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THE MUNICIPAL INSURANCE FAD

Proposals for municipal authorities to carry their own fire insurance by means of a fund reserved for the purpose periodically make their appearance. These proposals fall, generally speaking into two classes. In the first are those schemes which seem to be mainly dictated by antipathy to the fire insurance companies. These schemes are usually accompanied by allegations of enormous profits on the part of the companies, and not infrequently are supported by arguments showing an entire ignorance of the business of fire insurance and of the conditions under which it is carried on. The second class of proposals are those entirely honest and well-meaning schemes put forward in the belief that a way has been found by which municipalities may legitimately save the ratepayers' money, without imperilling their interests. They fail for the reason that their promoters do not appreciate what are the essential characteristics of the fire risk.

In the second category of proposals may be counted those which have been lately put forward by Mr. Doane, the city engineer of Halifax, N.S. Mr. Doane's proposals are ingenious, although apparently he is not able to escape from the common idea that a holder of a policy in a fire insurance company who does not get back in losses at least what he has paid in premiums, is not receiving his money's worth. Mr. Doane's scheme involves the appointment of a commission, doubtless elected by such municipalities as join together for the purpose. This commission would be obliged to insure all public property covered against a maximum loss of say \$100,000, the premium to be paid out of the total premiums pooled. The balance of the premiums would be invested say, for ten years by which time Mr. Doane estimates the amount of the investment would reach \$100,000, "if there are no losses." Under this arrangement any fire loss up to \$100,000 would be paid by the insurance companies, and losses of over \$100,000 paid out of the invested funds.

The weak point of the proposal is that even if all

goes well, there would be on Mr. Doane's own calculations, ten years' uncertainty as to whether or not the invested fund would be large enough to meet possible losses by some of the larger municipalities which, Mr. Doane contemplates, would join together with smaller municipalities in the operation of his scheme. If all does not go well, and there was a very heavy loss in say the second year of the scheme's operation, the fund might get such a blow as would take it years to recover from—if it recovered at all. Mr. Doane makes great play with the fact that twenty-seven Nova Scotian towns and six rural municipalities had only a five dollar fire loss on their property in 1912, while they paid nearly \$10,000 in fire insurance premiums. The municipalities concerned may be congratulated on their good fortune but the fact proves nothing in favour of Mr. Doane's scheme. The essence of the fire hazard is its uncertainty; the essential of sound fire insurance is constant and certain protection against that hazard. Fire insurance protection with any uncertainty about it is worse than no insurance at all. The ten years without losses which Mr. Doane requires to put his investment fund on a sound footing may never come—it is a mere gambling chance whether they do or not. But however that may be a fire insurance premium paid to a reputable insurance company means that there is constant and certain protection against the fire hazard for every moment of the period. Neither must it be forgotten that morally—if not legally—the various municipal authorities are merely the trustees of the ratepayers' property; to run unnecessary risks in the insurance of it or by the neglect of proper insurance of it, is to be morally guilty of a breach of trust. Were the ratepayers in various municipalities as fully alive to their own interests as they should be, they would refuse to tolerate the present arrangements by which the municipal property remains uninsured, and there is nothing to fall back upon, save a fund which would be totally inadequate in the event of a serious loss.