

Hall authorities have neglected their duty in regard to the City's water supply. They have neither taken measures which would neutralise the effects of legitimate accidents, nor have they adopted any constructive policy in regard to the water supply which would meet, naturally and automatically, the largely increasing demands of the city from year to year. Instead of that, they have been content merely to live from hand to mouth, taking no precautions and apparently consoling themselves with the reflection that if anything happened, the patient citizens would be as patient as they always are. We do not particularise individuals in this connection. The City Hall as a whole—Mayor, Controllers, Aldermen and officials—must each bear their share of the responsibility for the present condition of things unless they can adduce active efforts of their own towards an improvement.

The fact that within a few days—barring more "accidents"—conditions will be again normal should not be allowed to interfere with the pursuance of the investigation which the Underwriters propose. It is not merely that we want to find out the why and wherefore of recent happenings, but to devise means to ensure that they shall not recur. Even the City Hall can hardly require a huge conflagration to incite it to set its house in order.

THE SELF-INSURANCE FALLACY AGAIN.

Our venerable friend, the self-insurance fallacy, has turned up again at Quebec. Undisconcerted by the frequency with which he has been snubbed by unexpected conflagrations—which always are unexpected—he has secured an introduction to and apparently had a hearty welcome from the Hon. Mr. Taschereau, minister of public works, who on Tuesday was kind enough to introduce our friend to the legislature in his report for the year ended last June. We quote from a newspaper summary:—

Hon. Mr. Taschereau drew attention to the heavy amounts paid out annually for insuring governmental buildings and he suggested that it would be advisable for the Government to insure its own buildings. The total on which premiums are paid is \$2,880,600. On this point, he declares that since 1867 to the present year, the sum of \$237,350 has been disbursed under this head of insurance, while the indemnities received on losses amounted to but \$146,938.

The question may be considered, adds the report, whether it would not be advisable and more advantageous for the Government to insure its own buildings with a special insurance fund, created for the purpose and to add to the fund yearly the amount of money now paid out in premiums to the different insurance companies.

So the Quebec Government has not been getting its "money's worth" in fire insurance. Let us see. The Government since 1867 has paid out \$237,350, and of that amount has received back for losses incurred, \$146,938—giving the rather heavy ratio of losses paid to premiums of 61.91 per cent. Then part of the balance, say 33 1-3 per cent. has

gone towards the expenses of the companies, which brings the proportion of premiums absorbed up to 95.24 per cent. One per cent. of the balance has gone to the Provincial Government itself in the shape of the provincial tax on premiums, and out of the exiguous remainder, a fitting provision has had to be made for unearned premiums, and the risk of the Parliament buildings at Quebec one fine day going up in smoke. So that the companies seem not to have made very much profit out of this particular business. On the whole, it appears to us that the Quebec government, on the showing of its own minister, has done pretty well in the matter of its fire insurance; it has had its "money's worth."

This is, of course, in a sense a *reductio ad absurdum*. For fire insurance is in its essence an act of co-operation—a spreading among many members of the community the losses which fall upon a few. The man who pays his fire insurance premiums for 20 years without receiving back a cent for losses incurred gets his "money's worth" in his insurance exactly as does the man who has half a dozen fires in the period. The business of fire insurance is governed by the law of average. It is simply because that in some cases premiums exceed losses that the companies are able to pay losses in excess of premiums in other cases. It is impossible to foretell the contingency of fire in individual cases, hence the fallacy of argument by individuals from their experience of the past. Because events show that the Quebec Government, had it started self-insurance in 1867 and kept it up till now, might possibly have been a certain amount in pocket, is not a reason why a self-insurance fund should be started at the present time. Because to put it quite plainly, no one knows when the Parliament buildings at Quebec will be wiped out by a conflagration. The conflagration hazard is always present, and the city of Quebec, as fire underwriters know to their cost, has no special exemption from it.

Apparently, the Minister's idea is to start the fund with a nest egg, which will be added to yearly. Until the size of the nest egg is known, it cannot be seen how adequate or inadequate the provision made will be. But it is certain that unless a very large amount indeed—considerably larger than is likely to be used—is put by at the start, that the tax-payers of the province, should this scheme of self-insurance be put into effect, will be running a financial risk which they should not be called upon to bear. How many years will it be before the fund gives the same amount of protection as is given by the companies at the present time? Twenty? Thirty? Forty? Does the Minister consider it impossible that there should be a large loss by fire to Government buildings within either of those periods? Does he consider that wise statesmanship which "saves" the taxpayers a few dollars and allows them to run a very great risk for many years of losing thousands?