

his agents in the matter of rebating, or any other feature in connection with his securing the largest amount of business possible." He announced frankly that big business was his sole object, and that he should use any and all methods calculated to secure this object. Unfortunately, this is not an isolated case, for other managers, if not so frank in their avowals, are quite as persistent in making raids upon the agents of competing companies. It is a most deplorable state of affairs when the scramble for "big business" leads men to forget honorable practices and the commonest business ethics, and to act the part of deliberate seducers of good men away from good companies. An honorable business is fast becoming dishonorable by such inexcusable tactics, which cannot long be persisted in with impunity. Unfortunately too many agents are easily induced by sycophantic promises to give up their allegiance to companies which they may have served for years, and discover when too late that they made a mistake. We have seen instances of this time and again.

FIRE INSURANCE MEANS INDEMNITY ONLY.

One of the things which the average property owner, especially in the small towns and rural districts, is very slow to understand is, that a policy of fire insurance is not a wager that in the event of a loss by fire the company will pay the full amount named therein. In many minds the idea seems fixed that the possession of a policy for a thousand dollars, for example, entitles the holder to that amount from the company in case of fire, whether the destruction of value is equal to that amount or not. Experienced adjusters fully understand the difficulty of making clear to a large class of the insured that the fundamental idea of insurance is to replace or to enable the owner to replace that which has been lost—simply to furnish *indemnity*. The company names in its policy the maximum amount which it undertakes to guarantee in case the loss should reach that amount, the actual payment below that maximum being always equal to the actual loss sustained. Thus the actual loss, whatever it may be, within the policy limit, is the maximum of liability to the company. This practice proceeds upon the equitable principle that, for a stipulated consideration, the insurance company, in case of loss, puts itself exactly in the place of the insured. To pay less than the actual loss would be robbery of the insured; to pay more would be robbery of the insuring company.

This fundamental principle of indemnity, as applying to the insurance of property, has been recognized in all lands by the highest legal authorities, and everywhere by the best writers and lexicographers insurance has been regarded as the synonym of indemnity. The general definition of fire insurance is succinctly stated in Wharton's Law Dictionary as follows:—"Insurance against fire is a contract of indemnity." A standard authority, viz., Parke on Insurance, says:—"Insurance is a contract by which the insurer undertakes, in consideration of a premium equivalent to the hazard run, to indemnify the person against certain perils or losses, or against some particular event."

Alauzet, the well known French writer on insurance, well states the principle generally recognized as underlying property insurance when he says.—

A general principle which controls all matters of insurance is, that the contract can never be made a source of gain to the insured; for him insurance is only a means of indemnity. The only province of the contract is to assure him an equivalent for the subjects at risk, should they happen to perish or suffer damage. * * * One cannot insure that on which he runs no risk of loss. Insurance ought never to be a source of profit to the insured; this principle should be maintained with the utmost strictness.

Although it is a recognized principle by all the courts that insurance "ought never to be a source of profit to the insured," and though the attempt to thus profit is in violation of the laws of ethics, yet a good many people, who would not cheat a neighbor or knowingly defraud a creditor, and who are fairly regarded as generally honest, seem to see no breach of good faith or moral delinquency in getting a thousand dollar payment if they can from an insurance company for an eight hundred dollar loss. We do not now refer at all to that class of people who deliberately design, by over-insurance and sharp—not to say criminal—practices, to swindle the insurance companies, but to the still larger class, who harbor the mistaken notion that the face of the policy represents the sum to which they are entitled, because a premium on that sum has been paid. Fortunately, the number of such is constantly diminishing, as the educating process incident to almost universal insurance of property goes on, and the press and the ruling of courts emphasize the underlying principle that simple indemnity is in all cases the equitable measure of loss. Another generation will doubtless do away largely with the opposite fallacy, and render adjustments less difficult and more equitable.

THE SELF-INSURANCE FALLACY.

The fallacy that the citizens of a single town may combine on some scheme of cheap local insurance against fire is common, in spite of disastrous experiences; but the greater fallacy that the authorities of a town may safely and economically carry the insurance on its public buildings by creating a fund from the saving of premiums usually paid to insurance companies, also occasionally manifests itself. A town chancing to be lucky for a few years in the matter of fires, unreflecting people are apt to jump to the conclusion that the premiums paid out for insurance have been about as good as wasted, and that, because ten or twenty thousand dollars have in the aggregate each year been paid for premiums, and the companies called upon to pay perhaps only a tenth or less of these amounts for losses, therefore the companies are coining money and charging enormous rates. These people are slow to understand that the *law of average* governs the business of all kinds of insurance, and that the individual experience of their particular town is offset by that of another place, where on ten thousand dollars of premium receipts the companies are called to pay a hundred thousand of loss. It is simply because premiums exceed losses in one class of towns and cities that the companies are able to pay losses in full in other towns and cities where the losses exceed the pre-