

to pay a higher rate of interest than if its buildings had been protected by insurance.

In point of fact there is no difference between this kind of self-insurance on the part of a municipality and the same practise by an individual. Suppose that a merchant took chances in this way. What would be thought of his lack of foresight and his reckless reliance upon chances. A form of business procedure which, in his own case, every property owner would regard as highly improvident, cannot be a prudent course for a municipality to adopt.

FIRE INSURANCE WORTH A FAIR PRICE.

There remains the third alternative to the municipality desirous of "saving money" on its fire insurance, of joining with other municipalities in getting insurance in an organisation which insures municipal property only, at a lower rate than that commonly given. Some attempts to start such an organisation in Canada have, we believe, been made. As to its desirability, these points come to mind. If the organisation cuts rates, it can only re-insure its risks, as of course it will be compelled to do, with insurance organisations also cutting rates. The re-insurance organisations might be strong enough financially to carry the risks, but cut-rate fire insurance organisations do not usually beget confidence. There is an organisation of this kind in England which has been working about 12 years and which, while still a small affair, appears to have obtained a certain measure of support from various municipalities. Its history, however, includes the withdrawal of municipal authorities who at one time supported it, on the ground *inter alia* that its re-insurance arrangements were unsatisfactory, and various news items which have appeared from time to time suggest that some at least of the re-insuring companies it has had dealings with, would not beget any very strong measure of confidence in those acquainted with the fire insurance business.

To sum up, municipalities who think they can "save money" by indulging in fancy insurance schemes at the present time will be well advised to turn to some other quarter for possible economies. Fire insurance, if it is worth anything at all, is worth paying a fair price for. The risks involved in the schemes enumerated are out of all proportion to anything that could possibly be saved by them and a municipality which adopted them would merely be advertising the lack of foresight and poor business judgment of its administrators.

MR. J. P. A. GAGNON.

We understand that Mr. J. P. A. Gagnon, for many years inspector for the Province of Quebec for the Phoenix of England, has resigned to take charge of the Province of Quebec business, in the same capacity, of the Royal, Queen, and Hudson Bay Insurance Companies. Mr. Gagnon is well and favourably known among the agents of the Province, and THE CHRONICLE wishes him every success in his new sphere.

FIRE INSURANCE RATES.

It has been said with a good deal of truth that fire insurance is mainly a question of rates. This is so, because it is necessary in the best interests of the business that rates be both adequate and equitable. Adequacy is necessary in order that the financial permanency of the insurers may be maintained; equity, since it would be obviously unfair that one class of policyholders be overtaxed to compensate for deficient premiums paid by another class. It is true that the balancing of deficient premiums in one quarter by excess premiums in another may result in the maintenance of a due and proper average in the general rating. But these incongruities of rating result eventually in the placing of the business upon an unsound basis, and destructive competition follows. Moreover, an undue dependence upon the character of the fire loss fluctuations so that rates of premium more or less follow the periodical rates of loss up and down, entirely ignores the important fire insurance principle that the premium and its reservation should anticipate the loss.

Fire insurance is undoubtedly an affair of mutuality. It is in fact an account among the owners of a large volume of different risks, each contributing to indemnification of loss *pro rata*, according to his share in the contribution to peril. The underwriter is in the position of an attorney of those who thus contribute in order that as individuals they may be protected financially against the hazard of fire. The stock capital on the part of the underwriter constitutes a pledge of good faith on his part—a guarantee of the safety of the funds entrusted to his care and of their due payment in case of necessity.

The fact that mutuality is the fundamental principle of fire insurance, even though carried on by stock companies, is seen in daily practise. An improvement in the risk by the insured leads to a corresponding reduction in the rate of premium required to cover the risk up to a specified amount. Similarly, an improvement by a community in water supply or in fire fighting appliances is given credit for by a general reduction in the fire insurance rates of the whole community. On the other hand, increases in risks necessitate increases in rates. It follows from this principle of mutuality in fire insurance that reduction in rates must depend upon the insured themselves. If they are able to reduce risks, and eliminate common origins of many fires, the rates charged them will naturally fall. Insurance men and companies may perhaps act as the leaders in effecting this, but without the co-operation of the whole body of insured they are powerless. That co-operation is essential if results are to be achieved which will bring down rates to the lowest practicable point. The insurers are not justified in reducing rates prior to this reduction in losses since to do so involves the danger that premiums will not be sufficient to meet losses and thus the financial permanency of the insurer be impaired.