## ANTICIPATIONS OF A SCARCITY OF FIRE INSURANCE.

The financial effects of the San Francisco disaster are being minimized through the mistaken idea that the general impetus given to trade by the re-building of the devastated city together with the amounts recovered from the insurance companies will more than offset the destruction of property. The natural conclusion to be drawn from such a theory is that, the more properties destroyed by fire the greater will be the advantages to the country.

The effect of the absolute annihilation of fixed capital is much misunderstood. There are many who fully realize that if the actual cash resources of the banks were destroyed, it would be a great calamity to the whole community. The loss would come home to thousands by depriving them of the ordinary facilities for transacting their business that are provided by floating capital.

But when buildings with their contests are burnt there is a vague impression in the minds of many persons that, some way or the other, the loss will be so made good as to inflict no permanent injury on the proprietor. The insurance company that was carrying the risk is regarded as though it were the possessor of an ever-flowing inexhaustible spring of cash out of which losses are met without diminishing the stream. Hence this delusion leads to indifference to the financial effects of a great conflagraton, the fact being to a large extent ignored that owing to the disaster there has been an enormous amount of capital annihilated, the monetary stores of the world are so much less by the extent of the destruction of property occasioned by the conflagration.

That insurance companies are able to bear a large portion of the monetary loss and to grant financial assistance to those whose properties have been burnt is a condition that does not lessen the drain occasioned by the fire, it simply distributes the loss over a wide area.

To whatever extent the resources of an insurance company are depleted by payments of fire losses to that extent the company is restricted in its financial operations. If, to provide funds for meeting claims, a company has to sell some of its securities the market is adversely affected. Even if few securities are parted with a widespread belief arises after a great conflagration that large blocks will have to be realized, which has a disturbing effect on the market.

The companies in the strongest financial position will pay what claims are passed upon as legal and valid out of their existing resources, but a much larger number are raising additional capital, others are reported to be borrowing heavily, while some of the weaker companies will be compelled to withdraw from business.

The inevitable effect of such adverse conditions must be to make even the strongest companies more than ever cautious in extending their risks in the congested districts of large cities. Those who are in a weaker condition after being injured by losses at San Francisco will be compelled to restrict their business.

The effect of such conditions must be to shorten, as it were, the supply of insurance. There will be less readiness to write and lesser facilities for writing heavy lines and getting a large part re-insured in other companies. The existing situation is not without gravity, but the alarm expressed in some quarters is too pessimistic. When the demand for insurance is exceeding the supply, as seems a probable consequence of existing conditions, the natural economic forces which control everything in the sphere of business will come into play and will cause supply to develop until there comes an approximation between it and the demand.

So vital a necessity to commerce, to manufacturing, to every form of mercantile enterprise as is insurance can hardly be conceived of as becoming, except temporarily, so inadequate as to reduce production, as to compel the closing of mills, as to cause the discharge of workman, and embarrassment to wholesale and retail merchants. Still, there are those having a wide knowledge of insurance, who consider that as one contemporary says:

"With many companies going out of business, the rest cutting down lines, and comparatively little new capital coming into the business, we may soon face a shortage of insurance never before equalled. In that case manufacturers will stop producing, to reduce their stocks to a point where they may be covered by insurance, which might mean the closing of mills, etc., etc."

One consideration of vital moment in this connection is the question of placing insurance on a more solidly remunerative basis. The law of supply and demand which makes the former respond to the latter, involves the condition that the supply will be profitable to those providing it. There might be a great demand, for example, for some article of commerce, cheese for instance, but, if there were no prospects of its selling at a profit, the demand would fail to call out a supply. This does not occur because, by another economic law, the market value of an article is advanced as the demand develops.

The inflow of more capital into insurance will not take place until the business is made more steadily profitable by rates being adequate to provide sufficient to pay losses and expenses, to pro-