

Though in comparison with deposits and loans the outside balances of our banks appear small they form and represent a very important element on the business of the banks. As indicators of trade movements these foreign balances are of the utmost interest.

AVERAGE IN FIRE INSURANCE.

All kinds of insurance, whether life, fire or marine, are worked or should be worked upon the rule of average. Taken simply one life, one building, or one ship, may turn out either a profit or a loss to the insurance company, but that of itself proves nothing.

The rate charged may be totally inadequate or a great deal too high, the life insured may expire in a week or be prolonged to a hundred years, the building may burn a day after or not burn at all, and the ship may be wrecked just after leaving port or arrive without mishap at its destination, and yet the rate in such solitary instance would be no guide whatever.

The best lives occasionally terminate suddenly, the least hazardous risks burn, and the most seaworthy ships go to pieces on the rocks, yet it would be absurd to accuse the companies from these examples of lack of foresight or knowledge of their business.

It is only by collecting the statistics of a large number of risks extending over a long period that the average rate applicable can be arrived at, and when some complain that it is unfair for them to pay the same rate for their risk—in whichever branch of insurance it may be—on which there has been no loss for years, as those do who have cost the companies thousands of dollars during the same time, they fail to understand that this is the main principle upon which insurance is governed, not by individual risks, but by the law of average.

Turning to fire insurance, in Canada, the superintendent of late years in his reports has given the average rate charged during the year under review, which has ranged from 1.14 to 1.60 per cent. This is interesting and to a certain extent instructive as regards the general results of the business, but it does not give any information as to which class of risks has proved profitable, or the reverse.

It does not show what rates have been charged upon the various classes of risks from private dwellings down to saw-mills or the premiums and losses on such. This would be manifestly too much to expect from the insurance department, but the companies are obliged to divide their business into different classes and fix their rates upon each making; it may be said, an average within an average, the rate in one case being very much below and in the other very much above the average over the whole. These rates can only be arrived at

within accurate distance, by the combined experience of the companies, and the longer that experience and the more numerous the companies furnishing the data the more nearly correct will be the results. A company newly in the field may be only able to obtain the insurance of a very few dwellings, a loss on one of which may easily wipe out several years' premiums on that particular class, but that fact does not demonstrate that the rate charged was too low, because from the combined experience of all the offices it is shown that year in and year out, dwellings at those rates have shown a fair profit.

This is the advantage of combined experience, which as stated is the only method of arriving at the average rates commensurate with the hazard on a particular class of risks, without which guide a company entering the business would simply "go it blind." The companies themselves have learned a great deal from the experience of mutuals in connection with sprinkler risks and are profiting by the same, for while the laws of average hold good, new inventions bring about changes, and just as sanitary improvements have gradually tended towards lengthening the average duration of life, so reduction of the fire hazard must and will bring about a reduction in rates, but it is on the average of the aggregate it will be worked out.

In conclusion the business of fire insurance cannot be gauged by a single year, but must be judged by a series of years, and it may safely be said that a company which disregards the laws of average in the conduct of its business is simply going in for a pure gamble.

SERIOUS INSURANCE CRISIS IN ARKANSAS.

Fire insurance conditions in Arkansas are becoming more and more serious every day. Never before were so many people learning the value of fire insurance. Hitherto the general feeling in that State, as elsewhere, was that fire insurance premiums were an oppressive tax for which, except in very rare cases, no return was ever made. Those who entertained this narrow, but popular idea, have been enlightened by the withdrawal of their fire insurance.

It is not an uncommon experience for something we possess to be very lightly estimated until it is withdrawn from us, as is expressed in the words, "We take no note of Time save by its loss." The merchants and other property owners in Arkansas have discovered that fire insurance is one of the foundations of mercantile credit, the whole fabric of which in that State has been shaken by insurance being cancelled, or unobtainable. Men who have been for years protesting against the requirement of insurance by bankers, loan companies