

CAUSES OF BUSINESS FAILURES.

It is only necessary to watch closely the circumstances attending our mercantile failures to discover the leading causes to which these failures are attributable. At the time of their occurrence the matter is often involved in mystery and excites great surprise, but as the official assignee unravels the estate the real source of the difficulty becomes apparent. With our storekeepers it is not uncommon to see a firm thought to be in a sound position, doing a fine business with a good class of customers, at fair profits, seized with a sudden embarrassment, and driven to seek an extension or a compromise. Spreading themselves like a thrifty tree, they suddenly blight and wither as if stung to death at the root. It will be found on enquiry that a large majority of these cases arise from unfortunate outside speculations.

Not satisfied with the moderate profits of legitimate trade, hundreds of our traders are constantly dabbling in some outside operations to which they cannot give any time, and very little attention, because they hold out the chance of larger profits. This has become a wide-spread evil that is constantly bringing to maturity a crop of compromises and extensions. Some are trying their luck in oil lands—a mania for which has ruined hundreds. Madoc gold mining can count some victims but fortunately the bubble burst before very serious mischief had happened. Buying vessels, mills, taking railway contracts, operating in lots of butter, pork, &c., speculating in houses and corner lots, have wrecked many a firm that promised well. But the most dangerous and fascinating field and that in which thousands have fallen is the grain trade. And it is a fact—startling enough—that we can mention those among our smaller traders who are now holding grain on speculation in American markets; and these men are supported in this insane kite-flying with money advanced by Canadian banks. Such operations are merely one mode of courting disaster and bidding high for ruin. Whatever may be the result of one or two transactions of this class there can be no mistaking the final result—and what that result will be, the grim records of the past too plainly tell. The public were startled the other day by the suicide in a Canadian town of a prominent merchant because of adverse fortune in grain speculations.

All these classes of business may be legitimate enough to those who devote their time and attention to them, and are prepared to take the attendant risk; but for a merchant who requires all his capital in his legitimate business, it is folly akin to madness to enter the arena of speculation. How much stronger

is the case when these speculations are attempted with a capital insufficient even for the legitimate demands upon it!—for those who are doing a business of \$20,000 on a capital of \$2,000! It is a practice with our country storekeepers to buy lots of butter, cheese, eggs, &c., and hold them for months on speculation, while their credit is suffering, and interest on their indebtedness is accumulating. And to all this a direct loss on the article itself is commonly added. These products must be received in the way of trade, but they should be turned over at the first opportunity to the regular dealers. A retired merchant, relating the secret of his success, gave it in these words—"I understood my business thoroughly, and stuck to it." This is a golden maxim. Half the evils that befall honest and well-meaning traders would be avoided if this rule were followed. "I made money in my business, but lost it in grain," is the history in a sentence of numberless bankruptcies.

Were it not for the long credits that are granted by our wholesale traders, the smaller houses could not carry on these gambling operations to the extent in which they are now indulged. Were it the rule to "pay as you go," they would have no loose cash to cast away into the whirlpool of speculation. A wise and safe maxim is, "Stick to your legitimate business, and sink or swim with it;" and which, if it were adopted, would result in much less sinking and a great deal more swimming.

ADJUSTMENT OF FIRE LOSSES—AN UNIFORM POLICY.

It has been suggested to us that an effective measure for reducing the heavy annual losses suffered by the Fire Insurance Companies in Canada would be to establish a better and more thorough system of adjustment and inspection. There can scarcely be a doubt about the correctness of this view, but the difficulty is in its practical application. The interests of a company are involved in the two questions of inspection and adjustment to a much greater degree than seems to be generally supposed. Of all the officers of the company, the man who is deputed to perform these duties ought to be unquestionably competent, have the interests of his company thoroughly at heart, and feel a deep concern in its welfare. The adjuster has, at times, the company in his own hands. He may involve it in loss and litigation for want of good judgment; he may drive away business out of the reach of the company forever by his treatment of claimants, or he may make them fast friends. Thus his position becomes often one of the utmost responsibility.

If our adjusters and inspectors are incompetent, as they mostly are, it is but the natural result of the existing mode of conducting these departments of the business. We have about twenty-five companies, all of whom, in a limited country such as this, are necessarily doing a limited business. Yet every one of these companies has its adjuster, or some one who acts in that capacity. The same party usually does, also, whatever inspection of risks is done. There are probably not more than half a dozen men among these adjusters that really understand their business. The idea, then, is to secure to all the companies and to the public the full advantage of the abilities possessed by these competent men. This would be effected by constituting a Board of Adjusters, who would act for all the companies, being paid out of a common purse, and kept independent of any individual company.

In this way it is contended that a very few good men would do all the work of the kind that is done, and do it effectively. The companies would save a large sum in travelling expenses, and, no doubt, a still larger sum in losses avoided. The present system operates in this way with respect to the matter of travelling expenses: company A, head office at Montreal, has a loss at Sarnia, and company B, head office at Toronto, at the same time has a fire in Québec. The effect is that about fourteen hundred miles of useless travelling is done, and valuable time is needlessly lost. The awards of independent adjusters, such as those proposed, would have great weight with the insured, and would be rarely disputed. It is said of the Boston adjusters that they are there really the insurance lawyers, and that their advice and opinions are taken as legal. In the Massachusetts court reports for 1869 there were but two marine and one life insurance case recorded; in 1868, there were three marine and two life cases, a very insignificant number indeed, considering the number and amount of the transactions involved.

Another change which is akin to this and which it is believed would tend to the convenience of the public and therefore to advance the interests of insurance as well as to remove a great deal of the friction experienced in its working, is the adoption of a uniform policy. We fail to see a good reason why the general conditions of the insurance contract might not be uniform, supposing the set of conditions was adopted that experience points out as the best. The public would become familiarized with the terms of the policy, and the law relating to insurance would be less difficult of application, and would therefore be better understood.

We notice that a bill has been introduced