

to more than wipe out for a number of years an estimated underwriting profit of five to ten per cent.

Who will say, therefore, that an estimated underwriting profit of even twenty per cent. will prove a sufficient factor of safety for hazardous lines like these?

FACTORS OF SAFETY FOR CASUALTY LINES IN GENERAL.

But are the companies employing a sufficient factor of safety to take care of the unforeseen conditions that so seriously menace the future? Extracts from the financial statements for 1912 of companies transacting various casualty and liability lines and tabulated in the May 15th issue of *The Spectator* indicate they are not. Of the sixty-nine companies transacting these lines, thirty-six sustained an underwriting loss; and the combined results of the entire sixty-nine companies showed a net underwriting loss of 0.6 per cent. Great variations are observed in the percentages of underwriting profits and losses, ranging from a profit of 41.8 per cent. to a loss of 158.4 per cent. of the premium income. Grouped under the head of each line written, Casualty Companies show an underwriting loss of 1.5 per cent., Surety Companies a profit of 1.8 per cent., Plate Glass Companies a profit of 6.9 per cent., and remaining a loss of 0.5 per cent.

During the past ten years the combined underwriting profits of these sixty-nine companies steadily decreased. The vanishing point was reached in 1911, when there was a substantial underwriting loss. The loss in 1912 was even greater than in 1911, from which it is apparent that something must be accomplished to better the factor of safety, if stockholders are to receive a fair dividend on their investment and policyholders are to have proper guarantees for the payment of future losses.

STEAM-BOILER AND FLY-WHEEL INSURANCE.

The steam-boiler and fly-wheel business has been in more or less of a demoralized state ever since the competitive writing of these lines began. There has been no co-operation as to insurance requirements for the proper construction and safe operation of boilers and fly-wheels; and there has been no interchange of experience or statistics, or opinions as to the rates for which steam-boiler and fly-wheel insurance could be written with safety. Company after company has entered the field, depressed rates, demoralized the business generally and then retired. The cost of boiler and fly-wheel inspection has steadily increased on account of the increase in the hotel and traveling expenses of inspectors, and the increasing mass of data required to be placed on file by state authorities. The loss ratio has increased on account of the greater amounts that must now be paid for personal injury losses under the new liability and workmen's compensation laws, and for other reasons. Rates have steadily decreased until they are now too near the danger line either for safety of the companies, or their policyholders.

BETTERING THE FACTOR OF SAFETY.

The remedy for this condition, not only as respects steam-boiler and fly-wheel insurance but as respects other lines of the casualty and surety business, lies in co-operation. It is essential for the mutual interests of all the companies that they work together in entire harmony, and that a bureau be maintained

for each line of insurance transacted, in order that the combined experience of all the companies be compiled, and equitable rates based upon this combined experience be formulated and strictly adhered to. Printed manuals containing such rates may be used by the companies jointly, not necessarily because of any agreement among themselves to do so, but solely because they believe them to be right rates.

Such bureaus are essential for the protection of the policyholder as well as for the protection of the company. The buyer of insurance, and the buyer of an ordinary commodity each acquires entirely different relations with respects to the seller. The buyer of hardware takes his purchase away with him, and is not concerned whether the seller continues solvent or goes into bankruptcy within the hour. But when the buyer of insurance takes his policy away with him, it is of vital importance to him that the company continues solvent throughout the term of the policy. He has not bought something that he can use when and as he pleases. He has bought a promise of the company to pay a sum of money (usually a very large sum) in case a loss occurs, and the value of that promise depends solely upon the continued solvency of the company. An important improvement in the present conditions of transacting steam-boiler and fly-wheel business is about to take place. The American Society of Mechanical Engineers has appointed a Commission to prepare a Standard Code for the Construction and Safe Operation of Steam Boilers. And there has been formed by company members of the National Association of Casualty and Surety Underwriters a Steam Boiler and Fly-Wheel Service and Information Bureau. The organization of this Bureau is now nearly complete, and it is expected to be in full sway before the first of next September.

THE FRATERNAL INSURANCE SYSTEM OF TO-DAY.

(Edwin S. Philpot, Chicago, in the *Insurance World*.)

The writer was for many years an enthusiastic, loyal worker in the Fraternal Insurance field, enthusiastic perhaps to the extent of fanaticism, and while his enthusiasm may have somewhat waned, his loyalty to the system, as represented by the many good friends he is proud to number among fraternalists, has in no degree lessened, and it is not his purpose in this article to in any sense attack Fraternal Insurance, but rather to endeavor to briefly analyse present day conditions, from the standpoint of a friend, who has had an opportunity to study the system from the inside, as well as the outside.

UNREST, DOUBT, DISSATISFACTION.

That the past few years have witnessed striking developments in the Fraternal Insurance System no one will deny. In the years 1908-1913 rates of assessment in sixty-five societies were changed seventy-one times, affecting the payments of over 3,000,000 members. A growing feeling of unrest, doubt, dissatisfaction appears to have spread among the membership with the result that for the year 1912, while 120 societies showed an increase of 260,381, 64 societies show a decrease of 359,712, or a net loss for the year of 99,331 members in 184 societies. It may be said by our fraternal friends, and in fact has been, that this total decrease can be readily explained by the ex-