

the basement, or closing an opening, or it may be the enclosing of the elevator shafts or the equipment of the building with automatic sprinklers. In any case the insured has before him the exact details of how his rate is made up and so can see just how much his rate can be reduced by making improvements. Usually the reduction in rate is so great as compared with the cost of improving the conditions that the changes are at once made. Even the expense, which is considerable, of installing automatic sprinklers is not in general greater than the saving on from two to five years' premiums.

Not only does the application of schedule rating operate to improve already existing risks, but it leads in a similar way to greatly improved construction in new buildings. Most new buildings of any importance that are being built nowadays are planned with full consideration of the reductions in rate which various features of construction will command. It is not too much to say that to schedule rating is due, as much as to any other one cause, the credit for improvements in modern construction.

It is this fact that gives schedule rating one of its chief values; the fact that it eliminates discrimination—not completely, for in case the schedule is wrong one class will suffer at the expense of another—but at any rate the discrimination is all centred in the schedule itself. It certainly eliminates discrimination on the basis of influence, which is the most vicious form of discrimination. And even though the schedule is not perfect, it does what is most important, it adjusts the rates approximately correctly inside of given classes. Any reasonable schedule, even though it may have considerable defects, will tend to produce equity inside of fairly homogeneous classes.

SCHEDULE RATING AND FIRE PREVENTION.

The operation of schedule rating in bettering fire prevention is one of those powerful unconscious agencies like the betterment of the race through natural selection.

For schedule rating to better conditions there must be not only a definite relation between a better condition and the insurance rate, but this relation must be capable of being brought forcibly to the attention of the insured. In this process there is still another agency acting and another force. The agency is the broker or the local agent and the force is competition.

That broker or local agent can best secure business who can, other things being equal, perform the greatest service. Among the services that a broker or local agent does in this very way perform is the service of bringing to the attention of a client the reduction in a rate that he can secure by making changes in his old building, or in planning his new building, so as to conform to the standards of the schedule. And if he should fail in assiduity in keeping his client thus informed he would find that another broker or another agent had slipped in and that another broker or another agent had slipped in and performed this service and that his client's business had been transferred to the one who had thus demonstrated a greater capacity for looking after the interests of the insured.

It is not to our credit that schedule rating is the most powerful agency for fire prevention, for it acts entirely through the selfish desire of the insured to lower his insurance rate, not primarily because he is interested in reducing the fire loss. But the insured will only be partly compensated by his insurance in case he suffers a loss. There will be an interruption of his business and a generally chaotic condition from which he is bound to suffer; he should have an interest in fire prevention on this account. To be driven to an interest in fire prevention only indirectly because of its effect upon his premiums is not praiseworthy when there are direct ways toward the same end, the enactment, for instance, of proper building laws, the creation of offices for inspecting risks and for a general surveillance over conditions looking toward fire prevention, not to speak of greater individual carefulness.

While, however, we are waiting for the time when we shall be farsighted and intelligent enough to attack this problem directly, we must recognize that we have in the operation of schedule rating, an immensely important and effective instrument for this purpose, that largely unconsciously, or at least without direct intention, the insurance companies through their development of schedule rating are facilitating this work. In a consideration, therefore, of insurance legislation, there must be kept in mind, among other things, the effect of any proposed law upon the operation of this process.

The Committee state in their recommendations:—For many reasons your committee believes that it would be most unfortunate for the public if open competition in rates were forced by this State. The safe policy to follow is to recognize the good which flows from combination well regulated; to permit the companies to use rating associations and bureaus to develop the principle of schedule rating and to spread the cost of determining proper rates among companies, and to permit them to agree to maintain those rates. It is, therefore, recommended that no anti-compact law be passed, but that in place thereof a statute be enacted that will permit combination under State regulation. Such statute should provide that companies must not seek to strengthen their own agreement by forcing third persons to help them to do so. The companies should depend upon their own business integrity in the carrying out of their agreement.



LONDON MUTUAL FIRE INSURANCE COMPANY.

The fifty-first financial statement of the London Mutual Fire Insurance Company of Canada appears on another page in conjunction with the annual report submitted to the shareholders and members by Mr. D. Weismiller, the president and managing director. It shows that as a result of the year's operations the assets have been increased to \$624,712 (exclusive of unassessed premium notes of \$330,504), from \$555,831, which was the total reached last year. Security for policyholders, including reserve for unearned premiums, capital stock paid and unpaid, and surplus is \$980,084; the total surplus, including unassessed notes amounting to \$330,504, is \$570,115, and there is a cash surplus over all liabilities, including capital stock, of \$230,520.

The gross premiums of 1910 were \$823,080 and net premiums, \$412,152. These figures show a slight falling-off in comparison with 1909, which is explained by Mr. Weismiller in his report, as an apparent reduction only, due to a change in the mutual system, which became operative on January 1, 1910. By 1912 normal conditions will have again been restored. Another result of this change is that the unearned premium reserve on the mutual business is now based on the cash actually received during the year. The London Mutual is thus placed on an equal footing in this regard with other companies operating under a Dominion license, a step highly creditable to the Company. Net income totalled \$436,630, giving a balance of \$45,547 over expenditure.

The year's net losses were \$217,602, a diminution approaching \$20,000 from the losses of 1909. The total amount at risk in December 31 last, was \$101,978,496.

The general agency of Mr. Henry Blachford, of Montreal, represents the London Mutual throughout the Province of Quebec.