

£1 notes. In Canada we should find it highly inconvenient if we had no notes less even than \$5, but to be confined to notes of not less than \$25 would not be tolerated in this country.

The question of protecting the gold reserve of the Bank of England from fluctuations caused by the periodic drain which occurs in the autumn season is assuming great importance in the old country. There is a cry that the country banks keep, practically, no gold reserves, which is true, but surely if these banks are to be compelled to keep gold reserves they ought to be allowed to issue notes proportionately to their capital, as in Canada or reserves which would add some \$50,000,000 to the currency of the United Kingdom and so, not only add a wonderful convenience to the banks and the people, but relieve the Bank of England of the drain of gold for the use of the provincial banks, which now is apt to cause fluctuations in the bank reserve that are apt to disturb the money market.

RATES AND RESERVES IN FIRE INSURANCE.

In our issue of May 11, an article was published under the above heading, in which we expressed the opinion, that the rates of fire insurance should not only be sufficient to cover ordinary losses and expenses leaving also a fair margin for profit, but they have also to provide a reserve for possible contingencies in the shape of extraordinary conflagrations such as no human foresight can guard against.

Reserves are, therefore, necessary to the sound life of a fire insurance company. Without reserves for calamities like San Francisco, Baltimore, Toronto, etc., a fire policy would resemble the promissory note of a gambler. It is well known that owing to lack of sufficient reserves, scores of companies have gone under, owing to above conflagrations).

Our contemporary "Industrial Canada" publishes an article in the July number, emanating from the Canadian Manufacturers' Association, in which the uncalled for statement is made that THE CHRONICLE is the official organ of the stock fire insurance companies. Owing to the absurdity of the statement we do not think it worth while refuting it.

The writer of the article goes on to state, that all question of localizing the discussion is removed because the particular event that has called forth THE CHRONICLE'S article is the San Francisco disaster. We regret that the writer in question should lend himself to such gross misrepresentation. The answer to this statement is to be found in our issue of May 18, under the heading of "San Francisco Fire Losses." We there distinctly objected to a general advance of rates to meet a very exceptional loss, and we did so without any con-

sultation with the stock fire companies, and do not at the present moment know whether those companies agree with our views or not. Fire insurance rates have not been increased in Canada as a result of the "San Francisco" conflagration as is erroneously implied in the article referred to, but on the contrary the average rate to-day is from 7 to 8 p.c. less than a year ago.

The writer of the article in question, is endeavouring to prove that not only are we entirely wrong in what we have laid down in our issue of May 11, concerning reserves, but that the whole of the stock companies are transacting the business of fire insurance upon an erroneous basis and rolling up unnecessarily large reserves by charging high rates.

The writer states Of the companies reporting to the Dominion Government twenty-seven are directly interested in the San Francisco conflagration. He then presents figures showing actual dividends paid for the ten years ending 1904, by those 27 companies. We are afraid the author of the article is trying to make the public believe that those dividends show the profits accruing from the fire insurance business solely, whereas he must be perfectly aware (from his own knowledge of the business) that a large proportion of these companies transact other insurance such as life, accident, marine, etc., in addition to fire business, and that a considerable part of the dividends is contributed from these sources as well as from interest on reserves piled up in past years for protection of policy-holders. No business man will question the right of shareholders to take dividends on the interest of reserves they have put aside. It was by restricting their dividends in past years that they were able to create these reserves.

If it is argued that a portion of those reserves should have been returned to the assured in rebates of rates or otherwise, it would simply mean that all fire insurance companies should be mutual.

The writer charges 70 p.c. as the reserves laid aside by the British offices. We had supposed it was 40 p.c.

It is, however, the Canadian fire business, and the rates charged in Canada, in which the Canadian public are interested.

The following tables are sufficient indication that the insurance rates in the Dominion have been altogether too low in the past. It also demonstrates that during the past 37 years no unnecessarily large reserves have been accumulated by the companies, upon the rates charged. On the contrary so far as Canada is concerned the companies have paid out for losses and expenses just about what they received in premiums. In fact the table shows that there has been an actual trading loss for the Companies during 37 years in Canada of \$2,355,608