

# Municipal Fire Insurance.

FEBRUARY 1901.

COMMUNAL Insurance is no novelty. Just before the great Fire of London in 1666, a scheme of Fire Insurance was put forward by "several persons of quality and eminent citizens of London." But when the project was brought before the attention of the Common Council of the City of London, it was rejected on the ground that they thought it "unreasonable for private persons to manage such an undertaking, or that any one but the City should reap the profits of the enterprise." In 1681 compulsory Municipal Insurance was actually adopted, but, after a year's trial, the premiums were returned and the scheme abandoned. Since this period the business of fire insurance has in England fallen entirely into the hands of private companies, which have for generations made it a source of steady income to their shareholders.

## Profits of Fire Insurance Companies.

At present the business is mainly in the hands of a ring of large companies which agree together to keep rates at a highly profitable level. The following particulars of a few companies dealing exclusively in fire risks show that the business, in some cases, even allowing for the heavy commissions paid, yields very large dividends:—

Name.	Amount of Share.	Dividend for 1899.	Price 31st Dec., 1900.
County Fire ... ..	£10 originally paid	Div. £10 (100 p.c.)	215
Imperial Fire ... ..	£2 " " "	" 25/- (62½ " )	24½
Law Fire ... ..	50/- " " "	" 17/6 (35 " )	16½
London & Lancs. Fire	50/- " " "	" 12/- (24 " )	18½
Norwich Union Fire ...	£12 " " "	" £5 (41½ " )	118
Sun Fire ... ..	10/- " " "	" 8/6 (85 " )	10½

## Who Pays for Prevention of Fire.

These dividends are obviously increased by the efficiency of modern fire brigades, which are paid for by the ratepayers. In London it was the companies who first started fire engines, and the London companies have ever since been penalized for their enterprise. But even here they only contribute £35 for every £1,000,000 insured, that is, 2 to 4 per cent. of their premiums, or a total of £30,548 out of the £244,593 which the Fire Brigade cost in 1898-9, including interest and repayment of capital. Pending the establishment of Municipal Fire Insurance, the companies might well be compelled, out of their large fire profits, to increase their contribution in London, and to pay at a similar rate wherever fire brigades are formed to protect their property.

In other countries Collectivist methods have already been applied to fire insurance.

### Government Fire Insurance in Switzerland.

In Switzerland, there is a system of Cantonal Insurance against fire, which in some cases is compulsory. In the Canton of Zurich, which contains about 350,000 inhabitants, the lowest rate for first-class risks was, till the year 1895, one franc per thousand francs insurance value, equal to 2s. per £100. In 1896, as the Cantonal Government had accumulated in the course of years a very considerable surplus, the rate for first-class risks was reduced to sixty centimes per 1,000 francs, equal to 1s. 2½d. per £100. The charge for insuring against fire on a silk-mill in Zurich is from 1s. 10½d. to 2s. 9½d. per £100, while in Bradford (Yorkshire) for worsted mills it is about 8s. per £100. In the town or canton of Basle, which has about 75,000 inhabitants, the lowest rate is 1s. 0½d. per £100. In Berne the rate is 2s. In 1894 over 32½ million pounds were insured by the Swiss cantons; for ten years 1884-1894 the average premiums were 3s. 8d. and losses 2s. 10d. per £100.

### Municipal Fire Insurance in Germany.

Municipal insurance of buildings is general in Germany, where each town and district has one mutual society or sometimes several, all under municipal control. For example in Berlin, where the plan dates from 1718, all buildings must be insured at a valuation made by officials according to rules. Every year the premium rate is fixed according to needs, and is collected as a rate. A few buildings, such as theatres, are charged above the regular tariff. Only on four out of 31 years to 1896 has the rate exceeded the lowest premium charged in London, and of this rate from one-third to one-half is expended on the Fire Brigade. The average rate for 10 years to 1896 was 10·9d. per cent., of which about 4·6d. went to the Brigade.

In 1896 the sum insured was nearly 181 millions sterling; £72,908 was received in premiums, £31,388 paid in losses, £32,783 contributed to the Fire Brigade, and expenses were £5,706. A fund of £44,312 has been accumulated out of surpluses.

### What Insurance Costs our Municipalities.

A return of the insurance of County Councils, County Boroughs and non-County Boroughs, published by Mr. W. H. Lloyd, Northumberland County Accountant, in the Financial Circular of the Corporate Treasurers and Accountants' Institute shows that the property of 377 municipal authorities was insured in 1899 for £23,351,758, the annual premiums being £27,149. The amount of compensation received for damage by fire during 20 years was £100,806 (including £26,541 lost in the West Ham fire in 1899), the sum paid in premiums during that time being £445,794, showing an excess of premiums paid above the amount received for damage by fire of £344,988.\*

Bolton Town Council in nine years paid £71,998 for premiums to fire insurance companies, and only received during the same

\* There is not room for full details of the data from which these figures were obtained; and they have been corrected because the amount of the West Ham loss was ascertained after they were prepared.

*Insurance, Fire - United Kingdom;*

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period £5,775 in compensation for damage. In Bradford the Corporation would have saved £8,250 in twenty years if it had not insured the Corporation buildings at all. The non-County Boroughs in Lancashire paid in twenty years £118,409 for insurance premiums and received in return only £7,499. At Leicester the premiums paid to companies every year by the Corporation amount to £270, for which in twenty years only £40 was received in compensation from the companies.

The Glasgow Corporation during the twelve years ending December, 1899, paid in premiums to fire insurance companies £20,868, receiving in compensation for fire losses from the companies in the same period £7,261. The fire brigade department of the Glasgow Corporation has shown that a premium of 5d. per annum per £100 rateable value would suffice to cover all losses. The minimum charged by the companies is 2s. per £100, and sometimes the premium rises to 4s. or more per cent.

#### Progress in Great Britain.

Glasgow and Nottingham by their Acts of 1898 obtained power to form funds for the insurance of their corporate property. Bradford, as far back as 1896, began to insure its municipal property by laying aside £5,000 a year out of the profits from gas, as a reserve against loss by fire.

Other cities which are moving in the same direction are Manchester, Leicester, Birmingham, Sunderland and Bolton, while the County Councils' Association has come to the conclusion, after an examination of fire insurance statistics for nine years, that the present system of insurance with private companies is extravagant, and that large savings would be effected if a sound scheme of mutual insurance could be devised by the creation either of separate municipal funds or of a common fund for several municipalities.

#### London School Board Scheme.

An Insurance Fund was formed in 1878, and on 25th March, 1900, amounted to £36,173 17s. 4d., while the charges on the fund on account of fires up to the same date amounted to only £2,647 18s. 1d., so that the fund has been a financial success. At the end of the year 1893, the fund, which was raised by setting aside a yearly sum equal to the difference between the sum still paid into private insurance offices to meet special risks, and the amount which had been previously paid to such offices to meet all risks, already amounted to about £30,000, and the Board then decided that this sum, together with the interest of about £1,006 derivable from it, would be sufficient to meet all normal risks, and that after the 25th December, 1894, no further payments should be made into the Fund (except, of course, the interest). All cases of special risk (such as schools near timber yards) are still insured in insurance offices, but all other property is considered to be automatically insured in the Board's Fund.

It is clear that public opinion is ripe for Municipal Insurance of Public Property. Every local authority ought at once to be autho-

rized to form a Fire Insurance Fund, and to combine with any other local authorities for this purpose. But we go further than this. We want

### Municipal Insurance of Private Property.

It is absurd that public authorities which provide fire brigades at the expense of the ratepayers should be unable to recoup themselves by insuring against fire. Every pound now spent on increasing the efficiency of the brigade ultimately finds its way into the coffers of the insurance companies. We want the prevention of fires encouraged by letting local authorities benefit directly through the efficiency of their brigades. Town Councils would quickly do profitable business at low rates, because of the perfect security they offer, and of the local patriotism of the citizens. We might even go a step further in the extension of municipal insurance from buildings to personal property. A beginning could be made by allowing the tenants of municipal dwellings to insure their furniture for a small premium, which could be collected with the rent. The cheapness of this method would be a great boon to many poor people.

### Compulsory Common Sense.

The insurable value of the buildings of London being estimated at £240,000,000, the total of insurance premiums, at an average rate of 1s. 6d. per cent per annum, less £35 per million contributed by the companies to the Fire Brigade, amounts to £171,600. At the net Berlin rate, 6 3/4d. per cent, the cost would be £63,000. The difference, £108,600 per annum, is the cost to London citizens of its perverse individualism. The logical German method of compulsory municipal insurance appears in fact to be simply compulsory common sense.

### AUTHORITIES.

Walford's *Encyclopedia of Insurance*; Financial Circular of the Corporate Treasurers and Accountants' Institute, Dec. 1899.

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