

**INSURANCE AS A BASIS OF CREDIT.**

The Convention of the National Association of Credit Men, held at St. Louis, on 9th to 11th June, paid some attention to fire insurance as it affects the credit of retail merchants. The following resolution appears to have been generally approved:

"Whereas, A great many country merchants do not appreciate the importance of carrying insurance on their stock;

"And Whereas, It is likely to cause ill feeling towards any individual concern that takes it upon itself to call attention to such failure;

"Therefore, Be It Resolved, That the Secretary of the National Association be directed to prepare a letter to be distributed to the various local associations, which letter shall be sent by the Secretaries of such local associations to merchants who carry no insurance, and such letter to be accompanied by any literature which shall be published by the association bearing upon insurance as a necessary requisite to the securing of credit from wholesale or manufacturing trade, such names to be furnished the local Secretaries by members who desire to have such letters sent."

It came out during the discussion that there was considerable loss inflicted every year on manufacturers and wholesale dealers, by retail stocks being inadequately insured. This arose, first, from the indifference of merchants; second, from injudicious economy in trying to save cost of insurance; third, from inability to secure insurance. The proper system was admitted to be, the refusal of credit to any retailer who keeps his stock uninsured. The fact that a retailer is unable to secure insurance on his stock was recognized as a caution against his being granted credit, as, in these days of competition, if insurance companies decline a risk, they must have some special reason for this course. Fire insurance as a basis of credit is also shown by the uniform practice of mortgage loan companies who insist upon the properties covered by any loan they grant being covered by a fire policy. Banks also are equally strict in protecting themselves when making loans that are secured, more or less, by such property as is liable to damage by fire. The banks also take assignments of life assurance policies as collateral security, though only in the last resort, as this is an undesirable practice. The business which is rendered possible by the security of insurance, amounts to hundreds of millions. Insurance to-day is one of the main bulwarks of credit.

**DEPOSITS VERSUS INSTALMENTS ON SHARES.**

The system of paying for shares in a loan company by small instalments has led to a gross abuse. Persons were induced by promises of double or treble the ordinary rate of interest on deposits to begin placing money with some institutions of this instalment-share class. Then, when they were unable to continue the

periodic payments, they discovered that their money was not on deposit, in the ordinary sense. It was not repayable to the owner on demand, but, if not supplemented by the amount necessary to complete the payment for the shares, it could be wholly forfeited by the company. Such forfeitures had been carried out by a number of these companies, thus inflicting a cruel injustice on persons who imagined that they were depositing savings which they could withdraw.

There is no likeness to or analogy between such instalments and payments of premium to a life assurance company that, in whole, or in part, may be forfeited by discontinuing to pay premiums. So long as a policyholder keeps his policy alive by paying the premium, the company fulfils its contract by standing ready at any time to pay the full amount assured in case of death, or, if the policyholder decides to let the policy lapse, he can claim under the contract the payment back to him of a specified portion of the amount of the policy as its "surrender value."

But, under the system of the companies above referred to, the depositing shareholder had no claim to a return of any portion of his money; if he could not pay for the shares in full he had to sacrifice every cent he had paid in instalments.

By recent legislation of the Ontario Assembly, this system is to be abolished. A date is to be fixed during next month, on, and after which, companies that collect instalments for shares, must adopt by-laws in accordance with the Act, by virtue of which there will have to be printed in clear type on the book or card of each subscriber, a notice that the payments are not ordinary deposits, but are for withdrawable shares. There will also be tables published, showing how much each subscriber is entitled to at the end of the term agreed upon. Rules will be carefully drawn, so as to protect as far as possible the subscribers, and to enable any ordinary intelligent person to understand clearly the conditions attached to the shares.

No new company will be allowed to embark in this class of business in Ontario, and the Government has commenced proceedings against some private parties who have launched out in this line of business in Toronto.

We are informed that, in this city, many persons have been wronged by a similar system adopted by the less reputable furniture dealers who sell on instalment. If the buyer fails to keep up payments, the goods are removed, and all the money paid on them is forfeited to the dealer. There is this, however, to be said in the dealer's defence, when goods sold as new are returned, their value has been depreciated by use, so that he is fully entitled to recover the difference between the value of new, and second-hand goods, as well as a certain percentage on the value as rental for the use of such furniture. But there have been cases of serious injustice having been done under this system.