THE LESSONS OF SALEM.

Just how extensive, or suggestive, these lessons may prove to be cannot be determined at this writing. Enough facts have been ascertained, however, to form the foundation of several little sermons whose effect ought not to be lost, either upon the general public or the underwriters.

In the first place, the Salem fire, causing a property loss of some $15,000,000, calls attention to the fact that conflagrations are still possible, though, like the death of individuals, it cannot be told in advance just where and by what means they will happen. The city of Salem, of some 50,000 or 60,000 inhabitants, and with large manufacturing interests, is but one of, perhaps, twenty-five similar New England towns which are liable to the same experience. It matters not how the fire started, whether from the ignition of some semi-explosive material, as collodion, as has been suggested, or from some other source. The fire did start, and as a result practically half the town was burned up, and the fire insurance companies will pay something like a dozen million dollars for reimbursement of the loss.

How about Lynn, Lowell, Lawrence, Fall River, Taunton, Springfield, Worcester, Manchester (on the west side of the Merrimac) and many other cities which could be mentioned, not only in New England, but in other parts of the country? The conflagration hazard does exist, as we have pointed out dozens of times in these columns, and the only thing which can be done is to provide against the event by more effective water supply and fire defenses, and, best of all, by better building methods in the future. For example, the day of the shingle roof should long ago have passed away, together with its twin malicious and malignant evil, the defective flue.

The returns are not all complete as yet, but we believe that the so-called "New England Mutuals," will receive, in settling for this fire, the severest test that they have ever known. It is probable that the strongest of them may pull through, without being completely overwhelmed; but it is almost certain that some of them will be ruined, and that the dividends, that is the return premiums, of all of them will be greatly reduced.

It has been our practice from year to year to comment upon the so-called "cheap" insurance furnished by these mutual companies, and to call attention to the fact that it needed only just such a cataclysm as the Salem fire to point out the fallacy of their claims as applied to cheapness, generally.

As usual, the regular stock companies interested, and which will bear the brunt of the shock, are abundantly prepared, with resources reserved for just such purposes as this, and will pay promptly and in full without any impairment of capital, or even of future paying power. It is this distinction between the mutuals and stock companies to which we have often directed attention.

In the mind of this present writer, while the loss will take considerably from the surpluses of a number of the stock companies, this fire will not prove to be an unmixed evil, for it will demonstrate the readiness and adequacy of our great stock companies to meet just such emergencies as this.

Large as is the need for funds, we doubt whether it will be necessary for the foreign fire insurance companies interested, to draw a dollar from their Home Offices to meet the losses incurred.

For many years the mutuals have been spared a conflagration in the heart of their own territory, and have seemed to wax prosperous, and to present talking points for great factory centres. It is probable that the events of this fire will add so largely to the prestige of the stock companies that they can well afford to pay the losses sustained, on account of the standing and reputation which their prompt settlements will give them in New England, and in other parts of the country. *Insurance Age.*

A WORD ABOUT EXPENSE RATIOS.

A comparison of expense ratios among individual life insurance companies is necessarily very unsatisfactory and often positively misleading as an indication of judicious or injudicious management. A fair comparison can be made only among companies doing business under practically uniform conditions and surroundings. One company with abundant assets may see fit to push vigorously for new business, planting itself in new fields and conducting an aggressive campaign generally, while another may move already on the most conservative lines, making very little effort for new business and paying out nothing for the occupancy of new fields. The difference in substance between the two is just the difference between two fruit growers, one of whom with a well grown orchard or vineyard is content to gather the fruit from matured trees and vines at the nominal cost of pruning and caring for what is grown up; while the other buys more ground, and plants an extensive area of trees and young vines, entailing a comparatively large initial expense in addition to the nominal one of caring for the grown-up orchard. In order to reap a crop, grain must be sown in cultivated soil; and it costs money to do it. It needs no argument to show that the fruit grower or farmer who combines prudence with enterprise in the extension of his productive area is acting wisely, although the ratio of expense to income for a time may be double or treble that of his neighbor, who only plants one new row of trees each year where the former plants acres. The absurdity of a comparison of expense ratios between the two need not be pointed out.

We do not believe in a dead-and-alive management in life insurance, but that companies are or should be organized to do something, to be an aggressive force, and to propagate the insurance idea by the practical method of going out among men of varied classes, and by argument and entreaty compelling them to come in. Of course we assume that this work will be done judiciously, not recklessly, and with such economy of expenditure as is consistent with real enterprise. We have no sympathy and not overmuch patience with some of our English contemporaries who are periodically given to preaching the gospel of a low life insurance expense ratio, commending a 12 per cent. company and condemning a 25 per cent. one, on the assumption that the figures have some important connection with the relative merit of the two companies. That entirely depends upon several things usually ignored. The mere figures prove nothing unless the conditions under which results are reached are identical.