

THE TENDENCY OF THE AGE TO MODIFY COMPETITION VIEWED FROM AN INSURANCE STANDPOINT.

One characteristic feature of the present times is the tendency of all interests towards unity and mutuality. In the business sphere this is shown by gathering a variety of individual enterprises into groups, known as Trusts, or combines. Another business phase is the concentrating under one roof of a number of retail trades, known as Department stores. The amalgamation of railways is proceeding on such a scale as promises to bring all the railways on this continent into a few groups. The same movement is manifest in the banking world. Within the last decade there has been a large number of English banks consolidated, and names held in local honour for generations, have disappeared from the list of British bankers, the joint stock system of a head office and branches widely spread, having made serious inroads into the old plan of private, individual institutions. The recent changes in the insurance world, and those now negotiating, are each and all part of the same general movement, which is a feature of the age. Shipping interests are also feeling the force of this tendency.

One of its phases is seen in the drawing together of enterprises that are competitors, in some form of organization for mutually protecting and promoting their general interests. Thus we have the Underwriter's Associations organized, the members of which individually are rivals for business, but have common interests that demand common, mutual action for their maintenance and strengthening. "Competition is the life of trade," is a maxim that has become largely discredited. "Competition is the bane of trade" is generally believed to be nearer the truth than the old saying. Hence all these movements throughout the business world have one common, inspiring motive. They are indications of a universal desire to get free from the depressing influences of over-done competition on the profits of business. The stimulus of competition which is alluded to in the saying that it is "the life of trade," has been carried to such an extreme as to drive the life of trade into a high fever. Hence the unnatural, the morbid strength that competition developed, as is the case in all fever cases, or whenever natural powers are developed by excessive stimulation. This brings on reaction, so that weakness, failure and collapse are consequent upon "the life of trade" having been over-stimulated by rivalry. To competition so conditioned, may be applied Macbeth's fateful words:

"Vaulting ambition, which o'erleaps itself,
And falls on the other——"

The overleaping of business enterprises under the stimulus of competitive ambition is the mainspring

of the movement which has developed Trusts, Departmental Stores, Amalgamations, and Associations for defensive purposes against the ruinous depreciation of profits caused by excessive rivalry.

In the insurance sphere the organization of Fire Underwriter's Associations had become a necessity of self-protection for the companies, as well as for the protection of the insurers of property. If an underwriter, under the pressure of rivalry, is induced to accept risks at such low prices as to prevent his accumulating funds sufficient to meet the recurrent, the inevitable claims that arise in the course of business, he is drifting towards bankruptcy, and putting the interests of those whose property he has insured in grave peril. The business of a fire insurance company has conditions and features analogous to those of a bank. Both these classes of financial institutions ought, like *Cæsar's wife*, to be above suspicion. The main difference between an insurance office and that of a bank is that the deposits entrusted to a bank are owned individually, whereas the funds entrusted to a fire insurance company are held in common for the benefit of each and every policyholder as his interest appears. If a banker distributes his deposits in loans so unwisely as to lose a considerable portion of them, he sacrifices, to that extent, the profits on his business, and, if the losses exceed the profits, he is in danger of being unable to meet his obligations to depositors. So, a fire insurance company, if it distributes its risks so unwisely as to incur losses beyond what can be made good out of profits, current or reserved, such company is liable to find itself unable to meet its obligations to policyholders, as the corporate fund in which every insurer has an interest to the amount of his policy, has become by the losses too depleted to provide for the claims arising from fires. As the purpose of the association of underwriters is to establish the business of insurance on such a sound basis as to maintain its credit beyond danger by such a system of rates as will provide the funds necessary to meet all obligations, it is obvious that an underwriters' association is, practically, an association for the protection of such property owners as the underwriters have insured against fire. The outcry against such organisations is unreasonable. It arises from an utter misconception as to the main purpose of an underwriters' association, which is mutual defence against methods of business that imperil the stability of fire insurance. This groundless outcry also ignores the imperative necessity of a fire insurance company having a reserve of funds sufficient to cover all current obligations and to meet all ordinary claims, with enough also to provide for extraordinary demands that are liable to arise from conflagrations.