

HOUSE....No. 56.

Commonwealth of Massachusetts.

The Special Joint Committee, to whom were referred the Order of January 25th, directing them to consider and report whether any regulations ought to be adopted, in relation to the time of paying over to stock-holders, such dividends of profits, as may exceed the amount of six per centum on the capital stock of said companies; and to whom were referred the Insurance Returns, made in pursuance of the Order of the House of Feb. 4, and concurred in by the Senate, March 16th, ask leave to present the following

REPORT:

The question before your committee admits of two enquiries. 1st. Whether, at any period in the business of insurance, it would be judicious to adopt any regulations, by which the dividends of profits shall be restricted to six per centum on the stock, and the residue of the profits, if there be any, be legally held, and invested as farther security to the assured?

2d. If such a regulation be expedient, at what time in the ordinary affairs of an office, should it be applied?

It is plain, if such a regulation be adopted at all, it would only be necessary by extension of risk, and in such a case only, should it be applied, in order to guard against contingencies.

Moreover, should it be laid down as law, that when any specific capital, devoted to insurance purposes, had written more than so many times the amount of its capital, that as long as that excess remained, so long the regulation to remain in full force; the law could only apply at the renewal of a charter, or upon subsequent acts of incorporation.

Without dwelling at all upon these questions, your committee feel bound to say, that there are serious difficulties to preclude the plan from taking effect, and to prevent the same from operating, with any sort of justice or impartiality to the parties concerned.

It is well known, to be usual for offices, in this Commonwealth, to write both fire and marine risks. To be sure, some do not, while others, and among them some of the oldest, find it convenient so to do. And though it should be admitted, that something of this nature might be applied to offices, exclusively for fire insurance, without injury or hardship to them, yet, under the existing state of things, your committee deem, that one reason, which they beg permission to offer, will be sufficiently conclusive to show, that no such restriction can now be wisely established.

Merchants have recently found it convenient to protect themselves in their commercial operations by making what are called, general policies, or in other words, contracts to insure for a stipulated time all their impor-

tations; as for six months, or a year, by single contract, which contracts we will illustrate as they daily occur in this city, and as near as possible, in the language of the officers of the institutions themselves.

An importer of flour and grain from the Chesapeake, expecting shipments during the year to the amount of \$200,000, takes a policy for that sum. The voyage is performed in ten days, or the thirty-sixth part of a year. In this case, the probability is, that the merchant may have a thirty-sixth part of the sum insured at risk, at all times during the year. This, however, stands on the books of the company, as an undetermined risk of \$200,000, until the very last day of the year, and until the termination of the last risk.

Mercantile speculations are often undertaken under certain contingencies. If sugars, for instance, can be purchased at Cuba for 6 cents per lb., a merchant orders a cargo shipped. In this case, he cannot wait to hear whether his order is executed, with any safety, as the first intelligence may be, that the property is shipped and lost.

He therefore makes a conditional policy, to attach if the order is executed, and to be void, if it is not.

This contract stands on the books of the company as an outstanding risk, until it is ascertained whether the property is, or is not shipped. Other conditional insurances by companies for each other might be mentioned, but sufficient has, in the opinion of your committee, been adduced to show: That, although offices have given a specified amount, beyond which their risks could not extend, yet, that it would be impracticable for them to state the sum, with sufficient accuracy to enable the Legislature to ground any law upon the same, without a com-

plete change in the mode of doing business. And it appears that this change from the cases cited, and a thousand others, which could be given, might result in serious injury to trade, without any corresponding beneficial results.

And your committee, unanimously concurring in these views, ask to be discharged from the further consideration of this part of the subject matter.

It may, however, not be improper for your committee to say, (notwithstanding they have not gone into the consideration of general policies, or contracts to insure for a stipulated time, any farther than to show by what means they have drawn their conclusions upon the question before them,) that the only safe construction of the law, is to consider such general policies as outstanding, until the expiration of the time stipulated, and termination of last risk.

Such, your committee are happy to say, so far as their knowledge extends, is the construction given these recent instruments by the offices themselves. And so long as this rule is adhered to, with the great caution used in this branch of their business, the public need be under no apprehensions, as to the soundness of these institutions, which your committee are gratified to say, they believe are managed, not only for the interest of the stock-holders, but with strict honor and fidelity. Not that it would be surprising, recent as these institutions are, having existed hardly forty years in the Commonwealth, few as are the treatises upon the science, little as it is understood by the community, if time and experience, should gradually suggest, and the legislative guardians, cautiously add, some slight improvements to the system, not to impair, but to strengthen the fabric.

Nor are these remarks made in the least to weaken their claims upon the public confidence, or in any disparagement to those at the head of the offices. Your committee cheerfully accord them, the weight of character, and practical talent which will be ever had in requisition by corporations, whose very existence depends upon comparing probabilities, combining every circumstance, and collating those with the rate of premium. Such tasks almost invariably will be assigned to the sagacious and prudent.

As by the concurrent vote of both branches of the Legislature, the returns of the different insurance offices were referred to your committee, they have procured an abstract to be prepared, agreeable to a form they have made out, and have appended the same to this report.

They have spent much time in rendering the abstract as useful, and interesting a document as their means of information would permit. And have not hesitated to confer with many of the offices; thereby, not only correcting, but gathering much additional information. This was deemed the more necessary, from the fact of this being the commencement of returns, from these institutions; and from want of distinctness in the order calling for the returns, there was great disparity in the amount of information given. And your committee will take this occasion to add, that the urbanity and kindness, together with the deep interest which has been shown to answer every enquiry, (and which has added much to the importance of the abstract,) fully sustains the high character which those at the head of these corporations, bear in the community, and well will it be, for themselves and the public, if they analyze the doctrine of chances, with the same mathematical accuracy and perfection, as now ap-

pears upon their monthly sheet or proforma account, from which, your committee believe that most offices can from one to three hours make out a return sufficiently correct to give the legislature and the public a sufficient knowledge of their affairs.

There are forty-six insurance offices which have made returns to the legislature.

Many of which are worth examining, not only for their statistical information, but for their beauty and perfection.

Among these, it will not perhaps be supererogatory, to name the Ocean Office, as from the nature and extension of her risks, and our relations with an European power, allusion was made to her in debate in one branch of our legislative assembly. And whatever opinion, might then have been cherished under that existing state of things, as to the safety of this office, we now cheerfully give her the consideration to which she is entitled, for her compliance with, not only the letter, but spirit of the order of the house.

The heads which your committee have given to the the abstract, and which, are all they have deemed of sufficient importance to merit attention, are as follows:

To wit: location and name; capital stock; amount of the same in bank stock; in bottomry and respondentia loans; amount secured by mortgage; by personal security; by real estate; their reserved profits; amount insured for two years prior to January first.

Amount pending at risk; amount of losses paid for two years, fire; do. marine; aggregate amount of premiums for same time; and also semi-annual dividends for the last ten years.

Their recapitulation gives the aggregates, also the

mean average dividend of all these offices for the last ten years, into a fraction.

And your committee will only add, that they have appended to the abstract, such marginal explanation as was necessary, and due the institutions.

All of which is respectfully submitted,

A. CROCKER, *per order.*

