SCHEDULE RATING.

Fire insurance is an insurance of contingencies, and not of certainties. There is always an existing element of chance and uncertainty attendant upon every fire risk as to its destruction or continued safety, within a certain specified period of time. The control of these chances and confinement of outbreaks of fire within any reasonable limits has heretofore proved beyond the skill and experience of the most efficient underwriters, as is apparent from the increasing number of fires and volume of fire losses from year to year. These increases go on despite the utmost efforts of fire insurance offices and of fire departments to prevent, and lessen, the frequency of such occurrences.

FIRE INSURANCE AN INDEMNITY.

The intent and purpose of the fire insurance business is to indemnify such parties as may have availed themselves of the contingent security thus offered by the companies in the event of loss by fire to the subject covered by the policy. For this promised indemnity the insured pays to his underwriter an agreed ratio of premium upon the sum covered by insurance. What this ratio ought to be, or how it shall be apportioned, has ever been, and yet remains, a disputed question among fire underwriters, and as "cost" is the unknown factor in the proposition, the fixing of premium rates has heretofore been, and will continue to be, the "unsolved problem" in fire underwriting, until greater harmony of action and a practical system of classification of fire hazards, as indicated by fire losses, shall be found and generally adopted among the fire companies.

FIRE LOSS MAKES FIRE RATES.

It is the fire loss which makes the rate, and not the companies, whose only function in this direction is to carry out the law of their being, and divide, as best they can, this unknown cost among those who may desire to be indemnified for such losses when they occur. Hence, as fire losses rule the rates of premium, the logical result is that premium rates can only be reduced by a reduction in the number and volume of fire losses. Any practical method which will tend to this end, will reduce the price of fire insurance correspondingly.

Nothing in the progress of the business of fire insurance demonstrates more clearly that it is becoming better understood and appreciated, nor comes nearer to the solution of the vexed problem of price, than the system of schedule rating, backed up by the graduated co-insurance clause, whereby the rate, once found by schedule, is charged in the proportions of the amounts at risk to the insurance carried thereon.

WHAT SCHEDULE RATING IS.

Schedule rating—as distinguished from flat or specific rating—is a method of affixing prices by starting from a previously carefully considered basis rate fixed upon a perfectly constructed or standard building, fire-wise, of any of the various classes of insurance hazards, as dwellings, stores, factories, etc., and adding to such basis rate, under another carefully arranged subsidiary schedule, charges for deficiencies or departure from the requirements of such standard. At the same time the insured is given subsequently, due credit for the removal of, or any material improvements in, the shortcomings of the risk for which any extra charges may have been made; thus placing it within the ability and at the option of every insured, virtually, to fix his own rate within the limits of the standard. In this way schedule rating tends to individualize every risk by reducing inequalities in rates on risks of similar external appearance, though quite dissimilar in fire hazard characteristics internally, or otherwise, and still preserve the equities between the respective risks, each being rated upon its own approximation to or removal from the same standard basis.

The basis rate, which is the fundamental "guess," varies with each locality, and will always depend upon the place itself, fire-wise. The basis rate being once established, the application of the deficiency schedule becomes easy to the initiated. But the formulation of such a schedule will require a practical knowledge of buildings, fire departments, and other insurance subjects not usually found among tyros in the business.

NORTHERN OF LONDON.

The United States branch of the Northern Assurance Company of London makes an annual financial statement for the year just ended exhibiting total assets of $5,583,800.63, with a net surplus in the United States of $2,278,940.42 and an unearned premium reserve of $2,878,369.70. Each of these important items shows a handsome increase. The Northern of London is one of England's strongest insurance institutions and has been transacting business in the United States for many years. Its agency plant has become more and more valuable and it secures a large share of the best business in the field.

POSSIBILITIES OF A REAL IMPERIAL LOAN.

While Sir George Paish is quite logical in his contention that in the present economic situation the natural source for fresh supplies of capital for Canada during the next few years would be New York, the success of the latest British War Loan and the willing acquiescence of the British people in the new and formidable war taxes suggests that this war may yet produce a great Imperial Loan in which every section of the Empire would have a recognized status and would assume a definite share of the obligations created. This may be a dream far from fulfilment, but one has to run beside the marching facts of the present day history to understand the astonishing progress towards the interlacing of the affairs of the Empire which the present crisis is contributing, so much more than many years of peace, to produce.—*Journal of C. B. A.*