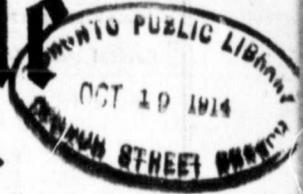


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## SELF-INSURANCE AGAIN.

The self-insurance fallacy, that hardy perennial, has bobbed up again, this time in Toronto. The Toronto board of control have recommended the council to consider the question of carrying its own fire risks. Apparently the gift of saving commonsense is not a qualification for membership of the Toronto board of control or we should not have heard once again put forward this hoary fallacy, which utterly ignores the conflagration risk as an important factor in fire insurance. Self-insurance by a municipality simply means the placing upon the tax-payers of a financial risk that those who are placed in charge of affairs are not justified in assuming on the ratepayers' behalf. That financial risk is no joke; it may be transformed into heavy taxation to repair the ravages of a large fire unexpectedly breaking out at any moment.

\* \* \* \*

There was a famous proposal for municipal insurance in Toronto put forward by an active member of the City Council some twenty years ago. It seemed to be based on the assumption that Toronto would never again be visited by a big conflagration, and received a prompt quietus when two fires in the city in January, 1895, within four days of each other between them caused a loss of some million and a half dollars. This was a practical demonstration of the coming into effect of contingencies which the promoter of the scheme refused to take serious notice of, and was much more effective than reams of written arguments or hours of frenzied orations in deciding the citizens of that day that municipal insurance was not good enough, and that strong insurance companies, willing and able to pay losses of this calibre as promptly as the adjustments could be made had their uses. It is to be hoped that the Toronto board of control does not now require a similar demonstration, say the burning down of the City Hall, to convince them of their present wrong-headedness.

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Doubtless the city fathers have been looking into the matter of premiums paid and compensation for losses received during the past ten years or so and having found that they have not received back so

much as they have paid in have jumped to the wrong conclusion that in the matter of fire insurance they have not been getting their money's worth. As a matter of fact, the man who pays fire insurance premiums for twenty years and never has a fire during that period gets his money's worth for his premiums as much as the man who has half a dozen fires. He pays for protection against the possibility of a loss by fire and he gets it. The excellent theorists who advance the idea that payments for fire insurance losses during normal times plus expenses should approximate premiums received ignore the fact which is fairly obvious to the ordinary mind, that the fire risk has not yet been chained down within the boundaries of a formulae but that it has a habit of developing into disastrous losses at unexpected and often most inconvenient times for the individual. The habit, if such an erratic course of action can be called a habit, is unfortunate but incurable, argue the theorists what they may.

\* \* \* \*

No fire insurance rates or funds can be said to be on a sound basis which do not provide for the conflagration hazard. It is clear that no one individual or city alone can provide adequately against that hazard out of his or its own resources except at a prohibitive cost; the risk can only be borne by a large number who can share without obvious financial hurt a risk that one individual could not carry except at the imminent risk of financial disaster. Individualism in regard to the fire risk is simply folly—in the case of the Toronto proposal at the expense of the long-suffering taxpayers.

\* \* \* \*

The Toronto proposal is also reported to have another phase. The idea is put forward that the city should purchase sufficient stock to give it a controlling interest in an existing fire insurance company which has stock to sell below par. The best that can be said for this is that the carrying into effect of such a proposal would be an act of benevolence to the present owners of any third rate insurance company, whose experience of the hazardous fire insurance business has been so unfortunate as to necessitate their selling further stock below par. Otherwise, it has nothing to recommend it.