

## FIRE INSURANCE AND ITS RELATION TO THE COMMON WELFARE

Address Delivered by John B. Laidlaw Before the  
Insurance Federation of British Columbia

On the subject of Fire Insurance, there are few, if any, Underwriters in Canada better qualified to address an audience than Mr. John B. Laidlaw, Manager for Canada of Norwich Union Fire Insurance Society. During his long career as manager for this important Company, he has been a student of the business and has given close and painstaking attention to all the numerous details connected with it, and on many special occasions, he has rendered valuable service to the business generally. On a recent occasion at Vancouver Mr. Laidlaw addressed the members of the Insurance Federation of British Columbia, and many prominent citizens on Fire Insurance, as follows:

It is always well to remember that Fire Insurance is not an insurance of property, it is an insurance of interest. There may be half a dozen interests around a particular property and the different interests will be variously affected by the event of fire and consequently the rates may vary. The rates that are now made have gradually been evolved. These rates are not arbitrary and they are not permanently fixed. The companies do business in this country and in all civilized countries through Boards of Underwriters. It is one of the fundamental bases of insurance that all companies soon come to charge about the same rate, and it necessarily follows there must be some method by which the consensus of opinion can be reached as to what that rate should be, and that is accomplished by a Board of Underwriters, and the rates fixed by them represent the consensus of opinion—the average view of all companies comprising the Board upon the different classes of risks that are insured.

As the average view changes, these rates will change. Keeping in touch with experience there is gradual evolution going on all the time. There is a flow in rates; going up on certain classes, going down on other classes, and that change is constantly working. An insured feels he is not fairly treated because he ascertains that he is paying the same rate as his friend across the way. He feels he has a better risk and he tells the agent so. And the agent, perhaps, believing his is the better risk and that he has a reasonable case, and he passes the complaint on to the manager, who passes it on to the secretary of the board, or brings it up at meeting, and gradually that view prevails. It may be the Board will correspond with other Boards and will ascertain what other people

have experienced, and what has been done to deal with a similar situation in other cities, and in that way fair treatment is extended to the man by the discrimination that is made in order to meet his particular case; but once the matter is so decided, the same treatment is at once accorded in all other similar instances. Discrimination in Fire Insurance is absolutely essential if the companies are to be fair to all risks and classes.

In connection with the Insurance investigation in Ontario the question of whether the province should fix the rates was brought up, although in an incidental way, and I made the argument that if the rates were to be made by an official of the government, even though you got the most expert man to do it—a man who has a great deal of experience—of the broadest acquaintance with all different kinds of property and hazards and construction and protection throughout the country and you put him in the Parliament Buildings and made him a government official, that man would very soon become inefficient. He would be out of touch and so would very rapidly be out of date in the matter of rates, because the rates should constantly change, just as the conditions change. If a city neglects its fire appliances, the rates should go up and if they improve them the rates should go down. If a new business introduces a new or novel process of manufacture which is hazardous, the rates will go up on the properties affected. On the other hand, the development of a process of manufacture may have the effect of removing a formerly hazardous method, and the result will be a reduction in the rate. It is the public acting on the agents and inspectors of the companies and they acting on the companies and the companies acting on the secretary of the Board of Underwriters, and the Secretary on the Board through whom they all work, which forms a combination of forces which tends to keep Fire Insurance rates fair as between risks and as between man and man; and I claim that no matter whom you now select for the purpose of naming Fire Insurance rates on behalf of a government, that it is impossible for him to be subject to the same conditions, and therefore he cannot achieve results as correctly as by the present system.

Sometimes the criticism is made of the cost of Fire Insurance. One looks at the returns and sees that a little over thirty per cent. goes for expenses.

I may say in the first place that the rate of expense in Canada is lower than in other countries. It is lower than in the United States. It is considerably lower than in Great Britain, and I anticipate that the rate of expense will tend to increase rather than decrease. There is a constant tend-