AUTOMOBILE INSURANCE.

(A. T. Graham, in The Spectator.)

The appearance of the automobile a few years ago called forth a form of insurance protection theretofore unknown—that of motor car insurance such as would protect the owner of such a vehicle against practically all financial losses incident to the ownership and operation of his car, except deterioration, wear and tear.

The Boston Insurance Company was the first American company to write such a policy. Lloyds of London soon followed, and their contracts were so favorable to the assured that a great majority of motorists selected them in preference to the forms of indemnity furnished by the Boston and by other stock companies which subsequently came into the field.

The growth of the automobile industry during the last twelve years has exceeded that of any other industry for a like period in the history of the world. The appearance of motor cars upon all the public highways of the habitable globe bears testimony of this phenomenal growth. When we realize that the automobile industry in this country had its inception only a dozen years ago and that it is now the third largest industry in the United States, we will have some idea of the magnitude of this business.

ENORMOUS GROWTH OF BUSINESS.

The value of the automobile output in the United States increased over 5100 per cent. between the years 1899 and 1909, and the wage-earners in this industry increased nearly 3300 per cent. in the same period. It is estimated that over 100,000 men are employed in the business at the present time in this country. There were nearly 250,000 cars manufactured in 1912 in the United States alone and the gross value of this product closely approximated a half billion dollars. The total capital employed by companies in North America making automobile accessories is over $200,000,000, exclusive of companies making tires. It is estimated that over 900,000 cars of all kinds are in use in the United States at this time. It is estimated that one in every 100 persons in the United States is a motorist.

The value of these cars is estimated at $900,000,000, and the tire expense alone at $90,000,000 per year, or $100 per car. If all these cars were insured for their full value against fire and theft at an average rate of about 2.81 (which would be the average schedule rate) they would yield an annual premium income of $25,290,000. If we assume the average cost of these cars when new to have been $1,500 each, the premium for collision insurance would yield $27,000,000 more, or a total of $52,290,000 annually. There is no way to calculate the average horsepower; but, assuming the average to be 20 horsepower, each car having an open body and seating at least three passengers, the returns for liability and property damage insurance of $1,000 in each case would aggregate $42,175,000 per annum, making a grand total of $92,565,000 per year.

MOTOR TRUCKS.

The motor truck is rapidly taking the place of the horse and, therefore, we may reasonably expect a largely increased output of this type of car in the future. This branch of the automobile industry is growing in leaps and bounds. The horse is not immune from the numerous ills to which flesh is heir, nor can he escape the infirmities of old age. He must be fed and sheltered and harnessed. He becomes an unproductive asset when sick. His ability to pull a load cannot always be employed to its fullest extent, because the law restricts man from imposing too heavy a burden upon him. These are some of the considerations which prompt merchants to substitute the motor truck for the horse.

Eventually, when the demand for the gasoline-propelled pleasure vehicle is on the wane, many manufacturers will undoubtedly retire from the business, either voluntarily or through failure, and only the builders of the better grade of cars will remain in the field. These, in turn, through their efforts to reduce operating expenses, will, in all probability, form combinations, and the competition of these combinations —one with the other—will, in the end, result in further consolidation, so that only a few large manufacturers will be left to carry on the business.

While this process of elimination and curtailment is going on the annual output will gradually decrease until it reaches a certain level, and thereafter the fluctuation will be above or below this level ,according to the natural conditions of trade. Standard cars will then be built, and the desire for a new model every year will be reduced to a minimum.

AN INSURANCE MORAL HAZARD.

While we are leading up to this stage the insurance companies will have an ever-increasing moral hazard to deal with. It has truthfully been said that a motor car is the rich man's plaything. Most men of ordinary means do not realize that the first cost of a machine is not the only heavy expense to be considered. The cost of maintenance and incidental expenses are important items to be reckoned with. People will continue to deplete their savings accounts, to borrow money on their life insurance policies, to mortgage their homes and even their furniture for the purpose of raising money with which to buy automobiles; and these are all danger signals to a well conducted insurance company.

The question of depreciation is another important item that should not be lost sight of. There is only a short span between the date of purchase and the time when the investment vanishes. Any car used moderately for pleasure driving and kept in the best of condition is bound to depreciate from 20 per cent. to 30 per cent. the first year and from 10 per cent. to 20 per cent. during every succeeding year, and when a car is used for touring long distances, over rough roads, it depreciates more rapidly.

Cars used for livery purposes, especially those equipped with taximeters, are usually subject to the greatest depreciation, on account of frequent use and the resulting wear and tear. Starting a machine suddenly to run at a rapid pace, and stopping abruptly, as is often the case with taxicabs, does not conduce to longevity in a machine. I have been told by owners of taxicabs that it takes about two years' receipts to defray the cost of a car of this sort and the expense of maintenance, and that the car is of little value thereafter.

Ordinarily the taxicab chauffeur makes his car cover the greatest distance in the shortest time, because the mileage registered indicates the price of the service. Rapid running increases the danger of damage from collision, and every time an injury from this cause is repaired the desirability of a car is lessened and its value decreased.

(To be continued.)