Chapter 24

Fire and Casualty Insurance Companies *

[Owing to the fact that there are several trade associations to which fire and casualty insurance companies belong, there is no single group that is in a position to describe the activities of, or to canvass the views of all such companies. Accordingly, three of the major associations, the American Insurance Association (stock companies), the American Mutual Insurance Alliance (mutual companies) and the National Association of Independent Insurers (stock and mutual companies) undertook to canvass representative samples of their respective memberships. Committee staff combined the material developed by the three surveys and added certain aggregate data for all fire and casualty insurance companies, which appear in the early section of the chapter.]

Introduction

Fire and casualty insurance companies are financial intermediaries that obtain the bulk of their funds from businesses and households. They invest their funds mainly in the bonds and stocks of governments and corporations. The purpose of these insurance companies is to provide the public with a means of protection against economic loss from specific hazards causing injury to property and persons and in so doing to earn a reasonable profit. This involves a coordination of management functions in providing underwriting and claims services which, together with financial stability, will assure all policyholders that they will be indemnified for all protected losses.

The fire and casualty insurance industry is comprised of several types of private ownership organizations, proprietary and cooperative. Proprietary insurers may be unincorporated (American Lloyds), or incorporated (capital-stock companies). Cooperative insurers are nonprofit businesses owned by the policyholders, or members. Basically, incorporated cooperatives are called mutuals and unincorporated cooperatives are reciprocals.

As of December 31, 1965, there were over 1,216 fire and casualty companies included in Best's Aggregate and Averages. Their total admitted assets amounted to $41,843 million with stock companies accounting for about 75 percent of the total assets. Mutuals were second with 22 percent; reciprocals and Lloyds had only 3 percent of the total assets.

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* Prepared by committee staff, based on data furnished by the American Insurance Association, American Mutual Insurance Alliance and the National Association of Independent Insurers, and statistical compilations developed by John Dickie, Office of Economic and Market Analysis, Department of Housing and Urban Development.