SOME DEFUNCT CANADIAN FIRE COMPANIES

In the article of Fire Insurance Profits in Canada, which appeared in these columns last week, reference was made to the fact that so far as Canadian companies are concerned, or their underwriting in the Dominion during the last fifty years, an actual loss is shown, and it was also remarked that the history of Canadian Fire Insurance furnishes a continuous record of failure on the part of native companies, which have gone to the wall for one reason or another. Some facts with regard to the more recent of these failures, companies whose affairs are still in process of liquidation, are contained in the report of the Superintendent of Insurance, and they make grim reading.

In the case of the Rimouski, the liquidator places the nominal value of the assets at the 30th June last at $83,589.32, and liabilities at $185,372.68, and he adds a footnote that "the actual value of the assets is considerably less than the nominal value." The particular force of this remark is realized when it is noted that the assets include uncalled capital of $31,967.08, and sundry amounts, totalling approximately $14,000, due from other companies in liquidation. Under such circumstances, the prospects of policyholders' claims outstanding amounting to $162,427.81 being settled at a hundred cents on the dollar are not bright, and the ordinary creditors will have been wise if they have written off their accounts long ago.

The liquidator of another "dead one," the Ontario Fire, kindly furnishes an estimate of what the assets are expected to realize. Their book value is $102,752.64; they are expected to realize $55,674.72. The liabilities are $156,268.32. That the company's management was not of the best is seen in the fact that real estate and mortgage holdings, the book value of which was over $25,000, are expected by the liquidator to realize the modest sum of $1,760. The Anglo-American makes an even worse showing. Against assets of $19,074.35, it has liabilities of $108,642, and the assets consist wholly of the estimated value of contributions, which estimated value may or may not be realized. A related concert, the Montreal-Canada, has a more cheerful statement, the liquidator being able to report assets in excess of liabilities amounting to $11,833, but this is contingent upon shareholders' unpaid stock, $29,892.50 being paid in full. Finally, the Victoria-Montreal's liquidator is able to show "total assets considered good" $119,020.70, and total liabilities of $36,344.53. However, collecting shareholders' balances of $116,624.99, even if they are considered good, may be quite a big process.

A week or two ago, The Chronicle took occasion to sound a note of warning in regard to the standing of new fire insurance companies in the Dominion. As was then pointed out, the Canadian field is densely occupied by keen and active companies, and the new small Canadian company, starting out on a career, has a hard row to hoe, even with the best of management. In point of fact, from the point of view of the investor, fire insurance is decidedly not an attractive proposition under present-day conditions in Canada. There are well-known cases in which companies started within comparatively recent years have made splendid records for themselves, but those successes have developed where an exceptionally skilful and conservative underwriting management was in charge. As the facts given above regarding some of the Canadian defunct companies show, where those requisites to sucess are missing, it is merely folly for the private investor to embark his capital in the business of fire insurance. Shareholders in those defunct companies, the great majority of whom, judging by the published lists, are quite unable to afford their loss, have had a bitter experience, and that experience should be a lesson to those invited to place their money in so reckless an adventure as the new fire company, whose prospects are merely average, and which has not the advantage of exceptional connections and management.

EFFECT OF INFLATION

During the latter part of the war, and just after its close, there was a good deal of disposition in various financial quarters to regard inflation as being very largely an imaginary menace. The outlook has now changed and the effects of the present inflated state of things are a good deal more generally appreciated in the financial district. What is now recognized is not merely that stock and other prices have been largely advanced as a result of inflation pure and simple; if this were all it probably would not be the cause of much regret. The banking situation which has resulted from inflation, together with the high rates for call money growing directly out of it (both of which have been features of the past summer), have caused in recent weeks no little apprehension. On the other hand, the steady rise of prices is now, without doubt, proving a cause of serious anxiety to many of the more far-sighted financiers. Should it continue, extensive disturbance to foreign trade as well as difficulties of many sorts are foreseen. Locally, the inflated condition of banking and currency is unquestionably proving an added element of cost to many business men, so that on the whole it may be said that there is today a growing appreciation of the dangerous conditions caused by the continuance of the present banking position entirely regardless of the fact that the banks themselves are well protected and able to redeem thir obligations.—N. Y. Journal of Commerce.