

"*Maxima debetur pueris reverentia,*" and if we are to be treated as children let us at least have that reverence due to those in leading strings and not have our innocence insulted by being presented with a counterfeit coin in place of the real metal—or is the department when we ask for bread to give us a stone?

Since writing the above we learn that an agent in Hamilton, is canvassing the public to give him insurance in the "Anglo American," another Company whose existence is only in the realms of imagination.

OVER-INSURANCE AN ELEMENT OF MORAL HAZARD.

Just at this moment our fire under-writers are on the *qui vive* to learn, if possible, the why and the wherefore of the constantly increasing volume of losses occurring throughout the land; and then, what can be done to prevent this constant drain upon the funds of their several companies. Among the more prolific of many recognised causes of these growing losses, general opinion seems to have fixed upon what is called fraudulent over-insurance as one of the chief, thus casting the entire onus upon the insured, and excusing themselves, as Adam did with Eve, when accused of eating of the forbidden fruit: "The woman whom thou gavest to be with me, she gave me of the tree, and I did eat."—The insured gave them of the over-valued risks and they devoured them unquestioned, and, like Oliver, they still cry for more! The question of the underwriters, having exonerated themselves from all blame in the matter, then resolves itself into what is known familiarly under the somewhat paradoxical designation of "moral hazard," which seems to be an incongruous coupling of the substantive *chance*, or hazard, and the adjective *moral*, to indicate the class of risks appertaining entirely to the insured himself, in contra-distinction to the risks inherent in the merely physical hazard of the subject of insurance itself; including, in fine, what may be designated the "criminal side" of the hazard; and, unfortunately, this moral hazard,—this criminal side of the human conscience—this heritage from the Garden of Eden to the sons of man, still continues to crop out as occasions offer, and they are by no means wanting either in number or opportunity, in the daily life and practice of the descendants of our common mother Eve, and, quite as unfortunately, in all of the numerous branches of commercial enterprise carried on throughout the world, we fail to call to mind an exceptional one that offers so many and such tempting opportunities for the successful manifestation of this "criminal side" of human nature as the fitly named "unequal contract" of insurance. This "old Adam" of human nature forms the ever-present unknown quantity in the insurance equation; it is the larger moiety of the risk, and confronts and staggers the underwriter in his efforts to adjust a price to the hazard offered. The material hazard can be estimated or approximated with sufficient accuracy but the moral hazard—the criminal side of mankind—has never yet been priced. But, bad as human nature may be, it does not necessarily follow that all men seeking insurance are dis-

honest, any more than it follows that because we have laws against murder that all men are murderers, or would be such but for the terrors of the law. This exception is the salvation of underwriting; if all insurers were honest insurance could be had at very low figures; but, so long as human nature remains human nature, this criminal side will turn up on every opportunity, despite the best exertions of the more honest portion of the community, whether underwriters or others; but we are free to say that it will not be found as freely developed in any of the branches of ordinary business as in insurance, for reasons before stated.

Fraudulent over-valuation, as an element of the moral hazard, however, is but one, and by no means the most serious or most effective, of the many schemes planned by rogues to victimize the insurers; and is at all times more or less under the control of the underwriter, if the same means of security against fraud on the part of the applicant be adopted that would be resorted to by any ordinarily careful merchant in disposing of a lot of merchandize on credit to a comparative stranger—both might fail at times, but the general result would be largely on the side of safety. It has its origin, then, in the greed or carelessness of the underwriter;—the larger the amount of the insurance the larger the sum of the premium therefore and the greater the resulting salvage in the event of loss, as the insured can, under the sharp manipulations of a good adjuster, recover nothing beyond his actual loss, and all of the extra premium paid for property that never existed is so much gain to the company and loss to the insured, and, with the agent, the larger the premium the greater his commission thereon. Hence it follows that a game of fraudulent over-insurance is one that two can play at; and one where the longest head and the best trumps usually win.

CONTRIBUTION IN FIRE UNDERWRITING.

PART V.

In our last issue we closed with the remark: "But within the last five years the Miller-Griswold rule, of the Fire Underwriters Text-book has been quite generally adopted among adjusters there, and in the Dominion; and the practice has consequently become more uniform. Of the why and the wherefore of this rule we shall speak in our next issue."

We now propose, as then suggested, to show the why and the wherefore that gave rise to the "Miller-Griswold rule," and its applicability to the purposes for which it was intended, which was to offer a pertinent, equitable and common-sense method for the apportionment of insurances among non-concurrent co-insurers, that is, where several policies cover the same subjects in whole or in part, with co-insurers upon some, if not upon all, of the items, either specifically or generally, a subject that has been discussed by fire underwriters longer, and heretofore with less practical results than any other that we call to mind among fire insurance topics.

In England, as we have already said, there are rules and rules adnauseam, changeable and never fixed. In the early days of the present century some of these rules were