

'The safety of insurance companies demands the charging of a rate of premium sufficient to meet losses, expenses of conducting the business economically, and a reasonable profit for the capital employed. In a business like fire insurance, in which the cost price of a policy is not susceptible of demonstration under existing methods, the people are apt to believe that rates formed by combination are unnecessarily high and exacting. Legitimate and conservative combination, when the interests of the insurer and insured are both served, should not be questioned. With insufficient rates and a promiscuous scramble for business at any figure, the public is educated to the mistaken idea that the rates first quoted must have been exorbitant, because of the sweeping reductions made in them later. Conditions of this kind must work out their remedy. The companies themselves will have to re-establish rates sufficient to assure the hazards they are underwriting.'

"The foregoing is an exact *résumé* of arguments we have frequently employed when dealing with the subject in these columns, but the testimony is of peculiar value, coming as it does from one whose official brethren have too often shown an unreasoning and unbecoming hostility to insurance companies, by the promotion of anti-compact laws and other measures calculated to interfere with their business to an unwarranted extent.

The average expense ratio has of late years shown a decided tendency to increase. No doubt underwriters are only too anxious to avail themselves of any means of preventing encroachment in this direction upon their profit margin, which at best is slender enough, and sometimes disappears altogether. The increased cost of conducting the business arises partly from causes which are beyond the control of managers, either individually or collectively. An appreciable percentage of the premiums is absorbed every year by the payment of State taxes and contributions to fire brigades, and, although the companies are supposed to reap direct benefit from the latter, the advantage has been already discounted by being taken into account when fixing the rate of premium. The largest individual item is, of course, commission and brokerage, and the upward tendency in this case has been checked to some extent by the formation of agreements limiting the maximum rates payable. Nevertheless, there is probably some increase under this heading, as the business tends more and more to reach the companies through intermediate sources and lines which were at one time placed direct with the offices cannot now be obtained without payment of a commission. In connection with general expenses, there is little to be said except that, though close scrutiny has to be exercised, it must be borne in mind that any curtailment of the expenses of management which leads to inadequate or inefficient supervision, particularly in regard to the selection of risks, will in the end prove to be false economy.

The general adoption of tariffs, of course, does much to assist in keeping the average loss ratio down to a normal figure by providing the companies with a sufficient premium income to meet the demands made on them. The business of the individual under-

writer is naturally subject to greater fluctuations than are shown in the general results. Even when the greatest discrimination is shown in the selection of risks there remains an element of chance that can never be wholly eliminated, so that, for a year's working in a limited area, the results shown by various offices might be found to differ widely. Taking the business of wider fields and for longer periods, the experience of each would probably be found to approximate more closely to the average ratio. In connection with losses, an interesting question arises as to whether the insurance companies might not do something to minimize the effects of those which occur by devoting more attention to the formation and equipment of salvage corps. Although a good deal has already been done in this direction in England and America, and to some extent in these colonies, the question whether the system could not be considerably extended with substantial benefit to those concerned is certainly deserving of consideration. A paper on the subject of salvage corps, or, as they are termed, "fire patrols," was amongst those read at the annual meeting of the Fire Underwriters' Association of the Pacific held at San Francisco in February last. The writer, Mr. Calvert Meade, who in the course of his business as loss adjuster has had special opportunities of observation, points out that great savings can often be effected, not only by taking measures to save property from destruction or protect it from water damage during the actual progress of a fire, but by the prompt treatment of salvage after the fire has been extinguished. No doubt many partial losses turn out more serious than they need be, through property being left lying in a saturated condition pending the arrival of the adjuster. In some cases even a few hours are of great importance, and the prompt services of a well-trained salvage corps may be of very great value. Such measures as the oiling of machinery to prevent rusting, and the protection of slightly damaged stock from further exposure, require to be taken in hand quickly to secure the best results.

A salvage corps must work subject to the orders of the chief of the fire brigade, whose first duty is, of course, to extinguish the flames as soon as possible. The expert officers who control the operations of the brigades in the larger cities are careful to do as little damage as possible in carrying out their work, but men cannot always be spared for the special duty of protecting goods until the fire itself is well under control. Insurance companies have found that the expenses of maintaining a special salvage corps at their own cost in some of the larger centres is money well spent. The question is whether a similar organization could be provided at a moderate expenditure even in the smaller places. Something might perhaps be done in the direction of providing country brigades with tarpaulins and other salvage appliances, and retaining the services of a few men, who have had experience as firemen, for a small annual fee, with additional payment for services actually rendered.

It must of course be borne in mind that salvage remains the property of the insured, and cannot be abandoned to the companies. Possibly, therefore, there might be obstacles in the way of carrying out