

which he is under obligation to exercise does not cease because an insurance company agrees to assume the risk of loss for a portion of its full value. In equity he is a co-insurer; then why not in fact? This principle of divided responsibility between insurer and insured has always been applied in marine insurance and its equity acknowledged. Why should a different practice prevail in fire insurance, when both forms are founded on the same basic principle? The man who insures for one-third or one-half value says plainly thereby that he is sufficiently confident of immunity from fire loss to carry two-thirds or one-half the risk himself and save the additional premium; why, then, not carry that confidence to its legitimate conclusion in the adjustment of the loss, should one occur?

Fortunately, this question of co-insurance is not left to the realm of theory, but has been worked out in practice, and that under the conditions of to-day on a very large scale. As the result of mature deliberation by the leading underwriters in New York city, the 80 per cent. co-insurance clause was adopted in April last, in the belief that when once understood by the intelligent business public they would accept it as an equitable arrangement. In accordance with the judgment of their able boards of underwriters, Chicago, Cincinnati, Philadelphia, Baltimore, Detroit, and several other cities have also adopted the 80 per cent. co-insurance clause, and the uniform testimony is that it works well, and that gradually the public is becoming adjusted to the new order of things. Following is the clause, as adopted by the New York Tariff Association:—

If at the time of the fire the whole amount of the insurance on the property covered by this policy shall be less than eighty per cent. of the actual cash value thereof, this company shall, in case of loss or damage, be liable for only such portion of such loss or damage as the amount insured by this policy shall bear to the said eighty per cent. of the actual cash value of such property.

This is a very simple and easily understood provision, the practical working of which in securing a reduced loss liability every underwriter will comprehend. Mr. E. F. Beddall, the well known United States manager of the Royal Insurance Company, stated, in his address on co-insurance before the Fire Underwriters' Association of the Northwest at Chicago, as printed in our last issue, that, taking the combined experience of his own company and that of the Continental of New York in the United States from 1887 to 1891, inclusive, as an indication of the general experience, the general application of the 80 per cent. co-insurance clause would, in his judgment, be equivalent to an average advance in rate over all of eleven per cent. That the estimate of the proportion of existing insurance below eighty per cent. of property value, made by Mr. Beddall, was purposely conservative and probably below the actual mark, serves to give added interest to his estimate. Underwriters can easily understand what the estimated addition to the present rate means, even at Mr. Beddall's conservative figures.

It has been argued by some good underwriters,

notably President Moore of the Continental, that a direct inducement should be offered to insurers to accept the 80 per cent. co-insurance provision by making 50 per cent. of insurance to value the basis, and then deducting from the premium a half per cent. for each one per cent. above fifty of value covered on buildings, and a quarter per cent. on stocks in towns well protected by fire departments. In other towns deduct a quarter per cent. on both buildings and stocks. Very likely the application of the clause might be easier by offering this inducement, but whether the advantages would on the whole outweigh the disadvantages is an open question. The simpler any policy provision, and the less encumbered with conditions the better, usually, and the co-insurance clause, as now applied, seems to be working fairly well. Perhaps it will be better to let well enough alone. In Cincinnati the experiment was for some time tried of making a fifteen per cent. reduction of premium for co-insurance up to full value, but the tendency to convert full insurance into over insurance was unpleasantly prominent, and the board there have discontinued the plan and fallen back exclusively to the 80 per cent. clause, pure and simple.

The practical and important question to be decided at the next meeting of the Canadian Fire Underwriters' Association then is, whether the principle, which is more or less common in British fire underwriting, though under somewhat involved conditions, and which has now found extensive application under the definitive and simple 80 per cent. co-insurance clause in the United States, shall become a feature of Canadian underwriting? It is simple in terms, equitable in practice and calculated to afford relief to an over-burdened business. It seems to be the one feasible measure of reform upon which the companies can unite to produce uniform results in the direction of creating a wider margin between premiums and losses, which is the pressing problem of the hour. It is no longer an experiment, as related to modern conditions of fire underwriting, and if it works well in New York or Illinois or Michigan, it ought to work equally well in Quebec and Ontario and Manitoba. We have confidence in the sagacity of the underwriters of the Dominion to eventually decide this question in the best interests of all concerned.

#### A STANDARD POLICY FOR LIFE COMPANIES.

We notice that some of our United States exchanges are advocating the adoption of a standard policy to be issued by the life insurance companies, something after the manner of the standard fire policy now prescribed by several of the States. The object, commendable enough in itself, is of course to secure uniformity among the companies in the various conditions governing the life insurance contract, in which at present there is considerable diversity. We think, however, that the advocates of the project have given the subject but little careful consideration, else they would have discovered that serious difficulties exist in the way of this project which do not attach to the uniform standard fire policy. It must be remembered that the fire