

side around the board-room mahogany. "You pays you money and you takes your choice" as the costers used to say. Why then, the question suggests itself, should legislation determine that there must no longer be a choice—especially as the different methods seem to show but little practical difference in working efficiency?

Another important elimination from the bill is suggested by the Life Officers—that of the section restricting the companies in their methods of remunerating and making advances to agents. As THE CHRONICLE has all along held, now that the bill makes ample provision for publicity of companies' accounts it might well refrain from complicating matters by paternalistic meddling in details of management.

Other changes there are of some importance—but of these more anon. The two foregoing are probably the most noteworthy.

REINSURANCE RESERVE ON CREDIT INDEMNITY BUSINESS.

Every branch of underwriting in its earlier development has had to pass through a period of hit-or-miss methods. And even after years of experience, special conditions have sometimes brought about an unforeseen strain. This was somewhat the case with credit insurance throughout the United States during the post-panic months of 1907-08. One company, after recent examination by the New York and Massachusetts Insurance Departments, has had to reduce its capital from \$1,000,000 to \$350,000 to cover impairment growing out of post-panic claims paid to manufacturers and jobbers. In preceding years, business had seemingly been so profitable that large dividends were declared, to the detriment of the upbuilding of the company's reserves. It was as though a fire insurance company were to make no precautionary provision against conflagration losses.

In future the company, in addition to the 50 per cent. premium reserve heretofore carried, will be required to carry a further reserve of 50 per cent. of the earned premiums; so that it will have a full reserve for accrued losses on earned premiums as well as a full reserve on unearned premiums.

The reason for such additional requirement is clearly set forth in the joint-report of the departmental examiners of the company. It is pointed out that the reserve computation for credit insurance necessarily differs from that for fire insurance or casualty insurance. When the risks of a fire or casualty company are reinsured the reinsuring company accepts the liability under each policy from the date of the reinsurance, and pays all losses which occur under the policies subsequent to such date, while the ceding company pays all losses in-

curred prior thereto. But, as the examiners point out, the peculiar nature of credit insurance precludes the reinsurance on such basis for the reason that the policy contract only covers losses sustained by the policyholder in excess of the initial loss, or the loss which is to be borne by the insured before any liability attaches to the company. In a fire or casualty company the claims are paid as they accrue, but in a credit company, the amount of the loss cannot be ascertained until after the expiration of the policy and consequently no payments are or can be made until after the contract expires.

Hence arises the impracticability of dividing a credit policy as to payment of losses into two parts, as is done when a fire or casualty policy is reinsured. If a credit company desired to reinsure its outstanding risks, it would be necessary to reinsure each and every risk from the date of the policy to its termination, and for the reinsuring company to assume liability for all losses on such policies. The reinsuring company having assumed liability for losses on the policies reinsured from the date of their issue to their termination, it would likewise be necessary for the ceding company to pay to the reinsuring company the gross premiums on its policies in force, less such commission, if any, as might be agreed upon between the ceding and reinsuring companies.

As the examiners' report states in conclusion, the amount thus required to reinsure the outstanding risks of the ceding company, if such reinsurance could be effected, would therefore depend upon the commission to be allowed by the reinsuring company.

"PROBABILITY" AND "UNCERTAINTY" OF RISK.

Two weeks ago, illustrative reference was made to the Theory of Probability being the basis of insurance. In this connection it is often lost sight of that there is an important distinction between the "probability" and "uncertainty" of a risk or class of risks. This distinction, and its important bearing upon practical insurance problems, is touched upon in a chapter entitled "Theory of Risk" contained in the recently published volume of "Yale Readings on Insurance." The series was edited by the late Professor Zartman—this particular chapter, however, being by Mr. A. H. Willett, instructor in economics.

As summarized by The Insurance Monitor, of New York, the chapter begins by pointing out that these two elements of "probability" and "uncertainty" are by no means the same. The "probability" of the happening of any given event may be anything from zero to certainty. The "uncertainty" of its occurrence diminishes as either extreme is