and mills, would have three or four or more banking offices, and the people would have greatly increased facilities for depositing and borrowing. It will be well for our would-be reformers to remember that in lopping off privileges of the banks they may lop off facilities possessed by the common people.

THE CO-INSURANCE CLAUSES.

By the co-insurance clause in a fire insurance policy the insured agrees to keep up to a certain fixed amount in reference to the total value of the property covered, or failing such to rank as an insurer for the deficiency. This clause was brought into action by the insurance companies in the first instance by a large increase in the rates, and secondly by a material reduction in rates upon certain classes of risks. We will deal with these two opposite causes in the order given.

Some years ago it became evident from statistics gathered by the underwriters that the rates charged on a large majority of risks were quite inadequate, and a heavy advance was made, in many cases the premium being about doubled. Thus for example, a property of $100,000 formerly written at ½ p.c. producing a premium of $500 was raised to 1 p.c., with the intention, of course, on the part of the insurance companies of turning what had hitherto proved a loss into a profit by collecting twice the premium for the same liability. This would have been a perfectly logical conclusion upon the assumption that every fire entailed a total loss, but unfortunately the premises were false, for from seventy-five to eighty per cent. of losses upon such class of business are only 50 p.c. and under of the value, and, therefore, the insurer, looking at the matter from his point of view and not wishing to increase the cost of his insurance reduced his policies from $100,000 to $50,000 for which latter he paid at 1 p.c. $500, what he had previously paid at ½ p.c. on the $100,000. It is true that for any loss over the $50,000 he was his own insurer, but as this contingency, though not impossible, is rare, he ran the risk and the result was that the companies to a very large extent were continuing to carry the same amount of liability without any increase in the premium income. This was the gordian knot presented to the companies, and they decided, that an insurer who contributed to exceptionally heavy or total losses should also contribute to the general and principal numbers of the partial losses or pay an additional rate. It was in this manner that the 80 p.c. co-insurance clause was established, whereby an insurer has to keep up on a value of $100,000 an insurance of $80,000 (doubtless fixed having regard to fluctuation in the stock) or rank with the companies for any deficiency unless by waiving the clause he pays an extra 20 p.c. on the rate, so that, if with the clause, he has only $60,000 insurance he contributes to any loss below $80,000 in the proportion of a policy for $20,000. This we think was a reasonable solution to the problem making the premium income commensurate with the liability carried, for it was little use raising the rates if the premium income was not increased and the liability in the majority of instances remained unaltered.

We now come to the second phase of the co-insurance clause. Latterly there have sprung up in Canada a considerable number of both fire-proof buildings and standard factories, the last equipped with automatic sprinklers and eligible for what are called the New England mutuals. The stock companies, following the example of those across the border, entered into competition with the mutuals for insuring these factories, and whereas the rate on a first-class factory had been about 1 p.c., as soon as it was fully equipped with automatic sprinklers it was agreed to be taken as low in some instances at 25 p.c., so taking a plant of $100,000 which before brought in $1,000 premium the same could be insured for $250. Of course, the latter does not represent the entire cost of insurance to the factory owner for to it must be added the interest on the money spent in making his risk eligible, but let that pass as we are merely considering the premiums collected for insurance. The reduction we will grant, large as it is, is quite warranted and the $250 in the one case equal for the hazard run to the $1,000 in the other allowing for the average number of risks in both, but experience has shown that losses, on the whole, on sprinkled risks is extremely small, probably about 10 p.c. of the value, so that without any stipulation as to the amount of insurance to be carried in proportion to the total value of the factory property the insurer might easily argue that he would in ninety cases out of a hundred be fairly protected with about $10,000, which at 25c. would give a premium of $25.00 at which instead of $250 would be taking the probable liability of the said $10,000 or under. This feature was thoroughly understood by the mutuals for they valued the property and insisted upon having the amount of insurance pretty nearly up to that value. The stock companies have adopted the 90 p.c. co-insurance clause which amounts to much the same thing.

We have thus endeavoured to explain the reasons for the co-insurance clauses and will conclude by pointing out that rates are fixed with the contingency of a total loss, whether probable or remote and if that loss is total, so far as the insurance is concerned, when it only amounts to 50 p.c. or under of the value at stake, the rate must be more than if the insurance is equal, or nearly so, of the value.