

and before which the odious toll-gate must disappear for ever. And we hope the day is not far distant when "vested rights" of toll-gate gatherers shall be wiped out of the statutes of this Dominion. We do not understand why the metropolis of the country permits itself to be circumscribed by a *cordon* of those odious things—toll-gates. The great vital question of the day is adequate and "Cheap Transportation" for the products of the country, and we hope the Provincial as well as the Dominion Government will lose no time in adopting means either through direct legislation or otherwise to secure it. We will recur to this subject again.—*Com.*

CHEAP INSURANCE vs. SAFETY.

Mr. C. F. Sise, the agent of the Royal Canadian Insurance Company in Boston, a gentleman of versatile talents and of recognized ability as an underwriter, contributes the following generally appropriate remarks under the above heading to a Boston paper:

The demand of the public to-day for cheaper transportation has its counterpart in the demand for cheaper insurance against fire. The consequences of this demand are seen in the projection of new companies, and the efforts of underwriters to ascertain if rates can be reduced with safety for the assured and the companies. Some steps have been recently taken in this direction under the auspices of the Boston Underwriters' Union, which will result in an average reduction of about ten per cent. The reduction from the old rates is not uniform, but has been determined by the various considerations which make up the character of risks. Thus we understand that the average reduction of insurance on property in Court street is 1½ per cent; Washington street, 12½; Congress street, 11 1-16; Hanover street, 10 7-9; Franklin street, 7 4-5; High street, 2 3-5; Federal street, 7 1-16; Tremont street, 17.

Special allowances are also made for special safeguards either in building or in furnishing of fire-extinguishing appliances. Few, indeed, are aware how much time, attention and labor have been given to this subject by the Boston underwriters; they have had in view, we believe, the interests of the assured as well as of their companies; and if any further reduction can be made with safety for both, no doubt it will be done. But—and we speak advisedly—there is probably no business, the successful result of which is of such vital importance to every one, in which so much capital is employed, and which yields so few reliable guides to success. The cause is very plain. In almost every business there is a doctrine of chances, which, carefully observed in its results, leads to statistics which become almost infallible guides.

But, in fire insurance, statistics are neither beacons indicating dangers, nor pilots conducting a company to success. They resemble grave-stones in a cemetery, which, while they tell of death, teach no one how to live. For example: A careful classification of hazards exhibiting ratio of loss to premium would

indicate that no rate would be adequate to the risk of a wholesale dry goods, wool or leather stock in the burnt district; and yet it would be simply ridiculous to charge a very high rate in that locality because of the Boston fire. Again, the experience of one or five years is set at naught by the daily introduction of new and very combustible articles in every class of business. Underwriters had hardly mastered the primary principles of insurance under the old regime of flint and steel and whale-oil, when the lucifer, or loco-foco match was introduced, which played lucifer with their calculations; and today at least one man in three will have the means of starting a conflagration in one or more of his pockets.

Following this new agent, and just as the companies were learning how much to charge for the additional hazard, came the general introduction of furnaces for heating buildings and an attempt to introduce camphene and other "burning fluids" for illuminating purposes, and their consequent disasters. Meanwhile, smoking in its various forms, with its attendant casualties, had become the rule where it was the exception, and a network of railroads had enabled locomotives to scatter their sparks broadcast over a country filled with frame buildings. No steamers were in use, and the companies struggled along, relying upon the old hand-engines and a line of citizens to pass water.

Following this era came the introduction of kerosene as an illuminating agent, and at the same time—with greatly enhanced prices—more luxurious tastes and views concerning furniture, etc., etc., with the result to the companies of large losses in cases which, forty years ago, would have been trifling; as, for example, a fire occurred four years ago in a house on Fifth avenue, New York, which in old times would have been settled for \$250; in this case the companies paid nearly \$18,000 for lace curtains and the like.

With the use of kerosene for light, and other products of petroleum in manufactures, came some of the heaviest losses to the underwriter. Furniture manufacturers find benzine indispensable; shoe manufacturers must use it in the form of gutta-percha cement; printers and engravers use it to clean type and plates; rubber factories cannot work their material without its aid; and it is popularly supposed to form the principal ingredient of our national beverage. The comparatively recent introduction of steam fire engines, while having doubtless prevented many conflagrations, has in many cases caused as large or larger losses to the underwriters by water damage as were formerly caused by fire.

These hazards, however, the companies can guard against, and they can still make money at reasonable rates of premium, on account of the immense increase in values, and consequent increased receipts, if they are called upon to pay none but honest claims. But, in face of the fact that experience of any company will show that 33 per cent. of the claims are either exorbitant or fraudulent, the margin for a profit is but small, and in case of a loss a company is fair prey, and every man's hand and voice is against it if the claim of the assured is not paid

in full. The laws regulating insurance are far from perfect, and there is no greater error than that which allows a company to compute but fifty per cent. of its outstanding premiums, as a re-insurance fund, before paying a dividend. As a test of solvency this is correct, and even, perhaps, more than is required; but as a test of ability to pay a dividend it is as incorrect as it well can be. No unearned premium should be considered available for the purpose of paying dividends, since a risk is as likely to burn at one time as another, and no sound under-should declare a dividend except from *earned* premiums.

A fruitful source of danger is the system of paying agents by commissions now in vogue, with the exception, as we are informed, of but two companies doing business in Boston. To pay an agent 15 per cent. on all business he may procure, is as wise as for a bank to pay a discount clerk a percentage on all paper he might discount, without regard to its value. Companies will, we think, make a change in this respect, by placing their agents on a salary with a contingent share in the profits.

At the last meeting of the Boston Underwriters' Union it was resolved to accept the new standard as recommended by the rate and executive committees, and this action is but justice to the assured; since the former standard, if strictly complied with, resulted in some very absurd rates. We learn that the new rates will be promulgated as speedily as possible, and companies can now either bind risks subject to the new rates, or issue policies at old rates, making a return of premium when new rate is made. The reduction by the new standard will have a good effect, since, while it will still offer an inducement to property-owners to make their buildings as nearly fire-proof as possible, it will also enable them to obtain the same reduction for improvements in Boston as in New York.

Much has been said of the action of New York underwriters in reducing rates, but it seems to be forgotten that New York has been the most profitable place in the country for insurance for some years; and we may add that, at the reduced rates, companies are reducing their risks as much as possible, and the recent fires in that city have caused much alarm to Boston companies having agencies there. The reduction which will be made here, if confined to the new standard, will be a healthy measure. With reference to the demands sometimes urged for a still greater reduction, it is to be remembered that there is always the risk that compliance with such a demand beyond what is equitable would lead to a general demoralization of the business through the dissolution of the board, the withdrawal of the older and better companies, and the relinquishment of the field to those companies which have neither experience to guide them in taking business, nor funds wherewith to pay their losses. To this we may add that the experience of all underwriters is that low rates bring frequent fires, but with adequate rates there are few losses.

And this brings us back to the starting point; that without perfect security there can be no insurance. No business man desires