

COLLAPSE OF A HAMILTON LOAN SOCIETY.

The collapse of the Hamilton Loan & Savings Society makes the third break in companies of this class within the year, the others having been two small Toronto affairs. This break in the honorable record of mortgage loan companies is much to be regretted, as it will tend to excite general distrust of these organizations, especially in Great Britain from whence so large an amount of their funds are derived. There is, however, a very broad distinction between the ordinary loan and savings companies, and those which have come to grief, a distinction which it is desirable in the interests of Canadian credit should be understood. These societies were originally organized for strictly building society purposes on the old plan so well known and popular in England. They were intended to be made up of persons desirous of building, or owning their own dwelling house. To raise the requisite money a number of men contributed a certain sum monthly, and when the aggregate was enough to buy the land, and build a house, the members drew lots as to which one should have the use of the funds. The property purchased was held by the society as security for the amount remaining to be paid up by the monthly instalments. As the country began to develop it was seen that there was an opening for extending the loan system to farmers. From this there sprang up a new class of loan and building societies organized as joint stock companies, whose capital was derived from persons who had money to invest in shares, or to place on deposit, but who had no intention to borrow for building purposes. As the demand for loans grew faster than the supply of funds, the system was adopted of issuing debentures which found a market in Great Britain where the high rate of interest was attractive. In 1874 there were \$20,000 of such debentures issued all payable in Great Britain, and in 1876 the amount was \$2,140,000, which has been increased up fifty millions, and ten millions payable in Canada. A number of small companies have also grown up which retain the old building society principle, by which the stockholders constitute the borrowers. As a rule, companies having their stock in a liquid state do not issue debentures. There are, however, two or three who have a small section of stock of this class, who issue debentures, but such companies have a fixed paid up capital large enough to give legal authority to their debenture issues. The Hamilton Homestead Loan & Savings Society was one of the smaller companies. It had no fully paid up stock, consequently no debentures. Its subscribed capital was \$288,000, of which about 33 per cent. was paid up. Its total mortgage loan assets were \$121,000, and total assets \$132,000, the loans being to members only. Manifestly the business was too small to provide such a competent staff as a loan society requires. The total expenses at head office and elsewhere are given in

the 1894 statement as \$1,419, an outlay too small to ensure good management and skillful supervision, which these very small concerns are not able to pay for, and which expose them to such irregularities as have wrecked the one at Hamilton.

THE LONDON ASSURANCE CORPORATION.

The London Assurance is another of the companies which date back to the stirring days of the early years of last century. It was incorporated by a Royal Charter in 1720. Shortly before this the peace of Europe had been assured by an Alliance of England, Germany, France and Holland. This gave a sudden stimulus to trade, and to confidence, out of which numerous enterprises arose, amongst them the London Assurance, which has proved more substantial than the mutual promises of the greatest powers of Europe which were made about the same time.

The net premium income of 1896 amounted to \$1,985,485, and the losses, inclusive of all claims to the 31st December, 1896, to \$930,320. This gives a ratio of losses to net premium receipts of 46.80 per cent. So remarkably low a ratio following immediately after the one of 1895, which was only 50.20, is an experience very rarely enjoyed by fire insurance companies. The element of chance may have something to do in determining the ratio of losses to premiums. But when the policy of a Company has for some time been directed by a determination to prune away all unprofitable risks, and to restrict the business to such only as is of high quality, the reduction of loss ratios must be attributed to this conservative course being adopted. The Manager of the London Assurance Mr. James Clunes therefore has every reason to regard the results of his work with great satisfaction, especially when he has been able to economise in expenses, as was the case last year when these outlays were less than in 1895. In addition to the large profits of about 19 per cent. on the fire business last year, the Corporation received \$99,840 from interest on the securities of this department. Out of these profits \$250,000 was added to Profit & Loss, and \$224,550 to the Fund, which has reached \$3,312,460. Besides this fund the Corporation has \$1,550,000 as a General Reserve, the balance of Profit & Loss Account, and the Capital. Such resources give a strength to the London Assurance which gives the policy-holders a protection beyond the reach of risk. The premium receipts of the Canadian business have gone upward steadily each year from \$87,507 in 1890 to \$134,996 in 1896. The losses paid in Canada in 1896 were \$62,386, which is a ratio of 46.20 on the premiums. Mr. E. A. Lilly, the Manager for Canada, doubtless feels, as he is justified in doing, considerable elation over the records of his work last year.