

LEGITIMATE FIRE INSURANCE VS. HIGH RATES.

In noticing last week the unsatisfactory results to the fire insurance companies of their transactions since the commencement of the present year, we threw out the suggestion that the present is not the time to reduce rates as some companies are doing. Viewing the question with reference to the companies, finances this is the only conclusion to which we can come; but there is another and broader view of the subject, in the light of which rates appear not only high enough, but so high as to be capable of a considerable reduction without detriment to the interests of the companies, and with great benefit to the public. In so far as high rates are a compensation for the effects of bad management, careless underwriting and illegitimate practices they are to be deprecated and censured. That all these exist and abound is undeniable. Having recently given some attention to the subject we have been surprised to find how little the companies try to know of the character of the risks they assume: verily

"A primrose by the river's brim,
A simple primrose was to him,
But it was nothing more."

Or, in other words, a grist mill is a grist-mill, whether the smutter is in the basement or in the attic, whether the smut is cleaned out or left to burn out, whether open lights are used or not, whether the miller is a sober man, or the mill is left running whilst he goes for drinks. A wool-len mill is all the same whether there are, or are not, proper regulations for ventilation of drying rooms, disposal of oily waste, lighting of rooms, drilling of employees as instantaneous fire extinguishers, and so on through the whole course of the special hazards with which our country must necessarily abound.

The consequence of this indiscriminate and careless way of doing business is, first, to discriminate against the careful proprietor, inasmuch as he sees that he fares no better at the hands of the companies than does his most careless competitor; and second, by this encouragement of carelessness, to cause the destruction of property and the consequent impoverishment of the country.

It should always be borne in mind, that property burned is property lost to the country for ever. Burn up a warehouse full of grain, and for money you may replace the building with the materials and the labour which might have gone to build another, but yet there is one building less in the world, and so much the less grain. Suppose even that the individual may

actually gain by his arrangement with the company, the country is none the less a loser for all time. Fire losses are more disastrous in their effects than extravagance or theft, inasmuch as in these latter cases the property remains, having merely changed hands; but in the former case it for ever disappears, and no human agency can restore it.

Companies have for years escaped loss on pet classes of risks, as they may on a line of benzine factories or powder houses, or slovenly saw mills, or houses with stove pipes through the roofs of summer cook sheds, or saloons or any other abominations; but, the inexorable law of average will eventually assert its existence and will demonstrate that the losses bear an exact proportion to the hazard of the risk. Consequently, if every property were divested of its well-known, self-apparent, and easily remedied avoidable hazards, there would only remain those which are inherent; these latter are all that any insurance company can rightfully assume, and these we doubt not they can profitably carry at even less rates than they now obtain.

Low rates encourage the more general practice of insurance, for although a man, *bound to burn*, may not care what rate he pays, yet it is well known that high rates deter many honest people from insuring at all, or cause them so to restrict their lines, as that if a fire occurs, it results in total loss to the companies. The volume of premiums would be materially increased, and, as the improvement in practice would result in fewer losses, the net gains of the Companies would be very much larger.

We shall not pursue the subject further at present, but intend at another time to call attention to the very peculiar contracts made by certain insurance companies to secure business at wholesale, and by which the fixing of rates is handed over to other parties than the Companies themselves, and everything like discrimination of risks is wholly ignored.

THE SUSPENSION OF THE MECHANICS' BANK, MONTREAL.

It is in many respects unfortunate that another bank suspension should have to be chronicled so soon after that of the Jacques Cartier Bank. The evil, however, will be confined within a very limited circle. The bills of the Bank circulated to a very small extent, only a little over \$100,000, and principally in the City of Montreal. And there is no danger of any one losing by taking them. The deposits too are small, being less than \$350,000 in all. The provisions of the new Bank Act

are such that the stockholders can be compelled, after the lapse of six months, to pay up a sufficient amount to discharge all these obligations. The whole liabilities of the Bank only amount to \$460,000, while the amount that the stockholders could be called on for is \$550,000. The subscribed capital is \$500,000. Of this there is still unpaid \$44,000. The stockholders can be called on for this, and beyond it for a further sum equal to the whole subscribed capital in addition. The creditors of the Bank are therefore in the securest possible position, and no harm can come except delay. For of course the Bank has some assets that will begin to be made available. The stockholders, however, are liable to be called on after six months in any event. The cash we are now informed has mostly been abstracted. The defalcation is stated to be over \$100,000. We know not who is responsible for this statement, but we take leave to say that it is utterly incredible. The Bank had only \$140,000 of cash in all, when its last statement was published. Of this a considerable amount consisted of cheques on other banks, probably \$40,000 at least. It is utterly absurd, then, to imagine that a Teller could make away with every dollar of actual cash in the Bank, and, singular to say, he is still at large. The story must be a very gross exaggeration, if there is any foundation for it at all. Sometimes, however, such stories are promulgated in order to cover the consequences of mismanagement. It may be so in this instance. That the Bank has been mismanaged is notorious. This is another of the concerns which from the beginning have been in the hands of men with no banking experience. In some respects the Mechanics' Bank stood by itself and could scarcely be called a bank at all. It grew out of a broking business which for years was a medium for obtaining loans on risky securities at high rates of interest. In the vulgar parlance of the street, this concern was a "shaving shop." It was so before it became a bank, and it has maintained the same character since. Of respectable and legitimate banking it has done very little. No judgment of Canadian banking can be formed from its short career. There is as much difference between this and the solid banking institutions of Canada, as between a well established mercantile house of large capital and a speculative concern which is here to-day and gone to-morrow.

—Letters patent have been issued incorporating the Bay of Quinte and Oswego Navigation Company, with a total capital stock of \$45,000, divided into ninety shares of \$500 each.