

THE STATE AND FIRE INSURANCE.

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I know of no more interesting present-day problem than that which has grown out of the efforts that are now being made to fix and control fire insurance rates by governmental action. Of course, it is only a single phase of a very large movement that is in progress throughout the civilized world looking toward the strengthening of governments in their powers of control over private business. But, from certain points of view, the business of fire insurance seems, in a very particular sense, to be one which can be better conducted by private individuals than by even the most perfect governmental machinery. It seems to possess certain features which make it a particularly dangerous field for the people in their organized capacity to attempt to enter. A good many kinds of business lend themselves quite easily to the designs of those who would like to see a socialistic State established here with the least possible delay. The idea of governmental operation presents no insurmountable difficulties in a number of cases. But in the case of fire insurance, our present-day reformers and radical thinkers, bent on deriving private capital out of the field and leaving this in the exclusive control of government, are confronted upon the threshold by unusual obstacles which are inherent to the business itself, and few suggestions have yet been made, of a practical nature, respecting the manner in which these obstacles can be avoided. Notwithstanding all this, however, it is no overstatement to say that, at the present time, a very formidable and aggressive movement is on foot, having for its ultimate purpose the virtual transaction of the business of fire insurance by government.

FIRE INSURANCE A GAME OF CHANCE.

What is the peculiar feature of the fire insurance business which makes the problem of State participation in this business a more difficult one than the corresponding problem in the case of railroads, for instance, or of water companies, or of telegraph and telephone companies? Well, broadly speaking, what I refer to is of course the fact that fire insurance has always been, and must always be, to an extent not approached by any other legitimate business I know of, a game of chance pure and simple—a game of chance in which men who are qualified by temperament and experience to play it, and who are willing to risk their money in it, can survive, but in which none but experts can with any safety engage. If it were not that the world has acquired a sort of invidious meaning which makes it unsafe to use it in connection with any legitimate business, I should be inclined to use the word "gambling" in trying to describe the exact feature of the business of fire insurance that I am referring to. It would be obviously improper, however, to attempt to completely characterize by any such word a business so beneficial to the entire world as the business of fire insurance is when it is properly conducted. But that the uncertainties and extraordinary hazards which attach to all games of chance enter into the transaction of this business to a very remarkable degree, cannot be denied. It is this element in fire insurance which seems to require that it shall remain in competent private hands longer than most other kinds of enterprise—for I am assuming that all of

us will agree that the State is no fit agency for the transaction of business into which the element of chance and guess-work enters to any abnormal extent.

THE RATE-MAKING PROBLEM.

Now, of course, the attitude of fire-insurance underwriters toward governmental activities in connection with their business has, to a large degree, been influenced and controlled by the circumstances to which I have referred. Broadly speaking, it is a very different attitude indeed from that which has been adopted during recent years by the leaders in the life insurance field. Recognizing, in the first place, that their responsibilities are peculiarly fiduciary in character—recognizing also, the fact that mortality tables have made their business practically an exact science out of which, when properly conducted, the element of chance can be kept entirely—life-insurance men have for sometime past treated the whole question of State participation in company affairs as something which is not only inevitable, but, on the whole, desirable and proper. At least, they have not bitterly contested the steady growth which has been going on in the powers of supervisory departments. In the case of fire insurance, on the other hand, nearly every step which has been taken in the direction of an increased governmental control over the business, has been sharply opposed. Particularly has this been true with respect to legislation affecting that most occult and difficult branch of the fire underwriters' art—namely, the making of rates. With the evident fear present in their minds that even little steps by the State in that general direction can mean nothing but a dangerous departure toward actual governmental rate-making fire underwriters have united, on more than one occasion, in opposition to efforts which legislative committees and insurance departments have made to ascertain the secrets of fire insurance rate-making, in so far as these are ascertainable. They have protested that, in the very nature of things, fire insurance rate-making cannot be reduced to an exact science, or anything approaching one, and that, therefore, the filing by fire insurance companies of their "experience" in tabulated form, according to some uniform system—or any of the other similar suggestions which have been made from time to time—would do more harm than good and would not supply the public with any real information respecting the manner in which fire insurance rates are arrived at. "These statistics," say the fire insurance underwriters, "when kept by ourselves according to our own system—each one of which systems differs materially from the systems employed by others—are of a certain amount of value to us in determining what kinds of business are profitable and what kinds are not, and the information contained in them is used by us more or less in making rates. But they would be absolutely meaningless to the general public. Standing by themselves, they would furnish no real explanation of how we arrive at our rates. In fact, we don't ourselves know exactly how we do it. What it comes down to is this, that we have spent our lives in the business of fire underwriting, and in consequence are experts in this business—and after we take into account all the statistical experience at our disposal, we make up our minds what rates may safely be charged in any line, by simply using the best judgment that we possess."

(To be continued.)