

ing its own rather than the general benefit, but a limited success has as yet rewarded these efforts.

The first and most equitable step has been taken by some of the leading offices, domestic and foreign, in the formation of a Tariff Association, the members of which agree to abide by and sustain such rates as may be affixed to the several classes of risks by authority of this Association; and we take pleasure in saying that up to this time these associated offices have lived closely up to their obligations, to their mutual benefit as well as the good of the business itself outside of their organization. This, however, is but a preliminary step in this much-needed work, and is good only as far as it reaches; but until all operate honestly under its auspices outsiders will continue the competition, and write at such rates as will secure the business, with little or no reference to its actual value as insurance risks; thus presenting a condition of affairs that cannot be found to exist in any other class of mercantile transactions—the consequent result is demoralization and loss to the companies generally, all of which might be avoided by recourse to ordinary business principles and practices.

“Competition is the life of business,” is an old adage, but undue, inordinate and senseless competition is equally the death of all legitimate business. It has been truly said that competition is legitimate only when it is legitimate competition; undue competition leads to demoralization; demoralization is the handmaid of ignorance; and, in fire underwriting, ignorance tends to impairment of capital and insolvency; insolvency is ruin to stockholders and loss to policy-holders.

The question then comes up: Why is rank and reckless competition so common in fire insurance as compared with other classes of business? The answer is two-fold: 1st, Ignorance. In the ordinary subjects of traffic and trade the cost of the article is readily found, hence the limit of price is easily ascertained, and all chance in the estimate is eliminated; while in fire underwriting cost is an unknown quantity, the whole business being controlled by the doctrine of chances; a risk may be good, bad or indifferent—it may burn or it may not—who knows? Any risk is a good risk so long as it does not burn. Hence the chances are taken that the insured property will not burn; and the premium rate therefor is not based upon any approximate value of the hazard, but is the best that can be had under competition; or, in more fitting words, the insured fixes the price upon the goods of the insurer, and, lest his neighbor should chance to get the risk, this latter accepts the humiliating position with the price.

2nd. Want of confidence between insurers. This is the great and chief difficulty in the way of uniform tariffs and their honest observance. Many of the officers and managers of agencies decline to bind themselves to the observance of fixed rates because of their distrust of their neighbors. They claim to fear that while they adhere faithfully to the tariff some less conscientious underwriter will quietly shade the rate and steal the business. We must admit that the old adage of judging others by ourselves does not always apply in such cases. Unfortunately, the evidences of India rubber con-

sciences are too plenty to allow of the application of this adage in all of its strictness; yet are we satisfied that it might be of frequent service were all facts in the case fully known, for there are many who will not obligate themselves in consequence of the fear of others, judged from their own standpoint. But then, on the other hand, if all honest well-wishers in the business are to wait until human nature is reformed in this particular aspect they will each rival Methuselah in age if not in experience. The only safe plan to be pursued in fire insurance is that common in other branches of business: learn the cost of the article, and then charge accordingly, without fear or favor, or regard to the prices of others. Better do no business than to do a losing business; and that insurance as now conducted generally is a losing business no better evidence is needed than the report of the aggregate business of the Dominion as it appears from the annual showing for 1883; since which the business of 1884, thus far, is even worse.

THE COMPACT SYSTEM.

Apropos to the subject of competition in the Fire Insurance business of the country, discussed elsewhere in our columns, is what is known in the States as the “Compact system” of management of agencies, a brief history of which appeared in INSURANCE SOCIETY not long since. The system has been in vogue between two and three years, and is now permanently established, especially throughout the great west, under the auspices of the Underwriters “Union,” having been found to be a more effectual corrective of the evils that beset agency practices than any plan heretofore tried. Wherever it has been used it has not only secured a seasonable and fair advance in premium rates, to the satisfaction of insureds as well as insurers, but it has done more to awaken honest agents to a realization of the advantages of harmony of action and uniformity of practice among themselves than has ever been accomplished heretofore; and to such an extent has this been the result that the first of the many places where this system is now in operation has yet to be found where the agents of the locality, as a body, would consent to its abandonment upon any consideration. As in all other kinds of business associations, there are disgruntled agents to be found who kick and grumble because, under the uniformly equitable principles of the system, they cannot succeed in carrying water on both shoulders without slopping over. It operates upon the square, and not only secures the confidence of the insureds, but establishes confidence among the fraternity where the absolute want of confidence has been one of the most dangerous rocks upon which the business has been so nearly wrecked; so that, where a weak-kneed brother might be tempted to break bounds and unduly compete for the business of his fellow agents, the companies, both union and non-union, as a rule, find it to their advantage to put on the brakes and keep the would-be cutter on the track.

The effect upon insureds, is marked: in old times, and under old practices every company went for the business at the best price to be obtained, and insureds soon found it to their interest to invite competition for their business; but now