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"INSURANCE SOCIETY"

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THE TARIFF IN 1884.

(The Equity of the Co-Insurance Clause to the Mercantile Community.)

We have now before us the advance sheets from the Insurance Department at Ottawa showing the results of Fire Insurance in Canada for the past year.

The figures differ very slightly from those given in our last issue, and we surmise may be accepted as tolerably correct, at any rate sufficiently so for our purpose, and after an examination of same we are confirmed in the opinion we had already formed regarding the very small advantage in a Tariff without the introduction of the co-insurance clause:—

To illustrate this we will take the following synopsis of figures from the returns in the Blue Book.

| | Amounts written | Premiums thereon | Average Rate |
|-----------------------|-----------------|------------------|--------------|
| 1883 | \$513,580,302 | \$4,624,741 | 90c per cent |
| 1884 | 512,106,018 | 4,993,457 | 97c " |
| | | | Rate |
| Losses incurred 1883, | | 3,057,467 | 66 per cent |
| " " 1884 | | 3,165,762 | 63 " |

Now while it may be satisfactory for the companies to find that there has been an average increase of about 8 per cent in the rates, yet we do not think it can be a matter for congratulation to observe that the amount of losses incurred is not only greater in 1884 than in 1883, but that the amount written is less, and this in the face of a very profitable business in Manitoba, so that we can only come to the conclusion that, so far as the provinces of Ontario and Quebec are concerned, and where the new tariff is on trial, the increase of rates has just about been balanced by the increased liability.

There are those who will exclaim "how can there be an increased liability with a decreased amount written" But a little reflection will show that this is a positive fact, when

the said liability is taken in connection with the premiums received, for while, to a casual observer, a policy for \$10,000 on certain property would seem to carry twice the liability it would do if reduced to \$5,000, yet (without the co-insurance clause) this is not the case, for up to a loss of \$5,000 the liability of each policy is precisely the same, and it is only as the loss exceeds that amount that the larger policy's liability increases, and not until the loss reaches \$10,000 does such liability become double that of the smaller policy. This absurd inequity must continue to exist so long as partial losses occur, and the sole remedy for the absurdity we must reiterate is the co-insurance clause, with which and with which only will the liability of the company remain in the same proportion to the premium charged as well as to the amount written, whether the insurance be decreased or the reverse. So that it is by this method alone that rates can be adjusted in a fair and a business-like manner.— Every sound underwriter will admit the foregoing, but there are several among the mercantile community whose ideas of the application of the co-insurance clause are of the vaguest nature, some imagining that by the introduction of said clause insureds will always be made to stand a certain proportion of a loss themselves. This, however, we may answer, rests entirely with the insured, for if, in a city properly provided with fire protection (and it is not proposed to adopt co-insurance elsewhere), a merchant has a stock worth \$60,000 upon which he secures policies to that amount he is fully indemnified for any loss, partial or total; but should he elect to only carry \$30,000 insurance, then inasmuch as he chooses to run the risk of losing 50 per cent. in the event of a total so also would he be made to stand a like proportion in a partial loss, nor can we perceive anything unjust or unbusiness-like in such an arrangement. But lest many merchants might think that such a change would necessarily mean a very large increase in their expenditure for fire insurance. We would remind them that as in the rate charged on lumber a reduction is made when the co-insurance clause is attached we see no reason why a similar course should not be followed regarding mercantile and other risks, very much to the advantage not only of the companies, but also of all careful insurers, for at present it is evident that a rate is to a certain extent jumped at "so to speak," and is fixed so as to make those careful insurers pay for the deficiency of others who under insure.