

vague way the operations of this syndicate have frequently been referred to, and now that its influence has been exerted publicly, it seems to call for more specific notice. At first it seems rather peculiar that three or four large firms—for that is all that the syndicate practically consists of—should be able to gain almost entire control of the market for new colonial issues, since the latter, like most other loans, are offered for public subscription, and the *bona fides* of those entrusted with the work of floating the loans is unquestionable. Nevertheless, the syndicate has been successful until now, and how its success has been attained may be shown by the method pursued when the last New South Wales loan for £5,500,000 was floated in October last.

"The syndicate, as we have said, consists of a few large firms, which possess considerable resources of their own, and they are able, also, to influence a large amount of investment capital, which naturally flows into securities like investment bonds. These firms are really what may be called large "merchants" in colonial bonds; that is, they tender for new loans, and retail out again the stock they obtain. But in addition to their own applications which they undertake in their capacity as "merchants," and the applications which they make for their own immediate clients upon payment of a commission, they have also managed to control hitherto a considerable proportion of all other investments in the new loans. By influence and clever organization they have habitually induced many of the large investment houses on the Stock Exchange to entrust their applications to them. All these tenders are drawn together, and a price is then fixed for the whole sum, for which a tender is made. It is evident that in proportion as the syndicate can control the entire number of tenders for a new loan so it can fix the price at which the loan will be allotted. If it could control a thorough majority, it could, for instance, almost fix its own price, subject of course, to the withdrawal of the loan. But although the syndicate has usually managed to secure a fair share of any new loan for which it has applied, there have always been sufficient outside applications at high prices to decidedly limit its power. This is shown by the case of the last New South Wales loan, which the public applied for so freely, that the syndicate had to give a high price for its allotment, a price so high, in fact, that despite the firmness of the market for Colonial Government securities, it has not yet been able to dispose of a great deal of its holding at a profit. It is said, indeed, that the stock it has yet to place amounts to nearly one-fourth of the entire loan. It will thus be seen that the power of the syndicate largely consists in the voluntary action of a number of the investment houses on the Stock Exchange, who 'pool,' as it were, their applications with those of the syndicate. So long as this course has been pursued they have always been sure of getting allotted to them a percentage of their applications at a known price, while firms who applied independently would either miss an allotment altogether, or else tender

at a high price, in order to make sure of getting in above the great tender of the syndicate. People who have worked outside the syndicate have usually done the latter, and this has, of course, helped to form a good market for the syndicate to sell upon."

THE MUTUAL RESERVE FUND LIFE ASSOCIATION.

CONCLUSION.

It would appear, at first sight, as if the contingency of failure was very carefully guarded against by this association. The second paragraph on page 6 of the pamphlet entitled "Facts," issued by the Mutual Reserve, reads thus:—

"Should the Trust Company fail, they as trustee would be merely holding funds invested in securities for the benefit of the members of the association; and should the association fail, the Trust Company has the securities, and the provisions of the trust are, that it shall be at once divided among the then members of the association proportionately to the gross amount of assessments paid by said members respectively to the association." This seems plausible, but let us see how it works.

Suppose that after a few years, this reserve fund assumes large proportions. Members begin to die off rapidly; every \$3,000,000 of claims paid adds \$1,000,000 to the credit of the reserve fund. This fund is tied up with the aforesaid bonds, so that it cannot be touched; and it is not clear that the directors cannot so change the constitution and by-laws as to issue these bonds as often as they choose, thereby completely controlling this fund. We may assume that claims come in rapidly about this time. To hurry up matters the company purposely begins to take bad lives, the worse the lives, the better for the men at the head of the concern.

The members have the satisfaction of paying double, treble, or possibly quadruple assessments, while conscious that one quarter of all the pay is going into the capacious maw of the reserve fund—"reserved" for the promoters—until the tax becomes too heavy, and in disgust they abandon their certificates, forfeiting as well the bonds which had such an attraction for them. In short the directors can, by pursuing the course suggested, while acting in perfect harmony with their charter, and in violation of no law of the state, make it impossible for any member to keep his certificate in force.

Now, the beauty of the clause in the pamphlet before quoted appears, "It," (the reserve fund,) "shall be at once divided among the then members of the association," &c.

In our opinion this can very easily and naturally drift into the most dangerous form of graveyard insurance, and that as here outlined it can be so manipulated as to put a direct premium on rascality.

It may be asked, Is it not possible that dishonesty may be practiced in connection with the old liners, also?

There is this important difference. If an officer in an old line Life Insurance Company is inclined to attempt anything like fraud, he sees a criminal prosecu-

tion staring him in the face with a term in the penitentiary in the background; while under this scheme, the company can be wrecked and the reserves stolen "according to law," as it were. No system should be allowed by any Government to exist for an hour in which the reserve can only be augmented by increasing the mortality, and in which it can be controlled, as in this company, so as to be finally divided among the very men who devised the scheme. No more dangerous system can be imagined than this, in the hands of designing men; and if this institution does not follow the lead of many other of the co-operatives and wind up in a disastrous manner, it will not be because the system itself is not inherently vicious.

The statements as to the division of the reserve fund apply with equal force to any deposit made with the Dominion Government. All that is necessary is to systematically "freeze-out" all the members and the directors can demand back the deposits. This shows the fallacy of the acceptance by our Government of deposits from any such institution. The effect will be to mislead the public by giving them the impression that these concerns furnish the same security as Life Insurance Companies do, while in this particular they differ as widely as it is possible to imagine.

The apparent success of this concern argues nothing for its respectability or permanence. The greatest swindles the world has ever seen, have appeared to be for a time, the most successful, and no company can finally succeed which is founded on unsound calculations, such as the foregoing.

The gentlemen who have allowed their names to be used as references by this and kindred concerns may, upon reflection, agree with us that although "the gloss which surrounds ingenious falsehood," may sometimes "dazzle the imagination" in the absence of a thorough acquaintance with the facts, it is wise to pause and consider before endorsing, by the use of their names, any untried and questionable scheme of life insurance. As Burke tells us;—"The landmarks of science will always be found precisely in their former places," and unscientific substitutes for any well defined and ascertained science such as life insurance, must in their very nature prove disappointing and deceptive."

FIRE INSURANCE IN CANADA IN 1884.

The report of the Canadian Superintendent of Insurance for the calendar year 1884 is to hand. It is the last which we can expect from Professor Cherriman, who has so long and so satisfactorily held that office. The business done by the companies, twenty-nine in number, during the year showed a large increase of volume, transacted at a higher rate of premium but attended by a higher ratio of loss. The loss-rate is 65.16 of the premiums, being slightly under the average of sixteen years, excluding the year of the St. John fire. But if the ratio of that year (1877) be taken into account, the average of the series from 1869 to 1884 is 76.51 of the premiums. The