

by the fact that none but very faithful friends will continue to transact business with companies demanding fair rates, writing policies which are just to their shareholders, denying privileges gratis which should be paid for or "adjusting" losses instead of settling them. Such companies must either lose business or join in the mad race for risks, trusting to luck for results. The "best conducted" of them are tempted to retain their business at inadequate rates, although conscious of the wrong they commit.

The "luck" on which so many are depending, is a very treacherous foundation on which to build a fire insurance business on this continent, because of the fact, patent and irresistible, of hazards of construction, of occupation and exposures unknown in Europe but which assert themselves in our Chicago's Boston's and St. John's, and not only in our cities but in every town and village. To instance some of these: the inordinate use of inflammable material for buildings; the elevator ways, the mansard roofs; the skylights, the general insufficiency of water supply; and the inefficiency of apparatus for salvage or for extinguishment of fires in tall buildings. Then there still remains the serious consideration of the low standard of business morality upon this continent, and the abrogation of insolvent laws which has in the United States caused a great increase in the loss ratio, as it may do here. And, yet further, the roving, unsettled habits of the people, who fly from one occupation to another or from one district to another with but little apparent feeling of attachment to things, persons, or places; a feeling which, in the old country, tends to preserve among its people a pride of honesty and integrity.

Whilst, therefore, we commend the course which is an evidence of prudence, *viz.*: the withdrawing from competition in an unprofitable field, we must not lose sight of the fact that an extended area of operations is essential to an insurance company. A company which confines itself to a particular class of risks or to a city or a county or a province or a state is always in danger of sudden extinguishment by any of the calamities to which its field of operations may be subject. It is like the farmer who, instead of sowing a variety of seed every year, places his whole dependence on one crop: this year, perhaps, all wheat, next all clover, next all barley—if the season is unfavourable to his particular crop he has nothing to make up for his loss. Whereas, the company which carried on business over a more extended area is like the farmer who so diversifies his crops as that the weather which hinders one will benefit another.

The good farmer, however, knows that neither variety nor area will make up for

reckless seeding, or neglect in cultivation or carelessness in harvesting; and the prudent manager knows as well that recklessness in underwriting, neglect in inspections, or carelessness in adjustments will not bring success, however extended the operations or diversified the classes of risks.

Here it is, we think, that the Scottish Commercial and the Royal Canadian have erred—both of them have had good reputations in the United States, neither of them were under any necessity of "running a-muck" or of running away, both have had large lines of good business on their books and possibly large lines of bad business also. Still, having expended large amounts in establishing their agencies it would appear to have been wiser to have pruned their business than to have cut up their trees by the roots; restriction of their field of operations will increase the *pro rata* expense of the business they will hereafter do, and will again decrease their income.

Managers and shareholders often overlook the fact that the only valid reason for the existence of an insurance company is that it may become a means whereby the many who do not suffer loss may pay the losses of those who do. If, at the same time, they reap a small margin of profit, happy are they. But to do this they must depend on the proper taking of every individual risk. Weed out all bad risks; weeds are a curse to the farmer, and the more of them the worse for him. That this good cultivation is the essential element of success, and that without it neither restricted nor widespread fields of operation will ultimately prove profitable, has been evidenced by events well known to our readers. We have had companies who boasted that their operations were confined to farm properties and isolated dwellings only, yet most of them have gone where successful enterprises do not go. We have seen companies confining their operations to places supplied with facilities for extinguishing fires, whose records at Toronto, Hamilton and London are not evidences of success. We remember when in 1877 the fires of St. Stephen, Portland and Woodstock in New Brunswick caused the companies to withdraw their "country" agencies in that province, and to concentrate the efforts of their general agents in the city of St. John, which had proved such "a dear place" to them.

In a circular to the agents of his company, Mr. Hope, of the N. Y. Continental, recently used the following sensible words: "The year 1880 ought to show a better result; the rights of stockholders demand it, and the best interests of policy holders require it. Insurance companies should grow stronger in each year in which no ex-

tensive conflagration takes place, so as to be the better prepared for the year—sure to come—in which such disaster shall occur. So to adjust and maintain rates of premiums, as shall secure properly graduated charges for insuring, and which shall include the expectation of and preparation for great fires, is a duty of all insurance officers and agents."

—The railways have been able to win through a reduction of rates. The reductions on the New York Central and the Erie railways are represented by the following figures, as given by Poor:

| LINES.              | 1869. | 1873. | 1878. |
|---------------------|-------|-------|-------|
| New York Central .. | 2.387 | 1.573 | .914  |
| Erie .....          | 1.539 | 1.454 | .937  |

Whether railways' freight fares have reached their lowest point may be doubtful. It has been said that \$3 fare for carrying passengers between New York and Chicago would be a paying rate. Passenger fares remain relatively much higher than those for freight; and there is no prospect of an immediate further reduction in the latter, though it would hardly be safe to say, looking at what has been done, that this will never be possible in future.

—The suit of the Western Assurance Company vs. Johnson was argued in the Supreme Court last week. This is the third case of this class which has been under the consideration of that court. The real question at issue is the right of Provinces to legislate for Insurance Companies licensed by the Dominion. We have always contended that whatever the state of the law may be, it would be unjust for the different local Legislatures to interfere with companies which derived their power to transact business from the Federal Government. The court has now had the fullest opportunity to consider the question in all its bearings, and we will be glad to hear of an early decision.

#### EMPIRE MUTUAL POLICY HOLDERS.

A dissatisfied policy holder in the defunct Empire Mutual Fire Insurance Company writes us for an opinion whether he is liable for an assessment for the amount of his premium note given that concern, and says: "I think that, under the circumstances, it is disgraceful to even think of asking for the amount, and I suppose the money is for the benefit of the officials." In this our correspondent is apparently not far astray. The directors have coolly resolved to help themselves to all the law will permit them to get hold of. Indeed we are pretty sure that they have already, in their anxiety to save what they can out of the wreck, exceeded their authority, when they voted and paid themselves,