

Insurance.

INSURANCE MATTERS IN MONTREAL.

(From our own Correspondent.)

MONTREAL, Sept. 13, 1870.

Sept. 7; 6.25 p.m.—A fire broke out in the drying-oven of the lathing mill at Wood's cotton factory, St. Gabriel Locks, occasioned by overheating. Damage to building and contents, from \$3,000 to \$4,000; no insurance. Fires of this kind at the above works are very frequent, and from the mode in which the drying process is managed, can scarcely be avoided; but as the loss falls entirely on the proprietor (as no office will take the risk), it is most probable that some less hazardous method of drying the lathing will before long be devised.

The "Cingalese," a new vessel, laden for Montreal, is reported lost on Green Island.

Sept. 10; 9 a.m.—An alarm from signal-box 92, on account of the boiling over and ignition of one of those perambulating smoke-generating nuisances, a roofer's tar-kettle. The people in the neighborhood got frightened, but a little effort subdued the blaze without the aid of the Brigade, who were, however, promptly on hand.

The barge "Rudolph," laden with a cargo of salt, sunk in the Richelieu, a little above St. John's. Cargo insured with British America for \$900; vessel uninsured.

Sept. 13, 8.30 a.m.—A fire occurred in Murray street. A small wooden house was partially destroyed; no insurance.

The barque "Thames" is reported wrecked at Lance a Vallee, below Quebec.

The actual loss by the fire at Pullan & Maltby's pin factory, reported in last advice, is as follows:

On building.....\$ 800
On machinery and stock.....1,821

The Citizens' Insurance Company here has superadded accidental to their previously existing business on fire, life, fidelity, guarantee and plate glass.

A meeting of policy-holders of the International Life Assurance Company of London, now in liquidation, was held at the offices of Messrs. Carter & Hatton, advocates, of this city, on Tuesday last. The object appears to have been to consider an overture of the Prudential Assurance Company—the Secretary of which, Mr. Harben, was present—to endorse the policies of the International, on receipt of 9s. 10d. in the pound out of their assets, and an additional 2s. 6. from the holders for 13s. 9d. in the pound, with a prospect of an enhanced value if an early stoppage of the expenses of liquidation can be effected. The majority of policy-holders are favorable to the proposal, and it is believed all will eventually accept it.

Judgment was rendered in the Court of Appeals here on Saturday last, on an appeal of the Provincial Insurance Company of Canada (defendants in the Court below) and Dan. Rees, merchant, (plaintiff in the Court below), respondent. On the 18th August, 1867, a fire occurred in the coal oil sheds of H. Middleton, near Point St. Charles, where Rees had oil stored in both sheds; one shed and its contents were utterly destroyed, the other was intact. Some difficulty arose in making out plaintiff's claim against the company, on account of the uncertainty as to the quantity of oil in each shed; he, however, eventually made his claim for 294 barrels. The company sent an inspector to examine the matter, and after some negotiation, a compromise was agreed upon, by which Rees received \$2,058 in satisfaction of his claim, and gave his discharge "in full of all demands for loss under that policy," surrendering his policy to the company. Subsequently, he made a claim upon the company for \$406 more, for 58 barrels of oil not included in his former claim. The company declined to entertain this claim, whereupon Rees brought his action for its recovery in the Superior Court, and obtained a verdict for the amount. Against this judgment

the company appealed, and on Saturday, the 10th instant, the judgment of the Court below was reversed, with costs of both Courts.

SPECIAL HAZARDS.

The absence of data from which to estimate accurately the risk incurred by underwriting a given hazard, renders the business of fire insurance notoriously unsafe, and the continued solvency of fire insurance companies, at their best estate, more or less uncertain.

In life insurance, the underwriter assumes each risk with an exact knowledge of the average value of his service. He does not part with an unknown value for a price which may be an extortion from his client, or ruin to himself. He knows as positively as anything can be known, what will be the result of his ventures, if enough of them are made to give scope for the operation of the law of average.

Into the fire underwriter's estimate there are unknown quantities which enter, and so enter, as unavoidable co-efficients, that mathematical calculation of the value of the chances becomes impossible.

First and most important among these is the moral hazard, which is, in all cases, an unknown quantity, the value of which, more than the value of any other element in the calculation, determines and measures the hazard incurred.

Many attempts have been made to fix a reliable tariff of rates upon the several risks which the fire underwriter assumes, but they have always proved futile, and are only valuable so far as they contribute to that mass of facts from which must ultimately be deducted a model tariff, which shall so adjust the burden of loss that it shall fall with equal weight upon each contributor, and be upheld to the same extent by each dollar contributed.

But the consummation "so devoutly to be wished" is distant, and the progress we were making toward it is provokingly slow. Actual results, as accomplished by various companies, have seemed to contradict all the statistics yet collected, and to defy all future endeavors to reduce fire underwriting to a science.

The varied experiences of companies, in respect to what are called "special hazards," have done much to confuse the calculations of fire underwriters, and beget distrust of these rules and rates which are set up as "standard." Some companies have achieved notable success by writing largely upon this class of hazards; others have only escaped utter bankruptcy by abandoning them after a long experience of uniform disaster. The instances of companies that have succeeded in paying large dividends to their stockholders, and accumulating handsome surpluses from the underwriting of risks, shunned as specially and exceptionally dangerous by the majority of their competitors, are sufficiently numerous to confound the philosophy which regards such risks as always and altogether unprofitable.

Is there any reason—rather are there any reasons—for this difference in the results of underwriting special hazards? Reasons there must be. Are they discoverable?

It is not difficult to tell what are *not* the reasons. The locality of the risks is not among them. "Specials" burn everywhere with equal frequency and facility when covered by the policies of one company, and seem everywhere endowed with an existence proof against fire when the fortunes of its successful neighbor are involved.

Neither have rates much, if anything, to do with this diversity of experience in respect to the profit of such risks. It not unfrequently happens that of two companies, the one eminently successful in this business and the other as conspicuously unsuccessful, the former has received upon the whole the less average rate of premium. It is not the getting but saving which determines the profit in fire insurance as everywhere else, and

while some companies manage to save, year after year, a goodly share of the premiums received upon "special hazards," others invariably lose not only the entire premium, but a large share of any surplus arising from their other business.

Neither is this singular exemption from loss to be explained by the greater accuracy and thoroughness of the surveys made of "specials." No respectable company pretends to take "specials" without first having filed with them a survey sufficiently intelligent and complete to put them in possession of all the facts concerning the physical hazard.

Right here, in our judgment, is a hint at the true solution of our problem. The physical hazard is always ascertained and measured with accuracy enough for the purpose of the underwriter; but the moral hazard is too often overlooked or underestimated. This is one of the reasons and the chief reason, why certain companies succeed so well with "specials," and others, writing upon apparently the same class of risks, in the same localities, and at the same or nearly the same rates, repeat again and again the same experience of hopeless failure.

A special hazard, although on first acquaintance apparently so dangerous, has, *if the business is paying and likely to continue to pay*, certain elements of safety which should not be forgotten or disregarded by the underwriter.

In the first place, it does not, as a rule, present so many opportunities for the commission of fraud upon the insurers. A stock of dry goods or fahey notions, or almost any other of the stocks of goods held in our warehouses, may be purposely run down until but a very slight percentage of the original value remains, and yet a fair outward show maintained. But in the majority of "special hazards," a large proportion of the things insured consists of machinery and stock which cannot be removed without betraying at once the depreciation of value.

In the next place, special hazards *that are paying the insured*, have a special care which goes far to compensate for the increased risk. The owner or operator of a mill or factory, which is turning out a product upon which his gains are large, feels the constant presence of peril. No insurance that it is possible for him to effect, can indemnify him for the loss which the interruption of his business would inflict. The consciousness that, at any moment, loss may be brought upon him by a stray spark, an overheated journal, a defective flue, a careless workman or a secret enemy, makes him watchful, causes every possible precaution against fire to be taken, and in many cases, actually makes the risk as safe as the better class of risks. How often have we seen a large mill, furnished with every appliance for extinguishing fire, and built after the most approved style and of the safest materials, destroyed by a fire of unaccountable origin, and suspicious rapidity and violence; while some crazy, tumble-down mill, built of kindling wood, crowded with ill-arranged and faultily-constructed machinery, choked with heaps of combustible material, and spitting out of its low chimney a volume of flame and burning cinders, stands, year after year, in seeming defiance of all the laws of chance and all the accumulated perils with which it is continually threatened.

Now what is the cause of this apparent violation of the law of probabilities? Examine closely and you will almost invariably find that the larger and better mill was idle or unprofitably occupied. Perhaps its very costliness of construction is operating as a dead weight upon the owner or lessee; perhaps it was erected in an unfortunate locality, or its operators want of skill in making or disposing of his wares is defeating all hope of profit. But you will as invariably find that the smaller and more hazardous mill is running at full speed, turning out a good product and managed with a skill which commands success.

The difference is entirely in the moral hazard. A company might write upon "specials" exclu-