

on stocks and buildings is that with the latter almost invariably the land is coupled with the buildings, but when a stock is burned up there is absolutely nothing to fall back upon—unless we except criminal procedure, and we doubt whether besides being a fire insurance and also a guarantee company the office would gain much satisfaction by adding the duties of a public prosecutor to the other two.

SCHEDULE-RATING.

We are glad to learn that a vigorous effort is being made by the Canadian Fire Underwriters Association to formulate a standard building for all special hazards for which a basis rate shall be fixed, and for any deficiency in failing to come up to said standard an extra charge is to be made. This is decidedly a step in the right direction, for although it must be admitted that rates in fire insurance are guided to a great extent by the laws of average, yet it is manifestly absurd to make no difference between two factories,—the one only three storeys high, having stairways and elevators all outside and otherwise being fitted up with sprinklers, standpipes, and all fire protection appliances, and the other factory being five storeys in height, stairways and elevators all inside, and with no private appliances whatever,—simply because both are built of brick and roofed alike! As well might there be no distinction in the classification of ships built of iron by Marine Underwriters.

Nevertheless care must be taken to guard against, what will be the inevitable tendency when a risk approaches or reaches the full standard, viz., under-insurance. We have often inveighed against this evil, and pointed out the only remedy,—co-insurance; and, while we have never doubted the soundness of our doctrine nor faltered in the battle to maintain it, yet it is pleasant to find ourselves supported by an action of the Tariff Association of Great Britain, whence fire insurance took its source, and where, we understand, co-insurance forms part and parcel of the revised tariff on cotton mills.

Unless this check to under-insurance is introduced in some shape or other into the schedule ratings we have little hesitation in saying that although the reform is wise in itself, because it will induce insureds to build better class of risks and improve those already built, still no benefit will accrue to the companies, inasmuch as the decreased hazard will be counterbalanced by the decreased insurance. One of the chief reasons we believe for attaching the co-insurance clause to the revised cotton mill tariff in Great Britain was in consequence of the fact that hitherto the fire-proof cotton mills were only insured from 25 to 50 per cent. of their value.

The question is one of very simple arithmetic, yet those who frame tariffs would, we fear, be put at the foot of the class in any preparatory school in this wise. They set out upon the theory that the hazard of a standard factory is half that of one of ordinary construction, and (for the sake of argument) fix the rates on each at 1 and 2 per cent. respectively, which would be all very well provided the insurance on both, in proportion to the value, was the same, but, as in the case of the standard factories, the insurance, as compared with value, is not more than half of that placed

on ordinary factories, we find the rate of the latter four times that of the former thus:

Value, Stand Fac.

Ins.

\$50,000 30 per cent. \$15,000 at 1 p. c. = \$150 prem.

Ord. Fac.

Ins.

\$50,000 60 per cent. \$30,000 at 2 per cent = \$600

Now, if the hazard of the ordinary factory is only twice as great as that of the standard, the change of the former into the latter would be a positive disadvantage to the companies, their income from that class of risk being reduced three fourths while the loss ratio only drops half! If you could have the same proportion of insurance on the standard as on the ordinary factories then (presuming the correctness of the theory as to the respective hazards of the two classes) the loss ratio would be as 1 to 2, exactly as the premium income would be, but this cannot be accomplished without the assistance of the co-insurance clause, as it will always be found that the best risks (as a whole) carry lighter insurance to their value than the ordinary run of similar class; in short that in making deduction for improvements insured obtain a double advantage, and we are inclined to think that for the highest class of specials, equipped with every appliance, including automatic sprinklers there should be two rates, one with co-insurance clause attached and one without, as has been adopted in the States in some cases.

Without some such safeguard the almost certain result of schedule-rating will be to improve special hazards at the expense of the insurance companies.

LIFE ASSURANCE IN GREAT BRITAIN.

Summary of the Revenue Accounts filed in 1884, of the Ninety-four Ordinary Life Companies of the United Kingdom.

INCOME.

Balance at beginning of year	\$685,054,620
Adjustment for returns discontinued, etc	299,445
Total	\$685,354,065
Premiums	61,535,760
Consideration for annuities	3,182,550
Interest, etc. (less tax)	28,827,810
Profit on Investments	629,500
Fines, fees, etc	34,325
Capital paid-up	18,520
Miscellaneous	128,140
Total	\$779,710,670

OUTGO.

Claims	\$53,094,725
Cash, bonuses, etc	4,575,735
Annuities	2,965,755
Surrenders	3,866,655
Commission	2,741,375
Expenses of Management	5,704,895
Bad debts	14,570
Loss on Investments	139,820
Payments to shareholders	2,821,450
Miscellaneous	31,650
Balance at end of year being	703,754,040
Total	\$779,710,670