

the use of questionable and weakening methods? Will the objectionable branches which disfigure the life insurance tree be lopped off? Certainly there are welcome indications that the pruning knife may be wielded to some purpose in the near future. Some progress has already been made in the correction of the long-standing rebate evil by the officials of several of the leading companies largely responsible for its introduction; for professions of reform have been followed by prompt action in the dismissal of avowed rebaters during the past few months, and the recorded attitude of the National Association of Life Underwriters presents strong backing to the promised action of the companies. Will the reform so auspiciously begun in 1893 be continued sincerely and vigorously in 1894, and will the expense of management be brought down to a reasonable figure?

An examination of the record of the life companies reporting to the New York Insurance Department will show that from 1882 to 1892 the percentage of payments on policyholders' account to total expenditures has very materially decreased, while the percentage of management expenses has largely increased. Thus, the former percentage decreased during the ten years named from nearly 80 per cent. in 1882 to about 67 per cent. in 1892, while the percentage of management expense increased from a little over 20 to nearly 33 per cent. of the total expenditures. Such a record is not a pleasant one to contemplate, showing, as it does, that inflated commissions and other prodigal expenditures, in the high-pressure strife for new business, have been at the expense of the body of policyholders. That such a state of affairs has continued to a point where the danger signal may well be raised seems to be perfectly clear, and that even the managers of some of the companies have got out of the dust raised by the chariot race for first place long enough to see that it is time to call a halt we are glad to believe. We find reasonable ground for this belief in the following statement by Actuary Weeks of the New York Life not long since. In replying, in behalf of his company, to the Russian government officials, who have raised objections to the American companies designed to form an excuse for barring them out of Russia, he says:

Although the expenses of the American companies need not excite the alarm which some European writers are disposed to feel in regard to them, we are ready to admit that these expenses are high. The feeling is growing among the largest American companies that something should be done to make expenses lower, and in our opinion those companies, including our own, are on the eve of some initial understanding which will moderate the demands of competition and enable all alike to obtain new business at a less outlay.

This is certainly a pretty definite statement from good authority that the evils of high expense are beginning to be so effectually recognized by "the largest American companies" that a remedy must be found. If it be true that these companies "are on the eve of some initial understanding which will moderate the demands of competition," and enable all the companies to get business at a normal expense, then we may look to 1894 as the beginning of an era which shall take away from life insurance a growing danger and a long-standing reproach. We wait in hope to see that "initial understanding" take palpable form. The time is fully ripe for it.

A REINSTATEMENT OF BURNED PROPERTY.

An esteemed correspondent at Winnipeg sends us the following query:—

Editor INSURANCE CHRONICLE,

DEAR SIR,

Would you kindly answer the following questions: A terrace of six houses is burned with party walls built through the basement, ground and first floor, but not carried through the roof. In adjusting the loss it is found that 2 houses could be repaired for less than the insurance they carried, the other 4 being a total loss, so far as the Insurance company is instructed. In repairing the 2 houses, the division wall, which would have to be made an outside wall, if only repaired is not strong enough for an outside wall, and would have to be built a story higher, as it was not continued through the top story and roof. Would the Insurance company be liable for making that wall sufficient for an outside wall, or would they only be liable to replace the division wall as good as it was previous to the fire or as good as it would require to be if all the houses in the terrace had been repaired?

Respectfully,

W. B.

We respond thereto as follows, upon the understanding that the terrace of six tenements was insured as a single risk:—

Reinstatement takes place only when the property has been over-insured as to value, and its restoration can be effected at an amount below the face of the policy.

The option to replace the property burned under insurance is a reservation for the sole benefit of the insurer, not one that he can be compelled by the insured to adopt, as such reinstatement does not always furnish a correct rule of indemnity to the insured. But the company cannot reinstate the lost property except through an express stipulation of the policy to that effect; otherwise, the insurer would have the right to change the contract and substitute one mode of performance for another agreed upon therein.

The obligations of the insurers under the ordinary form of the fire policy only bind them to reinstate, replace or make good the damaged property as nearly as possible in the same condition as at the time of the fire causing the damage,—neither better nor worse. The insured has no option as to how a building shall be re-erected or repaired in any matter materially different from its original condition before the fire, except by agreement with the insurer, so, unless there be something material and important lacking in the reinstated building, he cannot fail to accept it when rendered by the company. Hence, in the case under discussion, the insured cannot *compel* the company to rebuild a new outside wall, for one of the buildings, under any circumstances, to replace a common, or rather, a very uncommon apology for a division wall or studding partition. It is not so written in the bond.

And, moreover, if the company should desire to restore but two of the six tenements, and pay for the other four, without an especial agreement with the insured to that effect, we doubt very much whether it could legally do so, for it is the law that in the reinstatement of personal chattel property, the insurer cannot reinstate a portion only, and pay for the remainder (*Text-Book*, §1853). And if this be so in chattel property, it would be equally so in the matter of two out of a terrace row of six tenements. But if the