

## TARIFFS.

It is undoubtedly true that the proper rate of premium for the insurance of any particular class of risks is that founded upon the cost of carrying them, as determined by the combined experience of the Companies. Increase or diminution in accordance with the peculiar circumstances of each individual risk would give the exact premium to be charged for each particular risk.

When, however, we reflect that the "Minimum Tariff" issued by the Companies in 1873 contained minimum rates for three grades of about four hundred classes of risks, and that modifications of these rates, in accordance with the increase of hazard by reason of extra occupancies, exposures, or deficiencies in construction, were left to the judgment of the General Agent or Manager of each Company, then it is not difficult to understand that there arose so many differences of opinion, as to make the maintenance of the tariff agreement, a matter in which infinite patience and much forbearance needed to be exercised.

The "Minimum Tariff" already referred to may be presumed to have been formed upon the combined experiences of the Companies up to the time of its compilation, yet, whilst undoubtedly valuable as a basis upon which the companies might build rates, in accordance with their own experiences and foresight, on condition that they did not go *below* those set forth, it has not been justified by the loss ratios of the past six years, during which nearly every class and grade of risk has produced more loss in proportion to amount of insurance than was provided for in that tariff.

The careful underwriter was overwhelmed by the vociferations and opinions of those who endeavoured to convince him that the losses of each succeeding year were abnormal; that conflagrations were born of commercial depression, and that, with each successive day, there were more hopes of good times which would bring with them increased care for property and consequent decrease of fire losses, but no cessation of evil fortune was seen until 1880, when the "I told you so's" were loud and oft repeated, with demands for reductions of rates, which were, alas! too often acceded to, in spite of the conviction in the minds of most underwriters, that they were not warranted either by past, then present, or reasonable estimates of future experience. The experiences of 1881 fully justified the prescience of those who were unwillingly drawn into the vortex of unwise concessions.

The presence of several new companies from across the Atlantic and the fellow feeling which makes some of the older companies desire that the new ones should make profit and reputation in Canada, has led to renewed endeavours to agree on tariffs for Ontario and Quebec; with what results time alone can tell. Should the movement be successful we may expect to hear the old cry of "Monopoly" with possible advertising of "not belonging to the tariff association" by some companies, and the conduct of some others on the non-tariff programme, under the idea that money can be made whether rates are adequate or not; but, very little consideration should convince both companies and people, that, although a company may receive immense revenues because of its popularity, yet, these moneys being merely trust funds, are worse than poison if they are not sufficient to enable the company to fulfil the obligations it assumes; and however it may be to the advantage of an individual to obtain policies at reduced rates, it is more advantageous to be indemnified in case of loss.

In all negotiations for the obtaining of a tariff agreement it must, however, be remembered by the old-established companies that there are new-comers who, naturally, desire a fair share of current business; whilst these are, undoubtedly, interested in getting adequate rates, they may feel desirous of a certain degree of liberty of action, because they must offer *some* inducement for change, or the patrons of the old companies will leave their risks undisturbed, except in cases where the personal popularity or energy of the new agent may influence the proprietor in favour of his Company.

The companies who, whilst not being able to show large assets, are quite capable of carrying out any contract into which they enter, may naturally feel nervous, as to the advantages which may, possibly, be taken by unscrupulous agents of larger companies in the event of their joining a tariff association; they feel that the demoralization in rates and practices has not been brought about by them, for it is a certain fact that the strongest companies have not been the most conservative where competition existed, but, if they have no freedom of action, they may have that fact proclaimed, with the argument. "Insure in strong companies at equal rates."

Now, however weak a company may be, or however new its introduction, it wants a chance to live and prosper; consequently the question will arise, "What inducement will you offer us to join in a tariff organization?" the not unnatural, but perhaps not altogether satisfactory reply will be "Rates" at which what business you may do will bring profit to you!

Perhaps in some cases, reinsurances may be arranged, but the treatment of the new and the weaker companies by the St. John, N. B. Board of Underwriters will influence the decisions at which they arrive in reference to Quebec and Ontario, as being a fair indication of what they may reasonably expect. If, however, combined action is obtained, we believe the adoption of specific tariffs adopted by local boards and based upon the Insurance Surveys of each place, will be found more practicable in working than a general minimum tariff, because that the latter is so very apt to be quoted in favour of inferior risks.

A healthy feeling amongst Companies and their representatives can only be produced by the circulation of insurance literature devoted to the welfare of the business. This we propose to supply. We believe that carping criticism and want of consideration has done much to produce demoralization, whereas a little patient discussion would often have healed sores which were irritated by captious remarks, made on the spur of the moment whilst smarting from the loss of business, or by reason of concessions which had been obtained by misrepresentation.

The Insurance Agents in every locality are financially interested in the adoption and maintenance of such rates as will bring profit to their companies. An agent who has a reputation for success will always have encouragement and consideration, will have the offer of the representation of the best companies on special terms, will have opportunities of congenial employment, advertising material will be furnished him for the increase of his business, and facilities afforded him which would be denied peremptorily to those whose only success consists of their smartness in securing for their companies *risk* instead of *profit*.