

On the first two points I do not need to dwell. On the third I can only say that you have certain advantages which more than offset any conditions you may meet.

You have (1) a company which the world knows all about; which has been tried and not found wanting; which has been endorsed as none of its competitors have been. You have (2) a policy which has more benefits and fewer conditions, at the same price, than the policies offered against it.

To the objection that these advantages (which no insurance man denies) will not always bring you the business against the methods which may be employed by competitors, I can only say (conceding the truth of this, because, unfortunately, it is true) you must let some business go. It will take considerable moral courage to lose a risk, or a number of risks, but if you do it once, standing squarely on the doctrine that your goods are not offered at what you can get, but at what they are worth, you will probably never have to do it a second time and you may never lose a single risk.

There is something in courage which appeals even to the man who is working only for a discount, and with the average citizen a correct business statement will always prevail. By adhering to this you will be constantly moving into a better stratum of society, securing a more intelligent and desirable class of applicants, and thereby not only putting money into your pocket but materially advancing the general interests of the company itself.

I am not writing this letter to tell you at this time of any particular penalty to be enforced if you should give a rebate. I am sure I shall never need to write any of our representatives in that way. I believe in the loyalty of our men and their willingness to carry out, without flinching, the company's wishes in this behalf, but, for the benefit of any who may be weak, or who do not respond to these sentiments, I will say I trust you just as our forefathers trusted in God at Bunker Hill: they did not at the same time neglect to keep their powder dry.

#### MANAGER BEDDALL ON THE PRESENT MORAL HAZARD.

With reference to the effect which the present money panic in the United States will have on the moral hazard in fire insurance, United States Manager Beddall of the Royal is reported in the *Journal of Commerce and Commercial Bulletin* as follows:—

I am not one of those who believe that what we call moral hazard is materially increased by the depression in business and financial stringency which now prevail, and my reasons for arriving at this conclusion are these: A merchant, or a manufacturer, does not wilfully destroy his property except for a motive, and that motive is dollars. Assume if you please that he has a large stock of goods on hand with bills coming due which cannot be met, and no relief obtainable from those sources of credit which are usually open to him. He is in a strait, and failure stares him in the face. In reviewing the situation the thought of fire occurs to him, but on reflection he concludes that to burn means a notification to all of his creditors that a realization of his property is at hand, and that they will proceed at once to garnish his insurance companies for the claims which may be made. His assets by this process are more securely tied up than ever before, and loans which he might possibly have procured but for the fire are now placed entirely beyond his reach. Besides, to burn up means a delay of weeks, perhaps months or years, if the origin of the fire is suspicious, and in addition a loss of prestige and connections which can never be recovered.

Further, his business experience will have taught him, if he entertained any thought of profiting directly by the fire, that the adjusters of the companies are fully competent to guard the interests of their employers and to ascertain the actual cash market value of the property at the time of the loss, for which only they are liable. He will thus see on reflection that he would be selling his goods on a fallen market, at a price below that which he might reasonably expect to realize on the return of better times, while the cash which he needed was as far removed from his grasp as before; because his creditors whom he could not satisfy would step in, and, in the liquidation which would ensue, would exact the last cent from him. From my experience and observations generally, the companies do better on a falling than on a rising market. Insurances are taken out on a certain basis of value, and if the market price is receding, it naturally follows that the loss is adjusted on a more favorable basis relatively than if the price were stationary or advancing. This in itself is a very important factor in loss settlements where the amounts involved are so large. To a company that pays \$1,000,000 a year, a saving of five per cent. in consequence of a reduced market value would mean \$50,000 in the aggregate—a fair profit in itself upon the business.

In saying this much I do not wish to be understood as underestimating the danger of moral hazard, but I desire merely to show that present conditions do not in my opinion appreciably enhance it. During the panic of 1873, and the three or four years which followed, our business was never so satisfactory, and losses of a suspicious origin were not more numerous then than before. The professional firebug is always on the alert and present with us, regardless of times and seasons, and our more experienced and careful underwriters will generally scent him out, disguise himself as he may. No, I say emphatically, moral hazard is not the cause of our troubles. It is rates. Test the combined experience of the companies in any manner that you please, and you will find that the loss ratio to sums insured has not materially increased in the aggregate during the last decade, the popular impression to the contrary notwithstanding, but the rates of premium have woefully fallen, and until these have been advanced to the average rate which prevailed fifteen years ago, there is no hope of salvation. Here is where the change is necessary, and it is from this source alone that the relief must come.

#### SOME EARLY FIRE INSURANCE HISTORY.

From Mr. F. B. Relton's new history of fire insurance in Great Britain and Ireland in the 17th and 18th centuries we extract the following, which dates as far back as 1680. The Dr. Barbon referred to, who figured prominently in the rebuilding of London after the great fire of 1666 and who conducted a scheme of individual insurance from fire loss, was one of the sons of the famous "Praise-God-Bare-bones" of Cromwell's time. We quote:—

1680. Dr. Barbon, having for some reason determined to relinquish his "one man" office, seems to have turned his attention to the reconstruction thereof and to the formation of a company to take over the business. The undertakers were Mr. Samuel Vincent, Dr. Nicholas Barbon (the real promoter), Mr. John Parsons, Mr. Felix Calvert, and others not named. The new company assumed the name of "The Fire Office." It was for some time known, however, as "The Insurance Office at the backside of the Royal Exchange."

The above-mentioned undertakers were the founders of the first joint-stock or proprietary company for fire insurance in London and, probably, in the world. "It