

banks should be made to include all the New York City national and state banks and trust companies. (At present it includes only the clearing house institutions—about half the total number). Then the statement would become more valuable and trustworthy as an index of the real banking position of the central reserve and city. Next, the practice of paying interest on the balances of interior banks should be abolished. "Country banks, attracted by the interest offered by the New York banks, transfer to this city the deposits they cannot use at home, and leave them here till the movement of the crops or other local conditions call for the money at home, and then they draw on their New York correspondents. This results in an unnatural glut of money at one time and a dangerous scarcity at another."

If the New York banks, when they received the extra deposits from the interior in the summer months, allowed them to swell their cash reserves—in other words if they were to keep the funds unemployed in their vaults—there would be little disturbance when the interior recalled its money. But such a practice would result in loss, as the New York banks pay 2 p.c. for the funds, and it would not do to have them lie idle. Therefore they must be put out at call on the stock market; and the power of putting them out and of calling them in gives the New York bankers an increased dominance over security prices.

Another evil is the intense competition existing among the big Metropolitan banks for country business. A moderate amount of competition is healthful, but here it goes to extremes. The banks go so far as to maintain travellers or drummers whose business it is to scour the country in search of customers. The editorial concludes that if they instituted these reforms along with one or two others of minor importance, "the New York bankers themselves would at once remove the most serious evils which now menace the money market."

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#### MERCHANTS' ASSOCIATION OF NEW YORK.

REQUEST THAT NO INSOLVENT FIRE INSURANCE  
COMPANY BE PERMITTED TO DO BUSINESS  
IN THAT STATE.

The principal topic in insurance circles is the news that had leaked out that there had been some lively correspondence between the Merchants' Association of New York and the Hon. Otto Kelsey, State Superintendent of Insurance, regarding the condition of fire insurance companies doing business in this State. The association, it became known, had urged the Superintendent of Insurance to examine the fire insurance companies, saying that a number were badly impaired, if not bankrupt. In reply the Superintendent politely intimated to the Merchants' Association that the De-

partment would endeavour to discharge its full duty, but did not intend to make announcements of its intentions.

The Chicago dispatch in "The Journal of Commerce and Commercial Bulletin" referred to in the letter of the Merchants' Association was as follows: "Members of the governing committee of the Western Union say that complaints of rate cutting and applications for relief are much fewer than usual. They admit that some companies are cutting rates, but say that they are usually concerns that have been so hard hit by the San Francisco conflagration that they are reckless of the consequences, and that their condition is so generally understood that the effect is not serious."

The correspondence is as below:

July 26, 1906.

Hon. Otto Kelsey, Superintendent State Insurance  
Department, Albany, N.Y.:

Dear Sir—We are informed by the chairman of the Committee on Fire Insurance of this association that it is current talk in insurance circles that a number of fire insurance companies, badly impaired, if not bankrupt, are being permitted to do business in this State.

Enclosed herein you will please find a clipping taken from "The Journal of Commerce and Commercial Bulletin" of its issue of the 25th inst., which contains a dispatch from Chicago in which allusion is made to rate-cutting by companies that have been so hard hit by the San Francisco conflagration that they are reckless of the consequences. From the same clipping you will note that the president of the Home Fire & Marine Insurance Company of San Francisco, admitting the insolvency of his own company, says: "Many of our reinsurers who at first were as confident of their ability as we were of ours, may be able to pay only a fraction of their losses."

From information received it is believed that some of these insolvent companies continue to do business in the East and to make prompt settlement of small losses while their adjusters on the Pacific Coast are doing everything in their power to scale down claims and defer settlements on the plea of inability to pay in full.

This is a matter of the gravest importance to the commercial interests of this city, so largely represented in the Merchants' Association. Property owners generally look to the Insurance Department of the State of New York to protect them by preventing the insolvent companies from doing business within the State.

The sworn statements of conflagration losses filed with your department, doubtless, furnish you with sufficient information to determine which companies are still responsible and entitled to continue business. The showing made in these statements