

THE PUBLIC AND THE CO-INSURANCE CLAUSE.

The opposition of certain classes of the community to the coinsurance clause in fire insurance policies is shown by the existence of so-called anti-coinsurance laws. Legislation of this kind indicates extraordinary ignorance of the true relation of fire insurance to the business community, and deliberately puts it in the power of large business concerns having scattered property interests to shift a considerable share of their fire tax to the small property owner. It overlooks the fact that the application of the coinsurance principle must be likened to the application of a government tax. Insurance men, in their own interest, if for no other reason, should try to make the public understand what the coinsurance clause is and how it works. The information which follows should be instilled into the mind of every business man. Fire insurance is a tax paid by all property owners in the community for the purpose of indemnifying unfortunate losers. In form it resembles a general property tax, except that it is collected and disbursed by private companies instead of by the government. As the government tax, to be equitable, is paid by property owners in proportion to the value of their property, so the fire insurance tax, to be equitable, ought to be based upon the value of the property owned, and not according to what the insured may choose to pay. As every state and municipality adopts a uniform method of assessment in levying its tax with a view to preventing discrimination, so in fire insurance the same uniformity of assessment should prevail, and the same effort should be made to prevent discrimination between the small and the large owner, or between those who insure partially and those who insure fully. Evasion in the payment of the fire tax is very similar to evasion of national or state taxes.

WHAT COINSURANCE DOES.

Fire insurance men would do well to explain to their customers that coinsurance protects property owners against the efforts of great industrial and mercantile corporations to shirk the payment of their just share of premiums. In most large mercantile and manufacturing plants the property is either situated in different localities, or the contents of a building are stored in different compartments each separated from the other by fireproof walls, or at least so protected that in the great great majority of cases the fire can be easily confined to the compartment where it originated. Under such circumstances a total loss cannot be expected, and the property owner is well aware of this. Assuming then, that a merchant is the owner of two stocks of goods situated in two localities, and worth respectively \$10,000 and \$5,000, it is apparent that if these two stocks are located so far from each other that from a fire insurance point of view neither is affected by the other, the owner could, if permitted, fully protect himself by talking out a blanket policy for \$10,000 covering both items, as his loss could not, except in the most unusual event of a fire occurring in both properties at the same time, exceed that sum. This is another way of saying that \$15,000 worth of property could be fully covered by \$10,000 of insurance. Although no fire insurance company could afford to insure the property of large concerns in this manner, yet the average business man who is unconnected

with fire insurance as a business continues to denounce coinsurance as unreasonable, such examples as the one referred to having never been brought to his notice. The problem of securing a uniform relation between insurance and value confronts every company in the acceptance of every risk. Rates cannot be made intelligently and fairly except on the theory that all property is insured for about the same proportion of its value. What this proportion may be is of little importance if all property is insured for the same proportion. If all property were insured for only one-fourth of its value, statistical experience would soon demonstrate the correct rate for property insured for one-fourth value. But if one man has his property insured for one-fourth of its worth, and another for three-fourths, the former may receive as much indemnity in the event of partial loss as the latter, who paid three times as much for his insurance. It is quite impossible for a fire insurance company or its agent, or even the owner, himself, to estimate closely the value of property, and even if it could be estimated values are always changing. The only way to adjust the matter so that everybody concerned will receive fair treatment must be through a mutual agreement that if the property is not insured for a stipulated proportion of its value at the time of the fire, the assured shall be a co-insurer for the deficit. There is no doubt whatever that property owners can be made to see the justice of this plan, provided insurance men will explain it to them. As matters stand, however, many business men profess to be in ignorance of what coinsurance means.

DOES IT ENCOURAGE OVER-INSURANCE?

The coinsurance plan of adjusting a difficult problem is so reasonable that the employment of the coinsurance clause is required by law in a number of European countries, including France, Belgium, and Italy, and in other parts of Europe it is invariably a part of the policy contract. Why is a clause in a policy which is in practically all European policies involving fire so unpopular on this side that the legislatures of at least ten states have made its insertion in any fire insurance contract a violation of the law? The usual reason given by those who oppose the co-insurance clause is that it encourages over-insurance. But this reason is not valid, for some of the states which have legislated against the clause have enacted a valued-policy law which is an incentive to people to over-insure their property. If small property owners realized that coinsurance is the safeguard which protects them from the desire of some great corporations to avoid paying their just share of the fire insurance tax, they would receive the clause with open arms. If fire insurance men would make it their business to instruct the public concerning coinsurance, there would soon be not only a popular demand for a repeal of all laws prohibiting the clause in question, but, in addition, a demand for the enactment of the European laws which make coinsurance obligatory. Those laws ensure a fair distribution of rates, while the laws of many of our states put it within the power of men of large means to unload part of their fire tax upon men of small means. Although there is no doubt that the evasion of fire tax is as improper as the evasion of any city or state tax, yet few property owners seem able to appreciate this truth, partially because insurance men have not discussed the facts sufficiently with them, explaining the details.