WHY SOME FIRE COMPANIES HAVE FAILED.

The number of fire insurance companies that have failed shows that the business is subject to serious mercantile risks. Competition amongst individual traders is wholly different in its results from competition amongst such organizations as banks and insurance companies.

When a merchant is run down by competition the mischief of his failure affects only a very narrow circle. But, when a bank fails, or an insurance company there are large numbers of depositors, or policy-holders involved in the collapse.

It is not in the public interest for competition to be carried so far in insurance, or banking as to endanger the extensive, the very serious interests of the banks and insurance companies. The trend of the times is towards lessening this danger by consolidating insurance companies and bringing about a mutual agreement amongst underwriters to fix rates that have a fair chance of being remunerative In treating the question why so many little companies fail, and always have failed, to achieve success the "Insurance Record" says: "It may be asserted without hesitation that in only a mere fraction of instances has their failure been due to inadequacy of capital. There are many causes leading to failure; but insufficient capital might almost be deleted from the category of such causes; and, as an excuse for disaster, it hardly deserves to be listened to.

Failure may comprehensively be attributed to the cutting of the coat without taking the cloth into account. A company with so small a share capital as £1,000 might transact a profitable business, if it complied with three conditions:—

(*a*) The repression of any ambition to rush into greatness; and the concomitant practice of strict selection.

(*b*) Rigid economy in expenditure, rendered possible by compliance with condition (*a*).

(*c*) Minimum limits on every risk, no matter how safe it may seem or how tempting may be the rate.

Of course, it is always possible that in any year sheer misfortune may, at the moment, defeat the success of these precautions; but, at all events, their adoption will furnish a company in its early stages with the best, if not the only, guarantee of success.

This is entirely a question of practical management; but the misfortune is that directors, themselves new to the business, are apt to accept a manager on his own estimate. It often suffices for them that the official has, at one period of his life, been connected with some old company, in practically any capacity. Hence, he is labelled an "expert," and taken at his own valuation. More mischief has probably arisen from this laxity of selection than from any other cause. A man who has served in an insurance company is not necessarily an expert: indeed, not one in many hundreds can claim to be so described. A mere registering clerk, promoted from his stool in an old office to the managerial chair in a new one, may become an expert subsequent to the change; but he will do so at the expense of his new company. A company's local representative has the most limited conception of the functions belonging to general management. Yet experiments of that kind have been tried, and invariably with the same result. The "manager" finds it difficult to draw a sufficiency of premiums from safe business, and accordingly speculates in hazardous and "fishy" risks. All this is done without the cognizance of directors, themselves incompetent to judge; so they trust implicitly to the knowledge and good faith of their "expert" until the final crash reveals the broken reed. When that catastrophe arrives, it is assumed to be logical to assert that fire insurance business is unprofitable; and that new companies are foredoomed to failure. This kind of reasoning, however, is defective, inasmuch as it fails to take into account the possibilities even of young companies, when they are blessed—as they rarely are—with honest and capable management. Some recent occurrences present a scandal, for which, it would seem, the law does not provide either appropriate remedy or punishment "to fit the crime."

METROPOLITAN CONVENTION.

MONTREAL, 1905.

The Metropolitan Life Insurance Company of New York, held its ninth annual convention in Montreal, on Saturday the 2nd inst., at the Place Viger Hotel.

The meeting was attended by the superintendents, assistant superintendents and agents of the company, in the Montreal, Westmount and Ville Marie districts, to the number of about 150.

In the afternoon a banquet was held at the Place Viger Hotel presided over by Mr. Haley Fiske, vice-president of the company. Letters of regret at inability to be present were received from Mayor Laporte and Mr. R. Wilson-Smith.

During the afternoon very interesting and instructive addresses were delivered by Mr. Haley Fiske, Major B. R. Corwin, Mr. C. N. Bovee counsel of the company at the head office; Colonel John Tilton, Mr. A. G. B. Claxton, Mr. J. E. Kavanagh, followed by the local officers of the company Messrs. C. Stansfield, R. B. Ellis and L. Ackerman, all of which were listened to with great interest.

The premiums for the past year in Canada, of the Metropolitan Life, were, industrial, $1,159,733; general, $350,319. The net amounts of insurances in force were, industrial, $25,761,481; general, $8,897,380, as against $23,647,668 industrial, and $6,960,759 general in 1903.