial, as far as the shareholders were concerned, in the earlier days. If you go on keeping your profits and investing them, instead of lading them out, as your investments grow your dividends must necessarily grow also.

93. You do not approve of the compulsory part of the Bill at all?—Certainly not. A scheme of insurance of that kind is a form of socialism, and it seems to me that it can only be thought of in connection with a primitive form of civilisation.

94. Providing that the compulsory clauses are dropped and a competitive office established, do you not think there is room for such an office, working in harmony with the present companies—*i.e.*, the premiums should be fixed upon at a payable rate, and then the best company should get the business?—You have mixed up your question somewhat. In answer to the first part of it, if there was room for another insurance company, and if the field was attractive enough, another insurance company would come, because there are scores of companies in existence not represented in New Zealand. From that point of view, therefore, there is no room for a State Fire Department.

95. In the event of the Government establishing a State office on the lines laid down in the Bill, and confining their operations to buildings only, you think there would not be sufficient inducement for the other companies to remain, though they had the insurance of plant, stock, machinery, furniture, &c., left to them?—I would not say whether there would be inducement enough or not. What I say is this: it would be a matter for consideration by the other companies as to whether they would continue to do business under those conditions.

96. You anticipate that it might be somewhat difficult for the Government to make arrangements for reinsurance of risks?—I say that, in my opinion, it would be absolutely impossible for the Government to make reinsurance arrangements, unless they were prepared to offer fixed rates to the people with whom they were making a treaty, and which rates were considerably higher than the companies themselves are getting at the present time. There would require to be a substantial inducement, and even then I cannot say with certainty that the Government would succeed.

97. *Mr. Massey.*] The statement has been made, Mr. Kirker, that there is more loss by fire in this colony in proportion to the population than in Australia: do you know whether that statement is correct?—I have not heard it put that way before, but I should think that the statement is correct. [The witness here made a statement which, at his request, was not reported.]

98. Can you give us any information with regard to the mutual insurance system which is in operation in Canada (see Exhibit B) and parts of the United States?—I do not know anything about the organizations. The first reference that I saw to them was in the paper the other day, when the Farmers' Union made some representations to Sir Joseph Ward; but I do not think these organizations are of any moment, because if they were I surely would have come across some information about them in the insurance periodicals that I get every month. I have seen no reference at all to these mutual concerns.

99. You know that there have been many complaints made by farmers about the high rates charged on farm buildings, stacks, and so on?—Yes, I know that is so.

100. It is proposed, as you know, to borrow £250,000 for the purposes of the State Fire Insurance Department: do you think £250,000 sufficient capital?—No; for this reason: when it is lost—as it will be lost if a State Department is established—what recourse will the insurers have against the Government Department if the latter have no money to pay losses with, assuming that Parliament exercises its right and refuses to authorise payment of the money? Supposing the capital of the State Fire Insurance Department is lost—as it most assuredly will be, and I think £250,000 would easily be lost in three years—and there are claims pending against the Department, where will the money come from if Parliament refuses to authorise its being paid out of the Consolidated Revenue?

101. Parliament cannot repudiate the liability; but that is beside the question. What I want to get at is this: Would the State Department have a better chance of being successful with a larger amount of capital?—No. They must have sufficient capital to provide them with money proportionate to their liabilities. Of course, £250,000 would be quite insufficient for the liabilities which the State Fire Department would require to assume, if they would secure the bulk of the business in the colony.

102. As an expert, do you think it would be possible for the State to borrow its capital at 3½ per cent. or 4 per cent.—I do not think it would be possible to borrow the money at less than those rates for some years to come—and do a paying business in competition with the companies doing business in the colony at the present time?—I do not believe a State Department would be able to pay interest on its capital out of the profits of the business in open competition with the companies.

103. With regard to reinsurance, you expressed doubt as to the ability of the State Department to reinsure in the colony: do you think that it would be possible for it to reinsure in London or in Europe?—Certainly not.

104. Will you tell us why you think that?—No. I am in a position to say they could not get reinsurance cover.

105. Is it a reasonable argument that, because State Life Insurance has been fairly successful in the colony, therefore a Fire Insurance Department would be equally successful?—It is not so, because the two businesses are altogether unlike. Life insurance is a certainty. You can tell the cost-price of the article to a penny; but in our business you cannot do so. It is full of uncertainty.

106. You made the statement that the establishment of a Fire Insurance Department in New Zealand would be a serious shock to the credit of New Zealand in the Old Country?—I did.

107. Will you tell us what reason you have for thinking so?—Well, you see, the shareholders in the large English companies are all wealthy men, and are in touch with commercial matters. Those are the people who are really the lenders to these colonies, and they know that fire insurance is an extremely risky business. I believe—it is my firm conviction—that these men's confidence, if they found the New Zealand people undertaking such a risky, hazardous business—such an improper business for a State to undertake—would be so shaken that they would hesitate very considerably to lend any more money to the colony.

108. That is to say that the shareholders in the English companies doing business here are

the same men who lend us money for public works, and so on?—Yes, the same class of people. And, you see, these English shareholders, these capitalists at Home—the men who have the money—would be right in so considering the matter, because what do we find? During the last twenty-five years the English fire-insurance companies have not made more than between 3 per cent. and 4 per cent. profit on their underwriting all over the world. That is the return from the business. Now, some of the companies have had most disastrous experiences. Only within the last twelve months a company that, I believe, Sir Joseph Ward is the agent for in New Zealand—the Manchester Insurance Company—had to write £300,000 off its Reserve Fund for losses made during the year.

109. In what year was it that your company had to write down its capital?—1890.

110. Owing to the unprofitable business done previous to that date?—Owing to the unprofitable business done prior to that date.

111. Had the fall in the value of property occurred at that time?—It did not affect us.

112. It was the business that you lost on?—Yes, the underwriting business. We have been rather fortunate than otherwise with our properties.

113. *Mr. Barclay.*] I assume that you regard insurance as a very proper thing, a very valuable thing, to a country? The ideal condition, I suppose, would be that all places and properties in a country should be insured?—Insurance is another form of thrift.

114. You say that it would be a very proper and happy state of things for a country if every building and all insurable property was insured?—Quite so.

115. Of course, I need hardly ask you this: there is very often danger of a place catching fire, and the fire spreading to places where it did not originate, and so causing loss, if the people are not insured, to the community all round. That is so, is it not?—It is.

116. The question I am now going to ask you is seemingly an irrelevant one, but it is really not so. Do you approve of the system of State education in vogue in this country?—No, not altogether.

117. Do you think it would be better in private hands?—No. It is difficult to give you a straight answer to that question. I do not approve of the present system of education, because of its secular character; and I do not approve of it because I think it goes too far, and yet not far enough.

118. But do you approve of the State undertaking the education of children?—Yes, I think that the State ought to educate everybody up to a certain point.

119. Do you approve of the State taking charge of the railways here?—No, certainly not. I think they would be very much better managed were they in the hands of private enterprise.

120. What I want to call attention to is this: I think you said, in reference to the compulsory clauses of the Bill, that they were a sort of socialistic scheme which was only compatible with a primitive form of civilisation?—I did not put it in that way exactly, but something like that.

121. Would you not say that the education system is exactly on the same lines?—No.

122. Would you say that it could only be connected with a primitive form of civilisation?—No, that will not do. The State has certain duties resting upon it, and one of those certainly is to keep the people moral and to give them some knowledge. It is quite different altogether from going into trade, and all that kind of rubbish.

123. May we take it that you disapprove of the principle of the State undertaking anything which may be done by private individuals?—Yes, that is so. I object on principle, as a citizen of New Zealand, to the State undertaking any trade enterprise. If it is right for the Parliament of New Zealand to pass this State Fire Insurance Bill because the rates of insurance here are considered to be too high by the people who send the members to the House, it is right for Parliament to at once pass a Bill taking over all the butcher's shops in Wellington, Auckland, and throughout New Zealand, for I see it stated in to-day's *Times* that "owing to the high price ruling for live-stock the retail butchers of Wellington have decided to raise the price of meat from to-day. A telegram from Auckland states that the butchers of that city have decided on a rise of 1d. per pound in retail prices." That is a case of supply and demand. A strong demand has set in for meat, and the butchers have had to put up the prices. With insurance it is precisely the same kind of thing—a case of supply and demand. If it is right for the Government to create a State Fire Insurance Department, if it is a duty they owe to the people, then it is a duty they owe also to the people to start butchers' shops to bring down the price of meat.

124. Then, you disapprove altogether of Government Life Insurance?—Yes; on the whole, I do.

125. And you disapprove of the Government Advances to Settlers system?—I do not know that I do altogether disapprove of that; but you are taking me into a lot of side issues. *A propos* of the Advances to Settlers, however, I may tell you that some years before the Government borrowed the money to lend again at 5 per cent. my company was already lending at 4½ per cent.

126. Can you tell us, Mr. Kirker, the greatest loss by any one fire that has occurred in New Zealand to the insurance companies?—Some eighteen months ago we had a fire in Auckland when the loss amounted to about £80,000.

127. What fire was that?—It was Nathan's place, I think. Then, a little time before that there was the D.S.C. fire, which cost the companies, I should think, about £50,000. A few years before that again Hayman's place on the reclaimed land here was burnt, costing the companies £50,000 or £60,000. I would require to have access to my books to be able to recall all the big fires. Some twenty-five years ago, I remember, a fire occurred in Manners Street here, which swept both sides of the street, taking the Royal Oak Hotel and the Wesleyan Church. I suppose that fire must have cost the companies over £100,000.

128. Shall we be safe in putting £100,000 as the very outside sum?—There have been larger losses by single fires than that, and the possibility of more serious fires occurring is increasing every

day. The advent of electricity as a lighting-power is a positive menace to the cities. In the United States they have had a period of unparalleled prosperity during the last three years ; but the insurance companies have had great losses occasioned by fires unparalleled in awfulness. This is entirely attributed to the extension of electric lighting, and as the electric-lighting system increases through New Zealand fires will increase and insurance rates go up. There is no doubt about that.

129. Now, is it not a fact that the buildings put up, at all events in the cities and municipalities, throughout New Zealand are increasing in substantiality and in their resistance, if I may so express it, to fire?—No, nothing resists fire. I have seen a fireproof building—so-called—burnt three times in less than five years.

130. Where?—In Adelaide—in Rundle Street there. There is no such thing as a fireproof building in existence. Given the necessary heat, the stone crumbles to dust.

131. You do not contend, I suppose, that great precautions against fire cannot be taken in erecting buildings?—Precautions can be taken, and are taken, but there are some conditions under which no buildings, never mind how well devised, are fireproof.

132. But the fact is that companies reduce the premiums considerably on these well-constructed buildings?—Certainly.

133. And is it not a fact that that class of building is increasing considerably throughout the various cities and municipalities?—The tendency in the towns in New Zealand is to have a better class of building. As fires occur, old buildings are burnt down and better ones put up in their places.

134. How long is it that you have had the present tariff in operation?—Since 1895.

135. I suppose since 1895 the companies have been doing fairly well?—I will give you some information which I would request that the shorthand-writer do not take down. [The witness's statement was therefore not recorded by the reporter.]

136. I suppose that now that you have the tariff the charges are fairly uniform amongst the various companies in the different districts?—All the companies charge the same rates.

137. And any person wishing to insure, of course, is expected to pay the regular tariff rate?—Yes.

138. He cannot get insured at a rate underneath that?—That is so.

139. So that practically the position is that the insurer has to pay whatever rate the companies fix, and is unable to insure at any other price?—Of course, he can insure at a higher rate if he likes.

140. But not at a lower rate?—No.

141. The whole fixing of the rates lies in the hands of the companies?—Yes.

142. I think you said that a Government fire-insurance office would probably be run very much more expensively than a private company?—That is my opinion.

143. Are you aware that the Government Life Insurance Department's expenses are lower than those of any other company doing business in the colony, with the single exception of the Australian Mutual Provident Society?—I was not aware of that. When I said before that the Australian Mutual Provident Society's expense-ratio was less than that of the Government Department I did so with some hesitation. I do not know how the Government Life Department compares with the other life offices. I have a small policy with the Government Life Department, which I took out some years ago, and others with the Mutual Provident Society, and those are the only offices that I have any interest in.

144. I think you said that a State Fire Insurance Department would be more expensively managed than a private company?—Yes.

145. And yet I think you told us that the head of the Government Life Department was paid only £800 a year, whereas he ought to get £2,000; and that the Government would not and did not pay the salaries to their officials that they should pay?—That is my opinion.

146. How do you explain that in the face of your statement that you thought a State Fire Department would be much more expensive to manage than a private office: you give us instances where the expenses are very much smaller?—The expenses do not consist of the amount of salary paid to the General Manager or the head of the Department. That is a small item—the smallest item.

147. Is there any reason to think there would be this disproportion?—Yes. In my opinion, you will find the most economically managed offices are those whose general managers receive the highest salaries. If you go through the figures you will find that to be a positive fact, that where the general manager is paid a high salary the expense-ratio is less than where the general manager is paid a smaller sum per annum.

Mr. Barclay: Well, I should like to ask Mr. Kirker a great many more questions, but owing to the short time remaining for you to question him, Mr. Chairman, I will not ask any more.

148. *The Chairman.*] You made a suggestion, Mr. Kirker, that legislation might be utilised to keep up the efficiency of the fire brigades,—of course, at the public expense?—In each of the Australian States there is a Fire Brigade Act in existence, under which it is compulsory for the insurance companies, the Government, and the municipalities to support and maintain the fire brigades in a thoroughly efficient state.

149. And you suggested that that principle might be extended to New Zealand?—I think it would be a very desirable thing.

150. And in that case a reduction of rates might be hoped for?—Certainly. It seems to me that if the Government is really desirous of securing lower rates of insurance for the people here they can best achieve it by making the conditions so favourable from an insurance point of view that the companies would be justified in reducing the rates.

151. If the rates were reduced in that way would it not be transferring this form of taxation to the community generally, instead of individuals paying it?—I do not quite follow your question.

152. If public funds, either from the Treasury or local bodies, were to be used to maintain fire brigades in a higher state of efficiency with a view to lessening the rates, would not that be transferring from the individual insurers a proportion of their payments to the shoulders of the general community?—No; for this reason: it is the duty of a municipality to protect property from fire; it is not the duty of the insurance companies to do so. Under this compulsory scheme the insurance companies would be compelled to pay towards the support of fire brigades. That would relieve the municipality of part of their duty. Then, the public buildings in all of these towns are Government property, and the General Government ought to contribute towards the support of the fire brigades for the protection of their property. That is the argument.

153. Still, the result would be the same, would it not—that instead of insurers paying higher rates they might pay lower rates, but that from the general public there would be drawn an amount of money probably equal, or greater in amount, which would be used for fire-prevention purposes?—Of course, in the long-run, the public have to pay for all these things; but, so far as insurance is concerned, if fire brigades are efficient and the water-supply is right the people who insure get the benefit of cheaper rates.

154. Does not your statement to the effect that the companies would be compelled, under the compulsory clauses of the Bill, to contribute towards the support of the fire brigades indicate that, in your opinion, competition would set in between the Government Department, if established, and the companies? Is not that hardly consistent with your suggestion that the companies might withdraw altogether from the colony?—Supposing there were a Fire Brigades Act in force with this compulsory clause, the companies would only contribute on the basis of the business they were doing. I will hand in two returns that I have here, Mr. Chairman, before I go. One is a list of fire-insurance companies which have retired from New Zealand; the other is a list of insurance companies doing business in New Zealand, with the paid-up capital and the reserves and undivided profits shown. [Exhibits C and D handed in.]

GRAVES AICKIN examined. (No. 4.)

155. *The Chairman.*] Now, Mr. Aickin, we shall be glad to hear your statement. In what capacity do you attend?—As a representative of the Auckland Chamber of Commerce. You communicated with the Chamber of Commerce, and they requested me to come down here and represent them on this question.

156. We assume you have seen the Bill, and shall be glad to have your opinion on it, and also your opinions on the subject of State fire insurance generally?—My evidence will be quite different from that of Mr. Kirker, which you heard this morning. His was technical; mine will be purely from a commercial standpoint. I have to deal entirely with the business aspect of the question. I may tell you that my evidence will represent the opinions of the Chamber of Commerce and the commercial community of Auckland generally. The preamble of the Bill reads, "Whereas it is expedient to lessen the cost of fire insurance, and to make better provision for the insurance and protection of property against fire, by enabling the Government to undertake the business of fire insurance, and also by providing for the statutory insurance of buildings in certain cases." Now, the commercial community of Auckland view the latter portion of the preamble with considerable alarm. We submit that for the Government to enter into competition in business with individuals engaged in legitimate enterprise is wrong in principle, and is inimical to the welfare of the State. We also think that the proposal for the State to undertake fire insurance is a distinct advance in the direction of State socialism—that is, the State entering into business in competition with others engaged in similar business in the colony. We look at it in this way: if the State becomes a competitor in trade and commerce the spirit of enterprise and the incentive to originate in the individual citizen must be paralysed; and, as a corollary, the tendency then would be for the State to monopolize, and crush competitors. We know from experience in the past that monopolists are inclined to raise prices—not to lower them. We hold that for the Government to undertake this business in opposition to those engaged in trade and commerce would be a mischievous interference with the liberty of the subject, or, rather, of the individual. To justify such interference it should be shown that a monopoly and an unfair imposition of rates exists. There are twenty-six companies competing in New Zealand, and they have arranged a tariff, as I understand, adjusted to the risks and the conditions in various localities. The present rates are higher than those of some four or five years ago. But we were assured that the rates charged four or five years ago did not pay, and now, we understand, the existing rates only pay because the average of the business which the companies do throughout the globe makes it payable. The New Zealand business, as a matter of fact, is not very payable. The return is something like a little over 4 per cent.—£4 4s. per cent. Therefore we consider that although the rates at the present time are high, and in some instances considerably higher than they were formerly, taking into consideration the risky nature of the business which is done, they are not excessive. I may state that, so far as the commercial community of Auckland is concerned, we are wholly opposed to the State entering into this business in competition with private companies. We are quite content to pay the rates that are now existing, rather than have the Government going into competition with the companies. Of course you have already had evidence as to the risky nature of the business of fire insurance. I might perhaps refer to that also, and say that, in our opinion, it is so risky that the money borrowed for the purpose would be seriously in danger, and in all probability two or three disastrous fires would wipe out the whole of it. Then, we also realise the fact that the difficulty of obtaining reinsurance increases that risk to an enormous extent. Of course, unless the State or the Government obtain adequate reinsurance it would be impossible for them to carry on a payable fire-insurance business. There is another matter that I wish to refer to—*i.e.*, borrowing. That is one of the most serious questions to the mind of the commercial community of Auckland. We

hold that if there is to be borrowing it should be done for reproductive works, and not for any speculative business. We feel very strongly, I may tell you, in our portion of the colony, that there are a number of public works now lying unproductive because they are only half-finished; we think that if there is to be borrowing it should be for the purpose of completing those public works and rendering them interest-paying. It is wholly wrong at the present time to propose to borrow a quarter of a million of money to go into a risky business—a trading concern—when there are so many really payable, interest-paying public works that could be made remunerative to ourselves. Another thing: Two of the principal local companies are located at Auckland—the South British and the New Zealand Insurance Companies—and there is this feeling, that they have borne the heat and burden of the day, they have gone through adverse fortune, and have had enormous difficulties to contend with. The capital of the South British Company has been written down one-half; that of the New Zealand Insurance Company has been written down to a larger amount, not at one time, but at various times. Large sums were written down year by year; and it has only been of recent times that their business has been what you may really call payable. And that, as I think you will believe, is not attributable to the New Zealand business, but to their foresight and good management in establishing offices all over the world, thus carrying out the true principle in fire insurance—*i.e.*, to get a large average, and by that means reduce the risk and secure good payable business. We feel, in addition, that it would not be right for the Government to pledge our credit—the credit of the whole community—at Home in order to borrow money and use it against ourselves. It would be a suicidal thing—a wrong policy altogether for the Government of the colony—to borrow money and go into a very risky business, and compete with their own people. There are just one or two other little matters that I wish to refer to. The accumulated funds of the foreign companies doing business in New Zealand I understand to be something like seventy millions, and those of our local companies one million sterling. Therefore, for the Government to enter the field with a capital such as is proposed, and to undertake a maximum of risk with a minimum of unremunerative premiums, implies a spirit allied to gambling. Section 21, subsection (2), says, “Any officer or other person authorised by the Manager in that behalf may, at all reasonable times, enter on any building for the purpose of inspecting the same, or the contents thereof; and any person who in any way hinders such entry or inspection, or refuses to give any information in his power relating to such building or its contents, or knowingly gives any false information, is liable to a penalty not exceeding fifty pounds.” It seems to us that that is an exceedingly arbitrary provision. It is quite right and justifiable that such a provision should be made in the matter of the Public Health Act, and Acts of that kind, where the health of the community is endangered; but here is a Bill which merely provides for the trading of the Government in a certain matter, and to say that they shall give their officers such power merely to ascertain the value of a building on their behalf is an extreme provision. We look upon that as an interference with the liberty of the subject, and if it were passed an Englishman could no longer call his house his castle. Of course, we know that there are certain Acts which do provide for that power, but it is only given for the benefit of the community as a whole, in such matters as health, or under proper condition. I have no more to say, except this: I have here an article that appeared in the *Auckland Evening Star* of the 17th July, 1902. That is a very prominent newspaper, and holds very fair and unprejudiced views on many subjects. Mr. Thompson Leys is the editor. This leader is so much to the point that, with your permission, I will read some of it. I do not wish to take up the time of the Committee at any length, but if you will allow me I will read a few extracts from it:—“We think it will be generally conceded by every one who is not infected with the doctrines of extreme socialism that the Government should not interfere with private enterprise unless public interests are being seriously prejudiced. It is most injurious to the development of individual character and self-reliance for the State to be continually menacing private undertakings with the power that is vested in the Executive for the protection of every honest worker in the community. . . . Perpetual worrying interferences with private enterprise destroy that confidence and credit upon which the prosperity of every community rests. . . . It is better for the State to regulate the conditions under which individual enterprise may operate than to compete directly with it; but that circumstances may warrant the latter course is, we think, beyond argument. A very good case, however, must be made out before such a step is sanctioned. Now, has a good case been established with regard to fire-insurance business, and will the community collectively benefit by the creation of another great State Department for this purpose? We think not. . . . The interest on this money, instead of being paid to shareholders resident in the colony, stimulating trade and affording employment, will increase the heavy annual drain upon our productive resources made by our large foreign debt. Then, recognising that insurance business is too perilous and speculative for the Government to carry the entire risk, the Bill provides that the business shall not be commenced until satisfactory arrangements are made in New Zealand or abroad for reinsurances, so that the Government must straight away fall in with the tariffs ruling with private companies for the issue of fire policies. Whether the operations of the Department, with its highly paid staff of officials at Wellington and in the various centres, would cheapen insurance rates in the long-run we may fairly judge from the experience with the Government Life Insurance Department and its Accident Insurance Branch. Life offices established in Australia under no sort of Government pressure, and accident offices under private business management, have no difficulty in holding their own against the Government, which practically does its business on the basis of a tacitly recognised traffic. In point of fact, it is inevitable that, under any sort of competition, insurance business must gradually develop a definite scale of rates, which approximates to the risk incurred. There are twenty-four local and foreign insurance companies doing business in New Zealand, and the field is open to any of the big English and foreign companies that are still unrepresented. It is also quite feasible to start co-operative or mutual companies—two such associations have been successfully established in Australia; and our big farmers’ co-operative societies

are already considering some such step for the benefit of their own clients. There is, therefore, none of the elements essential to the monopoly in insurance business as it exists in New Zealand. Public feeling has undoubtedly been strongly aroused by the tariff agreement which is now being enforced, and to this antagonism the fire companies owe the threatened Government interference. We believe they would have acted wisely in making some concessions, but it is undoubtedly true that the negligence of the Government in failing to pass a Fire Brigades Bill on the lines existing in adjacent colonies is responsible for the high rates prevailing in some of the New Zealand towns. As matters stand, where a case of actual public urgency alone would justify the Government in attacking the New Zealand fire-insurance companies, they have so far shown no case at all, except a desire to widen the sphere of State power and patronage, and get some pickings out of what they conceive to be an excellent financial pie. On the same principle, they may assail any other business that shows a margin of profit, leaving to private enterprise such ventures as give promise only of an immensity of worry, with little pecuniary gain."

157. *Mr. G. J. Smith.*] I suppose that article really expresses your opinions?—That is so; not only my own opinions, but those of the Chamber of Commerce and the community which I represent.

158. *Mr. Barclay.*] A statement has been made that there is one tariff now throughout New Zealand for the various classes of risks amongst all the companies, and a person wishing to insure can get his risk taken at a fixed price, and at no other; so that the insurance companies throughout New Zealand have fixed the rates, and the insurer has nothing whatever to say in the matter. He can either insure or not, as he likes, at one price. I want to ask you this: Do you, as a commercial man, consider that is a good thing for the colony—that the whole of the rates should be controlled by one set of persons; I mean those who control the insurance companies?—The chief answer to that, I think, is this: There is a tariff; is it a fair and reasonable one under the existing conditions and circumstances? It may seem, as you have put it, that there is a monopoly and that no one else can compete. It is so, in a sense; but, I think, if I may refer to Mr. Kirker's evidence, after what you heard from him, the tariff is not an unreasonable one under the circumstances, considering the extreme risks of various kinds—moral risks and others—which are run in the colony. I may say, also, that in answer to the question, that amongst business-men there is very little dissatisfaction. The companies say the rate is higher because they had too low a rate some five or six years ago, and the present rate is high only as compared with that; but it is lower than it was ten years ago.

159. But suppose the companies decide to raise the rates still more: is there anything to prevent that?—Yes; there is no question about it that if there is any attempt to use their power unjustifiably—*i.e.*, to create a monopoly—it will immediately lead to fresh companies coming in, if the Government does not—that is, as Mr. Kirker put it, if the new companies can see that it will pay. They will not come to New Zealand unless they see there is a margin of profit in what they undertake. But after the very critical account we had of the business this morning, I do not think they are likely to come. Twenty-six companies is a large number for this colony.

160. Take the case that I have supposed and you have answered—that the combined companies did raise the rates: You say that no doubt other companies would come into the field. Would you have any objection under such circumstances as that to a Government company coming into the field?—Certainly. It does not matter what the rate is, my feeling is this—and it is the feeling of the whole community, straight from the shoulder—that it is wholly wrong for the State to go into business of that character at all. They have no right to go into business in competition with their own people, for it is a business. They might as well go into my business, or any other.

161. Do you object on the same grounds to the railway workshops?—Certainly not. There the Government undertake a service for the benefit of the public. But I really honestly believe that if private individuals had taken that up, and there had been competition amongst private firms and private railways, you would have had lower rates and quite as efficient service.

162. Have you heard that the railway rolling-stock imported from other countries, where there is private competition, is much inferior to that turned out by the Government workshops?—It happens that I came from New Plymouth by the Manawatu Railway, and I saw the carriages which had been imported. I do not think they are as good as those made in the colony; but allow me to qualify that. It does not prove anything. It does not follow that the Government imported the best carriages. They could have got better, if they had tried, than those which they imported.

163. Do you know of any attempt to estimate the total amounts paid in insurance premiums in the colony in any one year?—No. If you had asked Mr. Kirker he could have told you. I am not at all up in insurance statistics.

164. *Mr. G. J. Smith.*] Did I understand you to say that the commercial people of Auckland were perfectly satisfied with the present rates of premium charged?—No; perhaps you misunderstood me. I do not think I said "perfectly satisfied."

165. You said "content"?—Comparatively speaking. Some think the rates are rather high, as you will remember my stating in my evidence. I said they were high compared with previous rates. So they are, and I think they might be lower than they are at present. What I also said was this: In view of the great risks in this colony, and the hazardous character of the business done, the rates are not very excessive, but they are high as compared with the rates charged some five or six years ago.

166. But are the rates not lower now than they were five or six years ago?—No. They are lower than they were ten or twelve years ago.

167. A reduction in the rates has been made, as compared with five years ago, except in Dunedin, where they are higher. That was given in evidence this morning, I think?—I do not know anything about the Dunedin rates.

168. Your objection to State fire insurance is really that you object to the State interfering in any business of the sort?—That is it. I assure you that is not only my own feeling, but the feeling among the commercial community. The chief objection is to the State borrowing for the purpose.

169. Mr. Barclay raised the question of the companies fixing the rates of premium without consulting the insurers at all. What is your opinion upon it? Do you think the insurers ought to be consulted?—It would be of no use to consult the insurers, because they are not in a position to judge. The premiums are fixed, as I understand, entirely in proportion to the risks in the various districts. As Mr. Kirker pointed out this morning, the various districts are classified, and the rates are based upon the classes of risks in the different districts.

170. Do you think that ordinary business principles should be followed in insurance—*i.e.*, that a company should state the rate at which they think they can take up insurance business, and if the people think it too high they can refuse it? That is the ordinary rule in business. A man who has a commodity to sell says what he wants for it?—That is so in ordinary business where there is no combination, no tariff. But it is the same with the Government. There are Government tariffs, and we have no option but to pay them. For instance, there is the railway tariff. We have to accept the tariffs in the Government services. They are based upon well-known rules and principles, I take it. The public very soon find out whether the insurance companies are charging unduly high premiums, and that has been the cause, no doubt, as the article which I read stated, of this agitation for State fire insurance. It is a mistaken idea that the State can regulate everything and give relief upon every possible subject. The better plan would be for some foreign companies to come here, with their immense capital, and enter the field in competition with the companies at present doing business in New Zealand. It is their business; let them come in. But it is certainly not the duty of the State to undertake such a risky thing as fire insurance.

171. However high the rate of premium, you think it does not come within the functions of the State to enter into competition to regulate the rate?—That is another question.

172. It raises the whole question of State competition?—The State might interfere if there was an unjust monopoly. They might step in there, but I do not say that they themselves should go into competition.

173. How could they interfere otherwise?—They could regulate the matter by law.

174. Regulate the premiums to be charged?—No; but they could take steps to check monopoly where it could be shown that it was an unjust monopoly. You heard what Mr. Kirker said.

175. He was speaking as an insurance expert. I am trying to get your opinion as an ordinary commercial man. You say that you object to the State interfering at all in fire-insurance business?—Yes, to their taking it up themselves.

176. Then, supposing the fire-insurance companies were to raise their rates abnormally high, would your objection to the State interfering still continue?—I would put all monopolies on the same basis. I think the State would be justified in stepping in to prevent any monopoly that meant unduly high prices. Some time ago there was talk of the price of meat being too high, and also the prices of other commodities. Of course, it has to be shown that the prices are unduly high; and that is a very difficult question to answer.

177. I will put it in this way: You admit that for fire-insurance purposes there must be a recognised premium charged?—Certainly.

178. And that the companies must have a reinsurance rate?—Certainly.

179. Well, directly you admit that you do not admit the formation of a combine or monopoly?—Do you mean that the combined companies have a monopoly in consequence?

180. Yes, an organization to keep the rate at a stated amount, and therefore a monopoly or a combine—whether the rate was high or low would not matter?—Yes.

181. Well, supposing the insurance companies were to raise their premiums to what we might consider an unduly high point, would your objection to the State entering the field of fire insurance still continue?—Certainly. Most decidedly, under the circumstances, should the State become a competitor with its own citizens. You must go upon the same principle as regards business. The State might as well enter upon your profession or mine in the same way. The same principle applies. They have no right to do so, on account of the enormous power of the State. They could use their credit and their money to compete with private individuals. The whole thing is unjust.

182. In the event of the case being as I suggested, do you think the Government should then subsidise a foreign company to come in to break up the monopoly?—I cannot say what steps should be taken, but the Government might then interfere for the benefit of the community. I take it that it is the duty of the Government to benefit the people in the State; and if they find that in any business the people are being harassed and treated unjustly it becomes a matter for the State to interfere, not by going into competition themselves in that business, but by rectifying the injustice, whatever it may be.

183. *Mr. T. Mackenzie.*] You said that it must be a case of unfair imposition of rates before the Government should interfere?—Yes.

184. If unfair rates were imposed, would you consider a measure of this sort justifiable?—No; I said the exact opposite. I said that nothing would justify the State entering into competition with the individual; but they would be justified in taking steps to break up monopolies—in what way I do not say.

185. There can be only two ways of dealing with the matter: either the Government must themselves compete, or some other companies must come in and do business here. I understood from your evidence that any company starting operations must merge in with the existing companies to secure reinsurance?—No, I do not think I said that. I said that I do not think it will

ever be necessary for the Government to interfere in the way indicated, for this reason: I think it is a matter that will automatically cure itself, in this way: so soon as it can be ascertained that it will pay an insurance company to come and do business in New Zealand, a fresh company will come in and correct the abuse in the high rates by fair and legitimate competition.

186. But could fresh companies come in now and carry on business without merging with the existing companies?—Yes, I believe they could.

187. If it can be shown that insurance companies here have charged excessive rates, and that the reason for charging those excessive rates has been entirely due to their carelessness in not seeing that the losses claimed for were honest, what course of action do you think should be adopted?—It is very difficult to answer that question, because qualification is wanted. It is difficult to prove carelessness.

188. But suppose that you can prove it, and you represent to the company that they have paid away huge sums that they ought not to have paid away, and that unless these huge sums had been paid they would have been able to reduce the rates, and their reply is that it is no business of theirs to see whether the claims are honest or not: if the premiums charged do not meet the claims paid, all they have to do is to increase the rates?—That is purely a question of insurance management. It may have occurred in the past in certain instances, but you will find that as a rule now our present companies—I speak more especially of the local ones—are very carefully managed. Such a thing as that which you mention is not likely to occur again.

189. Do you know anything about the rates charged on frozen meat being sent to England?—I do not.

190. Would you be surprised to learn that it runs up to £5 per cent.?—Could you not regulate that by getting English companies to come in?

191. The charges, I understand, run from about £3 up to £5 for farmers. There can be no doubt that a rate something like £1 would, if the companies did their duty at Home, clear all losses. If it can be clearly shown that they will not inquire into the losses at Home, and that owing to their not inquiring and paying unjust losses they keep up excessive rates to the people out here, do you not consider it a fair thing for the Government to come in and protect its people?—That is rather an expert question; but it seems at the first blush to be something like this: All insurance business is based upon the risk that is run, and the premiums should be adjusted to that. Very well. Is not the frozen-meat-export business very risky?

192. No, it is not; the risk is very trifling?—I thought it was considerably risky occasionally.

193. The risk is this: the dishonest claims are yielded to by the insurance people at Home without proper investigation. It is not that the cargo is damaged?—Well, that is purely a question of—

194. If the insurance people will not do their duty honestly, do you not consider that the State should come in and do it?—No; I do not think the Government should interfere under any circumstances as a competitor.

195. What I want to put to you is this: If what I have stated did occur and the insurance people did not do the right thing, would you still object to the Government stepping in and protecting the people here from unjust charges?—They might legislate on the matter, but not come in themselves as competitors. That is what I object to. It is State socialism.

196. Do you know this: that in shipping circles now and insurance circles all over the world there is an absolute understanding as to what operations shall be carried on in certain areas, and one company will not impinge on another, so that it may be absolutely impossible to get any other company to come in, lest they should suffer from retaliation in their particular quarter?—You have taken a great deal of interest in this matter. I have seen your articles in the papers, and it struck me, Why not get some of the other English companies to come in?

197. Because they are all united. Lloyd's are united with the New Zealand companies, and the same men act for all the companies at Home. It is a combination. That is the point?—Then get an American company to come in. There is scarcely any big company that will not open up if they see a chance of making money. But this colony has such a bad reputation that I do not think companies are likely to come here unless the business is comparatively safe.

198. I gather from you that, no matter what the circumstances might be, you would not consider the Government were themselves justified in interfering by going into competition?—Quite so.

199. You quoted the amounts that had been written off by the South British and the New Zealand Insurance Companies: are you aware that the National and the Standard Companies carry on large operations in this colony?—Yes.

200. Have the losses made by those companies, necessitating the writing-off of capital, been made in this colony or abroad?—I cannot answer that question exactly. I cannot differentiate between this colony and outside. Mr. Kirker told us this morning that the losses in this colony had been excessive—more so than in other places, I understand.

201. *Mr. Napier.*] You are aware, I suppose, that the late president of the Auckland Chamber of Commerce and a deputation waited upon the insurance companies to protest against the excessive rates being charged in Auckland?—I know it was mentioned in the Chamber that the rates were excessive, but I was not aware of any deputation waiting on the companies.

202. You are aware that the Chamber of Commerce passed certain resolutions in regard to the tariff?—Yes.

203. And that those resolutions declared that the rates charged were excessive, and ought to be reduced?—Yes.

204. I am speaking now of Auckland?—As I explained in my evidence, the rates are high in comparison with previous rates. The Chamber of Commerce considered the people were paying too much for insurance cover.

205. Everything that we say and do is in relation to something else?—Quite so.

206. When was Mr. Caldwell present: about eighteen months ago, was it not?—Yes, about that.

207. I believe the feeling among the commercial classes in Auckland is not so strongly adverse to Part I. of the Bill as to Part II.: is not that so?—They think that is wholly wrong. But the chief objection is to the socialistic tendency of the State interfering at all in the matter. It would be the first step, they think, in the matter of State socialism. It would be State fire insurance to-day, and perhaps something else to-morrow.

208. What I mean is this: is not the feeling in Auckland more strongly adverse to that portion of the Bill which makes insurance compulsory by statute, without any act on the part of the individual? Is not the feeling very strongly against that?—Yes, it is.

209. Practically universal?—Yes.

210. Now, with regard to State socialism, I want to find out your view of the matter, eliminating that phrase for a moment, and regarding a proposal, say, by the whole of the people to insure themselves. You are not against co-operation, I believe. I think you have said publicly that you are not against co-operative enterprise?—Do you mean mutual insurance?

211. I think you have publicly stated that?—No.

212. I mean that you agree, within certain limits, in the principle of co-operation?—Yes.

213. That is to say, the uniting of a certain number of people, say, in the same class?—Yes; what we call mutual insurance.

214. Well, if you are in favour, under certain circumstances—provided they are justifiable—of a village, or a community, or a class uniting for the purpose of mutual insurance, there is not much difference in principle, is there, though they may be in degree, in, say, ten times the number of people doing the same thing for their own protection?—Yes; there is a vast difference—a tremendous difference. There it is more like a joint-stock company. They put their money together for mutual insurance, and take a mutual risk, so to speak; but where the Government comes in it is a different thing.

215. But we are not speaking of the Government?—I thought you referred to the State by a "large number."

216. Leave out those terms "State" and "Government" altogether. These persons would be simply officers who would be servants of the people. I would like to get your views on the matter, because I did not quite understand your answers to Mr. Smith and Mr. Mackenzie. I thought there was a little inconsistency which you might like to clear away. Leaving out the terms "State," "Government," and "State socialism," you are in favour, say, of a thousand people doing a certain thing for their mutual benefit?—Yes.

217. Is there any difference in principle in eight hundred thousand people doing the same thing for their benefit if the circumstances justify it?—No, provided the principle is carried out on the same lines; but we are now referring to the Bill, and you must apply the argument to that. In the case of the large number that you referred to joining together for mutual benefit, by means of a mutual insurance company, they use their own money; they do not borrow money for the purpose, pledging the credit of people outside of themselves.

218. That last point, of course, is a good one. But in the case of a large number of people you object to the principle of the majority compelling the minority to fall into line?—That is it.

219. That is practically your only objection to the people as a whole undertaking mutual insurance?—You see the tremendous power that is in the hands of the State. They have a credit and means which private persons have not got; and if they enter into competition they immediately crush out the little ones. They are the big fish, and they swallow up all the little ones. As I have stated already, it means that you get rid of the small people and have one big monopoly. What you are fighting for is to benefit the people by giving them low rates. With a big company—like the Government, say—you do not get low rates. The tendency of all monopolies, I take it, is to keep the rates high.

220. But you are aware that in recent times it has been proved that the larger the capital employed the greater the combination, and the larger the credit the cheaper can services be rendered and goods supplied?—Yes, they can be; but are they? The experience in the past has been that these large concerns do not render services and supply goods cheaper. The trusts in America and elsewhere produce at a lower cost, but so far as the public are concerned the price is increased.

221. If they by combining their capital can render services or supply goods at a very much lower rate than a man with a small capital can, but do not do so and put the difference in their pockets, could not the consumers by mutual co-operation—that is to say, the State, if you will—by employing that combined capital get these goods and services for themselves at a lower rate than formerly?—They could do it; the theory is they would; but the question is how would it work out in practice?

222. If an insurance combine was seeking to impose a tyranny on the people of New Zealand, and they, as a measure of self-protection, said they would insure their own buildings, their own frozen mutton, &c., would you think the people of New Zealand would be justified in taking that course if the circumstances warranted?—If the people did it by means of mutual companies.

223. I mean, by means of a combination through their own organs—their own parliamentary organs?—I do not think it would be justifiable for the State to do it.

224. I think that the employment of the term "State" causes confusion of thought, as distinguished from "people"?—But, you see, the State is in a totally different position from private individuals. The State has unlimited means and power which an individual, or a combination of individuals, have not got. It comes back to the same thing—that it would be wholly wrong for the people's representatives—or, rather, the Government—to undertake business which the people themselves are engaged in.

225. Are you opposed to Government life insurance?—The Government Life Department is no doubt a very worthy institution, but I cannot see, myself, that it has been of great benefit to the community. It has not benefited us materially.

226. Has it done any injury?—No; it has run concurrently with foreign institutions, like the Mutual Provident Society, and others. It has done a fair amount of business, and has been well managed; but, to put it shortly, we could have done quite as well without the Government Life Department.

227. I want to put one or two questions to you in regard to the methods employed by the existing insurance companies in contradistinction to what was suggested by Mr. Mackenzie with respect to the frozen-meat industry. Is it not a fact that fire-insurance companies—at all events, in the North Island—are most careful and most deliberate in settling claims—they are not reckless in paying claims without inquiry?—They are very careful.

228. You are aware, I suppose, that in Auckland there have been many doubtful cases, in which the companies have forced the insured to bring actions at law for the purpose of recovering?—There have been very few actions, I think. The rule has been to pay promptly.

229. But you are aware that the companies make rigorous inquiries and are very particular with regard to proof?—Decidedly.

230. *The Chairman.*] You have stated that you object altogether to the Government interfering as a competitor?—Yes.

231. But you are perfectly willing to see the Government intervene as a regulator?—As a regulator.

232. Now, in what way can that be done?—That I do not pretend to say. I cannot say in what way the machinery would be provided.

233. You said by legislation, did you not?—Yes, I did.

234. Would you favour legislation to limit the insurance rates chargeable?—Certainly not.

235. Legislation to fix a maximum which should not be exceeded?—No. Government interference with trade must be under very peculiar conditions.

236. Would you relax the existing law so as to allow local companies of farmers and workmen to combine for mutual co-operative fire-insurance purposes?—I do not see much objection to that. If they choose to form companies for the purpose of mutual insurance I do not see why they should not be permitted to do so; but it is a question for the people themselves to consider. It has been successfully carried out elsewhere, but you want a sufficiently large number of members in a mutual company so as to lessen the risk.

237. You would not be adverse, then, to the repeal of existing legislation with a view to giving more direct encouragement to the formation of such associations?—No.

238. You would not be willing for the Government to encourage outside competition by subsidising companies not at present trading in New Zealand to come here?—Certainly not. That would be again interfering with our own companies. I think that it should be recognised that our local companies, who have undertaken an enterprise of this kind, and have gone through great trials and financial difficulties, should not be unduly harassed. Of course, if the rates are too high the community will cry out about them; and if it can be ascertained by outside companies that there is a margin of profit to be made here, competition will come in and regulate the rates.

239. In short, while you object to Government intervention, you would give every facility for self-help to the people of the colony?—Exactly. That is so.

240. *Mr. Massey.*] You think that if the rates are now, or in the future may become, unreasonably high the real remedy would be to encourage mutual assurance associations, by legislation or otherwise, rather than for the State to go into competition with the companies at present doing business in the colony?—That is so. I am quite clear in saying that I represent the opinions of the commercial community of Auckland when I say that State interference with trade or business in any shape or form is wrong, and is detrimental to the true interests of the colony itself.

241. *Mr. Barclay.*] Did you ever hear of a body known as the Twenty Companies?—No, I do not think so.

242. Although you disagree with Government interference in trade, would you be in favour of the Government subsidising a line of steamers to take produce, say, to South Africa?—That would only be justifiable, I think, if it would assist the farmers and the producers of the colony; but it should not be done for the benefit of a few speculative individuals.

243. *The Chairman.*] It must be in the general interest?—It must be in the general interest. It must not be done to benefit a few speculators in frozen meat and wheat and other productions of the colony, or a few favoured individuals. It must be for the benefit of the whole community. I take it that it is the duty of the Government and the State to protect the individual in his various occupations, and assist him where justifiable—to come to his rescue where, say, there are certain cattle-diseases, or where he is affected injuriously in his occupation. It is quite right for the Government to come in and assist him in a legitimate way.

THURSDAY, 21ST AUGUST, 1902.

RICHARD MIDDLETON SIMPSON, General Manager for New Zealand of the Phoenix Assurance Company, examined. (No. 5.)

1. *The Chairman.*] Have you seen the State Fire Insurance Bill, Mr. Simpson?—Yes.

2. Have you gone carefully through it?—Yes, very carefully.

3. You are acquainted with its provisions?—Yes, I think so.

4. Will you please give us your opinion of the Bill, and of the general scheme of State fire insurance outlined therein?—That is rather a large question all at once.

5. The practice that we have adopted is to allow a witness to make a statement first, and then to ask him questions. It seems to the Committee that that is the best method to pursue?—Yes. The Bill has been framed on the assumption that the methods, practices, and results which have been obtained by the insurance companies are not the best which can be obtained. I do not know, myself, of any warranty for such an opinion, because, so far as I know, the business has been conducted with as much care and ability and effort to ascertain what is right and what is wrong as can be done by anybody, even by the Government; and I do not at all anticipate that the results attained by a Government Fire Office would be anything like so good as ours. The measures in the Bill are framed upon too hard-and-fast rules to meet the requirements of the mercantile and general community. They have not the elasticity to meet individual cases, which we find is absolutely necessary. Take, for instance, the system of determining value. That, I suppose, would be a principal feature of the scheme. When you look at it in the light of experience it is very crude; so much so that, if it will not be unworkable, it will certainly not conduce to beneficial results or to the convenience of the community. An illustration of what I mean might be of some use. Suppose you walk down any of the streets—take Lambton Quay, for instance—and come to a building; it may be a brick building, well constructed and well occupied. The value of that building might be ascertained fairly well by such a system as the Government would adopt. Its structural value is known, and to rebuild that place would cost so-much. That is easily determined. Take the next building to that one. It may be a wooden building in fairly good order; it may be old, but the timber may be—in many instances it is—perfectly sound. You would wish to know the value of that building. To ascertain the value you would have to take other circumstances into consideration than those mentioned in the Bill. Say that building is occupied by a lessee, well on into his term, with an obligation in the lease to rebuild in the event of the place being destroyed. Under such circumstances you would be perfectly warranted, and we do, insure that building for its full value—possibly we would not be careful to a few pounds as to whether it is for the value or not. Why? Because we would know perfectly well that the man had to re-erect in brick. We would insure not only the building, but with perfect safety that man's rent, right up to the hilt, knowing perfectly well that the loss the man would sustain would be a very considerable one. (I may say, parenthetically, that I am speaking of definite instances which have occurred.) Take a period of time, and the man acquires the freehold of the building. The whole value of the building disappears. I am speaking from my own experience when I say that I have, on such a circumstance occurring, cancelled every one of the policies connected with the building. I have up to a certain time insured that man for the full structural value of the building, and the rent on top of it, but when he has become the freeholder I have cancelled every one of his policies. Now, the reason why the building is of little or no value when occupied by the freeholder is this: the value of the site is so great that it warrants a very much better building. But we will assume that you put that very same building into what you would call a second-class street, and that it is occupied by the freeholder. The building then, from being worth nothing, would there be worth a considerable sum. Take that building again into a third-class street, and it is worth its full structural value; it is such a building as a man would erect in a third-class street. The value of the land in the first instance would have increased so much (on Lambton Quay) that the building would have no value there. In a second-class street it might be worth half its value; while in a third-class street it would be worth its full structural value. The provision which is made in the Bill for the conduct of the business is not, I think, calculated to meet requirements, or to get the same information with regard to risks as that which we now obtain. At the present time there are in every community from a dozen to twenty-five men connected with insurance business. They belong to an association. Individually they conduct their business in directions generally that their ordinary knowledge leads them into, and each one of them has, in his own sphere, a very considerable knowledge of circumstances, places, things, and men. Now, that is a most important matter in arriving at results, and I am quite sure of this: that no Government functionary could by any possible means obtain the same volume of information which these men individually and collectively have with regard to the circumstances of the business. If there is one thing that experience teaches us it is this: that we cannot save money by economy in the cost of supervision and the general conduct of the business. We may save money under that head, but only to lose it to a very much larger extent in fire losses. I think—in fact, I am quite sure—that is not only my experience, but the experience of every person having control of an insurance company. The cost of the business appears very great. It is a large sum, and that is the point, possibly, where people not conversant with the business think that a very large saving can be made. It has been very alluring not only to the Government of New Zealand, or the Parliament of New Zealand, but to mercantile men for the last hundred years. If our methods are wrong and our expenses heavy, there is the immediate answer that there is a first-rate field for private enterprise to do something better—*i.e.*, to conduct a business more cheaply and to arrive at better results. That these ideas have been very common is evidenced by the circumstance that for every company which is now in existence there are probably fifty which have gone down.

6. *The Chairman.*] In this colony?—Oh, no; but still there are a sufficient number even in the short experience of this colony and the limited area. There is quite sufficient experience in that direction. I have not got with me a list of the companies that have retired from the colony; but there were one or two local companies started on the mutual principle which entailed very heavy loss on the shareholders. They started, I have no doubt, with the same idea—that the business could be worked more cheaply; that they could by care avoid heavy losses, and that they could also by care avoid the expenses. But the results have not shown that they were warranted

in that belief at all. Quite the contrary. For if there is one thing which is evident and certain it is the uncertainty of the business. I have here an extract from a paper published in London, dated the 5th July, 1902. The article is headed "Fire Insurance in 1901: A Retrospect." Now, I presume you have been informed that the premium income in this colony is something over £400,000 annually for the whole of the offices. In this article is given the result of the working of the principal British offices. It refers to the experience of thirty-seven companies, with an income of over twenty millions. The net fire losses were £12,800,000, in round numbers, the percentage of loss being 63·69. The net trading profit was only 2·28 per cent. for the year for the whole of those thirty-seven companies, with a revenue of twenty millions. That does not, however, show the fluctuation of fortune with regard to the individual offices. I find from this article that the largest percentage of profit was 13·68, made by the Alliance Assurance Company.

7. *Mr. Massey.*] For last year?—Yes, 1901. The largest percentage of loss made by a company was in the case of the Patriotic Company, the percentage being 34·26, equal to £28,000. But the largest amount of money lost was by the Manchester Company—a company trading here. Their loss was 29·51 per cent.—*i.e.*, losses and expenses—the total amount being £244,000 in the one year. Now, we all know that the Manchester Company is as fairly well managed as any other company. They have a fire-premium income double that of the whole of this colony; it is nearly £850,000. Yet with that wider basis they lost £244,000 in the twelve months. Let me take another company, the National of Ireland. Their loss-ratio was 24·33 per cent., the loss being £103,000. The Union Company lost £94,000, the percentage being 14·72. "The National of Ireland ended the year," the article states, "in a disastrous condition. The fire funds were all exhausted, and there was a debit balance at the Fire Account of £62,258. There was no reserve for unexpired risks." Now, the first essential for anything like success in a fire office is a broad basis of work. Yet, according to this article, you find offices with a world-wide basis come out, some of them with a large profit, and some of them with a very, very large loss. What is noticeable, too, is this: where the companies are unfortunate, they are individually liable to far greater loss than profit—the amounts of loss are liable to be far greater than profit.

8. *The Chairman.*] If you have finished quoting from the article, will you please give us the name of the paper it is from?—I will hand the extract in. [Exhibit E.] The paper is called the *Citizen*. It is a London newspaper, with a lot of insurance information in it. It is very largely taken by insurance people, and I think there is no question that the information given by it is reliable. With regard to the uncertainty of the business, I would like to mention this: Notwithstanding that there have been no conflagrations in the colony, the fire losses for 1901 were £200,000 more than they were for 1899. For 1899 they were £185,210, and for 1901 £385,609, although, as I say, there was no conflagration.

9. Those amounts represent the sums paid by all the insurance companies to insurers who have suffered losses?—That is so. The premiums received in the colony in 1901 were £453,583, and the losses amounted to £385,609. But that was an exceptional year—a bad year. I will give you the figures for the five years commencing with 1897, and ending with 1901.

10. I understand that these amounts are the totals for all the companies doing business in the colony, the money being collected in the colony, and the losses paid being for fires in New Zealand?—Yes. The premiums for the five years amounted to £2,027,199, and the losses to £1,395,166 during the same period. What I have not got exactly, but what has to be estimated, is the ratio of expenses. But that is taken at 30 per cent., which is about the average. That would make the expenses £608,159.

11. Could you give us the figures for the five years in tabulated form?—I could, if they would be of any use.

12. It would give us an opportunity of making comparisons between the different years. I suppose the premium income would be more generally uniform than the fire losses?—The premium income is steadily increasing, and on that account there has to be a correction for the larger amount of unexpired risks. In addition to the losses and the expenses, there requires to be a correction made for additional unexpired risks, which is £31,435. Now, that shows that on that estimate the companies in this colony have lost £7,561 during the five years. The only uncertain factor is that of expenses, which are taken at 30 per cent. of the premium income. And that is a lower estimate than the average of the large English companies.

13. *Mr. Massey.*] In the case of the English companies the expenses are heavier?—The expenses of the British offices, as you can see from the returns, are rather over than under 30 per cent. As I said, the ratio of expenses is the only uncertain factor. The others are absolutely right, as far as we can get them. At any rate, they are not in any way materially out; they may be a pound or two, but not more. Just like the experience of the thirty-seven offices quoted in the article to which I referred, the experience of the several companies trading in New Zealand has varied a good deal. Some offices have made money, and some have not. I understand, for instance, that the Manchester Company—I do not think that I am betraying any confidence in saying this—have lost very heavily in the colony during the last five years. I have a letter here from Mr. Clarke, who controls the Liverpool and London and Globe Company for Australasia. By mistake he sent me the figures of the actual result of his business for the five years, which I sent back to him; but in commenting on the matter afterwards he made some remark about the result of the five years' operations, and I cabled him yesterday as follows: "May I use your letter, 24th July, before Committee Parliament?" To which he replied last night: "Unfortunately, no copy taken. Communicate, using discretion." The letter is a private one, but I do not think there is anything in it which I need hold back. This is the paragraph which bears upon the point: "As to the results—strictly local"—that is, with regard to New Zealand—"we are worse off than we were five years ago by about £2,000. This does not include a single penny for any expenses on this side. I sometimes wish that the Government would take up the business of fire

insurance and relieve the constant strain of fire claims." I will hand the letter in. [Exhibit F.] If there is any information that I can give you I will be pleased to do so.

14. *Mr. Barclay.*] You said, Mr. Simpson, that you assumed that this Bill had been introduced on the ground that the methods of the existing companies were not the best?—That is so.

15. Does no other reason suggest itself for bringing in a Bill like this? Supposing it was suggested that Government Fire Insurance would offer greater advantages for doing business at a cheaper rate—that it would be more satisfactory to the insurer than other companies—would that not be a reason that might be advanced?—That would only be considered on the assumption that the business could be done with greater economy and to better effect. I explained that it is possible to collect premiums with greater economy; but I also mentioned this: wherever companies have unduly sought to restrict their expenses they have invariably done so at the expense of their fire losses. If we tried to avoid the expense of the local agents and the people who initiate business—*i.e.*, take the proposals and report as to the character of the man and the circumstances surrounding the risk—or place it in the hands of a departmental officer who probably has no, or very little, local knowledge, and knowledge of the man, I do not think the results would be anything like so good, simply because we find that wherever we try to save money in the direction of getting local knowledge, and in supervision, our fire losses are greater.

16. I think you said also that you thought it was not a wise thing to establish State fire insurance, because if the methods of the present companies were wrong and results not good the difficulty would be met by private enterprise?—Quite so.

17. Would not the same argument apply to such a scheme as the Government Advances to Settlers system?—I do not think so. I think the two things are totally unlike in their nature. The Government have a very large knowledge of land-values, and the Advances to Settlers Office is connected with the Lands and Survey Department. They are supposed to have an intimate knowledge of land. And it is the desire of the Government, I presume, to go in a certain direction—for instance, to foster settlement—which might induce them to incur risk which they otherwise would not incur—*i.e.*, risk of a financial crisis. They possibly are quite prepared to incur that risk in order to obtain money for settlers at a low rate of interest. I do not suppose the Government would go into the business of lending money upon land unless there were some accompanying advantage. It is not for the purpose of going into business that the Government lend money to settlers, but for the advantage they get from it. I do not think any Government Departments have special knowledge of the circumstances which are of moment in fire-insurance business.

18. I suppose it is essential in fire insurance that you should have considerable knowledge of houses, construction, building, and so on. Very well. Now, you say the Government have considerable knowledge of land-values, I presume you mean they have this knowledge because they have sets of valuers going through the country, and all that sort of thing; is that the reason why you say that?—Yes; they have Departments whose every-day business it is to value land.

19. But are not the improvements—houses, and that kind of thing—valued, just the same as the land, by these same officers?—I presume they are.

20. Would it not appear to you, therefore, that they have no more special knowledge of land than of buildings and other improvements?—That would leave out the essential feature of knowledge of a man's business, intimate knowledge of the circumstances connected with him and his surroundings, and the trend of business generally, because values very largely depend upon the results of a man's business and his efforts generally, and on his character, and so on.

21. If your company had New Zealand all to itself as a field of operations, would it not be able to reduce enormously its expense account?—Not enormously. You would still require the individual knowledge of the men and the circumstances. That we look upon as the most essential feature of the business. You would still have to get that. As to whether you could do it a little more economically or not if you had the whole of the business, possibly you could. But, on the other hand, you would lose the advantage of competition. Supposing one man had the whole framing of the rates, it does not follow that he would do it anything like as well as the present large committee that does it, because it would be one man's experience against the experience of a large number of men. Then, again, there is no doubt that in insurance, as in every other business, the advantage of competition is very great.

22. If your company had New Zealand to themselves, the rates being as at present, would you be able to make the business pay very well?—Judging by the experience that we have had during the last five years, we could not make a large profit. It would be absolutely impossible.

23. You gave us figures to show that the result of the business of the companies trading in New Zealand for the last five years has been that they have made a certain amount of loss: how many of those companies paid no dividend during the last five years? Can you tell us what dividends have been paid during the last five years?—I do not think that that has any connection, or very little connection, with the matter. The dividends paid by the local companies have very little weight.

24. But can you give us the figures? Can you tell us whether any of these companies have failed to pay dividends, and, if so, how many of them; and can you give us any idea of the amount that has been paid in dividends during the last five years?—I have not the information here, but I could get it. I can only point out, however, that any inquiry in that direction is liable to be misleading.

25. Can you say that any one of the companies doing business in New Zealand has failed to pay a dividend during the last five years?—Not within the last five years. But I might mention this: that one company—the South British—had to write down half its capital about nine or ten years ago. The Equitable Mutual, I think, lost nearly the whole of its capital.

26. Curiosity has been aroused by the fact that you have been able to give the returns of all the premiums received by the companies during the last five years, including the foreign companies: now, how did you get the figures for the latter?—I do not know that I am justified in telling you how to work them out, but they can be worked out. At the meeting of the council each year the losses are given by each company.

27. You mean your Insurance Council, as it were?—Yes.

28. What do you call it—the Underwriters' Association?—Yes; it is at the council meeting. We meet once a year, and at that meeting the representative of each company gives the president the total losses made by his company for the twelve months.

29. Foreign companies and all?—Yes. But the individual amounts are not disclosed. The president knows them, but he simply adds them up and gives out the total. The revenue can be obtained from the amount that we pay towards the expenses generally. So that those figures can be taken as being quite correct.

Mr. G. W. Russell: Unfortunately I did not hear the first part of your evidence, Mr. Simpson, so my questions will be, perhaps, of a more general character than those of other members of the Committee.

30. *Mr. G. W. Russell*.] I understood you to say that certain companies operating in the colony had lost something over £7,500 in five years on their underwriting?—Yes; but that includes an estimate—

31. Would you kindly explain whether that means that after paying managerial expenses and charges the payments made on account of losses exceeded the premiums received by that amount?—With the addition of a correction of £31,000 for the additional amount of premiums between 1897 and 1901. Supposing you take a certain amount in premiums during the year, at the end of the year it takes a certain amount to what we call reinsure, or provide for outstanding liability. The amount in 1901 was larger than it was in 1897, and to correct that—to provide for the additional liability—an amount of £31,000-odd had to be set apart.

32. The point I want to get at is this: Your evidence goes to show that on the purely fire business the companies during the five years, deducting from the gross profits the managerial expenses and charges, have made nothing?—That is so.

33. That is your evidence?—Yes.

34. Mr. Barclay has drawn attention to the fact that, notwithstanding this, the companies have been paying dividends: can you tell the Committee from what sources the companies are able to pay dividends, although, according to your own statement, they have not been making a success of underwriting? Is it not from the investment of the capital and the reserves that have been put away in previous years?—So far as my company—the Phoenix—is concerned, the New Zealand business has very little influence on their balance-sheet at all. Their total premiums are three times as much as the whole of the premiums collected in this colony. Therefore the result of business in this colony is a very trifling matter to them. Of course, they pay their dividends out of the world-wide business that they do, and the investment of their funds.

35. I am not speaking to you as the manager of the Phoenix Company, but as an insurance expert, because I am leading up to another point?—The same thing that I have explained with regard to my own company applies to most of the English companies—*i.e.*, the New Zealand business is a very small part of their income. The same thing also applies to the local companies, but not quite to the same extent. The income of the four local offices is about £800,000—that is, they collect premiums to the extent of double the total amount collected in the colony. Out of that their fire revenue collected in the colony is about £175,000. The fire premiums which they get in this colony are about 20 per cent. of their whole revenue. When you try to estimate what their profit ought to be, or what their dividend ought to be, from the result of the business operations in New Zealand you may be very wide of the truth. You may not be able to make any deduction that is reliable at all.

36. How many companies are operating in the colony?—About twenty-five, I think.

37. Do you think that the setting-up of another rival institution, as the Government institution would be, having to depend upon its own merits, upon its own management, and upon its own rates, possibly, for success, would be a good thing for the colony—speaking now as a resident of the colony?—I do not see that it should be. It certainly would have to employ our methods. It is not to be supposed that on the spur of the moment a Government Fire Office could establish a routine better than we, and have the business ability generally.

38. Do you, as an expert, think that a large Government Department, having agencies at the various country post-offices for the purpose of accepting insurances, and working a big machine in that way, could possibly be worked upon satisfactory lines?—I am sure it could not. The idea is perfectly absurd.

39. You consider that insurance is a highly expert business, which would require the utmost care in its management, if a Government office were established, in order to protect the colony from making substantial losses?—There is no doubt of it.

40. I do not know whether it is a fair question to ask you, considering the position you occupy, but do you think, speaking generally, that the salaries paid in connection with insurance business to the highly placed officials are beyond the fair mercantile value of the services of these gentlemen?—I do not think so; I do not think they are. The men in such positions have very large responsibility, and exercise very great discretion, or, rather, have a very great discretionary power. For instance, take my own case. I am fifteen thousand miles away from my directors; no one here has the slightest control over me. I can pay a loss if I like; I can draw as much money as I like. And there is no doubt that anybody in a similar position must be invested with equal power.

41. Then, you would not consider it desirable to carry out the proposal of the Auckland Trades Council that fire-insurance business should be placed in the hands of the gentlemen controlling the Government Life Insurance Department?—The gentlemen in charge of the Government Life Office are conducting their business, I have no doubt, very well. As to whether there is any necessity for a Government Life Office, there is a difference of opinion there. But none of their experience, collected in the course of their business in the life office, would be of benefit to them in conducting a fire business.

42. Apparently marine insurance is a large part of the business done by the local companies: do you consider that if the Government were going to undertake fire insurance they ought to undertake marine also—which is probably quite as profitable, perhaps more so?—I do not think so.

43. Let me put the question more plainly. Do you think it would be possible to differentiate between the two, and set up a fire office only, and that that would be a success?—I do not think it would be a success.

44. Then, do you hold that the Government, if they set up a fire branch, should also have a marine branch connected with it?—I do not think it follows. But I think that very much the same objections would apply to the marine. Of course, the adjustment of losses, and that sort of thing, is a highly technical matter.

45. Do you think it is probable that if the Government set up this proposed Fire Insurance Department they would be able to arrange for reinsurance, which, of course, is an integral part of any fire-insurance scheme?—I do not think they would.

46. Do you mind giving us your reason for thinking that?—If the object of the Government is to benefit the community they would have to do the business at lower rates than we do; and I am quite sure of this: that no office in the world having any acquaintance with the results of the business in this colony—which they all have—would attempt to reinsure the Government business at lower rates than the offices operating here think it necessary to charge.

47. Something has been said about the alterations of the tariff: have many alterations been made in the tariff within the last few years?—Yes.

48. Have they been in the direction of raising or lowering rates?—On one or two occasions the rates have been raised. At every meeting of the council we make some adjustment—sometimes unimportant, but sometimes of considerable importance. More recent alterations have been in the direction of increasing rates in certain localities.

49. Do the tariff rates of the various companies operate throughout the colony for similar classes of business, or are the tariff rates different in different localities and cities?—They differ.

50. Is there any special reason for a man in Christchurch, say, paying a higher rate of premium than a man in Auckland for the same class of business, assuming that the fire-prevention appliances, and so on, are equally efficient?—The experience of the insurance companies since they commenced operations here has been that the North Island risks are not so good as the South Island ones, and the further north you go the worse they are.

51. What, in your opinion, would be the capital that would be required at the back of a State Fire Insurance Office?—Looking at the circumstance that the published returns show that the Manchester office lost £244,000 last year—

52. Not in New Zealand?—No; upon a basis twice as large as the whole of the premiums paid in this colony, I should say that a very large sum would be required.

53. I would like you to be specific, unless you decline to do so, because it is very important that Parliament, if asked to legislate on this matter, should know whether a capital of £50,000 or £100,000 or £500,000 would be necessary to put at the back of the proposed office?—It is a most difficult question to answer. I can only do so in this way: The funds of the companies operating in this colony at present would amount to between seventy and eighty millions, and these companies, in the conduct of their business, think it necessary to give certain limitations to their agents here, and in a good many cases the limits which the latter can hold, with the seventy or eighty millions at the back of them, will not provide for all the cover required in particular instances in New Zealand. That is to say, that some people have to go to England for cover on their places of business, because it is beyond the amount which these companies operating in the colony collectively think it wise to give.

54. On a particular block?—On a particular block or a particular building. There have been several instances of that.

55. In the event of a Government Fire Department being set up, do you think that it should be provided with its capital, and that it should then be able to invest its capital on mortgages, or in any other class of security that is thought desirable, in the same way that the private companies do with their capital and reserve funds, so as to strengthen the fire premium fund by investments of capital on the most profitable basis possible in other directions? Do you see what I mean?—I think so. But the two things are a little bit antagonistic. If you wanted to have your fund available promptly you have to take a lower rate of interest than you would if you permanently invested it.

56. You would keep some of your securities liquid, of course?—Yes.

57. For instance, you people do not put all your capital into securities that return only a very low rate of interest, simply so as to keep them liquid?—Very largely so. I may say that I wished our office to build here, but they said No. The principle we go on is to have our funds as liquid as possible. You might strike a time such as the Liverpool and London and Globe did in Chicago: they lost the whole of their reserves in one fire—and something more than that, too.

58. *Mr. Massey.*] Do you refer to the big fire there?—Yes.

59. *Mr. G. W. Russell.*] Then, the answer that you would give to my question, I suppose, would be that the capital of a State Fire Insurance Office should be held by the Government, to be called

upon when required, if the money in hand from the ordinary fire business was not sufficient to meet losses?—Certainly; it ought to be in the most liquid form possible. If it was anything like the amount spoken of it would have to be absolutely at call at any time.

60. *Mr. Massey.*] You told us a little while ago that the New Zealand losses of the insurance companies doing business in this colony amounted in 1899 to £185,000, and in 1901 to £385,000—an increase of £200,000?—Yes.

61. Can you account in any way for the huge increase mentioned?—No; it is simply the fluctuation of the business, just the same as is evidenced by the difference in the results of the several companies in England. I do not suppose the unfortunate company to which I referred was not well managed—in fact, we know that the contrary is the case. The most important matter is that these companies met with no big conflagration, and yet their experience varied as widely as I have mentioned. I did not speak of the Norwich Union Company, which is mentioned in the newspaper article I produced. It is one of the most conservative offices in the world. Its loss was £89,000, I think. But the experience of the companies varied, owing simply to the uncertainty of the business generally. There is not the slightest implication that the companies which lost were not so well managed as the others. It was simply the uncertainty of the business that made the difference.

62. Do you know whether, during the last few years, there have been many complaints about the rates charged by the insurance companies doing business here?—A great many.

63. Do you think they were justified?—I do not think so. Of course, there are people who talk with the greatest confidence about the rates of insurance, but they are simply the men in the street. No insurance-man ever talks with very great confidence about a rate of insurance, because it is utterly impossible for him to do it. I am quite sure of this: there is no expert in the world who knows the value of any one risk.

64. Do you think it is possible to charge lower rates than the companies are charging now and make a profit?—I do not think it is, because the result generally has not been that profits have been made. Some offices have made profits, and some have not.

65. Speaking generally?—Yes.

66. What effect do you think the passing of this Bill and the opening of a State Fire Insurance Department would have so far as rates are concerned?—That would depend a good deal on how the other offices took it. They might, with seventy millions at their backs, take it into their heads to fight the Government. But then, again, they might not. They might be content to have it as an ordinary office competing with themselves in the usual way. But there is no doubt of this: that a Government Fire Office, immediately the Bill was passed by Parliament, would be put into the hands of men supposed to know something about fire insurance, and these men, for the sake of their own reputations and for the purpose of getting through at all, would have to adopt our methods. Unless you got a heaven-born genius who knew something better than the collective experience of the whole of the offices—which is hardly to be expected—they would have to fall into our methods, and the Government office simply be one of us.

67. But suppose that the other companies, as you say, took it into their heads to fight, and lowered the rates, the Government Department, of course, to do any business, would have to follow suit and lower its rates too?—Yes.

68. What would be the effect so far as the Government Department was concerned: would it lose its capital, or any part of it?—That would depend on how far they were undercutting in their rates.

69. Yes; but in your evidence I think you said, or implied, at all events, that it was not possible to make a profit if lower rates were charged than are charged at the present time?—Yes.

70. Then, seeing that such is the case with the private companies, do you think it would be possible for the State to charge lower rates and make a profit?—Certainly not.

71. On the other hand, if the Government office made an arrangement with the association, would there be any lowering of rates to the public?—No.

72. Consequently there would be no benefit to the public by starting a State Fire Office?—No.

73. Do you know how the rates charged in this colony compare with the rates in Australia?—I have no intimate knowledge. I think that in some cases they are a little lower, and in some higher. I know that some of the business rates in Melbourne are considerably higher than are charged here. For instance, Sargoods, in Melbourne, in a well-built block, are paying very considerably higher than they are in Wellington. I think the general rates in some places in the colony are very considerably higher than here, even the dwellinghouse rates. In some cases they are a little bit lower, but there is not much difference between them in comparison.

74. Speaking as an expert, do you think a State-managed Fire Insurance Department is likely to be successful if established?—I do not think it is at all. It is essentially not a matter for strict routine. It requires the exercise of more discretion, possibly, than any other form of business.

75. More than in connection with life insurance?—Oh, considerably. A life-insurance man depends very considerably upon the report of the doctor, who reports upon facts. Of course, people are made very much alike; any difference is detected by the doctor and provided for. Then, again, in life insurance they are not liable to the same extent as in fire. Supposing that in the life department 10 per cent., 15 per cent., or 20 per cent. of the deaths were occasioned by, say, suicide and murder, it would knock all their average out.

76. In answer to Mr. Russell, I think you said that in your opinion it would not be possible for a Government Fire Department to arrange for reinsurance. If they were not able to arrange for that, do you think it would be wise to go into the business?—Certainly not. Take the company that I mentioned, with a premium income of double that of the whole Colony of New Zealand,

and with the advantage of a wide basis—which is always admitted: If an office like the Manchester could lose £244,000 in one year, they are liable to a greater extent in a more confined area. One of the most serious features in connection with any endeavour to estimate results is this circumstance: we have never yet had in this colony a big conflagration, but, notwithstanding that, the results have not been favourable. Then, you must also look at this circumstance: that, though the results of the thirty-seven companies that I have referred to, with a world-wide experience, have varied so much, they would be liable to still greater variation in a smaller area.

77. Do you think that a Government Fire Department could be worked more cheaply than a company?—It would depend on what the idea of working the business was. If the Government office put it on to the Post Office, say, to collect the premiums, and depended on the officers there for the reports, and all that sort of thing, they could do it very much more cheaply than we are doing business. But we know that they would be doing it at an expense of, perhaps, three or four times the amount in losses. That we know from experience. Where we try to curtail expenses in that direction we lose in the other far more seriously.

78. You think, then, that there would be a great deal more loss than saving in connection with the employment of inexperienced people like Postmasters to act as agents for a Fire Department?—I am quite sure of it. I would never try to run business on those lines. I could not do it.

79. *The Chairman.*] You think that the proposed amount of capital at the back of the State Fire Insurance Office would be altogether too small?—Altogether too small.

80. And that by limiting operations to the colony the office would incur unusual risks?—Certainly. The larger the basis the better the average ought to be made.

81. In what direction is the greater amount of losses incurred by fire-insurance companies—on residences and cottage property, or on commercial buildings?—Insurance companies are liable to big disasters with commercial properties.

82. But what is the actual result: on what form of property do you pay away the greater part of the money for fire losses?—Proportionately, or actually?

83. Actually?—I think, on commercial properties. The larger portion of the premiums is collected from mercantile businesses.

84. Do you think cottage and residential properties the best form of risk?—Yes, they are usually considered so.

85. Can you tell us the total amount of loss to the insurance companies by the greatest fire which has taken place in the colony?—No, I cannot; but I think it is something short of £100,000. I think the biggest was about £70,000 or £80,000. That is the most serious point to be considered—that we have never had a big conflagration.

86. Do you refer to the great fire in Dundin twenty years ago?—No. I was thinking of the fire here—in 1879, I think it was.

87. That swept out the central part of the city?—Yes.

88. By that fire the insurance companies were more heavily hit than on any other occasion?—I have not looked the matter up, but I should think that is about the heaviest loss.

89. *Mr. Barclay.*] Can you give us any information as to an association known as the Twenty Companies, formed at Home?—No.

90. They are supposed to be interested in reinsurance?—I have never heard of them.

91. Is it not a fact that fire insurance in New Zealand is being reduced to a more accurate business than it used to be, on account of tables, &c., drawn up from experience, just as in life insurance? Is it not correct that the rates are now on a more scientific and accurate basis, and can be placed on a still more scientific and accurate basis, than has been usual in previous times?—Well, yes; we think that we improve every year—that is, we correct rates and practices from year to year to the best of our ability. We never sit down with the idea of taking advantage of the public in any way, but with the idea at our meetings of doing that which is fair, and arriving at—

92. I was not suggesting anything else. I was merely asking you whether the practice of fire insurance was not being reduced to a more accurate and scientific business?—Yes, to a certain extent. But you cannot possibly get accuracy, or anything near it. We only judge by our experiences, and when we meet together we take the opinion of the majority as to what their experience is. They do not give exact figures; they say, "Our experience is unfavourable with regard to a certain class of risk," but never give exact figures.

93. Now the companies in New Zealand have a tariff between them?—Yes.

94. And all companies take risks at the same price?—Yes.

95. Then, the assured has this option: he may either accept the companies' price or go without insurance altogether?—That is so. Of course, it is absolutely necessary. The best expert can never exactly tell the worth of a risk; and if we left it in the hands of men outside—the local and district agents—to determine rates the business would be disorganized altogether.

96. If the companies saw fit to raise the rates the position would be the same, would it not?—Yes; but there is no likelihood of the companies unduly raising rates, because it would only bring in competition. If there was a favourable field companies would immediately rush in. And one evidence of the fact that the rates have not been remunerative is that there has rather been a tendency for companies to withdraw than to establish themselves here. They are all anxious to get in and establish themselves in a field where there is any likelihood of a profitable business being carried on, even if they have to work for a considerable number of years to get into a fair position.

97. I think you mentioned the Norwich Union as a company which had been conspicuous for its losses during last year. Now, is it not a fact that that company is an enormously wealthy one, and pays dividends on its nominal capital of 60 per cent., 70 per cent., and 80 per cent.?—I have

not looked it up; but even if it does it is simply a survival—one of the survivals of—say, fifty times as many companies. I think that, speaking within bounds, there have been fifty companies established for every one that remains at present.

98. Do you think that if one company, or the State, we will say, had the whole of New Zealand to itself, it could afford to do without reinsurance?—Certainly it could not.

99. Although the largest fire losses in any one year—during the last five years, at any rate—by no means approach the premium income?—Quite so; but take the experience of the Manchester office: Last year, with a basis twice as large as that of the whole Colony of New Zealand—*i.e.*, they took between £800,000 and £900,000 in premiums—they lost £244,000. Of course, their experience is exceptional, but it may occur again at any time. And, be it remembered, there is no suspicion that the company was badly managed; it was simply the result of the chances of the business.

100. You do marine business, I believe, as well as fire?—Yes.

101. The marine business is all right, is it not?—I do not know the result of the marine business.

102. But it is profitable, is it not?—My company does not do a very large marine business, and I could not speak as to the results for the whole of the offices.

103. *Mr. G. W. Russell.*] I understood from you that the four local companies, who collect a fire revenue from the colony of only £175,000 out of a total of £800,000 from their business in all parts, do a very large percentage of the whole fire-insurance business in New Zealand?—They do. That amount of £175,000 I cannot vouch for, but it is sufficiently near the mark. Their proportion of the business is £175,000 out of £450,000.

104. It is correct to say that the total losses last year were £385,000?—Yes.

105. As against a total income from fire business of £453,000?—Yes, for the same year.

ALFRED DE BATHE BRANDON examined. (No. 6.)

106. *The Chairman.*] Will you please give us your full name, and the name of the body you represent?—My name is Alfred de Bathe Brandon. I am a barrister-at-law by profession; I am also a member of the Wellington Chamber of Commerce, and, as the mover of the resolution passed the other day by the Chamber of Commerce *re* State fire insurance, I was asked to attend here and give evidence before the Committee.

107. You come from the Wellington Chamber of Commerce?—Yes.

108. The evidence that we have heard this morning, Mr. Brandon, has been of a general character. I hope that we may look to you to speak on the details of the Bill?—Well, I would rather not speak as to the details of the Bill, because, in the first place, I have not had the time or the opportunity to give detailed study to it. What I propose to put before the Committee are the arguments which were used at the Chamber of Commerce in support of the resolution proposed, in the direction that it was not expedient for the State to embark in the hazardous business of fire insurance. That is directed merely to an examination of the question whether it is a suitable business for the State to go into. Of course, if the State determines to go into it, then the details of the Bill will be a matter for consideration. If you examine the precautions taken by fire-insurance companies to guard against any undue loss of capital, you can then realise the exceedingly hazardous nature of the business of fire insurance. The general principle adopted by fire-insurance companies is the distribution of risk. That is attained by placing a limit on the amount of the policy on, we will say, any one building. Then a further limit is put upon the amount at risk in any one block, and a further limit is sometimes put on the amount in any one district. In addition to that a selection of risks is made. Some risks are more hazardous than others. Some companies will take one class of risk that another company will reject. But on the principle of spreading risks it is necessary, in order that the public can get protection, that there shall be more than one company doing business. You can see that if one company will only take sufficient to give insurance on every fifth or sixth building there must be some insuring companies ready to take up the risks on the intervening buildings. So far as New Zealand is concerned, there are at present—Mr. Simpson said—some twenty-five companies with funds of about seventy millions taking up risks; and even those companies are not sufficient to do all the business required by the citizens of the colony. The distribution of risk is an element of safety, and the companies that are doing business already have an additional precaution in being able to do business outside of New Zealand as well. As I understand, no local company has found the New Zealand business sufficiently extensive or sufficiently profitable to enable it to confine its operations to the colony, with the result that, while the local companies may make a loss in New Zealand in one year, the profit on the business generally—we will say in Australia—in the same year enables them to pay a dividend. If they confined their business to New Zealand only they would not have the benefit of the average gained by the distribution of risks throughout the colonies. That distribution would be lost to a Government Fire Office that confined its operations to the Colony of New Zealand. A very difficult element for a State Fire Insurance Department to arrive at would be the fixing of the premium. The premium would have to be fixed either in accord with the competition of the other insurance offices, or it would have to be fixed so as to indemnify the Department against loss caused by expenditure, including fire losses. If a Government Fire Department was the only office doing business in the colony, probably the rate of premium would be calculated on a scale to indemnify against loss and expenses, purely and simply. Then, you would have this further complication: would that indemnity be collected from the colony generally, or from the particular district in which the loss occurred—that is to say, would the premiums be fixed on colonial experience generally, or would a district, such as Wellington, or Auckland, or Christchurch, be made a separate district, which would be in effect a mutual insurer?

109. In the same way as that in which Auckland is now discriminated against?—Yes.

110. *Mr. G. W. Russell.*] Would there be differential tariffs in different districts, according to the circumstances?—Yes. It would result in differential tariffs, because the losses would not be the same in each district. It is not in the nature of fire insurance to have claims maturing with regularity and approximate in amount to the average of past experience, such as there is in life insurance. The businesses of fire insurance and life insurance are essentially different in this respect: namely, life insurance is based on the certainty of death, while fire insurance is based on the mere possibility of few fires happening. If you consider it you will see that there is a very considerable difference between fire and life insurance, owing to the fact, as I say, that in case of life insurance death is certain. The experience of life-insurance companies has proved that for any period of years the average mortality per class is practically identical, and that in temperate zones, out of any thousand children born to-day, the same percentage will die in each successive year. It is a practical certainty, and on that certainty of death the tables of life insurance have been compiled. But, so far as fire insurance is concerned, there is absolutely no certainty whatever in the matter. That uncertainty of fire points to the possibility, which has, happily, not taken place in this colony, of an exceedingly large conflagration. We cannot compare any one of our cities to Chicago, but the fire of Chicago is an example of fire having virtually overcome all human efforts to extinguish or stop it; and what happened there is possible elsewhere at any time. Now, in embarking on a hazardous business such as fire insurance, you have to consider what would be the position of the Department should such a conflagration happen. It would necessarily wipe out the whole of the capital proposed in the Bill—£250,000. If the insurance on the fire in Wellington in 1879, to which reference has been made this morning, was only £70,000, the value of the property destroyed was probably half as much again—probably more than that—and that fire was confined to a very small part of the town. Supposing the fire had extended over the whole of the Te Aro Flat, the loss of property might have gone up to £400,000 or £500,000 at least. Such a loss as that would take away the whole of the available funds of the State Department, and, that being the case, the colony would have to finance for the balance, which might lead not merely to a financial crisis in the affairs of the State Fire Department, but to a financial crisis in the affairs of the State itself. That, I think, is a matter for very serious consideration. In the case of a private company the company would simply go under and the insured stand the loss if the funds were exhausted. In the case of a State Fire Department it would be impossible for the State Department to go under. It would be for the colony to see that the Department kept its engagements, and in the effort to do that the colony itself might become seriously involved in its finances. There is one position which we must look at from the point of view of the insured, and that is this: In the case of a private company not paying a claim the insured has his remedy through the Courts of justice, and the State will assist the assured in recovering the full benefit of his judgment against the whole of the assets of that company. In the case of a State Fire Department judgment could be recovered, but the insured might have to wait for an appropriation by Parliament before that judgment could be satisfied. In your own knowledge, you have had in the House a case where judgment was recovered against the Public Trustee for costs in an action brought against an individual. Those costs were not paid for a period of three years after judgment was obtained. They were only paid after various petitions had been presented to Parliament, and when paid they were paid without the interest which a judgment of the Supreme Court usually carries.

111. *Mr. Massey.*] Do you mean the Buller costs?—Yes. That is a case which I think I am perfectly justified in alluding to in order to show that the position of the insured with a State Fire Department in the case of a contested claim would not be so satisfactory to the individual as if he obtained judgment against a wealthy private company.

112. *Mr. G. W. Russell.*] Could you quote any analogous case in connection with the Government Life Insurance Department?—No, I think not. I do not know of any other case where the fruits of a judgment have been withheld, but I am perfectly justified in quoting that as a possibility. I think that those, briefly, are the arguments which were brought forward in favour of the proposition by the Chamber of Commerce that it is not expedient for the Government to embark in the hazardous business of State fire insurance.

113. *Mr. Massey.*] You do not profess to be an expert in fire-insurance matters, I suppose, Mr. Brandon?—No; I have only studied the general principles.

114. You represent the commercial community of Wellington?—Yes.

115. You think that, as a whole, they are opposed to the idea of the State going into fire insurance business?—Yes, without any hesitation.

116. Did I understand you to say that it is necessary for a fire-insurance company or association not only to spread its business over this colony, but to do business in other countries as well, in order to get a general average?—That is what I understand has been found to be the case with the local companies—that if they had confined their business to New Zealand only, in some years they could not have paid a dividend.

117. You think, then, that if we established a State Fire Insurance Department it would be necessary not only to do business here, but to go to other countries as well, in order to be successful?—Yes, in order to insure against the possibility of expenses being more than the revenue.

118. *Mr. G. W. Russell.*] If a State Fire Insurance Department was set up it would be a Department of the State, and would be subject to political influence: do you think that people who were insured under the State Department would be prepared to accept from the State only the proportion of insurance they can now get from insurance companies, or do you think the fact of its being a State Department would result in political influence being brought to bear to enable people to insure more nearly to the full value of their property, thus introducing an additional risk?—I think there is no doubt about this: where the amount of insurance cover was dependent upon the value of the building, and that value had to be ascertained by expert valuers, it is quite within possibility that the valuations made by them might to some extent be influenced by political considerations.

119. Let me put the question in another way. Assuming that the ordinary insurance companies now insure up to two-thirds of the value of a property, do you not think it probable that political influence would be brought to bear in Parliament, and, as a reflection of the opinion of the constituencies, for the Government Department to insure to, say, three-fourths or four-fifths of the value?—Yes; I think it is exceedingly likely that pressure would be brought to bear to force the Government to take larger risks than they would be otherwise justified in taking.

120. Or larger than private companies do?—Yes. Of course, it is a matter of opinion.

121. *Mr. Barclay.*] Are you solicitor for any insurance companies?—Yes.

122. More than one, I presume?—Yes.

123. Did you ever hear of political influence being brought to bear in any way on the business of the Life Insurance Department?—No.

124. With regard to the distribution of risk the National Insurance Company and the Standard Company, I think, had to reduce their capital—to write off some of it—some years ago: do you know that they were obliged to do that solely on account of the losses which they made in their foreign business?—I am not intimately acquainted with the business of either of those companies, but I recollect having heard that some companies found business in America was very disastrous; that, however, might be explained to a certain extent in this way: they may not have been wise in their selection of agents. The whole of the foreign business depends entirely upon the personal ability and the personal care exercised by the agent. If the agent is careless in the selection of risks, losses are inevitably bound to follow.

125. I suppose you never heard of a Home association called the Twenty Companies?—No.

126. *The Chairman.*] Can you tell us how many companies doing business in New Zealand confine themselves to New Zealand?—I could not say; but my impression is that none of them confine themselves to New Zealand. I cannot speak with accuracy on the point, however.

127. Are the commercial people of Wellington satisfied with the present rates charged for fire insurance?—I cannot say that I have heard any specific complaints against the rates. One hears from time to time, and sees paragraphs in the papers, about the enormous rates that are charged by the companies, but these are criticisms made by people who have not gone into the principle of the business at all. They do not carry on the business, and do not understand the principles on which it is conducted sufficiently well to criticize it.

128. Do you know of meetings having been held at the Chambers of Commerce in the colony at which resolutions have been passed calling attention to what have been designated the “exorbitant” rates?—No, I do not recollect having read anything about such meetings.

129. You have no knowledge of any such meetings in Auckland?—No.

130. Of course, you have seen the preamble of the Bill, in which it is declared to be “expedient to lessen the cost of fire insurance”?—Yes.

131. You are not aware of any widespread popular discontent with the existing rates?—No.

132. *Mr. Barclay.*] Have you heard nothing from the farmers' unions on the subject of rates?—No. I may say that my opportunity for judging popular opinion is very limited. I am tied to an office all day. An opinion could be formed only from what one sees in the newspapers.

133. *The Chairman.*] You are no doubt aware that under existing legislation it is impossible for small bodies of, say, farmers or workmen to form mutual insurance associations: is it advisable, in your opinion, that that restriction should be relaxed or repealed?—So far as I am aware, the experience of mutual insurance companies on a small scale has been altogether disastrous, and, while I do not, generally speaking, approve of restrictions being placed in the way of individual enterprise, I would strongly advise any locality not to embark on any scheme of mutual insurance.

134. While not opposing it, you do not think it advisable to place restrictions on the formation of such bodies?—That is so.

135. *Mr. Massey.*] Do you know anything of the mutual associations in operation in Canada?—No.

136. You do not know whether they have been successful or not?—No. There is just one thing I would like to point out before I go. This Bill does not indicate any principle on which the premiums are to be calculated; that is a point where political influence might come in.

WRITTEN STATEMENT supplied to the Committee by F. ALLEN, General Manager, Commercial Union Assurance Company (Limited), who was unable through illness to attend personally. (No. 7.)

STATE FIRE INSURANCE.

Average and Restricted Area.

In order to bring their operations within the scope of the “law of averages,” upon the extent of the application of which their ultimate success depends, insurance companies are compelled to seek not only considerable areas in a country for the acceptance of risks, but must also have many countries. Hence the majority of companies transact business in most parts of the civilised globe.

An American insurance expert says, “The numerous mutual fire-insurance companies organized in the United States of America under the Act of 1849 have left a sad record of outrage and wrong inflicted upon our citizens.” A number of mutual fire companies were established some years since in Australia; with one or two exceptions they all succumbed. The Mutual Company of New Zealand (the only one) was established in August, 1882, and liquidated in May, 1883.

As exemplifying the distribution of fire risks: By the Chicago fire of 1871 there were destroyed 17,450 buildings of all kinds with their contents, and other interests, the insurance on which, distributed amongst two hundred and sixty companies, was £16,000,000. Of the two

hundred and sixty companies more than sixty were forced into absolute failure, whilst nearly as many more were compelled to adopt measures for the immediate restoration of their capital or assets.

With regard to the operation of Government fire insurance in the Kingdom of Saxony: By law, all buildings which are not classed as extra-hazardous must be insured with the Government. But the flames keep ahead of the rates, and the Government institution had some years ago a deficit of upwards of £150,000. The State office is in reality a public charitable institution under the regulations of which the large and well-managed cities, adequately supplied with improved fire departments, cover the losses of the ill-constructed small towns and villages.

The General Mutual Insurance Company of Sweden had a large conflagration in 1888 in the Towns of Sundsvall and Umea; by the fire at Sundsvall they sustained a loss of £350,000, and by that of Umea, shortly afterwards, £81,500. The available funds to meet these losses of £431,500 was £80,000. The large amount required to pay the balance had to be borrowed at high rates of interest payable over a series of years. The inhabitants of those towns are to this day staggering under the burden.

State or municipal insurance is practised to some extent in Switzerland. Possibly the most perfect instance of the working of State fire insurance prevails in the Canton of Zurich; there buildings only are insured provided they are of a non-hazardous character and not distant from towns or villages: the exceptions have to remain uninsured. The Government raise the necessary funds for meeting losses by a rateable tax on the owners of property; the system is one of mutual insurance under the direction of Cantonal authorities. Very stringent laws are in force regulating the construction of buildings. The actual results of the system do not, however, indicate any special measure of success. At the same time it must not be overlooked that in other districts under this system the proportion of loss to the total sum insured has been about six times the average premiums charged by insurance companies in adjoining countries, where practically similar conditions of trade, &c., prevailed.

Expenses.

It is contended that Government would be able to conduct the State Fire Insurance Department at a much less cost than that found necessary by companies, but the onus certainly rests on those making this statement of proving it by something more tangible than mere assertion; the expense-ratio of the New Zealand Government Life Department does not bear out the contention of economy.

Life-insurance business cannot be compared in any form with that of fire insurance. The one is worked on clearly defined principles obtained from statistics compiled especially for the purpose; the other (fire) has no settled lines, no statistics worth any consideration to help it. All is uncertain, and it is only by having widespread fields that an average can be obtained.

On the score of economy, the experience of all civilised communities proves that business enterprises undertaken by Government are eventually more costly in their administration, and less satisfactory in their results, than when left to the watchful supervision and close attention of individual or corporate direction. It will be found a world-wide principle that where there are large companies with adequate resources for the nature of the business, the best and therefore, viewed as a whole, the cheapest form of insurance will infallibly be in vogue.

The idea that the expenses would be lower were the whole business concentrated under one management seems plausible enough. We have, however, of late years seen amalgamations of offices carried out on a large scale without effecting any diminution in the expense-ratio. The cost of supervision approximates closely to a fixed proportion whether the business be large or small.

Profits of Fire-insurance Companies.

It is generally taken for granted, without sufficient or, in fact, any given evidence, that the gains of fire-underwriters are so large that rates might be considerably reduced and still leave a margin for profit. It is a noticeable fact that whenever insurance matters are mentioned by non-insurance men the item "expenses" (between 30 and 35 per cent. of net premiums) and the sum required to reinsure unexpired risks are invariably ignored.

Results of fire business of twenty-five companies established in New Zealand, for five years—1897 to 1901:—

| | Per Cent. |
|--|-----------|
| Loss percentage to premium | 68·8 |
| Expenses (the average expenditure of English companies is about 33–35 per cent., but say) | 30·0 |
| | 98·8 |

Leaving a nominal profit for the five years of 1·2

To reinsure current risks on the 31st December, 1901, a sum of £151,194 would be required, so that the loss is a very serious one.

During the twenty-three years to the end of 1901, twenty English, foreign, and Australian companies, many of them powerful ones, withdrew from New Zealand, five New Zealand companies were either liquidated or sold, and ten Australian companies were taken over by other institutions or liquidated, and £65,000 was written off capital (as lost) of other local companies. Of the native Australasian companies, those of New Zealand had the highest loss-ratio.

No company should pay a dividend until it has provided this 33½ per cent., because had it to close its business the company would have to reinsure its current risks. It is not only that premiums on unexpired risks are unearned, but it is the large contingent liability of loss that attaches to each policy current.

From the foregoing it will be observed that dividends which have been paid by companies in New Zealand during the last five years must have been paid principally out of interest on invest-

ments of shareholders' capital and profits not made in the colony. All country business in New Zealand has been of a more or less unpayable character. Country business in the North Island during the last three years has resulted in a loss of 0·31 per cent.; the losses and expenses together being 100·31 per cent., in addition to which is the sum that would be required to reinsure current risks. The business of the South Island has not been so bad. It is alleged that small farmers are urging the Government to go on with the Bill. These small risks are the very class of business which has been disastrous. (See also under Advances to Settlers business.)

Companies commence business with the capital paid up by their shareholders; the Government would establish themselves with money borrowed on the credit of the colony, and compete with private companies.

The twenty-five companies established in New Zealand have paid-up capital and reserves amounting to upwards of £25,000,000, with a subscribed capital of £32,486,681, surely sufficient to conduct the business of New Zealand.

Advances to Settlers Fire Business.

According to the Government returns from the inception of the Act up to the 31st March, 1902, some seven years, premiums have been paid to companies amounting to £24,967, and losses paid by the companies £16,202—probably a considerable amount of losses was still unpaid on the 31st March.

| | | | | | | | | | |
|----------------------------|-----|-----|-----|-----|-----|-----|-----|---------|---------------|
| Say premiums | ... | ... | ... | ... | ... | ... | ... | £ | 24,967 |
| Losses | ... | ... | ... | ... | ... | ... | ... | £16,202 | |
| Expenses, say 30 per cent. | ... | ... | ... | ... | ... | ... | ... | 7,490 | |
| | | | | | | | | | <u>23,692</u> |

Leaving for the seven years... .. 1,275

as nominal profit. Taking the last year's premium as £6,000, it would require 33½ per cent., or £2,000, for unexpired risks—a very serious loss.

The business of the Advances to Settlers Office is probably the worst account companies have. The Government would start with a bad account in taking over the Advances to Settlers fire business.

Small Risks.

It is the experience of all companies that dwellings and [or] contents of £150 and under have been the worst class of risks.

The result of the working of thirteen of the largest companies in the world, all having upwards of £500,000, of net premium income, one over £2,000,000, several over £1,500,000, for the year 1901 was a loss of 0·7 per cent. The premiums received amounted to £15,764,826. Loss-ratio, 66·5 per cent.; average expense-ratio, 34·2 per cent. These are figures taken from the English insurance journals. The question which naturally arises is, why, in the face of such adverse results, do English and foreign companies remain in New Zealand? The reasons are that on account of the magnitude and extended area of their operations large companies are not affected to any appreciable degree by losses in any one particular locality or country, unless they are of excessive proportions and of long-continued duration; and also that, having incurred the large expenditure necessary to establish themselves, companies are prepared to wait for a limited time to endeavour to recoup themselves their losses.

Tariffs.

If the tariffs of rates fixed yielded excessive profits, it is obvious that some offices would see an advantage to themselves in withdrawing from the agreements and endeavouring to increase production—in other words, to extend their business—at lower rates. New companies would also be formed to join in the competition, and it is thus within and without the combination there are always forces at work which sufficiently safeguard the public interests.

Combinations of insurance companies to fix minimum rates in order to prevent ruinous competition are known all over the world. A little consideration will show that such combinations bear no close analogy to "trusts" and "corners" in commodities. The aim of these is to concentrate the whole supply of some article in the hands of a few individuals. An artificial scarcity is thus created, and the necessary demands of the market enable the holders to dictate their own prices. The members of such a "ring" are not, as a rule, producers of the commodity. They cannot sell more of it individually than they held as partners, and have no inducement to break down their arrangements. In a combination of insurance companies all the members are in a position to greatly increase their production of insurance, so to speak.

Combinations are formed in businesses other than that of fire insurance. Bankers combine to regulate rates of interest and exchange which they shall charge; merchants combine in order to regulate prices of certain articles. Labour associations combine in order to keep up or raise the rate of wages and to shorten hours of labour; in fact, all classes of the community combine, having in view different objects to be attained thereby.

Some Effects of the Bill should it become Law.

The withdrawal of many insurance companies from the colony, which would follow the passing of the Bill, would necessitate dispensing with the services of managers, other employees and agents, and sub-agents. The State Department would, it is true, require a limited number of these, and would necessarily spend a considerable sum of money each year in maintaining the Department; but, as the Government contend they could effect a large saving in the cost of management, the amount for circulation would be greatly diminished, and there would still remain a large number of persons who would not be able to obtain employment.

The revenue would suffer by the loss of income collected, without much cost, from the insurance companies. At present companies in New Zealand pay a license fee of £200 a year each—£5,000—

and 5 per cent. on any profit they make. They spend in salaries and maintaining their establishments upwards of £100,000 a year, distributed in the colony; this sum would, upon the Act becoming law, to a considerable extent cease on account of withdrawal of companies. On the other hand, the national expenditure would be swollen by the costs of a new Department of State, and the interest on a new debt, even if the business itself were conducted without loss.

The Bill, if passed into law, would give the Government a large amount of patronage and considerable borrowing-powers.

The numerous properties owned and leased by insurance companies withdrawing would be sold, thus to some extent depreciating the value of property generally.

Another aspect of the scheme, more serious perhaps than that of the withdrawal of insurance companies, is that local companies would probably be forced into liquidation, and the consequent ruin of a very large body of shareholders. The shares would no doubt be valueless, and calls might even be necessary. A year or so ago, when the State Fire Insurance Bill was introduced into Parliament, the quotable value of the shares of the local companies fell some £90,000.

Companies in many cases absolutely decline to accept a risk on any terms solely on the account of the owner or occupier being an undesirable person—and there are many undesirable persons in New Zealand—whereas, were the Government doing fire-insurance business, those undesirable persons would go to the Government, and an official, not knowing anything about the men, would doubtless accept the risks. It will probably be found that the unemployed, if there should ever be any in this colony, would carry out an organized system of “fire-raising,” the Government, instead of insurance companies, being “fair game”; incendiarism would, I fear, become rife in the colony. It would be interesting to know by whose advice (not surely that of an insurance expert) and upon what data the Government acted when having the draft made and deciding upon introducing to Parliament “The State Fire Insurance Bill, 1902.”

The public generally do not appear to understand that insurance-men should know more about insurance than they; it is difficult to persuade people that insurance business is a highly expert one, and that consequently only experts can explain it.

State fire insurance continually kept before insurance companies as a threat tends to injure the colony in the estimation of English companies. Shareholders, directors, and officers of the English companies are a very large and wealthy body, and have considerable influence in England.

Wellington, 13th August, 1902.

APPENDIX.

EXHIBIT A.

Government Insurance Department, Head Office, Wellington,
3rd September, 1902.

SIR,—

Referring to the evidence given by me before the Committee (State Fire Insurance Bill), and to the request made by you that I should furnish the Committee with a return containing certain particulars with respect to the fire and marine insurance companies transacting business in New Zealand, I have now the honour to enclose herewith the information desired.

The return hardly needs any amplification, but I would draw your attention to the explanation contained in the first page. I should also mention that the return has been a somewhat difficult one to prepare owing to the absence of uniformity in the methods followed by the respective companies in issuing their accounts, and to the fact that, the full returns and accounts of the companies not being in many cases available, the information has had to be obtained from several different and more or less indirect sources. It is, however, believed that the return is as accurate as the circumstances would allow.

I think I should draw your attention to the fact that in most cases where the dividends are very high, such high dividends are occasioned to a great extent by the fact that the “capital paid up” on which the dividend is paid is comparatively small, while the “reserve fund” earning interest is large. I draw attention to this matter to prevent the possibility of misconception, and would point out that the actual return to the present shareholders will entirely depend upon the market price of the shares at the present date, and that probably such return would be of modest dimensions as compared with the percentage to the paid-up capital. With respect to New Zealand and British companies, the position will be more clearly understood if a few actual examples are here given.

Taking the New Zealand companies first, it may be mentioned that in the case of the National Insurance Company the dividend on the paid-up capital is £12 10s. per cent., while on the price of the shares it is about £6 per cent. Similarly, in the case of the Standard the respective rates are £10 and £8 9s. per cent.

Taking a few examples of British companies, the following are the respective percentages:—
Sun: Dividend on paid-up capital, £85 per cent.; on price of shares, £3 12s. 4d. per cent.
Liverpool and London and Globe: On paid-up capital, £90 per cent.; on price of shares, £4 1s. 10d. per cent.
Guardian: On paid-up capital, £8 10s. per cent.; on price of shares, £4 9s. 6d. per cent.
In some cases also the dividends have been augmented by other classes of insurance business, and the information available would not permit of the necessary dissection being made.

Finally, I should mention that the return relates to companies authorised to transact fire and marine insurance business in the colony, although some of the companies mentioned may not be actually underwriting policies of insurance at the present moment.

I have, &c.,

J. H. RICHARDSON, Commissioner.

The Chairman, State Fire Insurance Committee,
Parliamentary Buildings, Wellington.

Return of Fire and Marine Insurance Companies trading in New Zealand.

A. signifies Accident; F. signifies Fire; L. signifies Life; M. signifies Marine; * indicates fire business only. Capital, Reserve Fund, &c., given at the 31st December, 1900, unless otherwise stated. [Compiled from the *Australasian Insurance and Banking Record* and other insurance publications.]

| Name of Company. | Nominal or Authorised Capital, 1900. | Paid-up Capital, 1900. | Reserve Fund, excluding Capital, 1900. | Limited or Unlimited. | Doing Business outside New Zealand. | Doing Marine Business. | Number of Shares issued. | Dividends and Bonuses to Shareholders. Percentage to Paid-up Capital. | | | | | | | | | | | | | | | | | | | | |
|---|--------------------------------------|------------------------|--|-----------------------|-------------------------------------|------------------------|--------------------------|---|----|----|----------------|----|----|-------|----|----|-------|----|----|-------|----|----|-------|----|----|-------|----|----|
| | | | | | | | | 1894. | | | 1895. | | | 1896. | | | 1897. | | | 1898. | | | 1899. | | | 1900. | | |
| | | | | | | | | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Farmers' Co-operative (30/6/01) | 100,000 | 49,474 | £ 13,404 | Limited | No | Yes | 14,894 | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | | | | | | |
| National, F. and M. (30/9/00) | 2,000,000 | 98,038 | 136,167 | Unlimited | Yes | Yes | 196,075 | 15 | 0 | 0 | 15 | 0 | 0 | 12 | 10 | 0 | 12 | 10 | 0 | 12 | 10 | 0 | | | | | | |
| New Zealand, F. and M. (30/11/00) | 1,000,000 (subscrib'd) | 200,000 | 292,963 | Unlimited | Yes | Yes | 100,000 | 13 | 16 | 0 | 13 | 16 | 0 | 11 | 6 | 0 | 10 | 0 | 0 | 10 | 0 | 0 | | | | | | |
| South British, F. and M. (31/8/00) | 1,900,000 | 64,628 | 230,106 | Unlimited | Yes | Yes | 64,628 | 12 | 10 | 0 | 15 | 0 | 0 | 17 | 1 | 0 | 17 | 10 | 0 | 17 | 10 | 0 | | | | | | |
| Standard, F. and M. ... | 1,000,000 | 75,000 | 51,380 | Unlimited | Yes | Yes | 100,000 | 10 | 0 | 0 | 7 | 10 | 0 | 5 | 0 | 0 | 6 | 6 | 0 | 7 | 10 | 0 | | | | | | |
| NEW ZEALAND OFFICES. | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alliance, L. and F. ... | 5,000,000 | 550,000 | *984,047 | Unlimited | Yes | No | 250,000 | 18 | 4 | 0 | 18 | 4 | 0 | 18 | 4 | 0 | 18 | 4 | 0 | 18 | 4 | 0 | | | | | | |
| Australian Alliance, L., F., and M. (31/8/00) | 250,000 (subscrib'd) | 125,000 | 99,821 | Unlimited | Yes | Yes | 50,000 | 16 | 0 | 0 | 11 | 0 | 0 | 12 | 0 | 0 | 6 | 0 | 0 | 10 | 0 | 0 | | | | | | |
| Alliance Marine and General, M. | 1,000,000 | 200,000 | 313,945 | Limited | Yes | Marine only | 10,000 | 10 | 0 | 0 | 10 | 0 | 0 | 10 | 0 | 0 | 10 | 0 | 0 | 10 | 0 | 0 | | | | | | |
| British and Foreign, M. ... | 1,340,000 | 268,000 | 1,080,837 | Limited | Yes | Marine only | 67,000 | 25 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 | | | | | | |
| Commercial Union, F., L., M., and A. | 2,500,000 | 250,000 | 1,358,099 | Limited | Yes | Yes | 50,000 | 25 | 0 | 0 | 25 | 0 | 0 | 30 | 0 | 0 | 30 | 0 | 0 | 32 | 10 | 0 | | | | | | |
| Canton Insurance, M. ... | 2,500,000 (subscrib'd) | 500,000 | £ | Limited | Yes | Yes | a | a | 22 | 0 | 0 ^b | a | a | a | a | a | a | a | a | 24 | 0 | 0 | | | | | | |
| China Traders', M. (30/4/01) | 2,000,000 (subscrib'd) | 600,000 | 1,414,805 | Limited | Yes | Marine only | 24,000 | 20 | 0 | 0 | 20 | 0 | 0 | 12 | 0 | 0 | 16 | 0 | 0 | 16 | 0 | 0 | | | | | | |
| Guardian, F., L., and A. | 2,000,000 | 1,000,000 | £ 702,588 | Limited | Yes | No | 200,000 | 7 | 10 | 0 | 8 | 10 | 0 | 8 | 0 | 0 | 8 | 10 | 0 | 8 | 10 | 0 | | | | | | |
| Imperial, F. ... | 1,200,000 | 300,000 | *1,335,977 | Limited | Yes | No | 60,000 | 20 | 0 | 0 | 20 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 | | | | | | |
| Indemnity Mutual Marine, M. | 1,005,000 (subscrib'd) | 201,000 | 659,628 | Limited | Yes | Marine only | 67,000 | a | 16 | 14 | 0 | 20 | 0 | 0 | 20 | 0 | 0 | a | 20 | 0 | 0 | 20 | | | | | | |
| Liverpool and London and Globe, F. and L. | 245,640 (subscrib'd) | 245,640 | *3,185,357 | Unlimited | Yes | No | 122,820 | 80 | 0 | 0 | 85 | 0 | 0 | 90 | 0 | 0 | 90 | 0 | 0 | 90 | 0 | 0 | | | | | | |

† £6 on capital, £10 on business. a Information not available. b To shareholders. c To contributors of business.

Return of Fire and Marine Insurance Companies trading in New Zealand—continued.

| Name of Company. | Nominal or Authorised Capital, 1900. | Paid-up Capital, 1900. | Reserve Fund, excluding Capital, 1900. | Limited or Unlimited. | Doing Business outside New Zealand. | Doing Marine Business. | Number of Shares issued. | Dividends and Bonuses to Shareholders. Percentage to Paid-up Capital. | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--------------------------------------|------------------------|--|-----------------------|-------------------------------------|------------------------|--------------------------|---|----|----|-------|----|----|-------|----|----|-------|----|----|-------|----|----|-------|----|----|-------|----|----|----|----|---|----|----|---|
| | | | | | | | | 1894. | | | 1895. | | | 1896. | | | 1897. | | | 1898. | | | 1899. | | | 1900. | | | | | | | | |
| | | | | | | | | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | | | | | | |
| London and Lancashire, F. and A. | 2,500,000 | 212,750 | £ 1,235,812 | Unlimited | Yes | No | 85,100 | 20 | 0 | 0 | 20 | 0 | 0 | 20 | 0 | 0 | 20 | 0 | 0 | 24 | 0 | 0 | 24 | 0 | 0 | 24 | 0 | 0 | 24 | 0 | 0 | 24 | 0 | 0 |
| Law, Union, and Crown, F., L., and A. | 2,000,000 | 90,000 | 274,301 | Unlimited | Yes | No | 150,000 | 58 | 6 | 0 | 45 | 0 | 0 | 45 | 0 | 0 | 45 | 0 | 0 | 45 | 0 | 0 | 45 | 0 | 0 | 58 | 6 | 0 | 58 | 6 | 0 | 58 | 6 | 0 |
| Manchester, F. ... | 2,000,000 | 200,000 | *554,805 | Unlimited | Yes | No | 100,000 | 15 | 0 | 0 | 15 | 0 | 0 | 15 | 0 | 0 | 15 | 0 | 0 | 15 | 0 | 0 | 15 | 0 | 0 | 15 | 0 | 0 | 15 | 0 | 0 | 15 | 0 | 0 |
| Marine Insurance of London Company, M. | 1,000,000 | 180,000 | " | Limited | Yes | Marine only | 40,000 | 41 | 14 | 0 | " | " | " | 44 | 8 | 0 | " | " | " | 44 | 8 | 0 | " | " | " | 44 | 8 | 0 | 44 | 8 | 0 | 44 | 8 | 0 |
| North British and Mercantile, F. and L. | 3,000,000 | 687,500 | *2,712,477 | Unlimited | Yes | No | 110,000 | 20 | 0 | 0 | 34 | 0 | 0 | 24 | 0 | 0 | 24 | 0 | 0 | 24 | 0 | 0 | 24 | 0 | 0 | 24 | 0 | 0 | 24 | 0 | 0 | 24 | 0 | 0 |
| North German of Hamburg | 7,500,000 | 1,500,000 | Marks. 1,891,855 | Unlimited | Yes | " | " | " | " | " | " | " | " | 20 | 0 | 0 | " | " | " | " | " | " | " | " | " | " | " | " | " | " | " | " | " | |
| North Queensland, F. and M. (30/9/00) | 113,750 | 53,438 | £ 16,000 | Limited | Yes | Yes | 113,750 | 5 | 0 | 0 | 5 | 0 | 0 | Nil | 0 | 0 | 4 | 0 | 0 | 5 | 0 | 0 | 5 | 0 | 0 | 5 | 0 | 0 | 5 | 0 | 0 | 5 | 0 | 0 |
| Northern Assurance, F. and L. | 3,000,000 | 300,000 | *1,511,639 | Unlimited | Yes | No | 30,000 | 25 | 0 | 0 | 30 | 0 | 0 | 30 | 0 | 0 | 30 | 0 | 0 | 30 | 0 | 0 | 30 | 0 | 0 | 30 | 0 | 0 | 30 | 0 | 0 | 30 | 0 | 0 |
| Norwich Union, F. ... | 1,100,000 | 132,000 | *1,115,695 | Unlimited | Yes | No | 11,000 | 33 | 6 | 0 | 37 | 10 | 0 | 41 | 14 | 0 | 41 | 14 | 0 | 41 | 14 | 0 | 41 | 14 | 0 | 41 | 14 | 0 | 41 | 14 | 0 | 41 | 14 | 0 |
| Phoenix, F. ... | 2,688,800 | 268,880 | *1,307,955 | Limited | Yes | No | 53,776 | " | " | " | 35 | 0 | 0 | 35 | 0 | 0 | 35 | 0 | 0 | 35 | 0 | 0 | 35 | 0 | 0 | 35 | 0 | 0 | 35 | 0 | 0 | 35 | 0 | 0 |
| Royal Insurance, F. and L. | 3,000,000 | 375,702 | *3,462,916 | Unlimited | Yes | No | 125,234 | 58 | 6 | 0 | 58 | 6 | 0 | 63 | 6 | 0 | 63 | 6 | 0 | 63 | 6 | 0 | 63 | 6 | 0 | 63 | 6 | 0 | 63 | 6 | 0 | 63 | 6 | 0 |
| Royal Exchange Corporation, F., L., M., and A. | Unlimited | 689,220 | 200,000 | Unlimited | Yes | Yes | Stock 14 | 0 | 0 | 0 | 14 | 0 | 0 | 14 | 0 | 0 | 14 | 0 | 0 | 14 | 0 | 0 | 14 | 0 | 0 | 14 | 0 | 0 | 14 | 0 | 0 | 14 | 0 | 0 |
| Sun Fire, F. ... | 2,500,000 | 120,000 | *2,045,625 | Unlimited | Yes | No | 240,000 | 75 | 0 | 0 | 75 | 0 | 0 | 85 | 0 | 0 | 85 | 0 | 0 | 85 | 0 | 0 | 85 | 0 | 0 | 85 | 0 | 0 | 85 | 0 | 0 | 85 | 0 | 0 |
| Thames and Mersey, M. ... | 2,000,000 | 200,000 | 813,262 | Limited | Yes | Marine only | 100,000 | " | " | " | 25 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 | 25 | 0 | 0 |
| United Insurance, F. and M. (30/9/00) | 500,000 | 68,226 | 83,017 | Limited | Yes | Yes | 34,161 | 12 | 10 | 0 | 12 | 10 | 0 | 12 | 10 | 0 | 12 | 10 | 0 | 12 | 10 | 0 | 12 | 10 | 0 | 12 | 10 | 0 | 12 | 10 | 0 | 12 | 10 | 0 |
| Victoria Insurance, F. and M. (30/6/01) | 500,000 | 50,181 | 64,127 | Limited | Yes | Yes | 89,876 | 40 | 6 | 0 | 35 | 16 | 0 | 35 | 16 | 0 | Nil | 0 | 0 | 9 | 0 | 0 | 22 | 8 | 0 | 26 | 18 | 0 | 26 | 18 | 0 | 26 | 18 | 0 |
| Yorkshire Fire and Life, F., L., A. (28/2/01) | 1,000,000 | 50,000 | 267,369 | Unlimited | Yes | No | 50,000 | 45 | 0 | 0 | 45 | 0 | 0 | 45 | 0 | 0 | 45 | 0 | 0 | 45 | 0 | 0 | 45 | 0 | 0 | 45 | 0 | 0 | 45 | 0 | 0 | 45 | 0 | 0 |

* Information not available.

EXHIBIT B.

EXTRACTS FROM THE ONTARIO INSURANCE ACT.

Formation and Incorporation of Mutual and Cash-mutual Fire-insurance Companies.

8. Ten freeholders in any municipality, or association of municipalities, may call a meeting of the freeholders thereof to consult whether it is expedient to establish therein a fire-insurance company upon the mutual or cash-mutual principle. (60 Vict., c. 36, s. 8.)

9. The meeting shall be called by advertisement, mentioning the time and place and object of the meeting, and the advertisement shall be published once in the *Ontario Gazette*, and for three weeks in one or more of the newspapers published in the county. (60 Vict., c. 36, s. 9.)

10. If thirty freeholders of the municipality are present at the meeting, and a majority of them determine that it is expedient to establish a mutual or cash-mutual fire-insurance company, they may elect three persons from among them to open and keep a subscription-book, in which owners of property, movable or immovable, within the Province of Ontario may sign their names, and enter the sum for which they shall respectively bind themselves to effect insurance with the company. (60 Vict., c. 36, s. 10.)

11. Where seventy-five or more persons, being owners of movable or immovable property in the Province of Ontario, have signed their names in the subscription-book and bound themselves to effect insurance in the company, which in the aggregate shall amount to \$150,000 at least, a meeting shall be called as hereinafter provided. (60 Vict., c. 36, s. 11.)

19. If upon examination the Inspector finds that the said subscriptions have been made in good faith by persons entitled to make the same, and that the proposed name is satisfactory, and that the company has complied with this Act in respect of deposit, and in all other respects, the Minister may thereupon issue a license under his hand and seal setting forth that the company is thereby licensed to transact the kind of business specified in the license, for the term therein also specified, but not exceeding twelve months from the date of issue; but such license may from time to time be renewed as hereinafter provided. (60 Vict., c. 36, s. 19.)

Government Deposits.

41. (1.) Except mutual fire-insurance companies licensed only for the insurance of farm buildings and of isolated risks (such risks being other than mercantile and manufacturing risks), every company applying for a provincial license to transact insurance shall, before the original issue or the renewal of the license, or of registry, lodge with the Minister the initial or the renewal deposits respectively below stated, and the said deposits shall be made in cash or in deposit receipts of chartered banks in Canada, or in the stock or bonds of the Dominion of Canada or of this province, or in deposit receipts or terminable debentures of any corporation in the obligations of which trustees may, under the law of this province, invest trust moneys: Provided that this section, in so far as it alters the amount of the deposit required by statutes before the thirteenth day of April, one thousand eight hundred and ninety-seven, in force, shall not apply to such companies as have before said date reported to the Department of Insurance, but shall on and from the said date apply to all companies thereafter licensed.

(2.) The initial deposit to be made by any corporation liable to make deposit before the original or initial registry shall be the sum appointed for such corporation in subsection four of this section.

(3.) Before the annual renewal of registry the amount of deposit required of any such corporation shall, on or before the first day of July in each year, be readjusted in terms of the next following two subsections.

(4.) If on the preceding thirty-first day of December in any year the corporation's total contingent liability or amount at risk does not exceed \$2,000,000,—

(a.) Every joint-stock fire or fire and inland marine insurance company, and every life and life and accident company, and every guarantee and surety company shall keep on deposit with the Minister, if a provincial or Canadian company, \$25,000, and if a foreign company \$50,000.

(b.) Every accident company, if provincial or Canadian, shall keep on deposit with the Minister \$20,000, and if a joint-stock foreign company \$40,000.

(c.) Every provincial mutual fire or fire and inland marine company insuring mercantile and manufacturing risks shall keep on deposit with the Minister \$10,000, and every provincial cash-mutual fire or cash-mutual fire and inland marine company \$10,000.

(d.) Every live-stock insurance company shall keep on deposit as aforesaid, if provincial or Canadian, \$10,000, and if foreign joint-stock \$25,000.

(e.) Every insurance company within the intent of clause three of section six shall keep on deposit as aforesaid, if provincial or Canadian, \$10,000, and if foreign joint-stock \$20,000.

(f.) Every insurance company within the intent of clause four of section six shall keep on deposit as aforesaid, if provincial or Canadian, \$5,000, and if foreign joint-stock \$10,000.

(g.) Every foreign company doing only the business of reinsuring fire risks undertaken by companies standing registered under this Act shall keep on deposits as aforesaid \$10,000.

(h.) Every non-provincial friendly society within the intent of clause six, section sixty, shall keep on deposit \$5,000.

(5.) If on the preceding thirty-first day of December in any year the corporation's total contingent liability or the amount of insurance in force (insured or reinsured) exceeds \$2,000,000, then for each

additional \$1,000,000, or fraction thereof, the corporations enumerated in the next preceding subsection shall respectively keep on deposit with the Minister, by way of additional security, a sum equal to one-fifth of the initial deposit, and the additional deposit shall be either in cash or securities as aforesaid. (60 Vict., c. 36, s. 41.)

Interpretation Clauses.

52. "Mutual insurance" shall mean, in the case of fire or live-stock insurance, insurance given in consideration of a premium note or undertaking with or without an immediate cash payment thereon; and "mutual company" shall mean a company empowered solely to transact such insurance.

56. "Premium note" shall mean an instrument given as consideration for fire or live-stock insurance, whereby the maker undertakes to pay such sum or sums as may be legally demanded by the insurer, the aggregate of such sums not to exceed an amount specified in the instrument.

Premium Notes and Assessments (Mutual and Cash-mutual Fire-insurance Companies).

127. (1.) The company may accept the premium note or the undertaking of the assured for assurance, and may undertake contracts in consideration thereof; said notes or undertakings to be assessed for the losses, expenses, and reserve of the company in the manner hereinafter provided.

(2.) Where the premium note or undertaking is made upon a sheet or page which contains other matter, the premium note or undertaking shall be so entitled in conspicuous type, and shall be separated from such other matter by a blank space of at least an inch wide carried across the sheet or page, and if such other matter requires or is intended to receive the assent of the maker of the premium note or undertaking, such assent shall be in evidence by a signature wholly distinct from the signature to the premium note or undertaking, and any violation of this section shall render the premium note or undertaking absolutely null and void; but the notice required by section one hundred and thirty-eight of this Act to be embodied in or indorsed upon the premium note shall not be deemed to be "other matter" within the meaning of this subsection. (60 Vict., c. 36, s. 127.)

128. The rate to be charged or taken by way of premium note for insuring first-class isolated non-hazardous property shall not be less than \$1 per \$100 per annum, and the minimum rate of insurance upon other property shall be increased relatively with the increased risk, according to the nature of such property: Provided that premium notes of not less than \$1 per \$100 per annum may be charged or taken when and so long as the gross amount at risk exceeds \$2,000,000, and the total assets of the company do not fall below two per centum of the gross amount at risk, or so long as the company keeps on deposit with the Provincial Treasurer the full amount required of new companies licensed after the commencement of this Act. (60 Vict., c. 36, s. 128.)

130. All premium notes or undertakings belonging to the company shall be assessed under the direction of the board of directors, at such intervals from their respective dates, for such sums as the directors determine, and for such further sums as they think necessary and as are authorised by this Act for losses, expenses, and reserve, during the currency of the policies for which said notes or undertakings were given, and in respect of which they are liable to assessment; and every member of the company or person who has given a premium note or undertaking shall pay the sums from time to time payable by him to the company during the continuance of his policy in accordance with the assessment, and the assessment shall become payable in thirty days after notice thereof has been mailed to the member or person who has given the premium note or undertaking, directed to his post-office address as given in his original application, or otherwise in writing to the company. (60 Vict., c. 36, s. 130.)

136. (1.) The company may form a reserve fund to consist of all moneys which remain on hand at the end of each year after payment of the ordinary expenses and losses of the company, and for that purpose the board of directors may levy an annual assessment not exceeding ten per centum on the premium notes or undertakings held by the company, and the reserve fund may from time to time be applied by the directors to pay off such liabilities of the company as may not be provided for out of the ordinary receipts for the same or any succeeding year.

(2.) The reserve fund shall be invested as provided by section ninety-two. (60 Vict., c. 36, s. 136.)

EXHIBIT C.

FIRE COMPANIES RETIRED FROM NEW ZEALAND.

1. Transatlantic Fire Insurance. 2. Mutual Fire and Marine Insurance Company of New Zealand. 3. Hanseatic Fire Insurance Company of Hamburg. 4. Hamburg and Magdeburg Fire Insurance Company. 5. Fire Insurance Association (Limited) of London. 6. Australian Mercantile Union Insurance Company (Limited). 7. Batavia Sea and Fire Insurance Company. 8. Equitable Insurance Association of Zealand. 9. Mannheimer Insurance Company. 10. Fire Insurance Company of Hamburg. 11. Palatine Insurance Company. 12. Straits Fire Insurance Company (Limited). 13. Magdeburg Fire Insurance Company. 14. North German. 15. Union Fire and Marine of New Zealand. 16. Colonial Fire and Marine of New Zealand.

EXHIBIT D.

LIST OF INSURANCE COMPANIES DOING BUSINESS IN NEW ZEALAND.

| Company. | Paid-up Capital. | Reserves and Undivided Profits. | Total. |
|---|------------------|---------------------------------|------------|
| | £ | £ | £ |
| 1. Alliance Assurance Company | 550,000 | 841,068 | 1,391,068 |
| 2. Australian Alliance Assurance Company | 125,000 | 371,855 | 496,855 |
| 3. Commercial Union Assurance Company | 250,000 | 4,334,426 | 4,584,426 |
| 4. Farmers' Co-operative Fire Assurance Association of Canterbury | 49,474 | 8,750 | 58,224 |
| 5. Guardian Fire and Life Assurance | 1,000,000 | 3,579,887 | 4,579,887 |
| 6. Imperial Insurance Company | 300,000 | 1,260,977 | 1,560,977 |
| 7. Law, Union, and Crown Insurance | 373,360 | 4,220,196 | 4,593,556 |
| 8. Liverpool and London and Globe Insurance | 245,640 | 9,556,774 | 9,802,414 |
| 9. London and Lancashire Insurance | 222,887 | 1,247,569 | 1,470,456 |
| 10. Manchester Fire Assurance Company | 200,000 | 308,914 | 508,914 |
| 11. National Fire and Marine of New Zealand | 98,038 | 141,159 | 239,197 |
| 12. New Zealand Insurance Company | 200,000 | 294,910 | 494,910 |
| 13. Northern Assurance Company | 300,000 | 5,398,295 | 5,698,295 |
| 14. North Queensland Insurance Company | 53,562 | 38,230 | 91,792 |
| 15. North British and Mercantile Insurance | 687,500 | 13,764,940 | 14,452,440 |
| 16. Norwich Union Fire Insurance | 132,000 | 1,060,689 | 1,192,689 |
| 17. North German Fire Insurance | ... | ... | ... |
| 18. Phoenix Assurance Company | 268,880 | 1,307,954 | 1,576,834 |
| 19. Royal Exchange Assurance Corporation | 689,220 | 3,790,124 | 4,479,344 |
| 20. Royal Insurance Company | 375,702 | 9,510,301 | 9,886,003 |
| 21. Standard Fire and Marine of New Zealand | 75,000 | 54,893 | 129,893 |
| 22. South British Fire and Marine | 64,628 | 245,372 | 310,000 |
| 23. Sun Insurance Office | 120,000 | 1,984,309 | 2,104,309 |
| 24. United Insurance Company | 68,226 | 89,031 | 157,257 |
| 25. Victoria Insurance Company | 50,181 | 72,126 | 122,307 |
| 26. Yorkshire Fire Insurance | 50,000 | 240,000 | 290,000 |
| | 6,549,298 | 63,722,749 | 70,272,047 |

EXHIBIT E.

[Extract from the *Citizen*, London, Saturday, 5th July, 1902.]

FIRE INSURANCE IN 1901: A RETROSPECT.

THE reports of the fire-insurance companies for last year have now all been issued, and we are able to make a general survey of the interesting but unfortunate results of the year. The bad "fire year" in the United States and the indifferent one in Canada have to a large extent dominated the situation as regards the offices with foreign and colonial connections. The companies that are content with home business have, on the other hand, fared comparatively well. The total net premiums received by thirty-seven companies were £20,160,187, the net fire losses were £12,839,740 (63·69 per cent. of the premiums), and the expenses and commission were £6,861,386 (34·03 per cent.). The aggregate surplus on the trading or underwriting accounts was only £459,061, or 2·28 per cent. of the net premiums. If it had been possible to include the figures of the Imperial and Lion offices, which are being absorbed by other companies, the general result would have been even less favourable. We have left interest receipts out of consideration, and have not been able to make any allowance for the increase or decrease in the liability under current risks, since the want of uniformity in the companies' accounts makes this impossible. It would be a good thing if the reserve for unexpired risks were explicitly stated by all the offices. Of the companies with world-wide connections the Alliance has been most successful, with a trading profit of £75,009, or 13·68 per cent. of the premiums. The London and Lancashire comes next with a profit of £19,991 (10·65 per cent.), the London Assurance with £40,305 (8·95 per cent.), the Sun with £96,157 (8·25 per cent.), and the Guardian with £31,111 (7·36 per cent.). As a general rule, the very large companies have not done well. The Commercial Union showed a trading profit of £114,111 (6·86 per cent.), the Royal one of £163,365 (6·47 per cent.), the Northern one of £44,387 (5·2 per cent.), the Liverpool and London and Globe one of £48,692 (2·73 per cent.), and the Phoenix one of £12,437 (0·9 per cent.). The Norwich Union, on the other hand, showed a trading loss of £76,406 (7·39 per cent. of the premiums), and the North British and Mercantile a loss of £51,958 (3·18 per cent.). It may be mentioned that, as most of the large companies showed considerable increases in their premiums, the small trading profit made was not always enough to cover the increased liability for unexpired risks. The heaviest losers in the whole list were the Patriotic with a trading loss of £28,540 (34·26 per cent.), the Manchester with £244,704 (29·51 per cent.), the

National of Ireland with £103,024 (24·33 per cent.), and the Union with £94,609 (14·72 per cent.). The large losses shown by the Manchester and Union offices were principally due to the revision and reinsurance of much of their businesses, a process which will probably add considerably to the strength of these companies in the future. The National of Ireland ended the year in a disastrous condition. The fire funds were all exhausted, and there was a debit balance at the fire account of £62,258. There was no reserve for unexpired risks, and the security for the fulfilment of the company's fire contracts must rest principally on the uncalled capital. By far the most successful companies in proportion to their business were the small "home" offices. Among these the Law Fire made a trading profit of £58,118, or 35·8 per cent. of the premiums, the Essex and Suffolk a profit of £10,936 (34·4 per cent.), the Hand-in-Hand one of £24,311 (20·11 per cent.), and the County Fire one of £58,731 (19·8 per cent.).

EXHIBIT F.

Liverpool and London and Globe Insurance Company,
62, Pitt Street, Sydney, 24th July, 1902.

MR. SIMPSON,—

I am in receipt of your letter of the 15th instant, enclosing my telegram, and have to thank you for your courtesy in the matter.

The clerk was instructed to forward the particulars to Levin and Co. to hand to the selected umpire, but he sent it to you because he said you had sent the message.

As to the results—strictly local—we are worse off than we were five years ago by about £2,000. This does not include a single penny for any expenses on this side.

I sometimes wish that the Government would take up the business of fire insurance, and relieve the constant strain of fire claims.

Hoping that some day I may have the pleasure of seeing you.

I am, &c.,

M. A. N. CLARKE.

R. M. Simpson, Esq., Phoenix Assurance Company,
Wellington, New Zealand.

EXHIBIT G.

SIR,—

4th August, 1902.

Your notification duly to hand. *Re* evidence, I have no evidence which I wish to offer on the State Fire Insurance. What I asked Sir Joseph Ward to introduce was a Mutual Insurance Bill similar to the one in force in Ontario Province, Canada, and also, I believe, in the United States, where farmers have an opportunity of joining together and insuring their buildings amongst each other at a much less cost than the insurance companies do. Sir Joseph Ward did not agree to put such a Bill through, and, such being the case, I do not know whether your Committee would be prepared to consider such an adjunct to this Bill. There is a very strong feeling amongst the members of the Farmers' Union that this right should be given by the House. But, of course, it must rest with your Committee to say whether you will take evidence on the matter which is not included in the Bill before you.

I believe the Wesleyan Church insures on something of the same principle. But, as far as I can see, we as farmers could not form a company to insure unless with a capital of £50,000; but what we wish to do is to have the right of forming purely co-operative association companies to insure farm buildings, which are looked upon as the best risk, as they are so isolated.

Mr. Leadley, the vice-president of the Farmers' Union, Ashburton, said at our conference, that he had been making inquiries as to how the Wesleyan body made their insurance, and perhaps, if you went into this phase of the question, would give evidence if you wished it.

I need not say I should be only too pleased to give evidence if you think I can further the passing of a Mutual Bill. But the union expressed no opinion on the State Fire Insurance Bill, and therefore, if confined to this, I could say nothing.

Yours, &c.,

JAMES G. WILSON.

Mr. W. W. Tanner, M.H.R.,
Chairman, State Fire Insurance Committee.

EXHIBIT H.

EXTRACT FROM *New Zealand Times* OF THE 21ST AUGUST, 1902.

A CORRESPONDENT ("W. K.") writes to bring under public notice an instance of the successful working of a system of compulsory State fire insurance. He says that in 1815 the Principality of Hesse, in Germany (now the Province of Hesse-Nassau), passed a law of the kind stated. Its principal provisions (he continues) were as follow: The first step was to provide a substantial reserve fund (whether it was provided immediately or gradually I cannot say). Every owner of buildings was to be compelled to insure them, and to have the option of reinsuring in private companies. The premiums, which were to be paid annually, were on quite a different basis to those of any insurance company in New Zealand now. At the annual settlement all the payments for fire during the year, including the working-expenses, were to be added together, and a percentage which was to be paid as premium would be struck, and with it the reserve fund would be brought up to its original amount. When this State was annexed by Prussia in 1866 this law, on account of having worked so admirably, was not amended or cancelled at all, but left in its entirety, and as a proof of its efficiency is in operation to this very day. I can vouch for the correctness of these statements, since I am a native of the above State, and during a prolonged visit to Germany held property under this law.

EXHIBIT I.

LIST OF FIRES IN THE AUSTRALASIAN COLONIES, 1901

(As reported in the *Australian Insurance and Banking Record*, Vol. xxv., 1901).

| Reference to Page. | Fires, Victoria. | | Probable Loss. | | Fires, Tasmania. | | Fires accounted for. | | Probable Loss. | | Fires, New South Wales. | | Fires accounted for. | | Probable Loss. | | Fires, West Australia. | | Fires accounted for. | | Probable Loss. | |
|--------------------|------------------|-----|----------------|-------|------------------|----|----------------------|------|----------------|-------|-------------------------|------|----------------------|-------|----------------|-----|------------------------|-------|----------------------|--|----------------|-------|
| | | | £ | s. d. | | | | | £ | s. d. | | | £ | s. d. | | | £ | s. d. | | | £ | s. d. |
| 77 | 73 | 66 | 8,111 | 7 6 | 8 | 6 | 477 | 0 0 | 58 | 45 | 11,622 | 10 0 | 5 | 5 | 1,013 | 0 0 | | | | | | |
| 155 | 107 | 105 | 20,913 | 15 0 | 8 | 8 | 1,030 | 0 0 | 50 | 39 | 5,951 | 0 0 | 30 | 17 | 13,242 | 0 0 | | | | | | |
| 246 | 153 | 140 | 28,483 | 8 4 | 18 | 8 | 1,107 | 0 0 | 37 | 30 | 1,703 | 10 0 | 10 | 2 | 2,002 | 0 0 | | | | | | |
| 332 | 104 | 90 | 9,944 | 15 0 | 13 | 12 | 1,321 | 0 0 | 38 | 20 | 2,196 | 3 4 | 7 | 5 | 885 | 0 0 | | | | | | |
| 425 | 59 | 58 | 4,150 | 11 8 | 6 | 5 | 1,542 | 10 0 | 46 | 31 | 3,064 | 10 0 | .. | .. | .. | .. | | | | | | |
| 512 | 86 | 73 | 6,573 | 15 0 | 5 | 5 | 885 | 0 0 | 41 | 24 | 2,812 | 0 0 | 8 | 4 | 470 | 0 0 | | | | | | |
| 606 | 48 | 41 | 3,659 | 0 0 | 6 | 2 | 175 | 0 0 | 25 | 24 | 5,267 | 0 0 | 1 | 1 | 250 | 0 0 | | | | | | |
| 701 | 61 | 54 | 4,471 | 0 0 | 3 | 3 | 140 | 16 0 | 39 | 28 | 311,906 | 0 0* | .. | .. | .. | .. | | | | | | |
| 796 | 31 | 29 | 2,841 | 0 0 | 8 | 6 | 3,438 | 10 0 | 26 | 16 | 380 | 0 0 | 3 | 3 | 240 | 0 0 | | | | | | |
| 878 | 60 | 45 | 20,265 | 10 0 | 4 | 3 | 432 | 0 0 | 19 | 14 | 3,027 | 0 0 | 6 | 5 | 1,385 | 0 0 | | | | | | |
| 965 | 42 | 34 | 5,123 | 3 4 | 3 | 3 | 660 | 0 0 | 24 | 22 | 3,494 | 0 0 | 3 | 3 | 290 | 0 0 | | | | | | |
| 1,049 | 70 | 47 | 4,664 | 5 0 | 12 | 12 | 1,600 | 0 0 | 35 | 20 | 2,322 | 0 0 | 5 | 4 | 1,280 | 0 0 | | | | | | |
| .. | 894 | 782 | 119,201 | 10 10 | 94 | 73 | 13,308 | 16 0 | 438 | 313 | 353,745 | 13 4 | 78 | 49 | 21,057 | 0 0 | | | | | | |

| Reference to Page. | Fires, New Zealand. | | Probable Loss. | | Fires, Queensland. | | Fires accounted for. | | Probable Loss. | | Fires, South Australia. | | Fires accounted for. | | Probable Loss. | |
|--------------------|---------------------|-----|----------------|-------|--------------------|-----|----------------------|------|----------------|-------|-------------------------|-----|----------------------|----|----------------|-------|
| | | | £ | s. d. | | | | | £ | s. d. | | | | | £ | s. d. |
| 77 | 49 | 48 | 3,457 | 10 0 | 34 | 27 | 3,386 | 10 0 | .. | .. | .. | .. | .. | .. | .. | .. |
| 155 | 76 | 71 | 28,141 | 11 8† | 28 | 28 | 6,642 | 10 0 | .. | .. | .. | .. | .. | .. | .. | .. |
| 246 | 87 | 83 | 9,610 | 10 0 | 32 | 26 | 3,809 | 0 0 | 4 | 4 | 373 | 0 0 | | | | |
| 332 | 71 | 70 | 12,586 | 10 0 | 25 | 25 | 2,453 | 0 0 | 2 | 2 | 4,500 | 0 0 | | | | |
| 425 | 84 | 78 | 11,283 | 0 0‡ | 32 | 27 | 4,318 | 10 0 | 5 | 5 | 52,123 | 0 0 | | | | |
| 512 | 124 | 96 | 16,203 | 6 8 | 11 | 7 | 2,885 | 0 0 | 2 | 2 | 160 | 0 0 | | | | |
| 606 | 66 | 65 | 14,583 | 11 8 | 5 | 5 | 240 | 0 0 | .. | .. | .. | .. | | | | |
| 701 | 52 | 49 | 7,045 | 0 0 | 5 | 5 | 424 | 0 0 | 4 | 3 | 37 | 0 0 | | | | |
| 796 | 44 | 32 | 4,306 | 0 0§ | 25 | 23 | 4,869 | 0 0 | 1 | 1 | 120 | 0 0 | | | | |
| 878 | 49 | 42 | 5,950 | 7 6 | 13 | 13 | 1,749 | 0 0 | 3 | 3 | 38 | 0 0 | | | | |
| 965 | 93 | 90 | 11,409 | 0 0 | 21 | 12 | 1,393 | 5 0 | 3 | 3 | 46 | 5 0 | | | | |
| 1049 | 84 | 81 | 7,848 | 5 0 | 17 | 17 | 5,841 | 0 0 | 6 | 6 | 712 | 0 0 | | | | |
| .. | 879 | 805 | 132,424 | 12 6 | 248 | 215 | 38,010 | 15 0 | 30 | 29 | 58,109 | 5 0 | | | | |

* Including Hordern's £303,000. † Including Fergusson and Mitchell, £16,933. ‡ Including Bruce Woollen Company, £34,200
 § Including Wairarapa Farmers' Co-operative Association, £15,300.

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