

necessary legal restraints, and so controlling and directing private enterprise as to ensure honest dealing and financial responsibility.

Insurance.

THE AVERAGE CLAUSE.

SIR:—The propriety of inserting the Average Clause in all fire insurance contracts in the Dominion of Canada, has engaged the attention of a majority of the agents of the stock companies, American, Canadian, and British, on several occasions. The advantages of its use have always been apparent to us, as has also been the fact that its introduction, while the country is still young and its business comparatively small, would be far easier than it would be later, when the rapid growth of the country will have been followed by more unchangeable modes of conducting business; but a decision has been heretofore retarded by the fear that the reform would be too radical a one to be generally acceptable to the public.

It is now believed that, owing to the remarkable series of calamitous fires which have occurred in the United States, and the general unsatisfactory results of the business of fire insurance in Canada, the Canadian public are prepared for any change necessary to place the business of fire insurance on a more satisfactory footing. A more favorable time, therefore, is not likely to occur for a change in our practice which will strike at the root of many of the evils the business has suffered from in the past.

The subject has, therefore, been seriously considered, and the opinions indicated on the next page elicited, and it is now brought to your attention for the purpose of obtaining a definite expression of what the action of the Company will be in relation to the proposal. As soon as sufficient time has elapsed to enable managers and agents here to confer with their respective companies, they will be asked to become parties to an agreement, in form such as that which accompanies this circular.

It is felt to be quite needless to enter upon any line of argument in favor of the proposed change, the benefit to be expected from it being already known to you. But as a record of some of the reasons which have secured for the proposal the local favor it has met with, we ask permission to state,—

1st. It would be equivalent to an advance of 30 per cent. on rates; insurances would be increased to a fairer relative proportion of values; without increasing losses therefore the proportion of aggregate losses to aggregate premiums would be decreased.

2nd. Improvements in water supplies, and means and organizations for extinguishing fires would benefit the companies, instead of as now, even when paid for by the companies, almost solely benefiting the public, by the promptness with which the latter avail themselves of every improvement to reduce their insurances, throwing relatively larger losses upon the companies.

3rd. The benefit of an advance of rates would not be lost, as now, by the almost invariable practice of reducing insurances when rates are raised.

4th. It would free the companies from several embarrassments, notably that of either having to cover two or more risks as one, or offend good customers.

5th. Its influence would be to maintain rates on commercial and manufacturing risks. The larger amounts of insurance which would be required under the proposed change, would provide a share for a greater number of companies, and in that respect lessen the injurious competition with one another which has to some extent prevailed.

6th. And probably more important than any of the preceding seasons, it would, in many cases, successfully prevent the occurrence of the chief evil Canadian business suffers from—claims for exaggerated losses, except where there is very full or over insurance, and it will be the duty of agents to watch more closely that these cases do not occur; it will cease to be the interest of the assured to show stock statements swelled by imaginary profits on sales, or by other means so frequently adopted for the purpose.

This circular has been prepared by general consent, and the expression of your views will be awaited with much interest.

Montreal, 22nd Nov., 1872.

Memorandum of Proposed Agreement.

1. The undermentioned Companies carrying on the business of Fire Insurance in the Dominion of Canada having under consideration the present unsatisfactory character of the business, and believing that the time has come when a radical change is of vital importance to the interests of the Companies and expected by the public, agree and declare this our Agreement, to wit:—

2. That on the first day of January, 1873, and thereafter, every new Insurance entered upon by us, and every old Insurance renewed by us, in the Dominion of Canada, shall, in addition to the ordinary conditions of our respective Policies, be so entered upon or renewed subject to the conditions of average, and not otherwise; and that all adjustments shall be based thereon.

3. That we promise and hereby pledge ourselves to perform, that we shall not in consideration of the benefits, expected or ascertained, from the use of the said conditions of average, or for any other cause whatsoever, lessen, evade, or otherwise under-rate the rates of premium recommended or agreed upon, or which may be recommended or agreed upon by the Associated Offices of Canada.

The Average Clause as used in Great Britain.
Conditions of Average.—It is hereby declared and agreed, That whenever a sum insured is declared to be Subject to the Conditions of Average, if the Property so covered shall, at the breaking out of any fire, be collectively of greater value than the sum insured thereon, then this Company shall pay or make good such a proportion only of the loss or damage as the sum so insured shall bear to the whole value of the said Property at the time when such fire shall first happen.

But it is, at the same time, declared and agreed, That, if any Property included in such Average shall, at the breaking out of any fire, be insured by any other Policy which, whether subject to Average or not, shall apply to part only of the Buildings or Places, or of the Property to which such Average extends, then this Policy shall not cover the same excepting only as regards any excess of value beyond the amount of such more specific insurance, which said excess is declared to be under the protection of this Policy, and subject to Average as aforesaid.

And it is further declared and agreed, That, if the Assured shall claim under this Policy for Loss or damage to Property embraced in the terms of any Average Policy extending as well to other Building or Places, or to other Property not included in the terms of this Insurance, and if at the breaking out of any fire there shall not be any Property in such other Buildings or Places, or any such other Property actually at risk to be protected by such Policy, then so far as regards the settlement of any Claim under this Policy, the terms and liability thereof shall be held to be concurrent in all respects, with those of such other Policy.

In France.—If at the time of any fire the value of the objects covered by this Policy is found to

exceed the sum total of the insurance, the assured is considered as having remained his own insurer for that excess, and he is to bear in that character his proportion of the loss.

In Germany.—If in case of a fire the value of objects insured should exceed the sum insured and they should be partly saved, the insured will be considered as self-insurer for the excess, and is to bear his share of the loss "*pro rata*."

The Average Clause has no effect whatever when there is no salvage. In such cases the sum insured, if not exceeding the value of the property destroyed, is payable. It is inoperative also when there is salvage, if the sum insured is equal to the total value of the objects covered.

ADVANCE IN FIRE INSURANCE RATES.—The Board of Fire Underwriters at its meeting on Wednesday week voted a considerable advance upon the existing insurance rates ranging from twenty to forty per cent., a step fully justified by recent occurrences. The terms are absolute without rebate, and with a commission of only five per cent. to insurance brokers. Only those belonging to the association are committed to these terms. The new rates are as follows:—First-class buildings at 45c per \$100. Second-class buildings at 60c per \$100. An additional charge of ten cents per \$100 to be made upon buildings over sixty feet in height, buildings with skylight openings in the roof, buildings containing hazardous merchandize, storage, tobacco, and provision warehouses, churches, retail stores in dwelling houses, and private stables and contents. For Mansard roofs constructed with wood, 50 cents additional, buildings containing extra-hazardous merchandize, 20c additional, lumber yards, 25 cents additional, naval store sheds, tin and frame sheds, 50 cents additional, stave yards, 50 cents additional, fire risks on ocean steamers to and from New York, will be taken at five per cent. These rates went into operation on Thursday, the 21st Nov.—*Insurance Chronicle*.

Collingwood, Nov. 18.—The propellor Mary Ward, Capt. Johnson, struck a reef between Thornbury and this place in a fog and stuck; she had not sustained much damage up to this time. She was recently purchased in Montreal by her present owners, who live at Owen Sound, for \$18,000; insured in British America. Eight men were drowned in the attempt to land in a small boat.

—The Western Ins. Co., of Toronto, Canada, with a capital of \$600,000, of which \$200,000, is to be invested in United States securities, has established itself in Illinois, making Wm. E. Rollo its agent. Its deposit in this country will be made at Springfield, Ill., and Chicago will be its headquarters in this country.—*N. Y. Chronicle*.

BRITISH METAL MARKETS.—Oct. 31.—Our reports show that iron has declined £2 on first-class bars during the month, and makers are getting scarce of orders. Swedish keg steel, however, has advanced 20s. per ton, and faggot 30s to 40s., while copper has fallen from £2 to £3: Sheathing and Sheets £7, with signs of a further decline. Tin plates has also declined 2s per box, and spelter is 10s. cheaper. Zinc, however, rules at £2 dearer, and quicksilver has risen 5s. per bottle. There is a difficulty in the file trade which is rather troublesome to settle, and a lock-out of the iron and coal workers in South Wales is expected; but coal is plentiful, and it is uncertain yet how future prices will vary. A fall in cutlery is expected shortly. Locks, best, are 5 per cent. lower, but lock castings have advanced 15 per cent.; cut nails have fallen £2 to £3 per ton. Coals have declined.—*Ironmonger*.