

**QUESTIONS RAISED BY INCREASED RATES.**

The advance in rates of fire insurance which is being made in consequence of the heavy losses by the Toronto conflagration having demonstrated the necessity for more adequate provision being made for such disasters, has brought out some criticisms of insurance companies, and suggestions to which we propose to pay attention in a business spirit.

Both property owners and insurance companies have cause for showing irritation under the provoking circumstances which have recently occurred, but the interests of neither can be served by re-priminations.

It is affirmed that, owing to increased rates, merchants and others will carry their own insurance, and further, that new companies will be established who will insure properties at less rates than those which have been established since the Toronto conflagration. As to merchants and manufacturers carrying their own insurance, it is too imprudent a course to be adopted by any but a few very wealthy firms, who are absolutely independent of credit. No banker would extend accommodation by discounts or loans to customers whose premises and stocks were unprotected by insurance, nor would any lender of money on mortgage accept real estate as a security unless the buildings were insured in his interest. Manufacturers here, and in foreign countries would decline to supply goods to merchants who carried their own insurance, and our wholesale merchants would refuse credit to any retailer who, by taking this course, exposed himself to ruin, and his creditors to serious loss. Self insurance, or no insurance is too reckless a practice to find favour with business men.

As to new companies being established to sell insurance at "cut rates," it may be said that the field is quite open for new enterprises in this as in other forms of business. There have been a large number of companies founded here and in the States, whose object was to secure risks by low rates. These companies, as a rule, have had a short career; they kept in operation while conditions were favourable, but were swept away by a conflagration, or by a succession of adverse years. Companies of this class run the grave risk of being ruined by a local disaster, as their business is restricted to a narrow area, so that they cannot be compensated for a ruinous loss in one district by the more favourable business in other districts. Long and wide experience has proved "up to the hilt," that a fire insurance company to be permanent, sound, thoroughly reliable, must distribute its risks over areas in which the conditions vary, so that, year by year, an average loss ratio may be experienced, and reserves built up sufficient to put the company in a position to bear the strain of any local conflagration. The benefit of such an average loss ratio, and the protection of strong reserves are enjoyed by every

policyholder. He may pay more for absolute protection than for protection bought cheaply, that will fail when it is subjected to an extra strain, but common prudence, ordinary business principles teach that it is the worst kind of economy to buy an article solely because of its low price, without considering whether it will prove equal to what it is required for.

The rates for fire insurance are being raised for the purpose of protecting policyholders, by putting fire companies on such a financial basis as will render them strong enough under any conditions likely to arise, to meet all their engagements.

It is interesting to note that the railway companies are raising their freight rates in consequence of heavy losses caused by the snow blockades last winter. Some compensation for these losses they aim at securing by more income from freight charges. They also are acting on the business principle that adverse contingencies must be provided for.

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**ACCUMULATIONS OF CAPITAL IN THE UNITED KINGDOM.**

The greatest revolution which ever affected the peoples of the civilized world in regard to their material interests has been going on for half a century, caused by the break-up of ancient prejudices and superstitions in regard to the constituent elements and conditions of financial and commercial welfare. For long centuries the idea almost universally prevailed that each nation's prosperity was promoted by isolation, more especially in monetary affairs. Money sent out of a country was held to be a sort of financial blood-letting, a certain source of weakness, while money, by which was meant gold and silver in coin or bullion, brought into a country, was so much additional strength. The power of money to grow by use, and the power of international commerce to enrich those by whom it was conducted, were not understood. The prevailing idea might have been expressed thus: the advantage of foreign trade is measurable by the quantity of gold or silver which it brings into the country. The system of trade and finance based upon such a crude idea, restrained the use and development of capital; money was hoarded in every mansion and every store, where tons of gold and silver were locked up, earning nothing, that might have been growing by being circulated in the channels of trade.

Since more rational ideas became general, the increase of the world's accumulations of money has been marvellous in spite of the wholesale destruction of fixed capital by wars, and its waste by improvident, premature, unproductive enterprises. These accumulations have been mainly the result of enormous masses of capital and sources of capital that, in earlier days, were locked up, being set free