

The experience even of the largest companies, is not extensive enough to insure the proper working of the law of averages on all classes. It is very natural, then, and from this point of view desirable, that the companies should, for this purpose, combine, for not only can they thus make rates more effectively, but since rates on the same classes are needed by all, it would be a useless expense to have the work duplicated. So far, therefore, as the making of rates goes, it is desirable that the companies should combine.

THE EFFECT OF OPEN COMPETITION.

We have now to consider the effect of open competition in fire insurance. It is not necessary to theorize about this, for there is plenty of evidence in the rate wars which were formerly carried on and which to some degree still prevail. The universal effect of such periods of open competition, wherever and whenever they have occurred, has been a cutting of rates to a point that was below the actual cost of the indemnity. If the rate war had been general this would have meant the ultimate death of the company, and rate wars of even a local character lead, if long continued, to the dissolution of the smaller and weaker companies. The effect on all companies is weakening. The policyholder, to be sure, gets his insurance very cheaply; too cheaply, for the weakening of the companies is not in the long run and on the whole an economic good, for there is just so much less protection behind the insured in case of a conflagration. The mutual character of insurance is so strong that nothing which tends to produce inferior protection can be for the public good. It has not done the policyholder any good to get cheap insurance if, when the test comes, the protection is found to be worthless.

But this is not all. In a state of open competition the rates adjust themselves not to the hazards but largely to the strength of the insured, so that the man of influence, whose patronage is desired, will get his insurance too cheaply, as against the small man who is not in a position to drive a sharp bargain. That is, competition results in discrimination.

To summarize the case: The effect of a period of sustained open competition is the procuring by the public temporarily of cheaper insurance; this advantage mostly falls to persons of influence; the quality of the protection is lowered, since the companies are weakened. Furthermore, if the process continues long enough some of the smaller companies will be forced to retire and their business will be absorbed by the large companies. Rate wars terminate when the companies realize that self-preservation requires them to obtain adequate rates and ordinarily this can be done only by some form of agreement.

The actual working of anti-compact laws has not been satisfactory; they have not decreased rates and they have greatly increased discrimination; they have taken the rate making out of the hands of the companies, who were in direct contact with the business, and put it into the hands of persons who had no way of testing by experience the rates which they made, and who furthermore did not stand in such relation to policyholders as to feel the force of public opinion. It is well recognized that in general anti-compact laws have been a failure and there is noticeable a distinct reaction against them.

(To be Continued.)

Notes on Business.

Bank of New Brunswick.

St. John, N.B., advices state that the Bank of New Brunswick is increasing its capital to \$1,000,000, the full amount now authorised.

The shareholders have this week been informed by circular that they can take up the new stock at \$260 per share. The latest price quoted in Montreal prior to the issue of this circular was 275-272½. Previous issues of additional capital were made by this Bank in February, 1906, when \$250,000 was allotted to shareholders at 265 and in December, 1909, when \$250,000 was allotted at 275. As at December 31 last, the paid-up capital

of the Bank of New Brunswick, which was incorporated so long ago as 1820, was \$774,300 and its reserve fund, \$1,405,025. Profits for the calendar year were \$142,180 or well over 18 p.c. upon the paid-up capital; indeed, the Bank's profits have exceeded 18 p.c. upon the paid-up capital for a number of years past, and, as is generally known, its dividend of 13 p.c. is the highest paid by a Canadian bank. The St. John advices make the interesting announcement that it is likely that the present increase of capital to \$1,000,000 will be followed by the opening of a branch of the Bank of New Brunswick in Montreal.*

A denial has been received by **The Sterling Bank.** the Montreal branch of the Sterling Bank of Canada from Head Office, in reference to the published rumour of an amalgamation of the Sterling and Quebec Banks. It is stated that the publication of the rumour was the first intimation that the Head Office of the Sterling Bank had of such a thing, and that no amalgamation is under consideration either with the Quebec Bank or any other bank.

As our London correspondent **British Bankers' Profits.** has pointed out, 1910 was a satisfactory year for British bankers in the matter of profits, although the depreciation in gilt-edged securities has had a deleterious effect upon dividends. A comparison of the net profits of 26 individual banks is shown in the following table, abbreviated from one published by the London Economist:

	1909.	1910.
LONDON GROUP	£770,279	£1,036,310
Lloyds	868,612	882,441
London County & Westminster	184,575	190,297
London & Provincial	180,258	209,965
London & South Western	737,456	801,781
London City & Midland	310,117	369,131
London Joint Stock	36,201	42,891
Martin's	531,576	637,213
National Provincial	508,894	516,684
Parr's	408,222	506,815
Union of London & Smiths	208,257	211,958
Williams, Deacon's		
Total	£4,744,447	£5,406,516
PROVINCIAL		
Bradford District	£ 54,646	£ 66,113
Lancashire & Yorkshire	146,413	149,371
Manchester & County	173,416	182,296
Manchester and L'pool. Dist.	371,312	436,264
Metropolitan	99,866	119,020
Sheffield Banking	59,580	64,815
Union of Manchester	76,535	83,905
United Counties	153,990	166,213
Total	£1,135,758	£1,267,997
IRISH		
Bank of Ireland	£319,105	£312,768
Hibernian	47,869	54,373
National	177,617	172,836
Provincial of Ireland	81,045	87,258
Total	£625,636	£627,235

The movement among British banks towards paying dividends less income tax, instead of, as hitherto, free of income tax, is gradually gaining ground.

* The leading comparative figures of the Bank of New Brunswick's balance sheets for 1909 and 1910 appeared on January 20, page 101.