

Stockbrokers and Clients. Because of the importance of the decision of the Privy Council, we publish in this issue their judgment in the appeal case of Forget versus Baxter. The decision is one of exceeding interest to stockbrokers and their clients, and effectually establishes the right of the former to sell stock purchased for the latter whenever they fail on notification to provide for a prospective loss on the transaction by reason of a decline in value.

Those who dabble in stocks will now know exactly what they have to do whenever there is a slump in the market.

Selling Insurance on Credit. Just in the same way that the banker, when reviewing the statement issued by some rival institution, is impressed, favorably, or otherwise, by the amount of overdue debts shown therein, so will the reviewer of the annual report of an insurance company be apt to form his opinion of the management by the percentage of "premiums in due course of collection" to total cash premium income. It would be interesting just now if a census of all the insurance companies doing business on this continent could be taken, and correct answers returned within thirty days, giving the actual percentage of loss during the year because of the selling of insurance on credit. That it would, especially so far as the fire and marine companies are concerned, show a very large amount is very likely. Just how much of the "premiums in course of collection" are really collectable we do not know, but we do know that the uncollected and uncollectable portion is quite large enough to be of grave concern to managers and stockholders. In these times of close competition, close rates, and big fires, it is necessary that each dollar of premium charged should be represented by one hundred cents in cash, for that is the only commodity which passes current in payment of losses, expenses and dividends.

If policies not paid for within say one month were promptly cancelled, it would be a very timely and sensible move. Everybody confesses that long credit when selling insurance is an evil. Yet, it is not a necessary evil, and it is possible to correct it—when ever the companies can be induced to act together for reform.

Fire Profits in Insurance. In discussing the insurance losses by the recent conflagration at Ottawa and Hull, one often hears the remark made: "The companies are well able to stand it, they make big profits." Such a remark is the direct outcome of want of knowledge. For many, many years past, the business transacted by fire underwriters has left but a very small margin of profit. The most erroneous opinions appear to prevail in the public mind regarding the profits made in the business of fire insurance. We constantly come across believers in the statement that the companies are exacting from their customers

an unnecessarily large profit, amounting in the minds of some to absolute extortion, which causes many thoughtless insurers to rail against tariffs, and to stigmatize them as unjustifiable combinations, the outcome of wealthy and powerful monopolies. This feeling is partly the result of a misconception of the basis on which the profits of fire insurance are calculated, and the failing to comprehend the difference between a transaction in fire insurance and one in ordinary trade.

This difference consists in the fact that the sale of fire insurance, unlike that of commercial commodities, is for an uncertain period, and an unknown quantity. A fire insurance policy is a contract (under certain conditions) to pay the purchaser any amount—not exceeding, of course, the total sum insured—at any date during the currency of the policy, so that the company may become liable to make good the entire amount of the insurance immediately after the risk has been accepted, or it may never be called upon at all; or, again, for only a trifling percentage of the policy. A policy therefore for \$5,000, issued for a year from any date does not represent a closed transaction at the termination of the company's fiscal year, because at that date the liability to pay the \$5,000 still exists, a reserve for which contingency has to be set aside, just as a life assurance company puts apart a reserve for unexpired lives; so that the actual premiums collected annually, less the amount paid out by the company, for losses and expenses, by no means represents the profit on the year's business, though there are people ignorant enough to assert this absurdity, and to argue that the reserves of a fire insurance company are so much money muled from the public. Yet, where would the policyholders of companies be after a succession of serious fires but for the reserves created by cautious management?

The Insuring Public Should Study Returns. It is astounding to hear the utterly unreasonable exclamations indulged in against the enormous profits of fire insurance, no consideration being given to the amount of income or the immense interests involved. For instance, a large office is reputed to have cleared, say, \$500,000, after payment of losses and expenses, and providing for its reserve, and an outcry is immediately raised by some discontented insurer against what he calls excessive profits—the result, he maintains, of equally excessive rates. Now, let us point out that if the premium income of that company is \$5,000,000, the above profit is only ten per cent. thereof, which can hardly be called exorbitant; indeed, we are inclined to think, from what the adjustment of fire losses reveals, that were the aforesaid irate insurer obliged to make a claim for damages upon the very company he traduces, he would, if a wholesale merchant, put down his own profits at double the percentage earned by the fire