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FIRE RATES AND THE CONFLAGRATION HAZARD.

Perfervid advocates of "cheap" insurance, in their zeal for low rates usually overlook a factor which of itself makes their schemes impracticable—the conflagration hazard. Few indeed outside the ranks of fire underwriters appreciate the immensity of this risk which yet is always present and can only be guarded against adequately by one method, the collection of rates sufficient to meet it. As the fire companies are in the position of agencies, whose rôle it is to act as the necessary intermediaries in the distribution of the fire losses of the individual, who cannot carry the whole load of them alone without financial disaster, among the whole body of insurers who can bear them, it is not only desirable but absolutely necessary that the companies should be in a position where they can meet without wincing and without financial embarrassment the conflagration risk, which may eventuate in an enormous loss to-day or to-morrow for all that anyone knows to the contrary. That position can only be secured by the uniform charging of rates sufficient not only to meet the ordinary losses of every day, but to give a fair profit to the companies upon their own capital which they have at risk and to allow large funds to be accumulated against the day of disaster.

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The records show that from time to time Canadian fire companies have been badly hit by the conflagration hazard. Within the last seventy years, some thirty huge fires of conflagration proportions have taken place in Canada, entailing a loss of from \$13,500,000, reached in two cases, downwards to \$750,000, and representing in the aggregate a property loss of some \$75,000,000. What proportion of this loss has come out of the pockets of the insurance companies, it is not possible to say, but clearly the proportion must be a substantial one. In 1877, the year of the St. John, N.B., fire, the fire companies licensed by the Dominion Government paid out in losses a sum equal to 225.58 per cent. of the premiums they received.

In 1904 when the wholesale warehouse district at Toronto was swept away, the companies paid out in losses 107.06 of the premiums they received; in 1900, the year of the Hull-Ottawa disaster, the figures were 93.31 per cent. During the years immediately past, the companies' experience has been more favorable, yet there is no guarantee and no certainty that such another disaster as either of those mentioned may not occur any day. Only last June, a fire at Salem, Mass., resulted in losses of \$12,000,000 of which \$10,000,000 were covered by insurance. Any day, it is possible that we may have a similar loss somewhere in Canada.

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While immense advances have been made in the twin sciences of fire prevention and fire fighting, yet coincidentally there has been an immense concentration of property values, and new hazards of many kinds have been developed as a result of new utilizations of the forces of nature and of new manufacturing processes. At the same time an immense amount of work remains to be done for the lowering of conflagration hazards which came within the definition of what is preventable. It is in this direction only that sound progress can be made towards lower fire insurance rates. Arbitrary schemes of "cheap" insurance which do not take account of the whole of existing conditions including the conflagration hazard, are merely traps.

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It is, in short, a foolish policy that objects to fire insurance companies maintaining themselves in a strong position against the inevitable conflagration. As fire insurance is a necessity to the welfare of the modern community, so are strong fire companies, charging adequate premiums, a benefit to it. That fire insurance premiums which are adequate do not become excessive can be best ensured by keeping down the fire loss and minimizing the possibilities of it, whether by conflagration or otherwise.

