

CANADA WEST FARMERS' INSURANCE COMPANY.

The last report of the Directors of the Canada West Farmers' Mutual and Stock Insurance Company, which we give in another column, shows that the Company's affairs are in a good condition. The year's business may be thus condensed:

Premiums earned on business of 1867	\$37,868 21
Less agents' fees, \$5,133, and Postage on policies.....	\$260 22
Net earnings.....	\$32,474 99
Per Contra:	
Claims of 1867, \$18,447 08	
Expenses investigating same 755 07	
	19,202 15
Office expenses, salaries, Printing, &c., &c.,	5,588 13
	24,790 28
Surplus carried to year 1868.....	\$7,684 71

We received with the report a detailed statement of losses which gives just such particulars as we should like to see furnished by all our Fire Insurance Companies.

We congratulate the Secretary, Mr. Street, on the result of his careful management.

BUILDING SOCIETIES.

The Building Societies of Canada wield a capital of four and a half millions of dollars—an amount so large as to demand for them a far greater share of public attention than they have hitherto attracted.

The first Building Societies of this Province, like most of those in England and in the other Provinces, were Terminable, and did business after this fashion: The subscribers paid so much per month on their shares, and this money was sold by auction, the man who bid the highest bonus or premium getting the amount required. Some institutions still conduct their affairs on this principle, but we should shrink from what seems to be our especial duty if we failed to state that, while a few Terminable Societies may be so fortunate in their management as to escape the risks attendant on this vicious system, it is unsafe for lenders, and often fraudulently oppressive, if not ruinous, to borrowers. It is found in practice on the one hand, that when a borrower's necessities are the measure of the bonus he offers, he often promises more than he can perform; and on the other, that when a Society is anxious to sell its money at a high rate, it is not sufficiently particular about title or valuation. By degrees Building Societies assumed the "Permanent" type. The lenders invested their money quite irrespective of who might want it, and without desiring themselves to become borrowers, while the societies established regular tariff rates for loans, and the borrowers could calculate at their leisure whether these rates were within their means. Curiously enough, these Permanent societies were at first *extra leges*, and it is indeed only within the last few years that subscribers have been legally allowed even to pay up their shares in full, the societies being compelled to accumulate funds by the slow pro-

cess of monthly subscriptions. Now, however, they are established upon a firm basis as far as law is concerned, and, the old prejudice formed by reason of the failures and extortions of Terminable societies fading away, they are becoming firmly fixed in the esteem of the community also. A sufficient proof of this is found in the fact that both the capital they have at stake and the amount they have out on loan have doubled within the past five years. We believe they have more than quadrupled within ten.

It is due to the Canada Permanent Building Society to say that the initiative in many of the successive changes which have led to this result has been taken by that Society—by far the largest of our building societies, and one whose management does infinite credit to Mr. Mason, its Secretary and Treasurer, to Mr. Ridout, its President, and to its Board of Directors. And we will digress for a few lines to give prominence to the facts brought out by its recent Reports published in our columns:

Its Assets are now no less than.....	\$1,684,656 00
According to the official statements they were, in 1867,.....	1,479,580 00
Do do in 1865,.....	1,443,128 00
And, in 1863,.....	1,284,218 00

It has \$1,568,343 of these assets invested on mortgage. Of its liabilities \$978,031 are on stock account, and \$425,027 are deposits in the Savings branch. Its reserve fund now amounts to about a tenth of its capital, and its dividends being steady at the rate of 10 per cent., it is not to be wondered at that its stock stands at 114, and is difficult to procure at any figure.

To revert to the general subject. The term "Building Society" is almost a misnomer when applied to institutions such as these. They should rather be called "Terminable Loan" Societies, or "Sinking Fund Credit" Associations, for more than half their mortgages are not upon city buildings but upon country farms. Be that as it may, we will proceed to point out how they are serving a most useful purpose to the farmer as well as to the owner of city property. It is the experience of most persons accustomed to deal with property that where a mortgage is made in the usual way, for a certain sum, to be paid at the end of a given time, with interest yearly or half-yearly, the principal is rarely repaid, except with money borrowed, of course again on mortgage. Of course transactions of this kind are for the mutual advantage of mortgagor and mortgagee, but the former rarely ever pays his interest without a sigh, and the latter is usually annoyed by want of punctuality, and often fearful of depreciation in the value of the mortgaged property. Now Building Society mortgages are almost all so made that with each payment of interest some of the principal is also paid. Borrowers consequently get free from debt in 5, 10 or 15 years. Each payment bringing the desired end nearer, is usually made with a cheerful mind. There being a fine for want of punctuality, and a discount for prepayments, many repayments are actu-

ally made before they are due. The mortgage lessening in amount each year, there is little cause for apprehension on the score of depreciation in the value of the security. Hence we favor most strongly the application to mortgages of the Building Society or Sinking Fund principle.

But let no man imagine that it is a simple thing to conduct the operations of such an institution. In all cases where compound interest is involved, patient labor, great care and some shrewdness, are necessary. But where, as in the management of Building Societies, calculations of an intricate character have daily to be made—where annuities have to be valued with interest compounded monthly, quarterly or yearly, (and unless properly valued there is no safety to the shareholders,) considerable mathematical skill and acquaintance with book-keeping of an intricate nature have to be united with thorough honesty and practical business sagacity. He who undertakes to carry on a Building Society must have all these qualities. If he lack one of them, no man who values his money should entrust him with a cent. So seldom indeed are they found in any one person that we think the public should far rather trust a well known manager of an established institution, even though its shares bear a considerable premium, than subscribe to new ones, with managers and directors alike untried.

What interest does a borrower pay for money borrowed from Building Societies? The question is a hard one to answer. If companies charge nominally six per cent., *ex. gr.* \$600 for the loan of \$1,000, to be repaid within ten years, making the annual repayment \$160, or the half-yearly repayment \$80; if moreover they can re-invest the money on the same terms, as soon as repaid, it is evident that they make about 10 per cent. But the borrower cannot be said to pay it. The Canada Permanent has published tables intended to prove that he only pays $\frac{1}{4}$ per cent. The correct answer depends, however, on circumstances. Doubtless, if a man had to borrow to make his repayments, he would find in the long run that he paid exactly what the societies made. If, on the other hand, he had sums coming in from independent sources at the exact time his repayments were due, and of just the same amounts, it is hard to see how he would pay more than 6 per cent. Practically, the answer depends upon the circumstances of the borrower; the needy man paying more, the well-to-do man with a regular income less.

The Societies, however, as we have seen, if able steadily to re-invest, keep on earning interest at a rapid rate. The tables of most of them yield nearly twelve per cent; those of the Canada Permanent, considerably less, in some cases hardly ten. But as they have power to take money on deposit up to a certain limit, for which they pay only 5 or 6 per cent., they are able to