

loss the general opinion expressed in insurance journals is that this is in the main due to an improvement in the "moral hazard." It is considered that not only are there fewer incendiary fires, but there is also a positive effort on the part of owners to safeguard property against fire in view of the undoubted loss which would result in the event of a forced realization of assets due to fire.

It is perhaps significant that, allowing for some time-lag, the fire losses in the countries shown above appear to follow very closely the course of the depression. In Great Britain, owing partly to the almost universal use of brick, stone, or concrete in building construction and partly to the general stability of an old-established community, the fire losses are normally much lower than in America and in the British dominions. It was therefore to be expected that marked variations of loss would not be shown, but it will be noted that the low fire-loss figure in 1932 followed the financial crisis which resulted in the formation of the National Government at the end of 1931.

With regard to the United States, the reference in my last annual report indicates that the sharp drop in fire loss in 1933 followed the financial collapse which caused the suspension of payments by insurance companies for two months. In Canada the effects of the depression were probably less sharply felt and the fire-loss curve approximates that in New Zealand, although the actual reduction has been proportionately less.

There appears to be no reason to modify greatly the reasons assigned in previous reports for the very satisfactory reduction in the New Zealand fire wastage shown by the 1934 figures. The extensive fire-prevention campaigns which were undertaken in the early stages of the depression undoubtedly had the effect of bringing home to the public the inadequacy of present-day insurance recoveries in relation to pre-depression values of property, and thereby inducing much greater care with respect to fire. This is indicated by the fact that the number of property fires occurring in fire districts (in which the most intensive fire-prevention efforts were made) have remained practically stationary for the last three years at less than two-thirds of the number occurring during the previous five-year period. In addition to this there has been a definite improvement in the fire-protection services throughout the country, and there is some reason for assigning to this cause a greater share of the credit than was previously indicated. It must also be remembered that the fire-loss figures are based on the insurance companies' payments, and these have been reduced in proportion to the drop in property values resulting from the depression. To this extent the reduction in loss is more apparent than real.

In a country such as New Zealand there is a definite limit to which the fire losses may be expected to fall. The overwhelming majority of the dwellings and a fair proportion of the business premises, particularly in the country towns, are built entirely of wood and, in most cases, with flimsy interior linings. The towns are mostly hilly and the residential areas widely spread, so that in most towns there are considerable areas in which the water-supply is not reasonably efficient for fire-fighting. It must also be noted that probably 25 per cent. of the insurable property is situated outside areas protected by fire brigades.

It is therefore likely that the loss per head for the year under review represents something approaching the minimum loss to be expected under the most favourable conditions. With the passing of the depression there is some evidence of a rise in property values, which will have an immediate effect in increasing the apparent fire loss. Unless measures are taken to check this, moreover, the re-establishment of normal business on a post-depression basis of values is likely to bring in its train the same public carelessness with respect to fire as existed during the high fire-loss period, based on a false sense of security induced by the possession of an insurance cover which is high in relation to the purchase value of the property.

It was noted in the last annual report that the maintenance of the present satisfactory fire-loss position was largely in the hands of the insurance companies themselves and that occasion had been taken by many of them to reduce insurance cover to proper limits and to tighten up the inspection of their risks. It would appear from the figures now available that this policy could, with advantage both to the companies and to the public, be carried to a much greater extent. In consequence of the reduced fire loss, premium rates on dwellings were reduced towards the end of 1933, and, in addition, there has been a considerable amount of cutting of rates on business premises. The returns show that the reduction in insurance cover and the reduction in rates is reflected in the fall in insurance premiums collected in New Zealand, as compared with the average for the years 1927-31, by only 10 per cent. in 1933 and 20 per cent. in 1934. The major part of this drop would be due to the decrease in rates, and it would appear that the insurance cover on property has not been reduced to an extent in any way commensurate with its existing, or "insurance payout," value, and that over-insurance must still be rife.

The danger of this position has been stressed in both this and in previous reports. The question has been discussed with a number of insurance company managers, and one of the reasons given for the existing over-insurance is worthy of comment. It is stated that many people had taken great exception to the action of the insurance offices in reducing the amount of the cover to conform with present-day values, and, in some instances, the insurance had been transferred to another company which was prepared to issue the larger cover. This objection was commonly experienced in the case of mortgagees, who fairly generally insisted on an insurance cover being held for the full amount of the mortgage, even when advised that in the event of total loss by fire a lesser amount only would be paid.