

IS FIRE INSURANCE TRADE?

The above question has elicited both affirmative and negative answers.

That fire insurance is a trade, or is commerce, in the same sense as the business of a produce merchant, or a manufacturer, can hardly be maintained because of one vital difference between them and fire insurance.

We have previously pointed out the nature of this distinction, which is this, a contract made with a produce merchant, or a manufacturer, calls for the certain delivery of what has been bought and sold by the contracting parties, and the contract remains valid until the goods have been delivered. In a fire insurance contract, on the other hand, a fire may not occur during the currency of the policy-contract, which expires at a specified time, so that the indemnity contracted to be paid in such a case has not to be paid or, to use a trade term, "delivered."

It has been admitted that the fire policy-contract partakes more of a time bargain in stocks, or cotton, or wheat, and has the character of a speculative transaction. An analogy has been drawn between the business of a fire insurance company and that of a book maker on a race course who bets against the field, giving heavy odds ranging from 50 to 200 to 1, the company calculating, as the book-maker does, that while there will be a winner, there will also be many losers, but, that a profit will be netted when the balance is struck after, as it were, the race is over.

To illustrate and maintain this view, or comparison, it is pointed out that, a property owner desiring insurance applies for a policy of \$1,000 on which he pays 1 per cent. and the company for this premium undertakes to pay the insured person \$1,000 if this amount is lost by him by fire during the life of the policy. Thus, it is said, the fire insurance company gives 100 to 1 against the property burning within a stated period, and as the book-maker prepares to "hedge," as it is called, so the company in order to make up an average, issues other policies similar to the above in the confident expectation that the aggregate receipts from premiums will so far exceed the aggregate losses as to leave a margin for expenses and profits. Doubtless judgment has to be used in selecting the risks to be covered by the company's policies, just as it has respecting the qualities and chances of horses on a race course.

There are some who accuse the fire insurance companies of not understanding their business because rates are being frequently altered, yet all business men know that, the prices of all merchantable commodities change in order to meet the altered conditions of the market. Why then should not the rates of fire insurance be changed for a like reason, that is, when conditions are found to exist

which require a change of rates? Fire insurance is not one of the exact sciences, the business is exposed to chances which cannot be foreseen.

To revert to the book-maker illustration, it may be said that, just as an operator of this class cannot foretell the weather, which may alter the racing conditions considerably by making the track more favourable to some horses and less so to others, and the whole conditions may be changed by a horse falling sick, or being injured, so insurance companies cannot foresee a conflagration, nor the failure of a water service at a critical time, which events may upset their calculations on which rates are based.

In the great majority of cases the fire companies have resources which enable them to pay, whatever losses occur, however large and unforeseen and in excess of their calculations.

While fire insurance cannot be properly designated a "trade," in the ordinary sense, it may be regarded as a branch of "commerce," though, in a strict philological sense, "trade" and "commerce" are synonyms, or words of interchangeable meaning. But, by common usage, a distinction is drawn between these words, which, though not easy to define is still recognized. We could hardly call a fire insurance company a *trading* corporation, though, that it is engaged in a form of commerce seems generally accepted. Some, however, disagree with this view.

The difference made by usage between the words "commerce" and "trade," is shown by the common expression, "the trade of a carpenter," or, a boy "is learning a trade," or, "a man has a trade in his fingers," each of which refers to a *handicraft* and not to any form of commerce. We could not say of a youth in an insurance office, "he is learning a trade," nor say of an insurance official, "he has a trade in his fingers," nor would it be permissible to say of such an officer, he is engaged in commerce, or, he is a commercial man, as can be said of a merchant. Yet, that these words in other connections are identical in meaning is evident from the phrase "foreign trade," which refers to and means foreign commerce. A well-known historian uses the phrase, "handicraft trade" as something different to mercantile trade. We could not say "handicraft commerce," so it is clear that though "trade" and "commerce" are synonyms they have each exclusive meanings not shared by the other. The assistant secretary of the Scottish Widows' Fund recently read a paper on "Life Assurance Trading," which seems to favour the view that insurance is a form of trade.

It is held that had insurance been included with Banking and Commerce in the British North America Act, on which Confederation is based, many law suits and disputes with Provincial governments