

period, it is only to be expected that we shall witness a gradually increasing drain upon our gold reserves. The movement may be checked for a time by the uses of credit; but not permanently, if the circumstances described shall continue.

BANKS' LOANS TO MUNICIPALITIES.

In a review of Canadian banking in 1912, contributed to the *London Bankers' Magazine*, it is pointed out by Mr. H. M. P. Eckardt, that in the first half of 1912 the deposits increased very rapidly indeed, largely owing to heavy issues of new securities in London. Remittance of proceeds of these new issues to Canada served to swell the deposits of the banks quite materially. Altogether the increase of deposits in the June half was \$86,000,000, as against a loan expansion of \$74,000,000. From June to December the increase of deposits was but \$16,000,000, while the loan expansion amounted to \$33,000,000. In this half the movement of Canadian corporations to float bonds and debentures in London was held up by the unsettlement consequent upon the outbreak of the Balkan war. Those municipalities which had entered upon extensive plans for improvements, etc., were obliged to request their bankers for temporary loans; and a number of industrial companies were in the same position.

EXTENT OF MUNICIPAL LOANS.

Some of the more important municipalities, continues Mr. Eckardt, have temporary loans from the banks ranging from \$500,000 up to \$2,500,000. In the aggregate these loans must foot up to \$30,000,000 or more; and it is understood that the banking institutions have been putting pressure upon the various cities and towns to induce them to offer higher rates of interest on debentures, with the object of making them more attractive to the investment public on both sides of the Atlantic.

The difficulties which they have encountered in financing their requirements during the second half of 1912 is causing the cities and towns to be more moderate in planning improvements, etc. It appears, says Mr. Eckardt, that the real estate element is altogether too prominent in some of the Western Canadian municipal councils. These real estate agents have in many cases committed the municipality to expenditures for sewerage, waterworks, etc., which, while unnecessary, promised to enhance the value of building lots or sub-divided property in which they were interested.

LIFE BUSINESS FLOURISHING.

Information gained by *The Chronicle* this week goes to show that the present period of monetary strain is having no untoward effect upon the life companies. Their new business is reported to be continuing upon an encouraging scale. However, the fact of tight money is being brought home to the companies through the large increase in applications for policy loans. The general discovery by policyholders that borrowing upon policies is not only the easiest but also often the cheapest method of raising ready cash is comparatively modern, but there is no doubt that the borrowing privilege is now being very widely used. When the statistics are available it is likely that the loans on policies item of the life companies during the present year will show a very large increase.

MARINE INSURANCE DEVELOPMENTS.

A recent article in the *London Economist* regarding developments in marine insurance contains some interesting suggestions. It is pointed out that the recent tendency in marine insurance has been more and more for fire offices to control at least one marine company as a subsidiary affair either by direct absorption or by the acquisition of shares, and the number of absolutely independent marine companies is consequently growing smaller and smaller. "Whether the process will continue further remains to be seen," observes the *Economist*, "but the position at present is full of possibilities, and it is not outside the range of speculation to conceive the whole marine insurance market—apart from Lloyd's—controlled by companies whose main interest lies in fire insurance, and who run the marine department as a 'subsidiary shop.'"

While the big offices now recognise that there is a prospect of employing capital successfully in the marine market, and are prepared to take up the business for its own sake, probably, says the *Economist*, "the governing motive now, as formerly, is the desire for fresh 'connection,' and the hope of scooping in new general business through the door of the marine underwriting room.....For the marine insurance market the importance of this development can scarcely be exaggerated. The result of it, if carried to any great length, will be to make marine business a feeding department, managed by the directors with one eye on the fire and accident branches. If a marine account brings fresh policyholders to the fire managers it will matter comparatively little whether it is profitable or not, and the board of a big composite office would probably be content to see its marine policies simply paying their way if the secondary effect were to swell the premium income in other directions."

A SUGGESTION OF RETALIATION.

Simultaneously with this change of policy Lloyd's has begun to lose that freedom, which, says the *Economist*, is the merit of the individual system of underwriting. Under the stress of competition and the impulse of hard times Lloyd's underwriters have made understandings among themselves and become parties to tariffs and agreements.

"If," says the *Economist*, "the insurance companies think it worth their while to push for marine business as an adjunct to their other departments, the existing marine market will find competition growing steadily more severe—and if, on the other hand, the present underwriters are bound by tariffs and agreements, they will have a task of even greater difficulty in meeting this competition.....Thus with a 'tied' market and competing companies, the dice are loaded in favour of the companies, and for this reason Lloyd's may in course of time have cause to realise the danger of too close an understanding among individuals. The offices have long felt the competition of Lloyd's in fire business—where the Lloyd's market is free and growing freer—and they would be fully justified in carrying the war across the border, and 'going' for Lloyd's marine clients. How far they will adopt this policy no one can say; but they have a great opportunity, and the final result may be to work a complete change in the machinery of marine insurance."