

fer to retrieve his loss and prevent penury and pauperism, it is worthy of the approbation of all men who stand governed by the old injunction: "Bear one another's Burdens."

A second principle we can all agree upon is "*That Fire Insurance has become an absolute commercial necessity.*"

A little over a year ago I had the opportunity of reading a paper to our Montreal Insurance Institute on the Insurance Interests of Canada, and I trust you will pardon me if I quote therefrom what I then said on this particular point. Speaking of the lack in this and all new progressive countries of individual capital to meet the necessities of legitimate commerce, I said:—

"Whilst the Banks of the country find the money to supply 'the deficiency in capital, every mercantile loan made by 'them is under a guarantee against pecuniary loss arising 'from such contingencies as fire, or by shipwreck or disaster 'at sea. In the harvesting, storing and shipment of the products of our great Northwest every bushel of wheat stands 'protected by the fire insurance policy; so, amongst many 'other things, with our allied industries of lumber, butter 'and cheese. Without this protection the banks make no 'advances; their money chests are barred, bolted and locked, 'not a copper is forthcoming. Is it, therefore, unfair for me 'to say that the lack of capital is supplied only under the 'protection of "Insurance," and that without it the wheels 'of commerce would stand still, the nation's growth be 'stunted and dwarfed, and blank, dismal ruin stare us 'in the face? I deal only in this way with the products of the 'country, for they are the country's natural wealth; but 'what shall we say, on this point, as concerning that part 'of the country's wealth which is found in its factories and 'warehouses, its stores and residences, its churches, schools 'and colleges, its hospitals, asylums and charitable institutions, and the remainder which one cannot name or number. Withdraw all fire insurance protection and the loan 'and mortgage companies retire their loans, and like the 'banks, hold what they have got and seal their vaults against 'possible depredations. Withdraw all fire insurance protection, 'and towns devastated by conflagration remain but a forest 'of chimneys, even although a sympathetic world rushes in 'with offerings of magnificent and unparalleled liberality; 'withdraw all fire insurance protection, and the workingman, 'whose home is destroyed, perhaps containing his all, loses 'his years of self-sacrificing labour and the dollars so hardly 'earned, yet more hardly saved; the trader is reduced to 'indigence; the prosperous merchant to poverty; the factor 'to the ranks of the operative, and from every side there 'comes the despairing notes of those who, for lack of fire 'insurance protection, are forced back into the struggle and 'bitterness of life's great trials."

Touching at all points, in almost inconceivable ways, the connection between Fire Insurance and a country's well-being is so close, intimate and essential as to warrant not only the statement of its commercial necessity, but also the belief that the ties that bind them are so strong and enduring that neither man nor Government dare disrupt or dissolve them.

One more principle that will probably meet with general support is *That the absolute necessity of Fire Insurance has necessitated absolute security, which in the form of capital is entitled to fair compensation.*

Fire Insurance as an organized system is after all of comparatively recent date, for whilst the first Company was organized as long ago as 1681, development has only followed the onward march of commerce, and the past fifty years has witnessed its period of greatest activity. It may interest you to know that France did not enjoy the protection of organized fire insurance until after Napoleon's defeat on the field of Waterloo, nor Russia until after the death of Alexander I. in 1825. Toronto, always in the van of progress, witnessed the organization of the first Canadian Company eight years later, and that Company is not only doing business still at the old stand, but is flying the flag with the inscription that appeals to all loyal hearts "Canada for the Canadians."

With a billion dollars' worth of fire insurance liability in this country, with possibilities of disasters one is almost afraid to think of, let alone mention, with a past record far from enviable or encouraging, is there any one who will deny to the capital that stands surety for the future payment of a hundred cents on the dollar for every claim, however large, the right to a fair return?

I will not discredit your intelligence by assuming that an opposite opinion is held by any one here, but observation and experience alike teach me that, whilst the general public applaud the merchant who succeeds in amassing a large fortune; who speak with pride of the marvellous prosperity of the country when banks and loan companies earn to per cent. to 14 per cent. upon their entire capital; who strut like veritable peacocks when they observe the high tide of prosperity

in all classes of industry and mechanical art, this same general public indiscriminately denounce all fire insurance companies as blood-suckers, extortioners and vampires when a profit of 5 per cent. on the business transacted is happily secured, and howl furiously that the country is going to the eternal bow-wow if, perchance, one year in ten a better return is obtained.

Having briefly discussed the "motive," let me pass to "*The Basis of Fire Insurance and the Problems of our Everyday Business Life.*"

For over two centuries there was absolutely no change in the principles or practice of fire insurance, but within the past twenty years, whilst the old principles remain the firm and sure foundation, there has been a revolution in practice little short of marvellous, of which the outsider has been totally oblivious. Up to within a comparatively recent time, the prime object of fire insurance was to indemnify for loss sustained, but in later times there has developed the idea of insurance to prevent fires; in the one case by far the larger proportion of the assessment—or premium as it is called—was devoted to the payment of losses and the smallest proportion to executive and inspection expenses; under the new idea to which I have referred, and which I may say is comparatively a mutual system, the largest proportion of the assessment is expended in executive and inspection expenses and by far the smallest proportion in the payment of losses; it is without question in every way a most commendable and successful departure, but you must bear in mind its application must necessarily be limited to individual establishments of large aggregate value; it has not been, nor can it be, made applicable to the large majority of the people, and the old basis of insurance to indemnify must remain till the end. This new idea opens up an avenue of thought of intense interest to insurance men, concerning which I could readily speak to you for a very much longer time than that allotted to me. Let me only add that, whilst it is limited in its operation, it has had a material effect in the changed attitude of the organized system, and has resulted in the change of policy to which I have alluded.

I think we are now prepared to consider and discuss the pivotal point of the whole subject, viz., *The Fundamental Basis of Fire Insurance is the Distribution of Loss*; in other words, a proper assessment on the various classes and the various people in those classes to meet the burden of loss and cost of administration.—It is just here that the most radical changes have taken place, and it is precisely at this point that the average outsider thinks he knows more than those who have made the business a life-long study. Let me say to this audience that ninety-nine men out of a hundred, without knowing the first iota of method, system or procedure, are profoundly certain that, whoever rated or assessed their particular risk, is a born idiot, and they do not hesitate to tell you so in language that conveys no uncertain meaning. Whether or not any of you have been guilty of harbouring such a thought, or giving it expression, bear with me for a few moments, for the question of the distribution of the loss is much too important to be summarily disposed of.

Two or three general forewords:—

1st. Fire insurance, as opposed to all other business, is the acceptance of an obligation which may or may not be met during the currency of the obligation. The merchant or manufacturer ascertains to the fraction of a cent the actual cost of the article he is going to sell; the insurance company cannot establish the cost until the last obligation has been met or cancelled.

2nd. There can be no exact mathematical precision in the compilation of figures that will ever enable insurance companies to apply an absolutely scientific basis to the rating of risks, individually, in classes or in towns. Apart from the consideration last mentioned, there are a thousand separate features that preclude the possibility of fire insurance ever becoming susceptible of absolute scientific treatment.

3rd. Even the law of average is uncertain and imperfect, for what has been may not again be, whilst each year or period brings into existence conditions of its own which the wisest cannot foretell nor the strongest hold back.

Fire Insurance has been likened to the oarsman who rows his boat ahead while he looks astern, advancing, except when the tide is too strong, but always with his back to the goal.

Let me have a word with the man who is always grumbling that he has to pay the same rate as the man in the next block, whereas "the merest novice will readily perceive the superiority of his risk to his neighbours." Yes, you have a grievance that we are doing our best to rectify, but why direct your unsparring criticism to the business of fire insurance? Are we alone open to the charge of inconsistency? Why, sir, we put up with the same thing every day in various walks of life, yet sit unmoved, by our silence tacitly admitting conditions to be just, which would cause a universal howl if tolerated in fire insurance. Just an illustration to