

The Chronicle

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Cost of Municipal Enterprises. An English Parliamentary return just issued gives information regarding the municipal enterprises of Great Britain, in which 299 corporations are engaged. Their aggregate capital is \$1,055,000,000, the average annual income, \$65,000,000, and average yearly working expenses \$41,250,000. Interest payments and repayments of principal amount to about \$22,500,000. The net profit is stated to be only \$1,891,440, which equals less than one fifth of one per cent. on the capital employed. Assuming the above data as given in the Parliamentary return to be correct, those corporations sacrifice \$29,759,000 of money yearly in supporting municipal enterprises. This is evident, for, if they used the capital employed to liquidate their debts, assuming that they average 3 per cent. interest, the annual saving of interest would be \$31,650,000, from which sum, if the profits of their enterprises are deducted, the balance left is \$29,759,000. This seems an enormous amount of money to sacrifice in the maintenance of business undertakings, which are entirely outside the proper duties of a municipal corporation.

Falsifying Value of Stock. Does it Invalidate Policy?

In his address at the Annual Meeting of the Gore District Mutual Insurance Company, the President, Hon. James Young, made the following remarks upon a case which had compelled the company to go into Court:—

“The Eacrett suit, tried at London on the 12th of this month, is referred to. The insured affirmed in his application that his stock of goods was worth \$15,000. But after he had a serious fire his own books clearly proved that his stock was only worth a little over \$9,000 when the insurance was effected. Had it not been for this misrepresentation, our Manager would never have issued the policy at all, and this company would not have lost a dollar, never-

theless, the presiding judge maintained at London that such a glaring misrepresentation was not material to the risk. This is contrary to what heretofore has been supposed to be the law, and if correct, the sooner the insurance companies of Canada know it the better, for it will open up a wide door for frauds and losses to them. So strongly do we feel the injustice in the Eacrett case, that we have decided to carry it to the Court of Appeal, and as all insurance companies are, it seems to me, menaced by a common danger in this vital matter, I think they ought to unite in obtaining an authoritative declaration from the higher courts as to the real meaning of the law on all the points involved.”

Having no further knowledge of this case than is given in above statement we submit it without comment, but we have the utmost confidence in the ability of Mr. Young to state such a matter intelligently, and in his being too honourable to misrepresent the facts.

Ariel is critical on Reserves. In his letter this week Ariel has remarks of a more critical kind than usual in regard to the defective statement of some fire companies. He says:—

“Comment has been made recently over the omission by some companies of the reinsurance reserve from their annual statement. It has happened in the past that some have paid dividends, ignoring the said reserve, which is another name for amount of unearned premiums at end of any given year. The practice is unsound, but at the same time it requires some courage, where funds are meagre, to insert this liability in a statement to stockholders. Of course, many understand the item, but others do not want to understand it, and use it as a basis for grumbling at annual meetings.”

This is a case in which we may say “let the galled jade wince.” To understand what a “reinsurance