

PRESENT-DAY PROBLEMS IN FIRE INSURANCE UNDERWRITING

(Lyman Root, Sun Insurance Office, before Insurance Institute of Toronto.)

The subject you have been so kind to ask me to speak upon, "Present Day Problems in Fire Underwriting," is a very broad one, so broad in fact that it nearly appalls me. I hardly know where to begin, or end. There is hardly a day which passes that does not bring up some new problem. Many are, perhaps, somewhat similar, but very often some new phase arises which taxes our ability to the utmost, something previously entirely unheard of.

Fire underwriting, as you well know, is an elastic profession, and I think—I call it a profession advisedly—it would be practically impossible to lay down any fixed set of rules which would govern in all cases. What might apply to-day, might on the other hand be useless to-morrow, and yet, there are a few broad underlying principles without which I venture to say no company could make a permanent success.

It would be far from my subject to discuss company organization or the financial problems we are all obliged to confront. Doubtless some of you have had or may have some experience along these lines and know it would take longer than one evening to go through the trials and tribulations of the organization of a new company.

We will then, if you please, consider an established company and some of its underwriting difficulties.

NECESSITY OF TRAINING.

In every office where the business is finally passed upon, there are one or more officials whose O.K. is final, and whether their judgment is good or bad is a question for the future to decide.

An underwriter, or rather a successful underwriter, is not a mushroom, not a product of the night, but in nearly every case a man with long years of hard training and whose eye becomes so keen that it must be a very small nigger that can escape his notice even in the largest wood pile.

We are confronted to-day with all kinds of problems, always serious, often nerve-racking, wordings, rates, financial standing, loss records, individual company experience, experience of companies as a whole, classification, competition, both fair and unfair, financial conditions and last but certainly not least the laws which our legislators, both Dominion and Provincial, deem it wise to make for our guidance.

POLICY WORDINGS.

The wording of a policy, apart from the statutory conditions as defined by the law, should be short and yet not so short that the contract between the assured and the company is not clearly and absolutely defined. How many a poor adjuster has read and reread a policy trying to decide just what is, and what is not, covered. Always remember the time to correct a contract and to define its meaning is when the policy is issued and not when the loss occurs. Without doubt thousands of dollars are paid out annually by adjusters which might otherwise have been saved if the underwriter passing the business had insisted upon a clear interpretation of the contract.

INCORRECT FORMS.

Probably many lines are put through with incorrect forms through lack of knowledge or experience of the underwriter, but I am sorry to say that many go through with full knowledge, in the hope that a fire will not ensue, and with fear in the heart that some other company will secure the premium if we have the hardihood to question the agent regarding the form.

In the old days about every article covered by the policy, was specifically insured. Our old policies on contents of dwellings read about as follows:

So much on household furniture,

So much on wearing apparel,

So much on silver and plated wear,

So much on piano,

So much on organ,

and so on, infinitum, and the losses were settled strictly on the basis of insurance. To-day all is covered under one item and it almost seems as if we sat up nights trying to think up some article to include in the blanket covering, that the other fellow has forgotten. We not only cover the assured's property in the house, but often in the outbuildings, as well, even when these outbuildings are of different construction. It is easy to see who profits by this change.

MANUFACTURING RISKS.

What is true of dwelling insurance is true in a much larger degree in regard to manufacturing risks. Practically all of the large manufacturing risks to-day are insured under a blanket covering, and it is this class of policy that the underwriter must watch with very careful eye.

For example, a company may accept a line of \$25,000, covering blanket over a large number of buildings. We examine the plan, locate the property covered, find the buildings are of good construction and pass the line. A fire occurs in one of the buildings only, and we find when the adjusters' report is received we have lost \$20,000 under our policy. The information comes to us too late, that 80 per cent. of our liability was all in one building. We had thought when examining the plan that our liability was fairly well divided, but now find that all the finished material was here, and hence our large loss. Great care should be taken in passing blanket forms that the distribution of values is known. In case this information cannot be obtained, it is far better to keep the line down to the minimum.

UNDERSTANDING WORDINGS.

I cannot pass by this matter of forms without a warning to you coming Underwriters. Never pass a wording you do not thoroughly understand. It is much better to decline the risk and lose the premium than to pass something which is ambiguous, and which may cause, in event of fire, very serious results. Many times I have written agents asking for an interpretation of the form, admitting candidly I could not understand it. In almost every case the agent himself did not understand the contract and had only added superfluous words, very likely to impress the assured that he was being covered more thoroughly than by a simple understandable wording.

In these days of such keen competition, agents and brokers, and possibly some companies are introducing forms which in event of fire, may prove dangerous.

(To be Continued.)