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THE FIRES OF 1879.

It is conceded by insurance men that the fires in Canada during the past year have been frequent, not to say incessant, and that the aggregate of loss will amount to a larger sum than in any previous year except 1877. In that year, St. John furnished a reasonable explanation of the extraordinary loss ratios. It is also understood that a great proportion of the loss sustained during 1879, will be borne by the insurance companies, few, if any, of which will shew profit from their operations in Canada last year.

In seeking for causes, having effects before us—with a view to guidance for the future, we should remember that, although the aggregate of losses in Canada in 1878 was unusually large, yet the individual losses fell most generally on the owners and not on the insurance companies. We may approach a solution of the question whether the insurance companies may reasonably, at any time, expect profit to result from the present rates and modes of conducting the business.

A superficial observer will give a ready reply to the question, "To what shall we attribute the immense amount of loss by fire in Canada during the past five years." He will at once reply, "Oh! there are always lots of fires in hard times." But, whilst we may, of course, charge commercial depression and its concomitants with many fires, we may not charge the extraordinary loss ratio of the past five years to implied incendiaryism of hard times—or to the deliberate act of the owners—or to any general avoidable cause, even though buildings, machinery and goods have so rapidly and constantly decreased in value as to offer great temptation wherever the amount of insurance involved approached the value. A careful examination of the loss records shews that the owners have, very generally, borne a considerable portion of the loss until 1879, during which year the insurance companies have been the chief sufferers.

The conflagrations of 1875-6 and 7 were warnings generally to the people of Canada, that every town and village in the Dominion was in danger of the like calamities. Consequently a very general movement was made in the direction of increased water supply and means of distributing it, so that we have read, on several occasions, that conflagrations have been prevented by these means. But these appliances were relied on too often and too much, both by the people and by the companies. The people thought their properties safe, and hence did not continue their insurances; whilst the companies thought the risks so decreased as to warrant reductions in rates, and fewer restrictions in policies.

The people are always in advance of the companies. The lesson they learnt in 1878 was that they must not neglect their insurance, but should use their experiences and appliances for the purpose of reducing rates, avoiding restrictions, and so arranging the amounts of insurance that the losses would fall to the companies and the salvage to themselves. The withdrawal from business of a very large number of merchants, and the general reduction of such stocks as were held by those continuing, necessarily caused a very serious diminution of the premium income of the companies. At the same time, the very natural, but not always wise, desire was for increase; so that to obtain this increase it was necessary to depart from landmarks of conservatism in ratios and practices.

Except at very few points there has been no tariff combination, so that each individual company has been untrammelled in its actions. Even where tariffs have been established, there has been no difficulty in procuring acquiescence in the demands of the property owners, either by giving all the insurances to one agent, or by employing a broker at the companies' expense. Thus the companies have had no outside appliances for the production of profit.

If we could attribute the increased loss ratios to 'hard times,' we might reasonably expect the next few years to produce increased income, decreased losses and consequent profit—and so should be happy in congratulating our good friends the insurance companies on the improvement in their prospects. None can regret more than we our inability to perceive this much desired change for the better, which we deem impossible until their own good sense so prevail as to cause them to consider every individual risk they assume in the light of its probable profit or loss, "a consummation devoutly to be wished." The reasonableness of this course cannot be gainsaid, because it involves justice to all concerned in each

case. It means the rejection of every doubtful risk; the reconstruction of every ill-arranged one; the wording of policies so as to deal justly by all in granting insurances in proportion to values at risk, whilst securing the interest of the assured in the safety of all the property. It means such rates as will leave a profit and margin to the companies wherewith to provide for conflagrations.

We have more faith in the good to be produced by the exercise of good sense on the part of the insurance companies than we have in any tariff combination, because the latter are generally very short-lived, and generally end in disagreements and reckless competition. Indeed, it is asserted that the ill-effects of the last combination are yet apparent. Besides, combinations are always obnoxious in the eyes of the people, and companies will always be found or organized for the purpose of taking advantage of this feeling. But neither evil example nor any other outside consideration can effect the conduct of a sensible manager. Such an one must, however, be supported by his company, which must be content with reduced income in times of reckless competition, and must be prepared to accept moderate profit instead of demanding increased income.

We do not think the losses of 1880 will be less than those for 1879, because most of those for that year were upon such properties as could not reasonably be expected to burn, whilst a very large amount of property remains on which the insurances offer inducements to its destruction. Either that, or its situation is such as to invite the incendiary. Nor do we think the companies can reasonably expect to reap any profit until their managers insist on paying rates and make proper restrictions in their policies.

In our analysis of the results of the operations of the companies for the year 1874 we pointed out the fact that no conflagrations had occurred during that year, and so it would not do to take the results of that year as a guide for the future. The sequel has proved the truth of our conclusions. Hence we must not neglect to point out to the public, as well as to the insurance companies, that increased rates and careful practices are absolutely necessary. During the present year, or, whilst the people are lulled into fancied security, the companies will be beguiled into a continuance of unprofitable business. We hope, however, at the end of this year, to be able to congratulate both people and underwriters on their wise application of our warnings to their mutual profit and safety.