than in its own exact form, that the Universal system has had its practical effects. The continuance of such local variations retards the advance towards fully scientific underwriting. These tend to nullify the value of the classified statistics, which the companies are more and more endeavouring to compile, since these statistics are based upon widely divergent premiums derived through such ratings. "How," one advocate of the Dean schedule asks, "can rates be changed intelligently from such statistics to meet a constantly fluctuating experience, and how can the companies give intelligent answers to the embarrassing questions that are being so earnestly propounded by property owners and state officials?" The question is a pertinent one, but it must not be overlooked that even a universal adoption of any existing schedule would not achieve thoroughly scientific rate-making. The originator of the Dean schedule, more clear-seeing than some of his disciples, recognized the truth that "the crying need in fire insurance, and the inevitable next forward step in the evolution of the industry must be uniformity in the classifications maintained by, and an annual codification of the combined experience of, all companies." Existing rating schedules, with all their merits, can be but expedients more or less arbitrary. They are scientific in form, but cannot have more than an empirical foundation until they actually rest upon averages arrived at from the most systematic observation of a vast number of exposures, under test conditions. It is to be hoped that the war between the schedules will serve to emphasize the desirability—or rather, the necessity—of more thorough investigation of fire insurance data, with the object of accurately basing rates upon definite findings.

CREDIT INSURANCE A NECESSITY.

Report of Address by Mr. Arthur Robinson, before Rochester Credit Men's Association.

Credit insurance is the result of the process of evolution that is going on in the business world. In the days of the fathers of the older of my hearers it would have been impossible for the wildest imagination to picture the volume of business that is transacted to-day or to conceive of the rapidity with which business is transacted through the new methods which necessity has created.

One of the most important innovations came with the establishment, more than fifty years ago, of the system known as the mercantile agency. A rating and report on any concern by one of the standard mercantile agencies is to-day a letter of credit in any of the large markets, and nothing has contributed more to the facility with which large transactions are daily consummated than the confidence which is had in these ratings. However, the ease with which a well-rated concern could buy in every market suggested to careful business men the possibility of great danger that well-rated concerns might be tempted into purchasing beyond their means. In other words, no matter how accurately the credit man might limit the line of credit to the resources of the customer, there was always the possibility that the same or greater credit had been or would be extended by others. This was so universally recognized that various methods were devised as checks against over-trading. The interchange among those in the same lines of the amount of sales to a designated customer is one of these devices. It was evident that a merchant who parted with his goods on his faith in the accuracy of a rating should be indemnified in case of loss through the insolvency of the debtor; that some protection should be evolved against the depletion of capital through bad debts where reasonable prudence had been used in extending credit.

Credit insurance in the beginning was like all new departures in every line. It began to walk in this new field of insurance, very carefully feeling its way, and its first policies, compared with those issued to-day, were very limited in scope. With increased experience, the policy has been broadened and liberalized from time to time till to-day it covers every known form of insolvency, and the language of the policy is clear, concise and positive, with every clause free from ambiguity and unmistakable in its language. The first policies covered only insolvency on rated concerns having either the first or second credit rating. The policy to-day covers all customers. Those having either a first or second credit rating are covered in full to the limit of the capital and credit rating of each customer, while all others are covered for an agreed and specified portion of the debt.

Credit indemnity limits the annual risk of loss through insolvency of customers to a normal amount, and reimburses in cash for any loss in excess of that amount, provided the losses and the sales on which they were sustained were in accordance with the terms and limitations of the policy. In a word, it eliminates risk of excessive loss from credits. The mercantile agency furnishes information as to the financial strength and reliability of customers; credit indemnity protects from loss the firm that transacts its business and extends credit in accordance with that information. The credit man who uses the agency to guide him in passing on his credits needs a policy of credit indemnity. He is then on sure ground, and the limit of liability on each rating is an infallible guide to him as to the limit of the credit he can afford to give in each case. To the extent of the limit of the bond, no loss can be suffered should the debtor become insolvent.

In taking a policy of credit indemnity it is important not to figure on protection against impossible happenings, but against those which you do not expect will happen. In this way alone are you protected when the unexpected failure comes. The concern that to save on the amount of premium takes a small bond with a small amount of coverage on any one failure, discovers its error when the unexpected large loss comes. It is better