

THE TEMPERAMENTAL HAZARD.

A distinguished fire underwriter coined the other day the phrase "temperamental hazard" to describe a hazard which is peculiar to fire insurance on this Continent. The temperamental hazard, it may be said, is that which includes all risks that arise as a result of carelessness, of indifference, or of ignorance on the part of the public. Thus for instance the propensity which a great number of foolish people exhibit of throwing away lighted cigar stubs or lighted matches without looking to see where they go, may be reckoned a part of the temperamental hazard. Careless construction may be under certain circumstances also a part of the temperamental hazard. The general attitude of sympathy towards the man who has a fire even though that fire may be largely his own fault owing to his carelessness, is possibly to be regarded as a manifestation of the temperamental hazard.

There is only one method by which the temperamental hazard can be combated. Buildings may be fireproof, fire-fighting equipment may be of the most lavish and modern description, but unless these are backed by a campaign of education, there will still be an immense amount of unnecessary fire waste in Canada. What it comes to is that those responsible for this educational campaign will have to make careful people out of careless people. They will have to eradicate the habits of a lifetime, or possibly of two or three generations, and they will find themselves compelled in order to deal with the matter properly, to lay out a whole course of instructions beginning with the child in the school and so proceeding upwards. This is a large programme, but it is certain that the temperamental hazard is so deeply rooted that more than any other aspect of the fire waste problem, it will be difficult to eradicate. Probably the work will be never finished, but even a reasonable progress with it would result in an astounding reduction in the amount of fire waste which now annually occurs throughout the Dominion.

ANNUAL DIVIDENDS.

Among the sweeping changes in life insurance practice in Canada which followed the United States uproar of several years ago, was the abolition of the deferred dividend system. In this matter Canadian legislation and sentiment followed largely that developed in the State of New York, where the furore regarding the mal-administration, some real but a good deal more supposed, of the life insurance companies, reached its height. On the face of it the deferred dividend system had some disadvantages, and these were quickly seized upon and the system itself consigned to limbo. It is true that abuses had developed as a result of the use of

it. Agents not too scrupulous had put forward estimates which could not possibly be justified, and in consequence had practically obtained life business by fraud. In the intense rivalry of the kind prevailing at that time, this sort of thing was to be expected, but it might have been guarded against in some other way than by the abolition of the system of deferred dividends. There is no doubt that the deferred dividend system is a plan of insurance that appealed to many and which possessed some distinct advantages, more particularly in connection with the insurance of under-average lives. It is possible that the retention of this system with a proper safeguard of a sound system of accounting and a total prohibition of estimates, would have been a better course of action than that which was actually followed.

NEW FORM OF COMPETITION.

The general adoption of the annual dividend system and the liberalization of the policy contract which has also taken place, has resulted in a new form of competition among the life companies, which in the opinion of some high authorities may not eventually prove to be altogether healthy in character. As Colonel Macdonald of the Confederation Life Association pointed out in one of his illuminating addresses during his term of office as President of the Actuarial Society of America, competition to-day among the life insurance companies shows a tendency to drift almost entirely into a question of lowest net cost and highest cash surrender values. There is a desire to declare large dividends in order to meet competition. It is true that when the earning powers of the life companies is still improving, that danger is not likely to arise, but under circumstances where the earning power of money is reduced with variations in the value of securities and losses on investments, there are possibilities which have to be borne in mind. While Colonel Macdonald did not wish to be considered pessimistic on this subject, he pointed out that the maintenance of substantial surplus reserve greater than would be requisite under the deferred dividend system, is a necessity in order to properly safeguard and protect the company in an emergency, as probably the temptation to maintain the rate of dividend beyond that which prudence would justify would be great. At the same time he suggested that it is wise legislation which seeks to encourage the building up of surplus reserves within all reasonable limits and that legislation that insists on putting statutory limitations on the surplus reserves is liable to develop circumstances of danger. The keenness of present day competition will, in Colonel Macdonald's opinion, impel the life companies in the opposite direction and be sufficient to insure that accumulations are not excessive.