

THE DECEMBER BANK STATEMENT.

In a preceding article the movements of the banking business in each month of last year are treated in such detail as to render it needless to dwell upon those changes which occurred last month, which were of the class usual at the close of the year.

The deposits after making the remarkable advance of \$11,251,517 during November, ceased to expand in December during which month the increase was only \$285,241. It is in the comparison of 1905 with 1904, that there is matter for surprise, the total increase last year of deposits in Canada having been \$58,815,551. This increase in one year equals the total amount of the deposits held by the chartered banks of Canada in 1870.

The current loans and discounts in Canada were only enlarged to extent of \$1,347,221 last month, which was offset by a decrease of \$1,197,068 in those outside Canada.

The call loans in Canada increased \$912,919, and those elsewhere \$2,501,786.

The return of the circulation tide drew down the note issues to extent of \$2,610,969 against a decrease in December, 1904, of \$4,919,537, but left the total at close of 1905, greater by \$5,474,180 than at close of 1904. The paid-up capital though increased by \$5,238,614 last year did not increase in anything like the degree that the deposits and loans enlarged. The loans in 1905 increased over 15 per cent. whereas the increase of paid-up capital was only 6½ p.c.

There are already indications that a number of banks will increase their capital this year, the prospects being bright for an enlarged trade.

Last year nine of the banks called up more capital, and twenty bank enlarged their reserve fund. It is obvious that the paid-up capital of the banks has not increased proportionately with the current loans and discounts. In 1895 when the total capital was \$62,195,390, the discounts were \$202,088,260, a ratio of capital being 30 per cent.; in 1905 the total capital was \$85,294,210, and discounts \$489,238,320, the ratio of capital being 17 per cent.

ONE GOOD YEAR, NO REASON FOR REDUCED RATES.

The year 1905 has been as prosperous one for fire insurance in Canada, as 1904 was the reverse. The public will doubtless now be clamoring for reduced rates, saying that the returns fully justify such reduction, yet we were told that a bad year was no reason for increasing the price of insurance. To follow these statements to their logical conclusion, means that the companies must never raise the rates because of a disastrous year, since it would be unfair to act from an exceptional case, but rates should always be reduced when the companies have had a more than an ordinarily successful year.

Is not this placing the companies in a very ano-

malous position? It is unreasonably contended that rates must never be increased for exceptional causes, but should certainly be reduced for seasons just as exceptional in the opposite direction.

These arguments are not only illogical but are founded upon erroneous premises. Fire insurance is a business, the results of which cannot be judged by one or two years. The transactions of twelve months are not closed by putting the premiums up to the 31st of December, against the losses and expenses at that date. A conflagration on the 1st of January may alter the tables of the previous year's business, altogether, and it is only by comparing the results of a number of years that a true estimate of the results of the business can be arrived at.

It is the law of average, not merely upon individual risks, but upon the business as a whole, which guides, or should guide fire underwriting. Every grocer who knows at what price he can sell his sugar, tea and other articles, at a profit, takes the same limited view of fire insurance, assuring you that, as he has not had a fire for twenty years the companies must have been coining money out of him.

The figures of the premiums and losses in Canada for 36 years were published some time ago and if those of 1905 are added the net result will be some two or three per cent. better than at the end of 1904, which would not seem of itself to warrant a material reduction in rates.

But, it is argued, the misfortunes of St. John, N.B., Quebec, Hull, Montreal and Toronto, are passed and done with, and should not influence the future. Should they not? By parity of reasoning the companies might justly reply that the good returns of 1905 should not influence the future. But it is mainly experience which must govern fire underwriting, as it does other forms of business, in its entirety. Rates cannot be fixed for one year alone, but must have reference to exposure hazard, construction, municipal, or private protection, etc. Premiums must do more than meet the annual losses and expenses with a margin for profit. Sufficient reserves must be accumulated to provide for extraordinary losses, otherwise when those losses come bankruptcy ensues and the companies that have neglected such precautions will join the ranks of the sixty offices retired from business to their own and the public's detriment.

It is manifest that fire insurance, like banking, should be on a sound basis and profitably managed, so that both may be a benefit to the community. It will be readily allowed that bank managers know more about banking than outsiders, in like manner, fire insurance managers are more competent to conduct underwriting than those not brought up to the business. Rates can be reduced by conforming to regulations laid down by those who have made a study of the subject.