

## What is the National Board of Fire Underwriters?

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Volume 17, numéro 2, 1949

URI : <https://id.erudit.org/iderudit/1103156ar>

DOI : <https://doi.org/10.7202/1103156ar>

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Éditeur(s)

HEC Montréal

ISSN

0004-6027 (imprimé)

2817-3465 (numérique)

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Citer ce document

Mallalieu, W. (1949). What is the National Board of Fire Underwriters? *Assurances*, 17(2), 84–90. <https://doi.org/10.7202/1103156ar>

## What is the National Board of Fire Underwriters? <sup>(1)</sup>

By

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*General Manager of the National Board of Fire Underwriters*

*La N.B.F.U. rend aux Etats-Unis, les plus grands services. On en trouvera une étude assez précise dans ce document que nous empruntons à l'American Agency Bulletin. Comme on le voit, il y a un certain rapprochement à faire entre le N.B.F.U. et notre Canadian Underwriters' Association. Le second document, que nous reproduisons dans notre prochain numéro, l'indique bien. — A.*



The story of the N.B.F.U. goes back more than 80 years. Fire insurance companies had been active in America since the days of Ben Franklin, who was one of the founders of the first company in the U. S. But the business in earlier days was never stable. A number of companies perished with every conflagration. The alarm bells sounded for the great New York fire of 1835, for instance, were the death knells for dozens of fire insurance companies.

After the Civil War, disaster again faced the nation's fire insurance companies. Rate wars were wiping out profits. A wave of incendiarism, climaxing in the great fire of Richmond, Va., threatened to send many companies to the wall. In one year fire losses had jumped from \$29,000,000 in 1864 to \$43,000,000 in 1865. But instead of fighting fire, many companies seemed determined to fight each other.

A few leading insurance men broached the idea that fire insurance companies might stabilize their industry and reduce the loss of lives

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<sup>1</sup> Extrait de *American Agency Bulletin*.

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and property by working together through one central agency for the good of all. To the surprise of almost everybody, insurance men were enthusiastic about the idea. So in 1866, the N.B.F.U. was founded.

But soon the same companies that formed the board with such high minded purpose were at each other's throats. The public demanded lower rates. Rate wars seemed the only answer. Companies left the board to cut rates. Other companies mush-roomed for only one purpose, to grab premiums, with no regard for stability or ability to meet losses.

By 1869, only the fidelity of an office clerk saved the National Board from oblivion. The president of one of the few surviving companies suggested that the clerk take the last of the Board's dwindling funds and go off on a spree. Fortunately for the future of the fire insurance business, and probably for the nation as well, the clerk refused to go.

It took two major disasters to alert the drifting members of the National Board to unified action. The Chicago fire of 1871 destroyed \$175,000,000 worth of property. Sixty fire insurance companies were wiped out. The surviving companies had barely recovered from that blow when Boston was devastated by a conflagration that destroyed another \$75,000,000.

"It will require only one more disaster," the National Board president told the companies. "You are nearer the edge of the precipice than you ever were before."

To their consternation, the companies also discovered that Chicago was being rebuilt just as flammable as before. No heed was being paid to the city's new building laws. In desperation, the companies warned Chicago that unless the laws were enforced, fire insurance protection would be withdrawn. Chicago officials pondered this only briefly, then hired an Army general to enforce the law.

In other cities too, the companies found that the threat of withdrawal of insurance protection was sufficient to destroy official indifference to the principles of safety. A similar threat brought enforcement of building laws in Rochester, N. Y. And so, the National Board found that its greatest effectiveness lay not in policing member companies, fixing rates and agents' commissions, but in performing public service for the companies and the nation in all-out efforts to

reduce the fire loss. In 1888, it abandoned all rate-making functions and concentrated on its great objective, public service.

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In 1893 it made its first great step —a momentous one for the nation, as later events proved. Electricity made its bow to the world at the Columbian exposition in Chicago. Fires broke out constantly in the haphazard electrical installations. Some insurance companies hired a young Boston engineer, William Henry Merrill, to find out more about this strange new force, electricity. Merrill set up a laboratory, studied fire hazards, and made recommendations for the safe use of electricity. This laboratory research was so effective in controlling fires at the exposition that the suggestion was made that similar research be started on other fire hazards as well. Thus was started the famed Underwriters Laboratories, Inc., to which the fire insurance companies of the National Board of Fire Underwriters contributed initial support. Today, Underwriters Laboratories, Inc., stands supreme as a guardian to the entire nation against the hazards of fire, shock, and casualty inherent in man's machines.

In those days, some American city was hit each year by a conflagration that wiped out whole city blocks. One such conflagration was destined to have a profound effect on the fire insurance business. In February of 1904 a small fire, probably started by a burning cigarette, broke out in the basement grating in a store building in downtown Baltimore. Hardly noticed at first, that fire grew into a conflagration that burned for four days, destroying 30 city blocks. Fire departments in Washington, Philadelphia and even New York came by special train to fight the Baltimore fire. When they arrived, their hose and engines were useless, because New York's hose couplings didn't fit Baltimore's hydrants. A loss of \$50,000,000 jarred the insurance companies. At that moment, the National Board's drive for uniform hose couplings began.

It also occurred then to thoughtful fire insurance men that such conflagrations could be predicted. Indeed, that section of Baltimore had previously been recognized as hazardous. Was it necessary that these conditions prevail in other American cities? Why must conflagrations march through American cities one by one, destroying what had taken years to build? These men reasoned that since these conflagrations could be predicted, steps could also be taken to prevent.

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To see what conditions prevailed in other cities, the fire insurance companies authorized the National Board of Fire Underwriters to make inspections of the 55 largest cities. Even as the first surveys were under way, a \$12,000,000 conflagration swept Toronto. Insurance men wondered where the conflagration terror would strike next.

They had not long to wait. The surveys made in 1905 showed that conflagration conditions existed in all 55 cities. The governments of 42 of these cities, shocked by the National Board reports, began improvements in fire fighting facilities that cost a total of \$27,000,000. One of the cities which failed to act was San Francisco, in spite of the National Board report which said:

“San Francisco has violated all underwriting traditions and precedents by not burning up. That it has not done so is largely due to the vigilance of the fire department, which cannot be relied upon indefinitely to stave off the inevitable.”

Six months after this report was written, the earthquake of April 16, 1906 provided the spark that set San Francisco ablaze. With the water supply wrecked, crowded and combustible San Francisco suffered the worst disaster ever to strike an American city. In this blaze, all the profits earned by the fire insurance companies since 1860 were wiped out. However, the companies made the greatest insurance payment in history, paying \$200,000,000. This insurance payment enabled San Francisco to rebuild. As one San Franciscan remarked recently, as he surveyed the city from Nob Hill, “If you want a monument to capital stock insurance, look about you.”

From this time on, the inspection of cities and municipal fire fighting facilities became a major function of the National Board. Teams of engineers are constantly in the field, inspecting more than 50 cities a year, making tests, checking water pressures, and making recommendations. Nearly 500 cities over 25,000 population now depend on the periodic inspections by National Board engineers for impartial reports and recommendations to improve their fire defenses.

These inspections, designed specifically to determine and measure a city's conflagration hazard, have been perhaps the major factor in reducing the threat of conflagration and improving municipal fire protection.

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All the municipal inspections are under the supervision of the National Board's Committee on Fire Prevention and Engineering Standards, whose work even goes far beyond probing the fire defenses of cities. The Board's engineers study the fire hazards of industry and prepare standards for the safe operation of industrial processes. Thousands of products are manufactured safer, hence sold cheaper because of this loss reduction work.

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A new research division is now at work studying the hazards of new industrial processes, and new hazards which have developed as result of modern industry's using dangerous chemicals in greater quantities than ever before.

In addition, the engineers pass on the knowledge gained in their work to the nation's fire department, by providing a free bulletin information service, with 30,000 subscribers. The engineering department also serves as clearing house for fire safety information for municipalities and industry.

The skill and know-how acquired by these fire insurance engineers has served the nation in war as well as peace. During World Wars I and II, National Board engineers, supplemented by engineers from the insurance boards and bureaus, were loaned to the government on \$1-a-year contracts, to inspect and safeguard military establishments, naval shore installations and waterfront facilities.

Today, work of the National Board of Fire Underwriters renders more service to the people of the United States than ever before. The engineers have resumed their inspections of cities, examining and reporting on more than 50 a year. The research division studies the fire hazards of new industrial processes and new chemicals, more of which seem to appear every year. More and more cities request technical aid in framing building laws; the National Board's own National Building Code, which pioneered in this field, has been revised and will be published next year.

Combating arson was one of the purposes in founding the National Board in 1866, after a wave of incendiarism swept the country. Today the investigation of arson is still a major contribution of the Board to the public welfare. A staff of investigators, headed by A. Bruce Bielaski, who was director of the Department of Justice Bureau of Investigation in World War I. studies incendiary fires and fires

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of suspicious origin in all parts of the country. At the request of local authorities, these investigators succeeded in breaking the arson rings that operated in the 1930's. Today not a single ring is doing business in the U. S.

But there's far more to the National Board than engineering, research and arson investigation. Every agent knows that the legislature of his state introduces several bills affecting the insurance business each session. A business operating countrywide has to study matters affecting it not only in your State Legislature, but in all 48 State Legislatures as well. The Committee on Laws maintains a legal staff that keeps member companies posted on all matters affecting insurance in all these government bodies.

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Every agent knows, too, that insurance rates are based largely upon "experience" from the losses that have occurred in the past and might be expected to occur in each occupancy according to the Law of Great Numbers, or Averages. The figures forming the basis of fire insurance experience are those gathered by the Actuarial Bureau of the National Board of Fire Underwriters. The card punching and card sorting machines of this department annually tabulate hundreds of thousands of fire insurance claims (since Jan. 1, 1948, the claims under extended coverage as well) and send reports as required to insurance commissioners, fire marshals, rating bureaus, and member companies.

Agents in many parts of the country have come to know of the adjustment activities of the National Board, chiefly through the operation of its "Catastrophe Plan." Under its Committee on Adjustments, the National Board opens supervisory offices in disaster areas, such as Texas City, to expedite the handling of large numbers of claims. Working in close cooperation with local agents and the adjusters, the Catastrophe Plan office brings in adjusters as needed from other parts of the country, spot checks loss reports to see that fair and equitable adjustments are made, and sends the papers on to home offices. Catastrophe Plan offices help build good will for fire insurance because they enable losses to be paid quickly, thus bringing in money urgently needed for rebuilding stricken communities.

All activities of the National Board are directed toward a common goal; to reduce the cost of insurance by effective, soundly-en-

gineered program of loss reduction. Technically it is possible to prevent all accidental fires. But what about the fires caused by sheer carelessness and negligence? Engineering is of little value against the destructive potential of the careless smoker, or the 10-year-old moppet with a match. Sound fire prevention therefore calls for education of the public. The National Board, therefore, gives major attention to its public relations program.

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To curb the careless smoker and acquaint the public with the dangers of fire, the National Board advertises nationally in leading magazines; it prepares a wide variety of fire prevention literature, including attractively printed booklets. It supplies speeches and other material to agents and fieldmen. It maintains constant liaison with the press and radio.

Fire Prevention Week is only one of its major activities that serve to bring the cause of fire safety to public attention. The National Board encourages communities to observe Spring Clean-up Week, to correct Christmas holiday hazards; it joins other agencies in promoting forest fire prevention and farm safety.

However, the public relations program of the National Board is a two-pronged campaign: fire prevention and public services of the fire insurance business. Few businesses render so many worthwhile services to the public above and beyond what might be expected of them as the fire insurance business. The National Board is not reticent in telling the public of these good deeds. Using it as a major theme of an extensive public relations program, the National Board builds good will for everybody connected with the business.

In a larger sense, the National Board itself is an amazing public relations operation, for all the engineering, research, technical services, statistic-gathering, legal work building codes, and safety education add up to a program of service that is the best kind of public relations for the capital stock fire insurance business. This work benefits every agent. It is also one of the reasons why capital stock insurance has won respect and good will.