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## THE Insurance and Finance Chronicle.

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It is the common practice to account for the unfavorable experience of fire insurance business of late years on the ground of an abnormal rate of fire loss. How untenable such an explanation is will appear when it is asked: what constitutes a normal rate of fire hazard? It is evident that there is no such thing in the usual sense of the word. Risks are governed entirely by the conditions; any alteration in the former can only be produced by a corresponding change in the latter. In other words, the hazard is a mathematical quantity as in the case of all other contingencies. There can therefore be no question of a departure from the normal. The factors which determine the risk may and do vary with the conditions under which civilized life is carried on and the particular environments surrounding each individual case. The first essential to successful underwriting, therefore, is accurate assessment, without which the business is experimental. Given that, it then becomes simply a question of charging adequate premiums to cover the risk and provide for expenses. The results show that the companies generally did not succeed in doing this, and therein lies the so-called abnormality of their experience. Abnormal rates, the result of abnormal competition, is the true explanation of the unsatisfactory condition of the business of recent years.

British Fire  
Companies in U.S.

THE scare which has seized upon our neighbors across the border, consequent upon the withdrawal of the Guardian of London and the rumored withdrawal of other British companies, is perhaps not an unnatural one under the circumstances. The results of fire underwriting in the States have been far from encouraging for many years, both as regards losses and expenses, and the general attention being given to the

matter by the home managers certainly lends color to the suspicions now being freely ventilated. So far the rumors have proved to be unfounded, and a slight consideration of the situation will show that there is no cause to fear any general exodus of the companies. They are not likely to abandon such a large portion of their total business after having expended so much money, time and labor in acquiring it, merely because of a temporary adverse experience. We use the word "temporary" advisedly, for, as we have repeatedly pointed out, an abnormal condition of affairs cannot remain permanent in any business, and the companies have the remedy in their own hands. The science of fire underwriting consists mainly in charging adequate premiums for the risks accepted. This is the lesson taught by the record of fire insurance business in the United States of late, and there is good evidence that it has been taken to heart with good effect already.

Net Premium  
Valuations.

In the address by Mr. Charles T. Lewis, of the home office of the Mutual Life of New York, delivered

at the last meeting of the National Association of Life Underwriters held at Chicago, is the best that can be said by the opponents of net premium valuations, that system can scarcely be said to be in any danger of being superseded. His sweeping condemnation seems to be based to some extent upon a misconception of the true bearings of the question. The ridicule directed against the adoption of a standard table of mortality loses force by the quotation of the experience of companies as an argument against the practice. We presume Mr. Lewis would not advocate throwing away all charts and compasses because those in use are not thoroughly exact. It does not follow that a low rate of mortality necessarily means low reserves. The statement that net premium valuations have "no standing amongst the actuaries of Great Britain" is hardly supported by the facts, as a perusal of the valuation reports of British companies will show. Because offices for purposes of safety and profits charge rates which are believed to be higher than are necessary, Mr. Lewis evidently thinks they would be justified in discounting the margin for immediate advantage. We hardly think that policyholders will agree with him in regarding surplus as a security for the fulfillment of policy