

DISCRIMINATION IN FIRE INSURANCE.

There is a certain portion of the public who not only believe they know as much about fire insurance as those brought up to the business, but that they can go them one better. There are also others who have the lingering faith in the gratitude of insurance companies. And some of these institutions would do well to remember that it is prudent to retain friends, who may some day be found helpful. The alienation of goodwill is not the policy which leads to strength, or to increasing prosperity.

We have, however, a few words to say respecting that knowledge of fire insurance, a little of which, according to the proverb, is a dangerous thing. It is not until the insurer is frank enough to admit his ignorance, that he really takes the right road to learn. Fire underwriters will allow that, over the territory covered by the Canadian Fire Underwriters' Association, there is a vast difference in the way in which the various owners of mills and factories receive suggestions regarding the scheduling of their risks. Some are not merely ready to receive hints as to improvements but glad to have faults pointed out, whilst others, on the contrary, know more than the companies, or their inspector, and treat suggestions with scant courtesy. That steam pipe can set fire to wood, or danger arise from sweepings piled up in a corner they regard as ridiculous. Now apart from the physical difference between the factories owned by the above two types of the insured, their characters as proprietors are totally opposite. What is termed moral hazard does not come in because they may be both honest men, but though the companies may oblige the one to cut his steam pipes clear of wood-work and remove his sweepings, it is not likely that his risk will be as desirable as the other man. Both buildings may be similarly constructed, lighted and heated in the same manner, and both may have the same protective appliances against fire. Yet, on a re-inspection it is more than probable that the condition of the one will be excellent while that of the other is indifferent or worse. There are some insured that think that so long as they pay their premiums to the companies their own part of the contract is fulfilled, and are blind to the fact that it is to their interest quite as much as to the company's that the property should not burn. With the mutuals this common interest is easily demonstrated because the insurer and company are, to a certain extent, partners, but we think that even the stock companies could discriminate between the characters of risks, which undoubtedly take their stamp from the character of their occupants. Is this done, or is it not a fact that the companies, in competing for business, make no distinction in rate, whether a factory is marked "good" or "indifferent"? And in course of time, when the losses come, the companies meet in solemn conclave and decide that it is the basis rate—not their want of judgment—which is wrong, so that the careful insured is made to pay for the faults of his neighbor. This is scarcely a just method, and certainly not the one which has built up the large Mutual Companies and forced the Stock Companies to a certain extent out of that delightfully old-fashioned groove, which insisted that according to the law of average the good must pay for the bad. Discrimination in fire insurance, to be of any value, must be

thorough and complete, not merely dealing with the technicalities of construction—albeit the same are not to be despised—but with the character of the occupants of the premises to be insured, otherwise the companies will be as neglectful of their interest as the insured above alluded to are to their private ones.

Underwriters are shrewd enough to recognize the assistance given to their operations by those who point out defects in their practices, and who call attention to points of weakness that need improved methods of guarding. It is only the inexperienced who disregard counsel, the wise take useful hints, even though they wound their pride.

The tariff was formed with a view to discriminate. Schedule rating was a continuation of that theory, but if headlong competition or grabbing for business is to blot out the sound principle that we of all others have upheld, those who favor such a policy will find a dangerous enemy in their borders.

LOANS OF LIFE INSURANCE POLICIES.

BY J. L. KENWAY.

The subject of policy loans by Life Insurance Companies is receiving increasing and well-merited consideration. No thoughtful student of Life Insurance as it has been and as it is, will not concede that the tremendous increase in loans upon policies effected by the holders, is in a very large measure tending to defeat the primary object of Life Insurance. The difficulty is to find an efficient remedy which shall effectually correct this condition, which Life Insurance Officials and Agents realize to be growing serious.

To give the Companies the privilege of withholding a loan for a reasonable period of time is valuable in so far as it prevents the possibility of a "run" upon the Company and the possible forced liquidation of securities on a depressed market, but this does not affect the evil we have in mind.

The writer ventures to make a suggestion which he thinks may afford a partial alleviation of this mischief. It is in the nature of a bonus or reward to those who borrow upon their policies and who are prudent enough and self-denying enough to repay the loan within a reasonable period. Life Insurance Companies in general are now charging 6% per annum on policy loans. This rate is fully one per cent. higher than the average return earned by the general assets of the Companies. Any insurance corporation which earns a net return of 5% may be said to be doing well with its money. I would suggest that the rate of 6% be charged on all policy loans, and charged in advance when the loan is made. If the insured pays off his loan at the end of one year from the date of its inception a rebate of one per cent. of the interest he paid should be returned to him. National and Provincial laws may, as they are now formulated, interpose some practical objection to a plan of this nature, but it does seem that there are possibilities in it which are well worth the thoughtful consideration of those who are interested in improving present conditions.

It is with this thought that the writer ventures to make the suggestion, realizing, of course, that though it may be helpful, it can only go part way toward reaching the desired result; and hoping, also, that some abler mind may succeed in devising some more efficacious and practical remedy.