# The Chronicle

## Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881 PUBLISHED EVERY FRIDAY

Vol. XXXX. No. 45 MONTREAL, NOVEMBER 19th, 1920 Single Copy 20c Annual Subscription $3.00



### THE GENERAL FINANCIAL SITUATION

An interesting statement was given out at Ottawa last week regarding the maturities of the funded debt of the Dominion arising as a result of the war and additional borrowing during the war period, although not for war purposes. The total maturities in the next seventeen years, to December 1st, 1937, is $2,127,481,800 Whether this an absolutely complete list of maturities of government debt in this period is not clear, although it seems to us probable that there are other maturities in this period of loans floated prior to 1914. Taking the figures as they are, however, some useful deductions may be drawn therefrom. One satisfactory feature is that no heavy maturities are imminent. In the fiscal year 1921-1922, only $40,000,000 matures, and it is not until December 1st, 1922 that a really heavy maturity for $194,842,100 has to be dealt with, followed by one of $194,881,800 in 1923, and another of $106,365,100 in 1924. In the longer future, maturities are fairly light with 1933 and 1934, when the loans maturing total $483,081,250 and $488,360,100 respectively, followed by nearly $350,000,000, in two instalments, in 1937.

The point of real interest at this time is as to the methods which will be adopted in dealing with the $535,000,000 of funded debt which matures in the next four years. Obviously, capabilities in this respect are dependent upon circumstances as well as upon policy, and the ingenious calculations which have appeared in the daily newspapers showing how the Dominion's War Debt is to be wiped off entirely by 1937 are quite childish and valueless. It may be, though we are somewhat sceptical as to that, but whether it will be depends upon a very large variety of circumstances. The present policy of the Minister of Finance is very rightly directed towards the problem of making ends meet in the national finances, and of creating an annual surplus of revenue, which will be available for the redemption of debt; in national affairs, as in personal affairs, the only way to save money is to spend less than you receive. Assuming, however, a policy of rigorous economy in Government expenditures in the next three or four years, combined with a concurrent policy of high taxation in order to produce heavy revenues, it is at least doubtful if sufficient surplus revenues will be obtained in the next four years to enable the repayment of loans falling due within that period without extensive refunding operations. The character and extent of these refunding operations clearly is dependent upon developments between now and the dates of maturity. Surplus revenues may be sufficient to enable the Finance Minister in the interim to make substantial purchases of the maturing bonds—it is to be hoped that they will be. The character of the money market may have changed to such an extent that the Minister may be able to refund at a substantially lower interest rate than that presently paid. Again, it is to be hoped that such will be the case, although we think there are substantial grounds for the opinion that interest rates will continue high, owing to the demand for capital the world over, for some years to come. In any event, exactly what will be possible in the way of repayment of debt can only be established at the time it is necessary to make arrangements for refunding.

It is to be borne in mind also that while, of necessity, a policy of rigorous economy is presently in order in regard to Government expenditures, in the interests of the growth and development of the country, it will not be possible to postpone indefinitely the construction of various new public works, not necessarily of a reproductive character, which will curtail new borrowing. As regards taxation, a definite trade reaction, such as is now in process, will ultimately have an effect upon the productivity of taxation Customs dues, the sales tax, profits and income taxes will show a tendency to decline. The effects of the present reaction in this connection cannot at present be judged. With a revival of trade activity and the ultimate growth and development of the country, also, taxpayers will begin very naturally to ask for some lightening of their burdens. The most likely source, indeed, of lightening of taxpayers' burdens is through an increase in the population and industrial activity of the country, but the prospects in this connection, while hopeful, are indefinite.

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Established 1881. Published Every Friday
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OFFICE:
406-408 Lake of the Woods Building,
10 St. John Street, Montreal.
Annual Subscription $3.00 Single Copy, 20 cents.

MONTREAL, FRIDAY, NOVEMBER 19th, 1920


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What is clear in regard to this whole matter is that no cut-and-dried calculations can be made at present in regard to repayment of the war debt, but that possibilities in this connection depend wholly upon circumstances and policy, the latter being of necessity dependent to some extent upon the former.

Mr. Bogert, the president of the Canadian Bankers' Association confirmed in his address to the annual meeting of that body at Toronto, the opinion which was expressed a week or two ago in this column, that easier money conditions are not likely to be seen in Canada until well on into next year. Among the numerous other points of interest touched upon by Mr. Bogert, mention may particularly be made of his suggestion that the banks do not bring undue pressure upon borrowers against commodities for liquidation, but that a reasonable time should be given for gradual absorption of the commodities by the public. This point is a particularly important one, since while under present circumstances, it is the very natural wish of the consumer that the fall in commodity prices should be rapid, there is no doubt that in the long run, such a development would harm the consumer himself, if he be engaged in industry, through the industrial disturbance and even paralysis that must follow. As things are, there are plenty of indications that commercial interests are taking very heavy losses. So-called "sales" and attempts to liquidate at a price are increasing very largely in numbers, particularly in luxury lines, and once the Christmas trade is over, we believe that this tendency will be very considerably accentuated even beyond its present limits.

The situation in regard to labour is gradually reaching an interesting point. During the last week, there have been several announcements of acceptance of lower rates of pay, and one settlement of a strike in the asbestos industry where the workmen caved in and returned on the employers' terms. On the other hand, we hear from Ontario of refusal of work by those unemployed on the ground that the rates offered were not equal to those which the now unemployed had been earning in their last jobs. We doubt very much if with the winter coming on, workmen will be able to maintain this irreconcilable attitude long, although it can hardly be a matter of surprise that the attitude should be sturdily adopted in view of the fact that for several years past, the unions and the workmen have had their own way entirely, and it has been a case of merely "Ask and ye shall receive." There is also the fact that despite the fall in many lines of commodities, the cost of living to the average family has not yet markedly decreased. The Labour Department statistics show an average cost of the weekly food budget for a family of five in October as $15.83, a decline of only twelve cents from September, and comparing with $14.21 in October, 1919. With the present trade reaction continuing, it is evident that the outlook for labour during the coming winter is not a particularly cheerful one, though it may be hoped that severe hardship on an extensive scale will be avoided.

The "sugar war" has continued into the early part of the present week and concurrently the shares of the Atlantic Sugar Company tumbled on the local Stock Exchanges to about rubbish heap levels. It is a matter of surprise that the authorities of the local Stock Exchange have not called for a statement by the company, and made an enquiry into the dealings in its stock recently by its directors and officers. The reasons advanced for this lack of enquiry that no useful information could be produced at the present time are, we think, quite flimsy—it is to our mind clear that some useful information could have been given out. The folks most to be pitied in this affair are those who formerly held the preferred stock, which they exchanged in recent months for the common, following the payment of arrears of dividend on the preferred. In default of their preferred stock, they now find themselves landed with a common stock which temporarily, at least, is relatively almost worthless. The day to day developments in the sugar situation are being watched with intense interest. Taking its cue from Atlantic Sugar, the local exchanges as a whole have continued depressed. One point in favour of sundry standard stocks which in recent months have been sold heavily by London investors, is that the banks have now agreed to discontinue the account of anyone importing securities from abroad, in defiance of the policy adopted on that matter by the Finance Minister, the banks, and the great majority of dealers in securities. There are ways and means of avoiding this penalty, of course, but it will very probably have a good effect in stopping

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the leaks. The best tonic that the market can have at present is steady buying by the investing public to reduce the volume of floating securities which at present is undoubtedly extremely large. This investment buying, however, will certainly need time to make itself effective.

## "WITHOUT A BANKING PANIC"

It is being remarked in many quarters where price revisions are under discussion that the present is probably the first occasion on which the country has passed through a period of economic and industrial reorganization "without a banking panic." In former days the economic structure simply proceeded to grow steadily until inflation reached its logical result and there was a breakdown. Failures followed and there was a sharp collapse of the price mechanism. The result was what is called "deflation," but it brought with it much ruin and at times an almost total stoppage of ordinary business.

The New York *Journal of Commerce* says:—

The features of present readjustment, which differ from former periods of a similar sort, are seen in the fact that the banking mechanism has faithfully and effectively supported sound institutions and enterprises up to the last and has never failed them. The total volume of credit to-day is larger than it has been at any time. What the banking system has done of recent months has been to eliminate the speculative credit which was responsible for the undue advance of prices, thereby bringing about a restoration of prices to a footing of normal exchange. There has never been a time when business of a legitimate sort could not get the accommodation it needed or when the depositor could not obtain what he was entitled to at the bank.

There is no system of banking which can finance an indefinite speculative advance of prices, and if there were it would be the greatest curse to humanity that could be devised. What is needed everywhere is a system that will both afford the support legitimate business needs and at the same time refuse support to speculative undertakings which seek only to advance prices to the consumer. Up to a short time ago it was supposed that present arrangements would permit only the former course of action. Recent events show that the contrary is the case. This results in disappointment to some, but the benefit to the community as a whole is the greater notwithstanding. No more valuable service could be rendered by any banking system than the furnishing of conditions that will permit a readjustment without the familiar concomitant of panic and failure.

## THE TURN OF THE YEAR

The "turn of the year" is the time now confidently set by some professional optimists as the date at which there will be the expected improvement in financial conditions. Whether the predictions thus made will be realized depends, however, entirely upon what is done in the meantime. To effect much improvement there must be a larger and steadier movement of crops to market, a decided improvement of the export situation and an enlargement of the demand for foreign bills, thus enabling the financing of export shipments, and a better money outlook. Whether these results can be secured or not depends largely on the work that is done in the meantime to bring about a more stable situation. At present there is little co operative effort in any direction to effect such results and small sign of the application of positive remedies for a state of things that is far from reassuring. Whether there will be more decline in stock market prices is not so important as the question whether conditions can be rendered such as to permit and assist an ultimate advance. There is a good deal of call for some constructive measures looking in that direction.

### Statistics of Construction

Construction contracts awarded in all the cities, towns, villages and rural districts throughout Canada during October, according to figures compiled by MacLean Daily Reports, Limited, totalled $18,169,500, or $5,409,800 less than in October, 1919. The total for the ten months of 1920 is $231,459,800, an increase of 40 per cent. over the 1919 figures.

## Shall the Retailer Cut Prices

Shall the retailer slash prices or shall he hold them at present levels and permit his business to be slashed to a point far below normal? Faced with a decision many retailers are considering plans to lower present markups and still retain a sufficient margin of profit to keep going until smoother water is reached.

One department store manager declares his conviction that just now the necessity for moving merchandise is greater than the necessity for profits and that it is a better policy to do business at a loss than not to do business at all. *Marine Merchant.*

## LONDON GUARANTEE & ACCIDENT CO.

Mr. H. C. Thiselton, general manager of the London Guarantee & Accident arrived in New York this week.

Of late the London Guarantee has been branching out, and it is stated will be engaged in the fire insurance business in the United States in the near future, through a running mate.

## THE CANADIAN BANKING SYSTEM

*By Sir Edmund Walker, President, Canadian Bank of Commerce*

"The Canadian Banking System," particularly as it showed marked differences from other systems, how it has served Canada, how it stood the test of war, and what we have to face at the present time, was the subject of an address by Sir Edmund Walker, at the last annual Convention of Wholesale Grocers, held in Toronto. Owing to the prominent position held by Sir Edmund Walker in the banking profession throughout the world, his address will be of much interest not alone to our readers in Canada, but also to our readers in various parts of the world. After complimenting the Wholesale Grocers of Canada on the establishment of their guild. Sir Edmund Walker proceeded with his address as follows:

"There are four features in which Canadian methods are markedly different from those of some other countries, and in some respects different from those of almost all countries. In the first place we have—as Great Britain has, and the United States has not—a branch system of banking. There are very few people who know that we inherit our system of banking very largely—the beginning of it, at all events—not from Scotland and England, as we might suppose, but from the United States. The great genius, Alexander Hamilton, began as early as 1790 to fight for a system of banking which would have branches and would both gather in and distribute capital in an easy way, and cause banking to be an arm of the state, helpful to the state as a whole; as opposed to a system of banking by little institutions scattered all over the country, which may be very powerful in their own small areas, but are not powerful in working for the country as a whole. That struggle has lasted in the United States from 1790 to the present time, and when we established our first banks in Canada we took some of their features from the charter of the first bank established by Alexander Hamilton, so that we began with the ideas of banking which had already been tested to some extent on the American continent, and which had been successful thus far. In our Canadian West we still have the old dispute; there are still people coming from the United States who in that country used to go to the local bank director, slap him on the back, and ask him to lend them money, and who think they can get it more cheaply and easily that way. If they ever stopped to consider the value of our system, they must realize that theirs is a very poor system compared with ours, although it is undoubtedly a pleasant thing to borrow from the director of a bank instead of from the manager of a branch. We are very different from the United States in having a branch system, which distributes capital easily all over the country.

The second feature is that in Canada we have the free issue of notes by the bank against its general assets. You may not know that we also borrowed that directly from the United States, it having been the early system in that country whether in the case of Hamilton's bank with branches or in the case of the individual bank. They all provided the currency of the country in this way. Some issued too many notes, it is true, but our system, as we have it at the present time, is borrowed from that source. I shall try to show you later that such issues properly guarded are the only good paper money that exists.

The third feature is the system of granting credits in this country; it is different from that of any other country in the world. In this country a bank desires to be the only bank to lend money to any particular concern, and the Canadian banker is very jealous of that privilege. If the customer desires to borrow money upon his own credit without other security, the banker insists upon seeing the customer's balance sheet, and, if he is is a good banker, even his profit and loss account for some years back. Thus he knows intimately the affairs of the particular business for several years, and he acts upon that knowledge, and upon the basis of the fact that the customer is not going to borrow from anyone else. In no other country in the world are such large individual credits given as by the banks of Canada. These credits are only possible because of the intimate knowledge possessed by the banker of the customer's affairs for several years. They are also given without any condition as to his keeping part of the money borrowed at his credit with the bank. In the United States, for instance, you may want to borrow five dollars, but you may only get four, although you borrow and pay for five. The other dollar you must leave in the bank; and allow them to lend it again to other people. You get the money with no condition of that kind so far as the Canadian banks are concerned. You get also an option which is not granted by any other banking system in the world. Suppose at the beginning of the season we say we will lend you fifty thousand dollars, or a hundred thousand dollars, or five hundred thousand dollars, or two million dollars—whatever the sum may be. We put that at your disposal; of you do not take it, you do not pay interest, but we do obligate ourselves—not legally, but in our banking practice—to give to you at any time of the year, whether it is convenient to us or not. In no other country in the world, so far as I know, does such a practice exist at the present time. Usually a banker might say that he would lend you from time to time; but if you undertake to borrow the money, you have to borrow it, and if you leave part of it in the bank, that does not lessen the interest; so that my third point marks a very important difference.

There is one other feature, the fourth, the significance of which may not strike everyone. In the United States charters are granted usually for thirty years, and they expire at varying times. In some countries the charter is more or less perpetual, the state having the right to determine it at any time. In Canada, however, the charters of all banks run for ten years only, and all expire on the same day. That was done originally because, at the moment of Confederation, when we tried to create a banking system out of the various systems of the British North American provinces, we were not sure that the results would show a very perfect system at first; so we decided that at the end of each ten years we would get together with the government and revise the Act. At the third revision the government indicated that they were satisfied with the system, and that we could have a thirty-year charter, if we so desired. The bankers of Canada, however, to their great credit, declined and said that they would rather go on with the ten-year charter than have the longer term. The reason is that at the end of every ten years we have, in a sense, to fight for our lives. We go to Ottawa, and there we meet various classes of people, some of whom think that banking should consist simply of printing notes, etc. We satisfy them as far as we can, and the Act is renewed. If we did not improve the Act from time to time there would be nothing in this decennial revision, and the fact of our going there to get the same privilege as before would not be very creditable to the bankers.

(To be continued.)

## Century Insurance Company Limited Acquires Control of the Pacific Coast Fire Insurance Company

The regularity with which the control of Canadian fire insurance companies organized and operating in Western Canada have been acquired by British offices during recent years is somewhat remarkable, more especially in view of the fact, that in each case the Canadian Companies referred to are in a sound financial condition. But the fact cannot be overlooked that the enterprising gentlemen who organized these institutions could not possibly anticipate that the ultimate fate of so many of these Canadian enterprises would be to finally pass under the control of British fire offices.

The announcement is made that the Century Insurance Co. Limited of Edinburgh, Scotland has acquired a controlling interest in the Pacific Coast Fire Insurance Co , Vancouver, B.C. The Pacific Coast received a Dominion license in 1908 and has since been under the management of Mr. T. W. Greer. Its total assets as at Dec. 31st, 1919, amounted to $1,122,702. The Company has a paid up capital of $543,787 and a surplus over liabilities and capital of $172,883. The net cash received for premiums in 1919 totalled $202,922 with a favourable loss ratio.

We understand the Pacific Coast will be conducted as heretofore under the management of Mr. Greer, who is also manager for Canada of the Century Insurance Co. and the Vulcan Fire Insurance Company.

The Century Insurance Co. was incorporated in 1885 and has a high standing. It received a Dominion license in 1917 and has made satisfactory progress in Canada under the direction of Mr. Greer. It is considered that additional prestige will accrue to the Pacific Coast as a result of the above deal, the consumation of which will no doubt be of considerable advantage to both companies.

## CARSON, WILLIAMS & WILCOX LIMITED

Messrs. Carson and Williams Bros , Limited, Toronto announce the changing of the name of the firm to Carson Williams & Wilcox, Limited, by which title it will in future be known.

The change has been made in order that the name of Mr. W. J. Willcox, of Winnipeg, who has been a partner in the firm since its inception, might be included, as some slight recognition of his efficient and valuable services.

The firm are well known as managers for Canada of the following companies :London Mutual Fire Insurance Co., the Millers National Insurance Co., Traders & General Insurance Association, Limited of London, Eng. and Caxton Insurance Co., Ltd. of London, England.

## PERSONALS

Mr. John D Rowell, Inspector for Ontario of the North British & Mercantile Insurance Company, has retired from that position after 25 years service with the Company to become associated with Mr. Bryce B. Hunter the well known insurance agent, Toronto.

To succeed Mr. John D. Rowell the North British and Mercantile has appointed Mr. William Cooke as its Ontario inspector. Mr. Cooke will also represent the Occidental Fire Insurance Co. He is well known to agents throughout Ontario.

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## The Standard Life Assurance Co.
Established 1825 Incorporated 1910
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TWO HUNDRED MILLION DOLLARS

This year The Mutual Life Assurance Company of Canada celebrates its Golden Jubilee by reaching the two hundred million dollar mark. This point in the expansion of the Mutual Life has been reached more quickly than any of its most ardent friends would have believed possible five years ago. But the reason is not "far to seek." During the great war and the fatal epidemic which followed in its train the Mutual Life paid out in relief of the families bereaved no less than two million three hundred thousand dollars **in addition to ordinary claims**. The benefits of life insurance were thus so clearly demonstrated that an immense demand resulted and the business of the Mutual has developed as much during the last five years as during the preceding forty-five years. The Canadian people suddenly realized the absolute necessity for life insurance and naturally turned to a company well-known, well-established and financially impregnable.

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CLAIMS PAID EXCEED. . . . . . . . 500,000,000.00
DEPOSITS with Federal Government and Investments in Canada, for security of Canadian policyholders only, exceed . 8,000,000.00

AGENTS WANTED IN BOTH BRANCHES. Apply to

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## GIVING A NOTE FOR THE PREMIUM

In the case of Steindrecker vs Mutual Life Assurance Company, a decision of the Ontario Supreme Court, it appeared that the Calgary agent of the Mutual Life Assurance Company took an application from Steindrecker for a policy of $2000 with an annual premium of $79, the application containing the usual provision that the assurance should not take effect until the first premium had been paid to the Company or a duly authorized agent during the lifetime and good health of the assured, and that if a promissory note were given for a premium and were not paid, the policy should become void.

The application was forwarded to the Company which issued a policy dated the 7th day of November, subject to the annual premium of $79, the policy containing the usual condition that the applications were made a part of the policy, that the premiums would be accepted in exchange for official receipts, that the agent was not authorized to deliver the policy before payment, that if so delivered for examination only, and that if any premium or written obligation given therefor were not paid, the policy would be void, subject to the non-forfeiture clause.

The policy was forwarded in due course to the Calgary agent to be delivered to Steindrecker, together with the official receipt to be delivered to him on payment in cash of the first premium, the receipt containing the usual clause that if any promissory note were given for the premium and was not paid the policy should become void, but that the note must be paid.

Steindrecker did not have the cash to pay the first premium, so that the agent delivered the policy and took Steindrecker's note payable to the agent in three months, and the agent retained the receipt.

Steindrecker failed to pay the note.

Now if this transaction was a payment of the premium then Steindrecker's policy bearing date the 7th day of November was in force on the 7th of November in the following year, but the next August Steindrecker died, and in an action on the policy the company disputed its liability on the ground that the premium had not been paid.

The Appellate Division of the Supreme Court of Ontario held that the above circumstances constituted a payment of the premium and that the Company was liable.

"It is, I think," said the Court, "a reasonable inference from all the circumstances, beginning with the making of the note payable to the agent and not to the company, and ending with the payment to the premium by the agent, followed by his application to Steindrecker for payment of the note long after it fell due, that the agent had led Steindrecker to believe that he would provide for the payment of the note when it matured, and that the agent intended to do this and himself to pay the note if Steindrecker was not able to pay it when it should become due, and that when the agent paid the premium he intended to pay it for and on behalf of Steindrecker and not as he now says, only because he was by his agency obliged thereby to do so."

## HENRY EVANS TO RETIRE

The Weekly Underwriter, New York, publishes the following:—

"The Street" received a genuine surprise this week when it became known that Henry Evans, President of the Continental, American Eagle and Fidelity Phenix, would retire from those positions. He had long been one of the strongest figures in American fire insurance. He will continue to be connected with the companies, it is understood, as chairman of the Board of Directors of all three organizations.

## Incendiary Fires Levy a Heavy Toll

Pyromaniacs are exacting an annual fiery toll of thousands of dollars from property owners in Manitoba, according to Alexander Inch, Deputy Provincial Fire Commissioner. During the first eight months of 1920 reports have been received of 150 suspicious fires in Manitoba, with more than 40 of these fires established as being of incendiary origin. The loss, through incendiary and suspicious fires this year, already amounts to $327,880, the commissioner stated, and not one individual has been brought to justice.

Lack of machinery to carry out proper investigations encourages fire-bugs, and Commissioner Inch will recommend that the Fire Prevention Branch be placed under the Law Enforcement Department.

## UNIFORM STATUTORY CONDITIONS

*T. L. Morrisey before Conference of Provincial Superintendents of Insurance, Winnipeg.*

This Act as you know has been under consideration by the Canadian Bar Association for the past three or four years and the provionsionally approved Act now before you is the result of the combined wisdom of that body. Is it any wonder therefore that I approach the subject, or offer anything in the way of criticism with fear and trepidation. I intend to hedge, however, and claim "the whole without prejudice."

Before discussing the merits—it is hard to get away from the legal terminology—I would like to acknowledge on behalf of those engaged in the fire insurance trade, *vide* Privy Council decisions, the debt of gratitude they are under to the Bar Association for the good work it has done in advancing the movement for uniform policy conditions throughout Canada to its present stage.

I should also like to take advantage of this opportunity of directing attention to a popular delusion that this is a question between the insuring public and insurance companies. Nothing could be further from the truth. It is admitted it would be a convenience to insurance companies to have uniform conditions, but what these conditions may be interests insurance companies least of all. They can adapt themselves to any conditions. Those really interested are the people who pay premiums to insurance companies and the question resolves itself into one between the premium payers who have fires and the still greater number of premium payers who dont, and as between the two latter are far more entitled to consideration either at the hands of our legislators or before the Courts.

The insurance company is simply the medium through which the two classes of premium payers carry on their operations, and that fact once admitted it must be recognized that anything unduly favoring the class who have fires can only be at the expense of the class who do not have fires. Much has been said and written of late regarding the fearful fire waste of the country. Is it not time that a practical step be taken towards curbing that fire waste—Discourage the fire waster and encourage the property conserver and you have taken such a step.

I am afraid my prologue has already been too long, but whom I get on that subject I hardly know when to stop.

Let us now get down to the consideration of the question before the meeting. The All Canada Fire Insurance Federation, which body I speak for, was extended the courtesy of reviewing the draft Act and given the opportunity of offering criticism and suggestion. Our first suggestion was that it would be advantageous to have not merely the conditions but the whole policy form standardized as they have in the state of New York, the advantage of this is that every insurer would define in identical language the risk assumed. What the objection is has not been disclosed, but the suggestion has not been adopted.

Criticism is offered most respectfully on the following items:—

*Section 2, Sub-Section 4, Interpretation.*—We suggest amplification and that the sub-section read: "Property" includes use and occupancy, rents, charges and profits, where these form the subject matter of insurance.

*Section 4 Contents of Policy.*—The policy is a contest between the parties—the assured and the insurer—and it must of necessity contain the names of the parties. The section also provides that the name of the person to whom payable shall appear. If, as in the majority of cases, the money is payable to the assured, as already stated his name cannot help but appear; if to a third party it is hardly conceivable how the loss could be made payable to any such party without expressing his name.

As to the additional requirements of the section,
the subject matter of the insurance,
the indemnity for which
the company may become liable
the event on the happening
of which such liability
accrues.

What better argument could be adduced in favor of a standard form?

Another suggestion of ours which evidently did not find favor with the commissioners was that the exceptions include.

(1) Loss by theft.

(2) Where assured has not used every effort to save property.

(3) Where a building or material part thereof has fallen.

The argument is:—

(1) Loss by theft is not loss by fire. Where such loss is not excepted it leaves the door open to fraud.

(2) Where the property is under the control of one party to the contract it should be incumbent on that party to do his best to prevent its destruction.

(3) Where building or material part has fallen the character of the risk has changed and its value may have disappeared.

*Section 7 Coinsurance.*

This condition provides that where a policy contains a coinsurance clause it shall have stamped on its face "This policy contains a coinsurance clause," but it goes on to say the clause shall be deemed an addition and as such subject to the provisions of Section 6, i.e., left to the Courts to say whether it is just and reasonable. The reason is not apparent . Coinsurance is simple in its application. If it is ever just and reasonable it is always just and reasonable. My own personal view is that the practice of insuring property without the clause is unjust and unreasonable. There is no more reason for expecting a Company to sell indemnity without providing for coinsurance than there would be to expect the dry goods man to use a 35 inch yard when selling to one customer and a 40 inch yard when selling to another, or the grocer to sell to one customer at 16 oz. to the pound and 20 oz. to another.

Another telling illustration that has been used is: The issue of policies free from coinsurance is equivalent to fixing the rate of taxation and allowing the property owner to do his own assessing. To preserve the equities between the parties all policies should be subject to coinsurance and the rate graded according to the percentage of insurance to value agreed upon.

Our suggestion is that the objectionable words be struck out making the wording to conform to the present Ontario Statute and that the section be transposed to follow Section 4.

*Statutory Conditions Property not Insured*

The original draft specified what was not insured under the final draft the words "unless otherwise stated in the policy" appear. This is very objectionable. Under the blanket form of policy now so commonly used, where the risk is described in such general terms, it might become necessary to specially except "money books of account, etc.," and even then it might necessitate the exception being introduced as a "variation." It should give rise to a lot of trouble and the words had better be struck out. If this provision be deemed necessary then we would suggest that the words "unless otherwise specifically stated in the policy" be substituted.

4.*Risks not Covered.*

Our recommendation was to interpolate the words "directly or indirectly and add the word "Earthquake." The intention evidently is to except losses from the specified causes and it would certainly seem desirable to place the meaning beyond doubt. Riot and Civil commotion insurance is becoming very common and whatever would tend to make clear the liability under one form begins and the other ends would be welcomed.

Earthquake is a catastrophe not contemplated in the ordinary fire hazard. Cover can very readily be obtained for all the excepted hazards at very low rates of premium.

We would again urge that this section read "Loss or damage cause directly or indirectly by invasion, insurrection, riot, civil war or commotion, or military or usurped power, or by order of any civil authority; or by theft; or by earthquake; or by neglect of the assured to use all reasonable means to save and preserve the property at and after a fire or when the property is endangered by fire in neighboring premises." Subsection (C), Strike out the words "and consent."

(4) 8*Use of Red Ink.*—Amend by interpolat-

ing after the word "printing" the word "on the face of" and the word "except" the words "the number."

(5) 1 *Misrepresentations.*—This is limited to misrepresentations made when "applying for insurance"—It is equally important that misrepresentations made during the currency of the policy should void the policy. The present Ontario condition meets this objection and it should be adopted in its entirely.

(6) 5 (b) The words "heating or cooking" might fairly be added after the words "refined oil for lighting."

5 (c) *Change of title.*—The original draft included "or in the case of chattels is mortgaged," but these words are omitted in final draft—a retrograde step. Such a fact is essentially "a fact material to the risk" and as such should be communicated to the insurer.

(7) 5 (D) Add the words "or being a manufacturing establishment ceases to be operated for a period of thirty days."

7. *Material Change*—Substitute the conjunction "or" "for" "and"' making it obligatory upon the assured to communicate any change material to the risk within his "control or knowledge."

9. *Mortgagees and other Creditors.*—The original draft required notice of assignment and consent of insurer, otherwise policy void; the final draft omits this formality and implies the right of an assured to assign his interest in the policy. This is a very radical departure from a settled practice which has always been looked upon as vital to the contract of insurance. We cannot too strongly urge the reinstatement of the original condition.

9. (b). It would seem sufficient to provide that the policy cannot be cancelled or altered without notice to mortgagee. It is difficult to foresee how far reaching the words "or otherwise dealt with" might be, and it is therefore suggested they be struck out.

10. *Termination of Insurance.*—The words "at any time before loss" should be struck out. This limits the right of insurer to cancel before loss. It frequently happens the occurrence of a loss is the warning signal and the right of the insurer to cancel at any time before or after a loss should not be abridged in any way.

11. *Salvage.*—The original draft required assured to make an inventory, omitted from final draft, surely that is not an unreasonable requirement. How can the assured prove his loss without going through some such process. The obligation to prove the loss is on the assured not the insurer. The duty of preparing an inventory should be specifically laid upon the assured.

15. *Requirements after Loss.*—This condition is more remarkable for what it does not contain than for what it contains. The assured is not even required to state his interest in the property destroyed, When the property is destroyed the insurer practically occupies the position of a purchaser and is entitled to full information as to the property for which he is called upon to pay.

17. *Appraisement—Sub-section (E).*—This subsection which is entirely new seems to invite complications. The general practice is for the companies to act together in the adjustment of the loss, usually as a matter of self interest, but just how this can be enforced is not quite apparent. Suppose one company stands out should the appraisement be held up? How is an unlicensed company to be reached? Then for the lawyers to impose upon a poor unfortunate carpenter and builder the determination of the amounts to be paid under non-concurrent policies is surely going the limit. Why some of the questions arising in such instances would puzzle their brethren from Philadelphia. The apportionment of costs as between the companies might safely be left to the companies to fight out amongst themselves. This sub-section serves no useful purposes and might safely be omitted.

## Ontario Equitable Life and Accident Insurance Company

It is well known that the word "equitable" is of common use in the names of insurance companies operating in the United States and elsewhere, and the name occurs in more than one company's title operating in Canada.

In connection with the application for the incorporation of the Ontario Equitable Life and Accident Insurance Company, superintendent Gray of the Ontario Insurance Department in giving his ruling said:—

"It was urged that the word 'equitable' was so associated in Canada with the business of the Equitable Life Assurance Society of the United States as to have become the property of that company in connection with life insurance in a manner similar to a trade name in a commercial enterprise. I have come to the conclusion that the Equitable Life Assurance Society of the United States has no proprietary interest in the word 'equitable.' It was, in the first instance, copied by this company from the Equitable Life Assurance Society of England, which had already acquired a world-wide reputation. The word 'equitable' is part of the name of another English company, knows as the 'British Equitab'e Assurance Company,' and also that of another company, called the 'Scottish Equitable Life Assurance Society,' and of at least two other companies incorporated in the United States. Furthemore, the cases establish that the word is not of a quality which contains the essentials necessary to constitute a trade mark or trade name. (See Standard Ideal vs. Standard Sanitary 1911 Appeal Cases, p. 78.)

While the name of the new company was selected partly because the great Equitable Life Assurance Society of New York was withdrawing from the Canadian field, there is little cause for apprehension that any confusion will result from the use of the word "equitable" by the new Company.

Considerable interest will be attached to the Ontario Equitable Life and Accident inasmuch as it proposes to confine its life business to non-participating business. The adoption of such a judicious policy by Mr. S. C. Tweed, organizer of the company, is to be highly commended, as there is undoubtedly a wide field for the cultivation of non-participating business in Canada at the present time.

## CANADIAN FIRE RECORD

*Specially compiled by The Chronicle.*

*Fire near Toronto.*—On the 15th instant a fire destroyed The house of Providence barns just outside Toronto City limits together with 22 head of cattle, three colts and the whole seasons crops. Loss about $15,000. Insured for $10,000.

*Fire at Colabegie, Ont.*—On the 10th instant a fire destroyed the large warehouse and packing-room of the Black Donald Mine Co., together with a quantity of graphite. Loss about $30,000 partly insured.

*Fire at Hamilton, Ont.*—On the 13th instant fire occurred on the premises of the Robinson Ice Cream Company, McNab St. The building was completely destroyed. Loss about $100,000. Insurance of $50,000 was carried.

*Fire at Kincardine, Ont.*—On the 13th instant a fire destroyed the Kincardine Evaporator and communicated to the Royal Hotel. Loss on latter about $3,000 on the Evaporator and contents the loss will exceed $10,000.

*Fire at Edmonton, Alta.*—On the 13th instant a fire occurred in the Hebrew Synagogue. Loss about $5,000 fully covered.

*Fire at Parrsboro, N.S.*—On the 15th instant a fire destroyed the Dr. S. Howard block, Main Street. Loss about $35,000.

*Fire at Ottawa.*—By the fire which occurred in St. Patrick's Hall the following companies are interested: Palatine, $7,000; Western, $4,000; Northern, $4,000; General of Paris, $3,500; Hudson Bay, $3,500; other insurance, $2,000. Total $24,000. Loss total.

*Fire at Winnipeg, Man.*—By the fire which occurred on the 10th instant in the warehouse of Adams Bros., Market St., the following companies are interested on the Stock: Aetna, $10,000; Car & General, $7,500; Continental, $10,000; Fidelity Phoenix, $5,000; General Accident, $5,000; Globe & Rutgers, $5,000; Newark, $5,000; New York Und., $7,500; Northern, $$4,500; Palatine, $7,500; Phoenix of London, $2,500; Prov. Wash., $10,500; Queen, $5,000; Royal Exchange, $15,000; Springfield, $5,000; Union of London, $5,000. Total $125,000. Loss total. Insurance on building not yet available.

*Fire at St. John, N.B.*—On the 7th instant a fire occurred in St. Mary's Anglican Church entailing a loss of about $1,500.

*Fire at Vancouver.*—On the 4th instant a fire destroyed office and commissiary at Vancouver barracks. Loss about $25,000.

## Non-Cancelable Policy Observations

*By G S Galloway, Manager American Service Bureau, Chicago.*

Owing to the attention that is now being attracted to non-cancelable accident and health insurance by those engaged in accident and health lines, the following article will be of much interest:—

I firmly believe that the non-cancelable policy will become a fixture in the accident and health insurance field, and while I do not believe that it will ever enjoy the wide and almost universal popularity of the more familiar forms of accident insurance, yet it will doubtless be sold extensively by the life insurance companies and larger accident and health companies that sell the so-called commercial policies.

I find that many underwriters with whom I have discussed this subject seem to overlook the fact that the only real uncertain feature of the non-cancelable policy is the non-cancelable provision itself. The cost of every other provision in the policy is capable of exact determination by those underwriters who have had sufficient experience and who have reduced their experience to figures that may be used in making rates. Before you can undertake to issue a non-cancelable policy, you should have figures that will tell you just what changes you can safely make in present standard rates—on account of the liability exception periods that are provided for in most non-cancelable policies.

*A Look in the Bank.*

When you issue a non-cancelable policy you are looking into a very dark and uncertain future and the question of adequate reserves becomes of controlling importance. When you are dealing with the possibility of paying for total and permanent disability to claimants who may be anywhere from eighteen to twenty-five years of age, you have a very serious problem before you to determine what reserves may be necessary to take care of claims that continue through a long period of years. The possible liability involved in such claims is far greater than the average liability under life insurance policies.

Then you can also readily understand that the state insurance departments will not let you overlook this very important requirement as to reserves when you submit for approval a non-cancelable policy form. Then after determining what additional rate to charge for the non-cancelable provision of your policy, you are facing the further necessity of fortifying yourself with underwriting safeguards that are but little known in the average accident and health office.

As has been pointed out by other recent writers on the subject, the appearance of non-cancelable policies on the market found a prompt welcome from many impaired risks.

A question of vital importance to a company that it putting out a non-cancelable policy is how to guard against the acceptance of impaired or otherwise undesirable risks, on the non-cancelable plan.

The losses under non-cancelable policies, particularly those having provisions covering the liability exception periods, will doubtless average much larger n proportion to the premium charged than losses under the usual accident and health policy. In fact, it is my belief that the possible liability under such policies will, as stated before, average much higher in proportion to the premium charged than losses under life insurance policies.

The average life insurance policy, I understand, is about twenty-five hundred dollars If you get a permanent and total disability claim for one hundred dollars a month, it will not take long to pay out more than twenty-five hundred dollars. The premium rate for that one hundred dollars a month will doubtless be considerable less than the average life insurance premium. This point is mentioned merely to suggest the importance of careful underwriting.

*Selection of Risks.*

It woud seem that the company writing the non-cancelable policy should employ every available means to make a careful selection of its risks.

The first and most important thing is the medical examination such as is required by life insurance companies. Next is the careful use of all available record information, showing impairments reported by other life, accident and health insurance companies, assessment associations and fraternal beneficiary societies. In other words, every possible source of information should be searched by the underwriter when assembling the facts concerning an applicant for a non-cancelable policy.

A risk that is reported impaired for life insurance on account of present physical condition, previous history, family history, habits or any other similar condition is also liable to be just as undesirable for an accident and health insurance policy on the non-cancelable plan.

Another equally indispensable facility of the careful underwriter is the confidential inspection report. The medical examiner must report the information that he finds on examination and rely further on the statements made by the applicant as to his past health, habits, family history and other points of equal importance to the underwriter.

All life underwriters and many of the leading accident underwriters regard the inspection report

as an indispensable part of the fixed routine of their offices.

*Some other Points.*

Among other points of paramount interest to the underwriter who contemplates issuing a non-cancelable policy is the question of over insurance. If the abnormal personal incomes of the present period are used as a basis for issuing non-cancelable policies, the underwriters may in the near future find themselves with some heavily over-insured risks that may be inclined to let their non-cancelable policies get control of their ambition to work. Many a man whose income today will justify a non-cancelable policy, providing one thousand dollars a month indemnity, will be looking for a three hundred dollar a month job within the next few years. Such circumstances are liable to produce many serious problems for your claim departments. For example, you can readily understand that a man who is out of a job and has no visible means of support, may suffer seriously from a nervous breakdown and his one thousand dollar a month non-cancelable policy will not likely furnish a ready cure for his condition.

A non-cancelable policy in the hands of a careless salesman may cause a very serious loss of public confidence in accident and health insurance generally. Such salesmen are prone to emphasize the cancellation provision in the ordinary accident and health policy, and thus cause the insured to wonder whether any accident and health policy is worth while.

In conclusion I would say to this conference as a whole—let the non-cancelable policy alone. To those of you who wish to sell such a policy there is, in my opinion, no reason why you should not do so, provided you have the necessary financial resources, the usual facilities for life insurance underwriting and the necessary data on which to base your rates.



## TRAFFIC RETURNS

### Canadian Pacific Railway

| Year to date | 1918 | 1919 | 1920 | Increase |
|---|---|---|---|---|
| Oct. 31.. .. | $123 652,000 | $139,299,000 | $168,810,000 | $29,511,000 |

| Week ending | 1918 | 1919 | 1920 | Increase |
|---|---|---|---|---|
| Nov. 7 .. .. | $3,437,000 | $3,821,000 | $5,723,000 | $1,902,000 |

### Grand Trunk Railway

| Year to date | 1918 | 1919 | 1920 | Increase |
|---|---|---|---|---|
| August 31 .. .. | $34,408,555 | $50,384,474 | $58,814,039 | $8,429,565 |

| Week ending | 1918 | 1919 | 1920 | Increase |
|---|---|---|---|---|
| Oct. 7 .. .. .. | $1,460,738 | ........ | ........ | ........ |
| Oct. 14 .. .. .. | 1,433,788 | 2,148,124 | 2,557,273 | 409,149 |
| Oct. 21 .. .. .. | 1,296,165 | 2,101,885 | 2,666,086 | 561,201 |
| Oct. 31 .. ... | 2,157,396 | ........ | ........ | ........ |
| Nov. 7 .. .. .. | ....... | 1,931,520 | 2,385,604 | 454,084 |

### Canadian National Railways

| Year to date | 1918 | 1919 | 1920 | Increase |
|---|---|---|---|---|
| Oct. 31 . .... | $63,973,321 | $76,184,956 | $86,558,335 | $10,573,379 |

| Week ending | 1918 | 1919 | 1920 | Increase |
|---|---|---|---|---|
| Nov. 7 .. .. .. | $1,717,273 | $1,987,622 | $2,770,758 | $783,136 |