

half the ordinary present rate were adopted, with a percentage of profit additional above five per cent. of premiums, graded according to the margin of profit realized, there would at once be furnished the strong motive of self-interest for the agent to apply the methods of "selection, inspection and protection" to all the risks which he may place. Well knowing that his income largely depends upon the extent of the loss occurring in his agency, he will naturally look well to the moral and physical hazard, and have a constantly watchful care that conditions unfavorable to fire origin and favorable to fire extinguishment exist. He knows that if the company makes money on his business he will be correspondingly benefited, and there is no incentive like self interest.

In order to see the working of this theory, let us suppose the adoption of the following basis and assume that the loss ratio will be as stated: Let there be a fixed commission of 7½ per cent. on all ordinary business, with a flat 10 per cent. where the loss ratio is not below 68 per cent.; 12½ per cent. for a loss ratio between 65 and 68 per cent.; 20 per cent. for a loss ratio not exceeding 55 per cent.; 25 per cent. where the ratio is not above 50 nor below 40 per cent.; and 30 per cent. for a ratio of 40 and below. We use these figures simply to illustrate the working of the plan and not as necessarily expressing the best form of gradation. Now, suppose a company to have ten agents who are comparatively careless risk takers, and fifty who, fully alive to contingent profit, are cautious in the taking and watchful in the care of their risks, and that each of the sixty agents collect \$20,000 annually in premiums. The ten have a loss ratio of 70 per cent., which, on the \$200,000 of premiums, means \$140,000 of loss. The 7½ per cent. commission amounts to \$15,000. The general expense of management, aside from commissions, may be set down at 18 per cent., or \$36,000. The combined losses and expenses will therefore be \$191,000, or within \$9,000 of the total premiums. The fifty agents report \$1,000,000 in premiums. Suppose the loss ratio to be 45 per cent., and we have \$450,000. The general expense, aside from commissions, at 18 per cent. of the premiums, is \$180,000. On this class of business the agents would be entitled to 25 per cent., or \$250,000, making the combined losses, expenses and commissions \$880,000, leaving a trade profit to the company of \$120,000. This is equal to 12 per cent. of the premiums, while the compensation to each agent is \$5,000. On the class of business done by the ten agents first named the companies realize a sum equal to 4½ per cent. of the premiums as profit, and each agent, though collecting \$20,000 in premiums, gets only \$900. In the one case the agent being a loss-saver makes money both for himself and for the company, and in the other case makes next to nothing for either.

A greater loss ratio than 70 per cent. or a lower ratio than 45 per cent. would of course give results still more striking by contrast. On the supposition of intermediate loss ratios compared with a high ratio and 7½ per cent. commission, the resulting difference would be less marked but still illustrate the same principle. So

much for the theory as we can imagine it applied. These are, however, some practical difficulties in the way of a general application of the plan, including the large cities, which seem to us to be not easy to remove. The subject is one, notwithstanding, which will bear candid consideration, and the discussion of which, in the light of past experience and present needs, ought to be profitable.

INSURANCE OF WORKS OF ART

There is no kind of insurable property more neglected from an insurance standpoint than works of art. Not only are they neglected to be insured, but their insurance when effected is done in a very negligent manner. The journal entitled *Art Amateur* is correct in affirming that "risks on paintings, prints, and other objects of art are, generally speaking, accepted by insurance officers without appraisement or inspection, in the same way as upon all ordinary goods and merchandise, and usually with the proviso that they are not covered for more than their cost." No careful underwriter would approve of a proviso expressed so loosely, nor would any rational person insure a work of art for a sum restricted to its bare cost. It is impossible to ascertain the cost of many pictures held in private houses, they have come down as heirlooms, or been acquired by gift, or exchange, or by some method other than direct purchase for a given sum. In the absence of proof of cost, evidence of value is exceedingly unreliable. There is a painting in this city which is worth \$500 if an original, and only \$50 if a copy, the question being doubtful. At a recent sale in Toronto three pictures were put up as being genuine Canalettos. They had been insured for years for a large sum, yet when examined by an expert connoisseur they proved to be only colored engravings, worth not one per cent. of what they had been insured for. There is an exceedingly valuable picture in the National Gallery London, which cost only \$25. On the other hand, pictures of great value have been stored where they were regarded as lumber. Such uncertainties suggest the prudence of having pictures and other works of art in dwelling houses appraised and specifically described in the policy of insurance, with the amount recoverable in case of loss by fire for each one stated. Cases of policies being issued covering pictures and statuary are known to us which are so loosely worded as to leave a wide opening for a law suit in case of any damage being done by smoke or heat. A policy which is supposed to cover pictures should have them catalogued with a limit to each. As pictures are susceptible to damages which the inexperienced imagine to be irremediable and destructive of their entire value, but which are capable of complete restoration at a moderate cost, any policy covering pictures should contain a provision, that in case of dispute arising as to the injury done to any picture, it should be submitted to a qualified expert to assess the damage, as claims for total loss have been made without justification, the owner being quite unaware of the powers of a picture restorer.