

### EXPOSURE HAZARD AND MUTUAL FIRE INSURANCE.

There may be said to be three main factors in appraising fire risks. First there is the risk inherent to the property itself solely; second the risk from external exposure of adjacent or adjoining buildings, and third the risk from conflagrations. There is not much difficulty to the underwriters in calculating what the first of these is worth. They have simply to deal with one factory or building, with perhaps its own accessories, the construction, protection, kind of work done, and so forth.

There is no outside danger and it matters nothing from which point of the compass the prevailing wind blows. But, if there be an outside exposure within appreciable distance so as to endanger more or less the aforesaid factory, a further calculation is necessary, and in prudent underwriting an additional charge is made for such exposure.

Still this does not entail a very hard problem to the underwriter who knows the value of the risk itself and its various surroundings.

But, when we come finally to what is called conflagration hazard, we arrive at an unknown quantity, a danger which like the sword of Damocles, is ever overhanging and falls at totally uncertain and unlooked for periods.

No amount of sound underwriting can either foretell or avert the catastrophe, it comes without warning, and is an event for which fire insurance companies doing a general business must be always prepared.

Thus what at first sight appears to the outside public superfluous and unfairly taken from insurers pockets in the shape of large reserves is returned to them and gives them a security which could never be the case without those reserves. For instance we will suppose a number of manufacturers combine together to insure themselves just as a large company will insure its own vessels, and when the number of risks is sufficient for an average this can doubtless be done provided those risks stand by themselves and are not influenced from outside conditions. The rates, we will suppose for the sake of argument are fixed at 1 p.c. of which  $\frac{1}{2}$  p.c. is taken in cash and the other half on an undertaking to pay if necessary. At the end of the year the accounts are made up, and if it is found that the net cost of the insurance has only been  $\frac{1}{4}$  p.c., therefore, the insured receives a rebate of  $\frac{1}{4}$  p.c. at which price his next payment is fixed.

The next year there may have been losses which call for an assessment of  $\frac{1}{2}$  p.c., he may not be called upon again, or he may, but he feels he is obtaining his insurance exactly at cost, and is in fact partly insuring himself. That is mutual fire insurance and upon this the success of the New

England Mutual Insurance companies were built. They could obtain the necessary number of unendangered risks to form an average and they steadily declined to accept any risks exposed to external hazard, or not up to their standard in construction and protection.

This class is not yet numerous in Canada and a large proportion of it insured in the New England Mutuals, while the stock companies are competing for same at as low a figure as  $\frac{1}{4}$  p.c. Is there much inducement for a new mutual insurance company to capture a few of those risks, or a portion of them at lower rates?

Should it, however, be that the new company desires to secure the higher rated risks or those subject to external exposure or conflagration hazard then we submit it will find it is stepping beyond the bounds wherein mutual insurance can be safely carried on.

To meet what we have called the unknown quantity it will either have to adopt the stock companies' plan of setting aside a reserve, in other words insure others besides their own members directly interested, or some day they may find that all their assessments will fail to meet the demand and that a certain class of insurance costs considerably more than they anticipated and bargained for.

In conclusion mutual fire companies have often done well and sometimes, under favourable circumstances, been very successful when they have confined themselves to isolated risks, but their career has not been brilliant and occasionally has resulted in failure, when they have stepped out of their domain and attempted a general business.

### SAN FRANCISCO FIRE INSURANCE BUSINESS.

The insurance affairs in San Francisco are still, quite naturally in a highly confused condition.

Messrs. E. Roger Owen and Douglas Owen, are hard at work endeavouring to get order out of the chaos of materials available for affecting settlements. How difficult must be the task of ascertaining the facts is illustrated by one case in which a retail woollen merchant claimed total loss by the fire. He said not a vestige of his goods could be traced, so complete was the destruction. When his story was finished he was taken to a wareroom and shown his goods all in order and uninjured!

Reports in the hands of Tax Collector Nichols go to show that while some of the insurance companies have increased their business since the fire others have had a decided falling off. According to law these companies are required to file quarterly reports showing amount of premiums collected during the past quarter and then pay their policies on this showing. The time for filing of such statements was July 1, and while there is delay on the part of many of the companies, sufficient data is at