

# THE INSURANCE CHRONICLE

## HAZARDS AND RATES.

When, in discussing fire insurance risks and rates, people speak of "moral hazard," the phrase is usually understood to mean the danger that the insured may turn out an incendiary. But there are other elements to be included in the phrase, moral hazard. An Old Country journal points out some circumstances, apart from criminality, which have an important bearing upon the rate to be charged. "Such hazard," says the journal in question, "exists in every building in which defective materials are used, which is defectively constructed, in which the lighting and heating appliances are defectively installed, or where the machinery is not properly inspected. It may also be that the risk may be subject to undue exposure by reason of surrounding conditions, or may not be properly guarded at night, or may be exposed to damage or destruction through the carelessness of those in charge of the property."

All such matters as those mentioned deserve consideration at the hands of business men who are disposed to object to the rate upon certain fire risks. A similar widening of the term, moral hazard, is to be noted in connection with employers' liability insurance. For example, the average employer considers the term to refer only to his own actions in such proceedings as concealing the amount of his pay-roll or to fake claims by employees. But the subject has much more extensive ramifications. For example, there is the failure of the employer to install the safest kind of machinery and proper safety devices. Such hazard is also evidenced in his failure to instruct minors and inexperienced persons as to the dangers incident to their occupation, in the employment of unfit superintendents and foremen, in overworking employees, and the like. It can scarcely be gainsaid that there exists a strong moral hazard in the situation, in the vicinity of a factory, of a saloon which is frequented by the workmen.

The most careful and conscientious of employers cannot entirely eliminate all components of moral hazard, which are in some cases beyond his control. And yet the underwriter who desires to fix a premium rate that shall not be a losing one for his company must consider such matters as are mentioned above and allow for them. A liability company might properly make inspection of their customers' premises more often than is now done. They might then be able to offer suggestions how to lessen such hazards as those mentioned above. And the wise employer should welcome all such suggestions.

## INSURANCE RESULTS IN 1909

In advance of the completed return to be issued for 1909 by the Superintendent of Insurance, there is published an abstract of figures taken from the reports of insurance companies doing business in Canada. This it may be interesting to analyse. Taking separate groups of companies domestic, British, and American, doing fire insurance, we find the following results:

Canadian		Percentage	
	Net Cash Premiums.	Paid Losses.	Loss to Premium.
23 Companies	\$3,764,351	\$2,117,641	56.25
18 Companies	\$0,730,366	\$4,348,388	49.72
14 Companies	\$3,564,126	\$1,673,731	46.96
Recapitulation			
	Premiums.	Losses.	Per Cent. of Loss.
55 Companies	\$17,058,843	\$8,639,760	50.64

The recapitulation shows that the paid losses of all the companies in the list were a trifle over half the net premiums. Such a result makes a very favorable contrast to the result of 1908 business for the same companies which was a loss ratio of 60.37 per cent. For in that year the losses paid were \$10,279,455 against premiums of \$17,027,275. The loss ratio for 1907 was 54.02. One thing Canadian fire managers may take to heart from the showing above given is that British companies suffered last year \$6.53 less per \$100 and American companies \$0.29 less per \$100 than Canadian companies did. If there is a moral here, should it not be seized?

## EMPLOYMENT INSURANCE

### In Germany—Dues and Benefits—Strikers are Non-participants.

It is proposed by several German municipalities to establish an insurance for unemployed. The city of Ghent has such a fund already under way, and it is expected that the other towns will follow the plans as laid down by that city. The insurance in Ghent lies principally with the workmen's societies.

To the amount paid to a beneficiary by these organizations, the municipalities add fifty per cent. of it when it is shown that the man's non-employment is due to no fault of his own, such as a strike or a lockout. The city's contribution, however, is not to exceed a mark daily.

### Jury Decides All Questions

Questions arising as to the reasons of non-employment, whether by fault of the employer or employee, are to be decided by a jury, consisting of employers and men, with a neutral presiding officer having the deciding vote. This jury, or commission, also acts as an agent between the unemployed and the city's employment, as to the amount and the amount of financial aid, travelling expenses and similar questions.

Aid is only extended in cases of involuntary, complete or partial non-employment, and in cases where men are out of employment in consequence of the destruction by fire of factory buildings, etc., aid is not given for a longer period than sixty days in any one year. The amount to be given varies with conditions, and aid can only be extended to a man who has dwelt in the city for a month at least.

The question of the adding of municipal financial aid to the sums paid out by the workingmen's associations to their members first arose in Ghent about ten years ago.

### How Fund Was Started

A special fund was raised for the purpose of aiding workingmen out of employment. The workingmen's associations who desire to participate in the benefits of this fund, must inform the trustees. A condition precedent is a clear differentiation between aid for strikers and those without legitimate employment. As to the amount and manner of distribution, the unions must have definite printed rules and regulations.

A good method of insurance is in vogue in Cologne. This fund is raised by contributions from patrons; the insured, the city of Cologne, societies, associations, employers and so on. Anyone can become a patron by a single contribution of 300 marks (almost \$75).

Any male person over eighteen years of age, not depending for his living on anyone else, can become one of the insured. Persons unable to show proof of regular employment are debarred from membership.

### Dues and Benefits

The weekly dues amount to 35 pfennigs for unskilled and 45 pfennigs for skilled workmen. A member can begin drawing upon the fund within three days after loss of employment, and after it has been shown that his non-employment is involuntary. Aid, however, will not be given for longer than eight consecutive weeks.

The daily stipend amounts to two marks for the first twenty days of non-employment, and for the remainder of the time one mark a day. Sundays and holidays are not included. Insurance against non-employment has, within recent months, been started in England, but with what success is not yet definitely known.