Insurance Companies Flooding the Country

OVER $200,000,000 CAPITAL AUTHORIZED BY CHARTERS IN PAST SIX MONTHS.

The Chicago *Banker* says:

The present orgy in insurance company promotions is becoming a national scandal. In six months past more than $200,000,000 capital and surplus have been authorized by charters issued in the "easy" states chiefly. Fire companies account for about $75,000,000 of the amount, life companies for $35,000,000, with nearly $100,000,000 in guaranty, casualty, surety and miscellaneous companies. The country has been flooded. It may be admitted that a few of the many have been started with a view of actually transacting the business of insurance, and are legitimate ventures in every way; a few of these have already completed their organization and commenced operations, but the vast majority are promoted by parties having little or no knowledge of the underwriting business, who are only seeking profit from the sale of stock of the company, not caring what becomes of the institution once it is launched.

These flotations are usually conducted by means of professional stock selling agents, who work for a high commission, and the stock is therefore sold to the public at a large premium, ostentatiously to provide a working surplus for the company, but in reality to cover the cost of organization. St. Louis and Kansas City have been most abused, they having been selected as operating points for more than their share of the shaky kind. In the former city financial revelations are being made daily in court inquiries now going on. Thick among the victims are country bankers weak enough to subscribe for shares at a cut price on a "guaranty" that the bank would get a lot of deposits from the company, and the banker a lot of "commissions" for all stock sold in his territory.

This kind of promotion might be described as getting easy money by the promise of still easier money to the victim. This is the basis of 90 per cent. of the sales. Insurance company revelations from the East lead many in the West to think them gold mines. They are—for the promoters. St. Louis leads with $6,200,000, Kansas City next with $6,005,000, and Oklahoma (including one at Shawnee) is a close third with $4,900,000 in the new shares. One at Phœnix, Ariz., capitalized at $50,000,000, probably is for "emergencies." With what has been said heretofore and the above statement of conditions, no banker in his right mind should allow himself to be used as a "fall guy" for these scalping promoters who only want his money, not his influence, as professed.

New Workmen's Compensation Law in United States.

Insurance Record, London.

The United States of America is about to go through an insurance experience very similar to that which we in this country have had during the last few years. On September 1st a new Employers' Liability and Workmen's Compensation Act came into force, and even the best insurance authorities do not hazard an opinion as to what the risks will eventually work out at. The *Review*, of New York, says that, while the new enactments are radical departures from any statutes at present on the books, their terms are so ambiguous that the actual construction to be placed upon them can only be determined by the courts. "Liability underwriters and attorneys have held many joint sessions in an endeavour to arrive at some conclusion as to the proper construction, but have only reached the agreement that they can be interpreted very broadly, as the court may see fit." The salient features of the new laws are embodied in the following brief summary: Whereas, under the present law the employer is liable only for the negligent act of one whose sole or principal duty is superintendence, while actually superintending the work, the new law makes the employer liable for the negligence of any person entrusted with authority to direct, control or command any other employee (an ordinary foremun, or a shift boss, or a so-called working foreman is not a superintendent; but under the new law the master is liable for injuries due to the negligence of such foreman). It practically eliminates the doctrine of assumption of risk, making the employer liable. It removes from the employee the necessity of proving his absence of contributory negligence and places the burden of proof upon the employer, which will result in the employer being held negligent in practically all fatal cases in which there are no eye-witnesses. It provides, however, that employers may enter into written agreements with their employees, entitling injured employees to half wages during disability and up to four years' wages in case of death, not exceeding 3,000 dollars, in lieu of all other rights of the employee to compensation, and irrespective of the cause of the injury if it occurs in the employment.

State Insurance.

The advocates of State and Municipal insurance often quote the operations of the New Zealand Government Insurance Department as an example to be followed in Great Britain. The success of the New Zealand Department, however, is more apparent than real. The Australian Mutual Provident Society operates in New Zealand as well as in other parts of Australasia, and the following comparison of its work in New Zealand with that of the department should certainly prove instructive to the many who may be inclined to listen to the specious arguments of those who are constantly clamouring for State insurance. The statement, it should be explained, refers to the business as at the end of December 31st, 1909:—

	A.M.P. Society. N.Z. Business.	N.Z. Govn't. Ins. Dept.
Number of policies in force.	39,193	48,016
Sum assured............	£10,767,996	£11,151,094
Bonuses..................	2,289,341	1,296,654
Total sum at risk.........	£13,057,337	£12,447,743
Annual premium revenue.	339,912	336,702
New business, 1909.......	854,554	796,339
Net increase, 1909........	396,820	195,345
Invested funds............	4,799,378	4,405,141
Total revenue, 1909.......	562,678	546,566
Premium revenue, 1909...	335,598	330,926
Expenses of management.	53,755	72,119
Ratio of expenses—		
1. To total revenue.....	9.55	13.21
2. To premium revenue.	16.02	21.79

It is worth calling attention to the fact that, though the sum assured by the Australian Mutual Provident was less by nearly £400,000 than that assured by the department, the bonuses declared by the former are nearly £1,000,000 greater than those of the latter. Then, again, the expense ratio of the Australian Mutual Provident to total revenue was 9.55, as against 13.21 for the department, and to premium revenue 16.02, as against 21.79. Insurance by the State, when compared with that carried out by private enterprise, is unprofitable to the policyholder; it is more expensively worked, and therefore fails to yield equally good bonuses.

Roosevelt's Advice to Journalists.

With characteristic frankness Colonel Theodore Roosevelt the other day lectured his fellow journalists on how to conduct a newspaper. He said: "The editor, the publisher, the reporter, who honestly and truthfully puts the exact facts before the public, who does not omit things that ought to be stated, for improper reasons, who does not say what is not true, who does not color his facts so as to give a false impression, who does not manufacture his facts, who really can read in the first place to find out what the truth is and in the next place as a source of guidance—that man occupies one of the most useful positions in the community."

A Message—In Your Advertising.

The telegram is a common, little, crude, yellow and black affair, but with what avidity we reach for it. That is because we have learned to associate it with information of importance. All the costly deckle edge stock and exquisite printing and embossing in many colors that money can buy could not add anything to the face value of the telegram.

The message is the thing. If your advertising gets the reputation of having the real meat in it, people will reach for it and hang on to it. Lacking the meat, no amount of fine printing can save it. The printer can make good stuff attractive and artistic, but there he stops. He can't make poor stuff good.

The Transatlantic Mail Contract.

A great change has come over the Transatlantic steamship situation since the days when the Allan Company was the only one that could give a mail-carrying service adequate to the requirements laid down by the Canadian Government. In its time that company did a great work for Canada, even before it became a "Dominion," but that is no reason why other lines capable of doing equally well for the country should not have a chance to compete for the new contract about to be made.

When the Allan steamship line was established nearly sixty years ago, the St. Lawrence River offered many serious obstacles to the progress of ocean steamers, and Montreal was a place of comparatively little commercial importance. Much of the credit for the improvement of the navigable channel in the river and for the present eminence of Montreal as an ocean port must be given to the Allan Company and its pioneer line of steamships; but there are now other companies which have been built up without subsidies of any sort, and which offer to give the service the Government requires. If the contract is to go to any one company it should be awarded by competition, and not given arbitrarily.

It is a fair question to consider, however, whether the time has not come for adopting an entirely different method of alloting the work of carrying the mails between Canada and Great Britain. Speed in transmission is of the very essence of the service, and it may be that the best way to secure this is to pay a fair price for the carriage of the mails and then send them by the fastest ships, no matter to what line they may belong, or whether they belong to any line. Such a system of payment by speed results would bring to bear on all steamship owners the pressure of continuous competition in the development of speed combined with safety, and would put a premium on the evolution of the type of vessel best adapted for the combined ocean and river navigation included in the route between Montreal and the British terminal port. The competition would, of course, involve ports as well as vessels.