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*BRYCE, McMURRICH & Co.*

34 Yonge Street, Toronto.

THE MONETARY TIMES,  
AND TRADE REVIEW.

TORONTO, CAN. FRIDAY, DEC. 27, 1872.

AN INSURANCE COMMISSIONER.

## II.

The reasons that we urged last week for an effective system of supervision and control of the transactions of fire insurance companies, in order to ensure soundness and solidity, are not only applicable, but apply with much greater force to life insurance. The nature of the insurance contract is such that its benefits are only available in the hour of adversity. If there is any failure to make good the loss so far as the contract calls for indemnity, the disappointment happens at that particular moment when the sufferer is in the worst position to bear it. It is, therefore, of great importance that institutions which undertake such contracts should unquestionably be in a position to fulfil them.

The liability under an insurance policy is a contingent liability. The mere fact that an insurance company is able to pay its direct debts due and payable at a given time, is not a proof of solvency. It is scarcely necessary to repeat what is so well known, that an insurance company, more especially a life company, may be hopelessly bankrupt for a series of years, and yet pay all its current losses and expenses. When the fact is at last discovered it is always after the mischief is beyond remedy. And it is only by applying a test which the nature of the business renders necessary, that it can be known

whether an office is able or not at any given time to pay twenty shillings in the pound.

Let a life insurance company go on steadily increasing its business say for twenty years, though spending money with fatal recklessness, it may pay all demand obligations and still be travelling the direct road to certain ruin. It is not a sufficient answer to this statement to say to that policy-holders should investigate and make themselves acquainted with the position of an office to whose charge they have committed their funds. The large majority of them are not capable of making an intelligent investigation; and while it is true that journals devoted chiefly to these subjects afford special information of the kind wanted, yet these are not universally consulted. If a company is dishonest or improvident, the matter is apt to go by default until its policies are worth no more than the paper on which they are written; though professing to secure to the dependent and the helpless the provision that paternal kindness and foresight has made, they fall into ashes as it were at the touch—prove but broken reeds when it becomes necessary to lean upon them. Such a business as life insurance should not be made the subject of speculation. It is a legitimate and desirable field for the employment of capital, but it is the clear duty of the government to see that the capital is there, that the funds are intact with which to honor any life contracts into which a company is allowed to enter.

Had we an Insurance Commissioner, armed with the necessary powers and guided by the well-established principles of life insurance, we should not have such an institution as the Citizens Insurance Company of Montreal flaunting its delusive announcements in the face of the public—advertising to the world a million dollars of capital when it really has not \$10,000 paid up in cash. Neither would such a wild-cat concern be allowed to transact four different kinds of insurance—Fire, Life, Accident, and Guarantee, with but \$10,000 capital. As well might a birch canoe spread the sails of a double-rigged merchantman; in either case the catastrophe may be regarded as about equally certain. Companies should be prohibited by statute from advertising anything but paid-up capital, as they now are in the State of N. Y. That a Company should write such large lines as this Citizens does—so that double its capital may be (as it has been) consumed in a single night, and at the same time undertake to pay large sums to widows and orphans thirty and forty years hence, without a reasonable certainty of having the funds to pay with, is one of those

abuses which always spring up in the absence of due and effective restraints. Fortunately, as we have reason to believe, our warnings in this case have not fallen unheeded upon the public ear, and, therefore, that has been prevented in a measure which we might otherwise have reason to deplore. We cite this instance out of a number that might be adduced, because it presents the most noted violation of the principles of life insurance that we know of in this country.

A salutary effect of wise governmental supervision would be to impart greater confidence in Canadian companies by giving the public the fullest and most satisfactory assurance of their soundness. The business would be placed on an uniform and healthier basis; and being, in consequence, more successful, would invite capital and promote competition. The patronage of the offices would be greatly increased. It is well known with what rapidity the business of life insurance has grown amongst us even though the policies have been sent from abroad; but had we once impressed on the public mind the fact that home companies were as successful, as safe, and as liberal as the best of those organized and conducted in other countries, and which now carry out of Canada such large sums annually, the result would be a more general resort by our people to the benefits of life insurance. In advocating the organization of an Insurance Department, therefore, we are confident that the best interests, both of the companies and the public, will be furthered by such a measure.

## DANGEROUS LEGISLATION.

Our attention has been for the first time called by some remarks passed at a late meeting of the Toronto City Council to a piece of dangerous legislation that needs to be pointed out. When some objection was taken to the passage of a by-law to aid the Credit Valley Railway Company by a bonus of \$100,000 it was replied that the Council had no option in the matter; they were bound to submit the by-law. In the Company's amended charter 35 Vic. Cap. 47, Sec. 6, it is enacted by the Ontario Legislature that (we give the substance) "in case fifty persons being freeholders and qualified voters petition the council of a municipality, expressing the desire of the petitioners to aid in the construction of said railway by giving a bonus to the company and stating the amount which they desire to grant and be assessed for, the council of such municipality shall within six weeks after the receipt of such petition introduce a by-law and