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FIRE INSURANCE AND THE WAR.

A flood of enquiries as to the status of insurance companies on account of the general war now being waged in Europe has caused Superintendent Frank Hasbrouck of the New York Insurance Department to make the following statement:—"Although the market value of securities owned by the companies will, at the present time, show a depreciation, the actual value of them has not been changed either by the war or by the closing of the New York Stock Exchange. The policyholders are amply protected and have no cause for alarm."

While policyholders in the regularly admitted and strong companies can sleep quite easy of nights, there are some interesting questions being discussed in connection with lines in unlicensed companies. A prominent American underwriter in an interview with the *Spectator* of New York expresses the opinion that "The American public, more particularly that portion of it which requires large amounts of fire and casualty insurance, should now see to it that the companies in which it places insurance carry only lines of such size that it is not necessary for such companies to reinsure any portion thereof in foreign companies which are not legally authorized to trans-

act business in this country. The American companies, and the foreign institutions which are regularly licensed in the United States and have ample funds here, are at a loss to know how they now stand so far as their relations with foreign (unlicensed) companies are concerned.

"Of course, the original, direct-writing company is solely responsible to the insured for any loss occurring under its policy; but if the direct-writing company has reinsured large sums in foreign unlicensed companies and Lloyds, that later should repudiate or be unable to meet their obligations, the whole burden would have to be borne by the direct-writing company; and even though it held the reserve (say fifty per cent.) on the premiums ceded to such unlicensed reinsurance companies, the settlement of losses for the gross amounts written might result disastrously to the company.

MAINTENANCE OF COMMUNICATION.

"An American business concern carrying a large line of insurance would not ordinarily be apt to know whether or not a portion of its indemnity was dependent (secondarily) upon unlicensed foreign companies. It is not known now whether partial communications will continue to be maintained between American companies and United States branches, with their unlicensed correspondents abroad. I, therefore, maintain that the American public will best serve its interests at the present juncture by placing its insurance directly with American companies or United States branches of licensed foreign companies, and insisting that such companies shall only accept such amounts of insurance as they can care for without recourse to unlicensed foreign concerns.

Assuming that peace may be restored within a few months, there is little probability of any of the sizable foreign companies (unlicensed in the United States) repudiating their liabilities; but as it is impossible to foretell the extent of the devastation which a prolonged war may entail, Americans carrying large lines of insurance will certainly be interested in ascertaining how much of the indemnity back of their policies is being carried in unlicensed companies abroad. This is true even though the direct-writing companies only are responsible directly to the insured; for there is the possibility of the direct-writing company being weakened by having to pay heavy losses under its policies, while not being able to recover from the reinsuring companies in Europe.

DIRECT-WRITING COMPANY RESPONSIBLE.

"Notwithstanding this danger, the insured must not lose sight of the fact that it is only the direct-writing company whose policy he holds which is under obligation to him; but if he ascertains that any considerable proportion of such company's risks are reinsured abroad in companies not authorized to do business in this country, and having no deposits here, it is a matter upon which he should ponder seriously."