

A FEW CAUTIONARY WORDS TO THE INSURED.

At this time of serious demoralization among underwriters, upon whom the experience of the past seems to have been thrown away, it may not be amiss to offer some pertinent suggestions to purchasers of indemnity from those same offices, as to the results of the present struggle between what are known as "tariff and non-tariff" companies. The former, the tariff offices, are struggling to uphold a system of uniform rates that will return to their stockholders a quid pro quo for the use of their capital, and the hazard it runs in a business so uncertain as to its results as is insurance; the non-tariff offices, on the other hand, while quite willing to realize the best price they can for their policies are quite as unwilling to be bound by any obligation to respect any fixed rates that will prevent the acceptance of any class of risk that may come within their reach at the best price the holder thereof can be prevailed upon to give, without reference to its actual value as an insurance risk.

To an outsider, unfamiliar with fire insurance practice here this anomalous state of affairs must present a peculiar aspect; one not to be witnessed in any other organized branch of business in the world. A body of men entrusted with the control of millions of capital, supposed to be possessed of ordinary common sense and business ability, and governed by the well known laws of trade, and having the same ends and objects at heart, and whose interests and welfare are essentially dependent upon harmony and unity of action among themselves, are willingly and wilfully destroying their own business, and unblushingly acknowledging the facts, and yet there cannot be found enough of stamina, moral courage and honesty among this goodly number to put an end to this disgraceful condition of affairs, which continues to grow from bad to worse with each succeeding day until it has become a serious question to the insured in the matter of his own insurance, and to the several stockholders as to the security of their investments.

It is an old and well comprehended maxim, among business men especially, "that something cannot be had for nothing," or, as the old Spanish maxim puts it, "nada es eso que nada cuesta," in a business point of view. The sole end and aim of business is to buy and sell and make gain thereby. Exchanges of commodities, whether in kind or for cash, or securities of any sort, all have this object in view, and it is well understood in the commercial world, when a dealer or merchant persistently disposes of his wares at a price below the ruling market rates of his neighbors in the same line of trade, that there must be a screw loose somewhere, and that he must be selling at less than cost for some reason, and hence will bear watching.

Underwriting of any name, is just as much an act of merchandising as the exchange of more tangible commodities of any kind. Companies sell their *contingent* indemnity at a price supposed to be equivalent to the present value thereof,—all value being represented by price. Hence, if a company persistently sells its indemnity at less than experience has demonstrated to be the cost value, as recognised by other offices, wherein does such company differ from the dealer in other commodities who sells below the

recognized market rates? There is no difference between them, both are doing a losing business, and must eventually come to grief, unless they change their course; indeed even in such cases, the company is in the worse condition, as it may at any moment be bankrupted or seriously crippled by one of the constantly occurring conflagrations in cities, by which millions of capital are engulfed within an hour.

Why should insurance companies transacting their business under such circumstances, be in any better credit than merchants in the same category? Both are recognized as "shaky," and yet, while the dealer cannot get credit, the insurance company can be trusted with large amounts, sums that may, in the event of a serious loss, be all that the insured has to rely upon in the way of means to prevent his bankruptcy; and all this dependent upon the honesty and ability of an office known to be a "cutter of rates" below its equally able compeers. Is this a fair, or even an ordinarily careful, business transaction?

Can companies respond to their ordinary loss-claims without heavy reserves? Will selling indemnity, such as it may be, at less than known cost, in the mad competition for business, tend to strengthen these reserves to meet the rude shocks of impending losses? Or will the constant paying out more than is taken in so weaken these reserves that, when the impending shock becomes a reality, as it will be—the when being merely a question of time—there will remain nothing wherewith to meet accrued claims?

We might cite many other apposite suggestions for consideration, did we deem it necessary, for the enlightenment of our merchants, we close with the proposition that insurance purchased at less than cost is profitable neither to vendor nor vendee. "Qui custodiat custodies?" Who will insure the insurers?

OVER-INSURANCE.

(Communicated by an Outsider)

Although I have, practically, never been connected with the business of Fire Insurance, and am therefore an outsider, I have for years kept my eyes and ears open to everything that came across my path regarding it. The result has been that I have come to one or two conclusions, which I have proved to my own satisfaction at any rate. It often happens that a person intimately connected with any business has his time and thoughts so filled with the details that he fails to see facts that, to an inquiring outsider, are at once evident, and I have been convinced of the great force with which this principle applies to fire insurance.

At present there is being a strong effort made throughout the country to raise the rates on all risks. This is well, so far as it goes. The facts of the case are, however, that the present rates, even, are probably sufficient to pay a handsome profit to the companies, if they but managed their business better. The root of the whole evil is the carelessness and blindness of the companies themselves. They do not exercise any proper supervision of their risks. They allow a man to insure his property far beyond its real value, and then they complain that fires occur on those risks! In Montreal here, I dare say, there is hardly a company in which a man cannot insure his building for as much as the whole property, land and all, is worth. Indeed, I know cases in which the insurance is considerably *over* the total assessed value. If the value of the land be deducted, the insurance must, in a