

MUNICIPAL FIRE INSURANCE.

A number of Canadian municipalities are reported at the present time as considering various schemes of municipal insurance. The necessity for "saving money" is indicated as the reason for this activity and it need not be a matter of surprise that under present conditions old fallacies in this connection should be given a new lease of life. There are three alternatives open to a municipality which is dissatisfied with its present fire insurance arrangements. Either it may "save money" by declining to carry insurance any longer on the public's property, or it may start a scheme of self-insurance, putting aside a certain amount each year as a fire insurance fund, or it may join with other municipalities in getting insurance in an organisation which insures municipal property only at a lower rate than that which is commonly given.

The first alternative, that of no insurance is not likely to find wide acceptance. Its dangers are too obvious. The second and third alternatives have from time to time been eagerly advocated, and are buttressed by such a formidable array of fallacies and sophistries that it is not surprising if occasionally a municipality decides in their favor. Montreal has already done so. Years ago, it decided to carry no more insurance with the companies on its municipal buildings but instead to build up a fund from which fire losses could be recouped. What the exact size of that fund at the present time is, we are not aware, but it is certainly totally inadequate to meet any heavy loss on the municipal property. If the City Hall burned down to-morrow or next year, or probably five years hence, the Montreal ratepayers would have the satisfaction of knowing that they were some hundreds of thousands of dollars out of pocket—which they need not have been—through the failure of the city authorities to carry adequate insurance.

WEAKNESS OF SELF-INSURANCE SCHEMES.

This particular instance discloses the fundamental weakness of municipal self-insurance schemes, which adopt the method of laying aside a certain amount annually to build up a fund to cover losses. They do not in fact give insurance protection. They fail to recognize the essential characteristic of the fire hazard, which is its uncertainty. It is said by the advocates of these schemes that in ten years, or twenty years, or thirty years, the fund will have attained to such dimensions that it will be able to provide for the heaviest possible loss. Possibly it will, but suppose the heaviest possible loss comes in the second, fourth or sixth years.

The one is as likely as the other. The State of Wisconsin supplies a famous instance in point. Two or three years ago, the State started one of these schemes for the self-insurance of its public buildings. The fund is now bankrupt through a heavy loss on a normal school, and the State, we believe, is going back to the companies for its insurance—poorer but somewhat wiser. A self-insurance scheme of this kind is beautiful in theory, but unfortunately its theory is entirely divorced from the circumstances of the fire hazard, and in practice it is an expensive failure.

There is not a single town or city between the Atlantic and the Pacific, that is immune from the conflagration hazard; in some, as fire underwriters know, the conflagration hazard is pretty high. Do the public authorities of any of these towns and cities really consider that they have the right to gamble with public property which is not their own, but of which they are merely in the position of trustees? Gambling with the public's property is what these self-insurance schemes come to. The authorities can protect themselves, as the ordinary individual would protect himself, by adequate and sound fire insurance. Do they consider it good business policy to take a chance on a conflagration not coming along for twenty years or so? Would they take the same chance in their own business? Not if their creditors knew it.

EFFECT ON MUNICIPAL CREDIT.

This brings up another point which is worthy of the most careful consideration on the part of those who are tempted by the beauty of the theory of municipal self-insurance. Let them consider what is likely to be the effect of it on their credit. If the insurable property of a municipality is left uninsured, as it is practically by these schemes, its value as an asset for the protection of its creditors is materially diminished. The cost of insurance spread over the entire body of ratepayers is a mere bagatelle; it is too trifling to be noticed on the tax bill. If, however, a conflagration occurs which burns up the municipal properties, their restoration creates a duplicate of a portion of the municipal debt, and the rate-payers have to pay duplicate interest, first on the original loan raised to secure funds for erecting the buildings, etc., second, on the duplicate loan effected to re-build what was destroyed by fire. Not only is the municipality's financial position thus prejudiced, but the exposure of imprudent administration will so injure their credit that in borrowing to enable such properties to be restored, the municipality is certain to have