

Dealing with the related matters of discrimination and co-operation in fire insurance rating, Professor L. W. Zartman deals out plain-speaking to underwriters and public alike. That rate discriminations unfortunately exist, he has no hesitation in affirming—nor in showing that two ill effects arise therefrom. First, substantial injustice is done to competitors, be those competitors individuals, corporations or cities; second, maladjustment of fire insurance rates has a very serious effect upon the annual fire loss. But while he does not hold underwriters blameless, Professor Zartman very clearly points out that the greater burden of guilt cannot be laid at their door. What he would urge upon underwriters—to their own lasting good, and in fairness to policyholders everywhere—would be greater and more consistent co-operation.

Schedule rating is recognized as a vast advance upon old rule-of-thumb methods. Its weakness, as he sees it, lies in the lack of that authority which classified statistical data would give. That the classifying of fire insurance experience is in many ways more complicated than the mortality problems with which life insurance has to deal, is freely admitted. Still, difficulties are not to be taken as putting an end to all progress.

Having said so much by way of friendly admonition to underwriters, Professor Zartman proceeds to show how popular prejudice tends to hamper the very fairness which the public demands. That rate discriminations prevail is not a reflection upon the motives of the generality of fire company managers. "In fact," as is pointed out, "the officers of the companies are more directly interested in stopping these rate discriminations than is the public."

Competitive conditions almost entirely account for existing evils. And managers are more and more recognizing that only by more thorough company co-operation can absolute fairness in insurance rating come about. And yet twenty-three state legislatures have thought it was detrimental to the interests of the public that fire companies should be allowed to co-operate, particularly in the matter of rates and commissions. Essentially connected with equitable fixing of premiums is the careful inspection of risks. Contrast conditions at this point, under individual and joint-inspection procedures. When there was no co-operation between underwriters, a company's special agent would visit a risk; and though he might see conditions which seriously increased the hazards of fire, yet the knowledge that other companies were as anxious to write the risk as he was, and that even a reasonable request on his part would cause ill-will towards his company, would deter him from requiring the removal of defects.

But with the practice of co-operation among leading companies, conditions have changed vastly

for the better. Authorized and expert representatives of the inspection bureau now visit the risks. Not only is inspection more efficient, but the recommendations made carry greater weight with the property-owner. Under the old system the owner could disdainfully reject the suggestions of any one company—knowing that he could easily get insurance from others. As an effect of company co-operation substantial improvements in risk conditions have been brought about. Indeed, classes that were formerly unprofitable at any rate which free-for-all competition permitted the companies to secure have become profitable even at lower rates—"a happy situation for the insurance companies as well as for the public."

The monopoly bogey has no terrors for Professor Zartman. Indeed he holds, and with some reason, that "instead of a rate union preventing competition, it is a nursing bottle for young companies." A fire insurance combination has no monopoly unless it be the monopoly of experience; and this is the very thing which a compact among the companies makes the common property of anyone who wishes to enter into the business. For, while the union companies may make it a formal rule that their printed tariff of rates be kept from outsiders, there is no possibility of so doing. Thus it is that a new company, without experience, is able through the printed schedule to take advantage of the experience of the older companies. This circumstance, which makes comparatively easy the organization of new companies, represents an effective check upon any tendency to unduly high premiums.

There have been periods in the history of fire insurance in America when there was little or no co-operation. For several years preceding 1865, unsettled political conditions made it almost impossible to get together on rates. This circumstance, among others, resulted in 46 out of the 145 companies reporting to the New York insurance department showing impaired capitals—which meant that the shareholders were paying for the privilege of giving the public fire insurance. Combination among the companies alone saved the day. Had not such been brought about, cut-throat competition would have continued until, with inadequate rates, only a few were left. Under such conditions, the public would have difficulty in placing insurance, with the result that rates would go up. From which the profits of companies still in the field would increase—to a point where new capital would be attracted to the business. Then the crowding in of new companies would again bring severe competition—so that the old and ruinous round of things would have begun over again.

There are those who do not hesitate to say that much of the agitation against rate-compacts is far from being prompted by concern for the "dear public." The situation under non-tariff fire insur-