

# The Chronicle

Insurance & Finance.

R. WILSON-SMITH,  
Proprietor.

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY.

VOL. XXV. No. 49.

MONTREAL, FRIDAY, DECEMBER 8, 1905

SINGLE COPY, 10c  
ANNUAL SUBSCRIPTION \$2.00

## Effect of Forbidding Mutual Rates.

The United States Supreme Court has declared the Iowa law valid by which fire insurance companies are forbidden to enter into an arrangement as to mutual rates.

The effect of this decision will be to render all such arrangements in the United States illegal. The result can hardly fail to be exactly the reverse of what the promoters of such legislation allege to be their motive. They charge the companies with combining to advance and maintain rates at a higher figure than they would be were no such mutual arrangement in force. The rates fixed by an association of underwriters are based upon their combined experience. They thus approximate, as near as is practicable, to a scientific standard and there is no necessity for a margin being provided to cover the uncertainty that exist when each company relies wholly upon its own experience.

## Redeemed Notes Not Destroyed.

A contemporary when referring to the destruction of bank notes when withdrawn from circulation stated that all notes when redeemed were destroyed. This will be news to bankers, who are redeeming their notes every day and re-issuing them although redeemed. The writer is evidently unacquainted with the meaning of the word "redeemed" in currency language, which is not, as he appears to suppose, a synonym for cancellation as a step to their being burnt. Every note received for value by the issuing bank is a "redeemed" note, until it is again put into circulation.

The notes of the Bank of England are an exception to this order as none of its notes are re-issued, however brief has been their active life. Indeed notes of the Bank of England may be issued, redeemed and cancelled without having left the bank's offices.

## Insurance of the Daily Press.

It is well known in insurance circles how ill-informed are writers in the daily "Press" on insurance matters. Critics of both life and fire insurance go blundering along making statements and drawing conclusions which are as

devoid of foundation as the wildest romance. In fact, of daily press comments on insurance it may be said, "Are of imagination all compact."

One of the commonest ideas prevalent amongst these critics is that, the entire difference between the amount received for premiums and amount paid for losses is profit to the fire companies. That the business of fire insurance is conducted without any management expenses being incurred is an opinion almost universally held by fire insurance critics in daily papers.

Another idea which generally prevails is that the companies are not justified in preparing for conflagrations, or an epidemic of fires. A fire insurance company ought "to live from hand to mouth," laying nothing aside for contingencies, is a popular opinion. Had this policy been pursued no company would have been in existence today. No business man would approve of such imprudence, but the companies are denounced continuously for charging such rates as enable them to protect themselves and the policy-holders from being destroyed by conflagrations.

This lack of knowledge is lamentable but "worse remains behind." "The Spectator" declares that, while "the daily papers are extremely eager to print anything calculated to discredit insurance, if the companies wish to expose unwarranted attacks upon them the daily papers charge from one to two dollars a line for publishing their defence." That is a serious accusation which we cannot believe applies to the daily papers in Canada. It is the universal custom for all who are engaged in a business in which the loss ratio is incalculable to make provision for the uncertainty on a maximum scale. With fire insurance this is especially the case as the range of risk is so wide and the variations of experience are so numerous and so extended. A company operating in ignorance of the experience of other companies would be exceedingly imprudent were it not to charge such rates as would cover the range of risk, as assumed without knowledge of the average experience of the companies. A mutual understanding amongst underwriters, restrains any excessive rates being imposed by causing them to be based upon an extensive range of experience, upon an ascertained average rather than a supposition affected by over-caution.