

INSURANCE AS A COMMODITY.

The common practice of referring to insurance, as an ordinary commodity or merchandise has its drawbacks. The average man commonly talks of "buying insurance," and the mode of thought shown by that phrase has induced many a man to buy his insurance where apparently it can be bought the most cheaply—with subsequent results that have been a matter for considerable regret. The fact is that while in one sense, insurance may be regarded as a commodity, there is another in which it has no resemblance to ordinary merchandise. It matters little to the average man whether he buys, for instance, wheat from a firm of which a millionaire is the head or from one, all the members of which get nothing more than a mere living from their business. The purchaser gets his wheat and the transaction is closed. But with insurance, the case is different. The average insurance contract covers a very long period of time—in the case of a policy of life insurance perhaps a man's whole lifetime. The contract being open for a considerable period, it is not only necessary that the insurer should be in a position to carry out the provisions of a contract at the moment it is entered into but that his business should be conducted in such a manner that all the probabilities point to his being able to continue to carry them out years afterwards. In fact, while in many ordinary mercantile transactions, the financial standing of the seller is not a matter of major importance compared with other qualifications, in the matter of insurance, the financial standing of the seller of the insurance is of primary importance and that, whether the insurance be fire, life or other.

LIFE INSURANCE EXPERIENCE

In life insurance the lamentable results which follow the purchase of apparently cheap insurance are to be seen in the disappointments and disasters that have arisen from assessment and fraternal insurance. Life insurance is an exact science: the amount of premium necessary to ensure certain payments at a given date has been and can be mathematically calculated. Assessment and fraternal concerns have acted upon the supposition that they could with impunity neglect these calculations and sell "cheaper" insurance than appeared to be mathematically possible. The results accruing from this "cheap" insurance are now widely known; people have learned in thousands by sad experience that life insurance at "cheap" rates is worth nothing if the seller of the insurance is not in a position to fulfil the contract in due time.

DANGER OF "CHEAP" FIRE INSURANCE

Similarly, in fire insurance, protection of the kind which is apparently cheap is frequently worthless. While fire insurance cannot be reduced to

an exact science such as life insurance, many years' experience and study of conditions have enabled a general idea of average to be gained, and thus standard rates have been arrived at for different classes of risks under given circumstance. These standard rates are sufficient to enable the company to pay all its losses upon an ordinary scale, given ordinary care in underwriting, and to provide something as well to meet the huge conflagration losses that occur from time to time. The buyer of fire insurance may well view with suspicion any offers made to him of fire insurance at apparently very cheap rates. If a company sells insurance for less than its cost, insolvency must inevitably be the result, not now, but in three or five or perhaps ten years' time, as claims come pouring in on business on which premiums insufficient to meet the claims have been collected. The financial standing of the insuring company must be a matter for very serious concern on the part of every individual insurer; there can be only one rule of safety, to reject without hesitation offers of this "commodity" from those whose position is not strong or whose offers are so "cheap" as to suggest a doubt as to their being subsequently insufficient to pay claims. Cheap insurance is nasty insurance, or rather no insurance at all. It is as true of insurance as of anything else that what is worth having is worth paying for.

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