

THE GUARDIAN ASSURANCE COMPANY.

The leading position held amongst insurance companies by the Guardian renders its annual report a matter of more than usual interest not merely to the stockholders and the policy-holders but to all who keep in touch with the active business of the Empire.

For 84 years the Guardian has justified its title by being the guardian which in many thousands of instances has stood between its policy-holders and ruin, or serious financial embarrassment. Throughout those years it has maintained the highest reputation for conducting its business on those lines of prudence and underwriting skill which are essential to permanent stability, to growth in popular confidence and to financial success as well from the policy-holders' as from the stockholders' point of view. This success has enabled the company to meet all legitimate claims promptly and to effect settlements on the most liberal terms. One commendable feature in the administration of the Guardian has been to recognize the supreme safety of providing for every contingency and not anticipating profit until all liabilities have been determined. Although this very strong company has a paid-up capital of \$5,000,000, and a subscribed capital of \$10,000,000, the shares in which are held by a highly substantial body of stockholders, the management has never shown any sign of relying upon this as a reserve, but has steadily followed the policy of building up reserve funds ample for every contingency that could arise.

Owing to the withdrawal from the United States the company escaped loss by the Baltimore conflagration, but shared the fate of its neighbours and competitors in the one at Toronto last year.

The fire premiums, inclusive of burglary business, after deducting reinsurance amounted in 1904 to \$2,539,325, against \$2,376,645 in 1903, the increase being \$162,680, a fair proportion of which increase was derived from the Canadian business. The net losses were \$1,422,955 against \$1,131,415 in 1903, showing the increase to be \$291,540. The loss ratio on the fire and burglary insurance premiums for 1904 was 56.03 per cent. compared with 47.6 per cent. in previous year. Last year, like 1889, was marked by numerous conflagrations which seem to break out like epidemics in the most mysterious manner without any common cause. Against these periodic disasters fire companies must provide or put their policy-holders interests in danger. Against injury by such adverse experiences the Guardian is amply provided. The total fire insurance fund at the end of 1904 amounted to \$3,273,750, of which \$1,118,750 is the "Premium Reserve due to policies unexpired on 31st December, 1904," and \$2,155,000 is the "General Reserve Fund," all of which is available for paying fire claims in addition to the current income.

The company owns assets to extent of \$26,149,320. The net cash received for Canadian premiums last year was \$547,241, and net cash paid for losses \$446,445, respecting which the only consolation is that the loss ratio is far below that of many other companies. The sufferers whose disasters were mitigated by receiving payment of claims are still congratulating themselves that they were insured in so strong and so liberally managed a company as the Guardian. Mr. Lambert is keeping up the very honourable reputation and steadily enlarging the business of this substantial fire insurance company which stands in the front rank of these institutions.

BANKS AND BOND UNDERWRITINGS.

Among the minor causes of unsettlement in Wall Street during the recent decline, was the failure of the Merchants' Trust Co. This concern, like many other trust companies, did a regular banking business and held a considerable amount in public deposits. Its fall was owing to the fact that, almost from the beginning of its career it employed the bulk of its money and the money of its depositors in underwriting securities for which no market existed. These securities were issued by concerns in which the trust company directors were deeply interested. It seems that the bank examiner for the State of New York knew two years ago that the company was crippled. He saw that its resources were locked up in the underwriting schemes and immediately took measures that resulted in some of the load being taken over by the directors who were responsible. But, as he made the discovery during the panicky times of 1903, he considered that it would be unwise to summarily close the institution then, particularly as he believed there was a good chance of its rehabilitating itself if given time. Events proved he was wrong, and as soon as the circumstances became known the examiner had to undergo some sharp criticism from the press because his solicitude for the stockholders and for the general financial situation caused him to deceive the innocent depositors of the Trust Co. during two years.

This is not by any means the first occasion on which banks and financial companies have got into trouble through the practice of underwriting. It was notorious that some very prominent firms and individuals were hard put to it to keep themselves afloat during the "rich man's panic" of 1903, because of the heavy mass of undigested securities they had acquired through underwritings. The business of underwriting has been the cause of so much trouble that there is a danger of its falling into general disrepute. If this should come about it would undoubtedly be a calamity. Some people go so far as to say that commercial banks, such as ours in Canada, should steer clear of underwritings alto-