

ing that it includes all things too obscure, indefinite or unimportant to schedule. The real question in establishing every charge is, what ratio of the total loss will this feature of hazard under the law of average probably contribute? When this ratio has been established by judgment and experience, it should take its place in every schedule as a fixed ratio bearing a constant relation to the whole and its several parts. This end may be reached by making all charges percentages of some common standard and the natural, in fact only possible standard for this purpose is the basis rate, because it enters into every rate while other charges do not. It is true certain features of hazard are not related in the same way as others, and their exceptional relativity must be recognized and dealt with. These features embrace protection, public and private, and the differentials between the hazard of contents and building. Protection spreads over all the factors of hazards, and a credit for protection should apply to the sum of hazard and not to the basis rate, while damageability is implicated with protection and location and must be dealt with separately."

In quoting from the foregoing authority you will notice the classification of the fire hazard does not play any part in the construction of the basis rate. While recognizing the fact that schedule rating has in many cases pointed out the danger spots and distinguished a good risk from a bad one (as to construction, occupancy and exposure), yet to my mind it has not met the crying need of our time. That is, are we able to state to the insuring public why such and such a charge is the true cost? I believe the public opposition to rating organizations does not arise because they eliminate competition, but because the charges established have not been based upon any classified experience and are very often obviously of a discriminating nature. Thousands of dollars are spent annually on inspection and schedule rating and I must confess in my opinion all that work is largely nullified by not having a combined classification of fire hazard and experience, and I am compelled to come to the conclusion that the classification of fire hazard is the very foundation of rates; in fact, the foundation of our business.

CLASSIFICATION OF HAZARDS.

The classification of fire underwriting experience for useful or scientific purposes, is a subject to which but little concerted attention has been given by the companies. The general interest in the subject which has developed of late years outside of company offices, has sprung from the belief that by means of such tables the true cost of insuring particular risks could be determined. This belief, I am glad to say, is being held by an ever increasing number of underwriters and I look forward to the time when by concerted effort in some form, a system will be evolved which will secure general adoption and demonstrate the fact that combined experience tables are the true foundation to the rate maker. A decade ago, more than one company could have been found having no classification system whatever, but at the present time, classification in some form is probably in effect in every office doing a general business.

In 1874 the first recorded attempt in this direction was made by Jeremiah Griswold, whose work at the time attracted much attention and whose system was in some measure put into practical operation by several companies. Certain elemental features are essential in a classification system to make the results a reliable index of profit or loss, as well as a sound basis for the cultivation of judgment in rate making. First—The business should be transacted upon a basis of a uniform Co-Insurance. An Average or Loss Proportion Clause (by whichever term it may be designated) should be a condition of all policies issued. Second—Intelligence and absolute correctness in classifying the individual risks by the daily report examiners, and in the compilation of the figures, are likewise essential requirements. Nothing short of this should be countenanced in any office that maintains a classification department. Third—Whatever subdivisions are made in the system, contents of buildings should be separately classified. I believe underwriters have yet much to learn concerning the degree of variance in the loss rate on buildings as compared with their contents; a variance much greater than has yet been recognized by our rates. A distinction should also be made between risks of same class which are with or without protection. Fourth—Territorial divisions, are also essential, for fire cost is affected by many conditions, among which the climatic, racial and moral conditions are not the least. The experience of the past five or ten years upon given classes will without doubt measure the results to be expected upon the same classes during a succeeding similar period.

A proper combined classification of fire insurance experience will improve and extend a knowledge of fire insurance conditions among those engaged in the business, and will eliminate two of the worst evils the companies have to contend with, viz.; high commissions and rate cutting—high commissions because there will be no preferred classes to pay for—rate cutting, because that would be too dangerous for any company to entertain.

It requires courage and initiative in order that the first essential step towards combined classifications shall be taken. I would say to Canadian underwriters, be leaders in this progressive thought of rational fire insurance. There is but one way to meet public demand and that is to do things better than they have done before. Show that you are actually trying to do what you have always claimed that you were doing, namely, attempting to collect the fire insurance tax in an equal and just manner. There is an increasing demand that something more shall be done. The power of this demand is evident in various movements taking place, and the task of the fire underwriter, in his relations with the public is not to be improved by a "repetition of history." There are perhaps fifty fire insurance officials in Canada, who could if they acted together, change the whole drift of our business and establish for the first time in the history of fire insurance the very foundation of our business; I mean the adoption of some system whereby combined classifications of our experience could be an assured fact.