

CANADIAN FIRE UNDERWRITERS' ASSOCIATION.

It is a source of genuine satisfaction to all interested in the progress of fire underwriting that we now have, in the Fire Underwriters' Association, the prospect of a healthy, permanent organization of the principal fire insurance companies operating in the Dominion, for the laudable purpose of placing the Fire Insurance business upon a permanent basis beyond the risks and dangers that have for many years surrounded it in the guise of unlimited and senseless competition. Rates have been reduced with a recklessness unequalled in any other class of business, and risks have been competed for with a rapacity hitherto unknown, without regard to the moral or any other attendant hazard, until the whole business of Fire Underwriting had become completely demoralized; so that it is only by an aggregation of the figures of the companies generally, large and small, that it can even now be determined whether the debit or the credit of the last year's business will preponderate.

In the formation of this association we have an earnest of a series of factors that go far towards solving the heretofore momentous problem, whether fire insurance ever could be made of sufficient permanency to be relied upon to fulfil its mission; of the success of the mission of this association there can be no doubt, if properly conducted. Being purely voluntary, its existence will depend entirely upon the loyalty and good faith of its members. With the results of past experience before them, it is to be hoped that there will be no backsliders found among the membership of the organization, so that this period of good-will and manifestation of friendly confidence and harmony following so closely upon mutual distrust and bitter rivalry, will need no other or more binding obligation than this voluntary agreement among the companies to work for the common good, which cannot but result in the benefit of each.

It is a conceded axiom that insurers cannot pay losses, for any length of time, upon a continued losing business, any more than a merchant can meet his obligations under similar circumstances. Underwriters must have adequate rates, or they must cease business; but it is one thing to be well or adequately paid, and quite another to be over paid; the rock upon which the association may split will be mistaking the one for the other. Insurance, though a branch of merchandizing, is in many points unlike trading, where goods, wares and merchandize of various kinds have their market value from the known sort of production, so that their case can be ticketed upon each article, and the selling price computed therefrom. Unfortunately, while insurance indemnity covers a great variety of hazards, the cost of production of any of them is still an unknown quantity, hence there can be no ticketed price affixed upon any of them, but the insurer is left to guess, more or less shrewdly, as the case may be, at what price he can sell this indemnity, and leave for his company an adequate margin for expenses and dividends.

When the bulk of premiums received by the company upon its aggregated hazards suffice to meet expenditures of the year, and pay dividends to the shareholders, all seems

lovely, though there may have been gross ignorance as to the actual value of many of the underwriters' hazards, which may have, by chance, escaped loss during the year. The present system of rating, while perhaps the best under present knowledge of the business, is one of enforcement of existing rates, and not one of ascertainment of actual cost and values, which being unknown quantities to the majority of insurers, the chances are taken, and their indemnity is offered at the best prices that an over-crowded insurance market will afford.

Another material point, not generally understood, is that the cost of insurance, when ascertained, is a fixed fact, and has no connection, in the matter of rate, with the rise and fall of the subject under insurance. If the rate be worth *one per cent.* when the subject, say wheat, is worth \$1 per bushel, it is still worth *one per cent.*, though the wheat may have fallen to 50 or 60 cents per bushel, or risen to \$2.00, but the same amount paid for premium thereon will cover a greater or less amount of wheat in the same locality; herein the insured realizes the difference in the value of his property.

The effect of uniform tariff rates upon insurers will be beneficial. Merchants and business men generally understand the conduct of the insurance business as well as they do their own, or as insurance managers themselves—they know that they cannot get something for nothing. They demand reliable indemnity, and, as a class, while willing to pay for it when they need it, in what they know to be good offices, they will, as in any other branch of business, take advantage of and bear the market, like the veriest broker of them all, if opportunity is offered; but, however willing to make the best bargain they can, they are far too shrewd to refuse to pay a fair price for legitimate insurance when they cannot get it for less.

The association has been inaugurated under the best of auspices, and cannot but be a success. It has our best wishes.

THE LONDON MUTUAL FIRE INSURANCE COMPANY.

We have been requested by Mr. D. C. Macdonald, the manager of the "London Mutual Fire," to correct a mistake made by him in the hurry of preparing his communication which appeared in July issue of INSURANCE SOCIETY.

He says: "I made a mistake in stating insurance being obtainable for three years at less than *one-third* the rate the old stock companies charged for one year. The words *one-third* should be omitted; the retention of these words make the statement incorrect."

Owing to the discussion which is now taking place under the heading of Communications, in these columns, with reference to the statement and advertisement of this company, we withhold, for the present at all events, from making any editorial remarks thereon. These communications have been sent to us by men of undoubted standing in insurance society. We may have something to say by and by on the question of "Mutual Fire Insurance Companies."