

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXIX. No. 46

MONTREAL, NOVEMBER 28, 1919

Single Copy 10c
Annual Subscription \$3.00

THE GENERAL FINANCIAL SITUATION.

The business community has been interested in the statement of views recently made by Hon. T. A. Crerar, who seems destined to become leader of the new Farmers' Party, when it makes its appearance, which it, no doubt, will do at an early date in Federal politics. Mr. Crerar, and the Canadian Council of Agriculture, whose platform he was expounding, believes in direct taxation instead of indirect taxation, income and inheritance taxes instead of the tariff as a means of raising revenue. While possibly the issue may be postponed for some time, the trend of events makes it clear enough that at no distant date, the question of the tariff, and of the fiscal policy of the Dominion generally, will again become a leading issue in Federal politics, with the new Farmers' Party definitely in favour of a live tariff and increased direct taxation. This week, also, the tariff has been receiving attention at the hands of the Canadian Manufacturers' Association, a deputation representing which has made representations at Ottawa in favour of what may be described as a "non-political" permanent tariff commission. That the tariff is to be the subject of an enquiry by a Cabinet Committee in the immediate future is well known.

The order of the Board of Commerce restricting the profits of retail clothiers at Toronto with the possibility that the order may be made Dominion-wide in its operation, is an interesting development. In effect, of course, the order to the clothiers is to keep their overhead expenses within certain bounds. The fact is notorious that retailers' overhead has a great deal to do in swelling the price to the consumer of commodities in common use, but that the public is itself largely responsible for this, there is no manner of doubt. If the public insist on purchasing in stores where rent and taxation charges are enormous and requires a variety of expensive services in connection with the sale and distribution of merchandise, the public can scarcely grumble if the retailer includes charges for these services in the prices of his commodities. If he did not so include them— he would not be long in business.

But, conceding the fact that retailers' overhead is an important item in the cost of commodities, to the consumer, it may be doubted whether any very far-reaching effects upon prices are likely to be achieved under present circumstances by a restriction of overhead expense. Restriction of overhead expense does not go to the root of the matter of existing high prices. At best, the restriction of overhead expense is merely a palliative. Certain cases of extravagance in distribution expenditures may be thus stopped, but the real root of the trouble, shortage of production and extravagance in consumption is not thereby touched. The Board of Commerce is, no doubt, doing a useful work within its powers, but the inexorable law of supply and demand remains.

Some reference was made in this column last week to Canadian trade conditions as shown by export and import statistics, and it may be interesting to comment upon the further detailed figures now available. It appears that during the month of October, the balance of exports over imports was at its lowest figure since the month of June, an increase in exports during the month of 4½ millions to \$109,446,814, being more than counter-balanced by a rise in imports of 5½ millions to a record high figure since the armistice of \$91,910,477. At the various classifications of exports, the most interesting changes in comparison with October of last year are shown under the heading of wood products, including paper, which reached a total last month of \$23,966,699, or more than double their total of twelve months ago, which was only \$11,177,523. Agricultural products were down slightly in comparison, being \$28,713,366 against \$32,683,106 in October of 1918. Animal products on the other hand are up to \$29,390,857 in comparison with \$25,347,561. It is interesting to note that iron and steel exports are being maintained even in comparison with the period when hostilities were actually in progress, being for last month \$6,691,422 against \$6,636,762 a year ago. With regard to the immediate outlook for Canadian trade there is, no doubt, that a prolongation of the coal strike in the United

(Continued on page 1225)

BANK OF MONTREAL

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Res. 20,000,000

Undivided Profits, 1,812,854

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The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY
 F. WILSON-SMITH, Proprietor and Managing Editor.
 Office:

406-408 LAKE OF THE WOODS BUILDING,
 10 ST. JOHN STREET, MONTREAL.
 ANNUAL Subscription, \$3.00 Single Copy, 10 cents.

MONTREAL, FRIDAY, NOVEMBER 28th, 1919

THE GENERAL FINANCIAL SITUATION (Continued from front Page)

States will affect it considerably. No coal supplies are now coming forward into Canada, while a cut in railway freight services as a result of shortened fuel supplies should this come about, will have as a national consequence a congestion of traffic, and failure of freight to reach shipping points.

Governor Harding, of the Federal Reserve Board, in a letter issued this week dealing with the causes of the recent break on the New York Stock Market, confirms the view taken in these columns that the break was entirely due to perfectly normal causes, and that speculators had plenty of warning in regard thereto, and have no one but themselves to blame if they were "wiped out." The Board had made the specific announcement, Governor Harding points out, that it would not sanction any policy which would require Federal Reserve banks to withhold credit demanded by commerce and industry for the success of production and distribution in order to enable member banks to furnish cheap money for speculative purposes. "The high rates for all money," he continues, "which had prevailed for several weeks and intermittently for several months past, were in themselves very clear indications of the strained position into which the unbridled speculation had thrown the stock market. A readjustment was rendered inevitable unless the resources of the Federal Reserve banks were to be directly drawn upon for stock market purposes."

In regard to the further fall in the exchanges, financial opinion in both London and New York holds that the action of the Senate is directly responsible for it, and that had the Treaty been passed by the Senate, means would have been found for providing credits to European countries, which would have the effect of correcting exchange and put international trade upon a sounder basis. That much harm is being done to limited States trade and finance by the present course of events, is freely admitted by New York critics, one of whom, after drawing attention to

the existing enormous balance of trade with Europe in favour of the United States, writes: "The question of the future is, how soon and how far Europe's reduction of purchases from the United States and its increase of sales to us will alter the existing balance. For the moment, such a change, on any large scale, is prevented by the famine in Europe of food and materials of manufacture, and by the delay in starting up European production at its old time magnitude. But every motive of the outside world, and all economic experience, points to the ultimate certainty of such a change. The question, therefore, which confronts our merchants, bankers and statesmen, is whether to endeavour by far-sighted measures to preserve and encourage our trade with Europe, or to rest in blind reliance on the permanency of the present utterly abnormal world conditions. To the outside observer, this course of events in this connection recently merely illustrates afresh the parish-pump characteristics which are constantly in evidence at Washington, and which, even given other favouring circumstances, will always prevent New York fulfilling its often talked of ambition of becoming the world's financial centre.

A story which comes from Germany is worth repeating. It seems that since the armistice, a number of capitalists of the Allied countries have invested heavily in such German industries as dyestuffs and potash, and have willingly paid (in German money) very high prices for such interests—the depreciation in exchange making these high prices worth while. The Germans are now taking away voting power from the stocks, substantial blocks of which were thus purchased, and vesting it in newly-created stocks, to be held by no other than Germans. Thus the Germans are maintaining their hold on their industries, while securing the use of the foreign capital invested in them.

TRAFFIC RETURNS.

Canadian Pacific Railway

Year to date	1917	1918	1919	Increase
Oct. 31.....	\$121,068,000	\$123,652,000	\$139,280,000	\$15,637,000
Week ending	1917	1918	1919	Increase
Nov. 7.....	.....	3,437,000	3,821,000	384,000
" 14.....	3,575,000	3,247,000	4,083,000	836,000
" 21.....	3,582,000	3,582,000	4,111,000	529,000

Grand Trunk Railway.

Year to date	1917	1918	1919	Increase
Oct. 31.....	\$49,929,034	\$47,102,767	\$55,453,532	\$8,350,765
Week ending	1917	1918	1919	Increase
Nov. 7.....	.....	1,342,941	1,421,706	78,765
" 14.....	.....	1,471,654	1,488,716	17,062

Canadian National Railways.

Year to date	1917	1918	1919	Increase
Oct. 31.....	\$63,973,321	\$73,958,932	8,985,611
Nov. 7.....	1,717,270	1,948,591	231,318
" 14.....	1,719,036	1,961,003	241,793
" 21.....	1,884,198	2,108,164	223,956

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THE CHRONICLE - - MONTREAL

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MERCHANTS BANK OF CANADA

The inauguration, by the Merchants Bank of Canada, of the practice of issuing a half-yearly statement, keeps the public au courant with the condition of its affairs at a time of year when a number of the banks issue their statements and when as a result of seasonal and other developments, the condition of the banks is of peculiar interest to financial students. It may be said at once that the half yearly statement issued within the last few days, is a document upon which those concerned, particularly Mr. D. C. Macarow, General Manager, are to be warmly congratulated. The statement indicates that this old established and highly esteemed institution, has taken in its full share in the various developments of national finance, and the recent forward movement of Canadian trade.

Profit and loss figures, following the policy of the bank, are withheld until the completion of the fiscal year, but the balance sheet is indicative in a striking way, of the six months' progress, showing total assets have increased in the period by \$32,582,136 to the highly substantial aggregate of \$198,506,572.

Readily available assets of the bank stand at \$84,014,965, a gain of \$11,566,688, or, approximately, 16 per cent. over the preceding half-year, showing the extent of the improvement effected in the way of the institution's liquid position.

Aggregate deposits at the end of the half-yearly period ended October 31 last, are given in the statement at \$166,006,015, compared with \$135,888,213, on the same date a year ago, an increase of \$30,117,802. Of this gain, \$19,368,746 was in deposits of the savings or time category, while demand deposits increased by \$10,749,056.

To what an extent the bank has continued to play its part in the period of transition of from war to peace-time conditions, is indicated in the figures representing its advances to the Government and to the general commercial community in the period under review. Securities of Dominion and Provincial Governments held by the institution show an increase of \$4,682,244, while current loans and discounts in Canada have increased by \$19,435,478 over the total as at October 31 a year ago.

Note circulation at \$15,827,373 is higher by \$647,130 than a year ago, with the issue in excess of the paid-up capital more than covered by a deposit in the central gold reserve of \$8,000,000.

Compared with the position of October 31, 1918, the paid-up capital of the bank shows an increase of \$1,341,535, with rest account standing at the satisfactory level of \$7,000,000. Actual cash on hand and in banks increased in the year by up-

wards of \$5,000,000, while call loans in Canada grew by almost \$2,000,000 to \$6,843,017, those outside the Dominion being increased by upwards of \$500,000.

THERE MUST BE RETRENCHMENT

A member of the Dominion Government recently stated in Parliament that, for the present fiscal year and the next, the commitments on capital account are already \$700,000,000. For the present fiscal year the ordinary current expenditure will be \$270,000,000, including \$102,000,000 for interest, \$25,000,000 for soldiers' pensions, \$30,000,000 for soldiers' civil re-establishment and \$112,300,000 for the public services of the country. The additional amount, therefore, which it will be necessary to raise by new taxation, if our revenue is to meet current expenditure, will be \$143,000,000. Besides this, the capital expenditure already entered upon will involve an additional interest charge of \$38,500,000, while for the fiscal year prior to the war, out of a total current expenditure of \$127,000,000, only \$13,000,000 was expended for interest. The annual revenue that will have to be found from taxation and other sources is thus \$307,000,000, or almost three times the ordinary pre-war revenue.

It is evident that the expenditures to which the country is already committed are very large and entail a heavy burden upon the tax-payers. The credit of a government has its limits just the same as the credit of a private individual, and the Dominion Government should be extremely careful that no expenditures are undertaken which will tend to weaken its present high standing. "The problem in this country during the next few years," said one of the Dominion Ministers lately, "is going to be retrenchment wherever it is possible to retrench. There must be retrenchment." If there is to be retrenchment, there must be an end to the creation of Government credits, which have had the effect of raising wages abnormally, resulting in still further increases in prices. The exigencies of war made it necessary to incur many obligations regardless of their cost, and the country is now face to face with the duty of retiring the credits, which were thus rendered necessary, out of the proceeds of industry and by the exercise of frugality.—Canadian Bank of Commerce Monthly Commercial Letter.



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MERCHANTS BANK CONTINUES TO GAIN

Statement for Half-Year Gives
Total Assets of \$198,506,572.
A New Record.

Deposits Gain \$30,117,802

The Balance Sheet of the Merchants Bank of Canada as at the end of the half-year period, 31st October last, received from the Bank's headquarters here on Saturday, shows continued gains and growth on the part of this well-known financial institution.

The Total Assets have now reached the commanding figure of \$198,506,572, an increase of \$32,582,136 over the corresponding date last year. The readily available portion of the Assets amounts to \$84,014,965, an increase of \$11,566,688, by which is shown that the liquid position of the Bank has been well maintained.

That the Bank has continued to do its full share, both to the Government and the Commercial Community is shown by an increase of \$4,682,244 in securities held of the Dominion and Provincial Governments, while Current Loans and Discounts in Canada have increased by \$19,435,478 during the 12 months' period.

Note Circulation at \$15,827,373 is \$647,130 higher than a year ago with the issue in excess of Paid-Up Capital more than covered by a Deposit of \$8,000,000 in the Central Gold Reserve.

The Deposits amount to \$166,006,015, against \$135,888,213 on October 31st, 1918, being an increase for the period of \$30,117,802, of which gain \$19,368,746 was in Savings or Time Deposits and \$10,749,056 in Deposits payable on Demand—a basis of progress which cannot be considered satisfactory.

The statement altogether makes very good reading for those who realize the important part that our Chartered Banks play in the well-being of the whole country, industrial as well as agricultural, and the figures are especially interesting, as the period covered, with the exception of 11 days, has been after the date of the Armistice and clearly demonstrates that our large and well-managed financial institutions are continuing their progress and growth on a solid basis with the war a thing of the past.

The main features of the figures of October 31st, 1919, and October 31st, 1918, compare as follows:

BALANCE SHEET, (As at 31st October.)

STATEMENT TO THE DOMINION GOVERNMENT (CONDENSED) 31st OCTOBER.

LIABILITIES		ASSETS			
	1919	1918			
Capital Paid Up	\$ 8,341,535.30	\$ 7,000,000.00	Cash on Hand and in Banks	\$ 25,942,136.33	\$ 20,641,022.76
Reserve Fund	7,000,000.00	7,000,000.00	Deposit in the Central Gold Reserve	8,000,000.00	8,500,000.00
Undivided Profits	574,043.32	437,973.92	Government and Municipal Securities	36,240,352.21	31,558,108.80
Notes in Circulation	15,827,373.00	15,180,243.00	Railway and other Bonds, Debentures and Stock	3,870,611.91	3,253,373.19
Deposits	164,302,574.18	133,955,910.26	Call Loans in Canada	6,843,017.57	4,916,574.22
Due to other Banks	1,703,141.06	1,932,303.36	Call Loans elsewhere than in Canada	3,418,846.99	2,899,198.62
Acceptance under Letters of Credit	757,606.04	418,006.30		84,014,965.21	72,448,277.50
			Loans and Discounts	106,254,280.80	86,818,802.28
			Liabilities of Customers under Letters of Credit per contra	757,606.04	418,006.30
			Bank Premises	5,663,251.73	5,218,862.63
			Real Estate other than Bank Premises	911,291.19	333,572.24
			Mortgages on Real Estate sold by the Bank	528,177.93	320,615.80
			Deposit with Dominion Government for purposes of Circulation Fund	377,000.00	366,000.00
				198,506,572.90	165,924,436.84
				<u>\$198,506,572.90</u>	<u>\$165,924,436.84</u>

Commercial Union Assurance Company Limited

of London, England

THE LARGEST GENERAL INSURANCE COMPANY IN THE WORLD
as at 31st Dec., 1918.

Capital Fully Subscribed	\$14,750,000	Total Annual Income exceeds	\$64,000,000
Capital Paid Up	4,425,000	Total Fire Losses Paid	215,897,380
Life Fund, Etc.	75,578,630	Deposit with Dominion Gov't	1,401,333
Total Funds exceed	174,000,000		

Palatine Insurance Company Limited

of London, England

as at 31st Dec., 1918.

Capital Fully Paid	\$1,000,000	Total Income	\$3,462,515
Fire Premiums 1918	3,305,020	Funds	6,062,500
Interest Net	157,495	Deposit with Dominion Gov't	358,266

N.B.—In addition to the above there is the further guarantee of the Commercial Union Assurance Company Limited, whose Funds exceed \$174,000,000.

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W. S. JOPLING, Manager

THE CANADA

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Assets
Exceed
\$80,000,000

Eagle Star

British Dominions
Insurance Company Limited

Of London, England

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DALE & COMPANY, LIMITED
GENERAL AGENTS
MONTREAL AND TORONTO

Head Office
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Security
over
\$80,000,000

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Of Glasgow, Scotland

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LEWIS BUILDING - - - - - MONTREAL

THE FIRE INSURANCE COMPANY OF CANADA

MONTREAL

Authorized Capital, \$1,000,000

Subscribed Capital, \$250,000

Paid Up Capital, \$300,000

GENERAL FIRE INSURANCE BUSINESS TRANSACTED

President: Hon. R. DANDURAND

Vice-President and Managing Director: J. E. CLEMENT

AMERICAN COMPANIES AND FOREIGN EXPANSION

The Committee of Insurance Commissioners in session in New York last week, unanimously voted to abolish certain burdensome laws and restrictions to which American fire and marine companies have strenuously objected.

It was following the presentation of the position of American companies which has before been officially presented to the commissioners, that the members of the Laws and Legislation Committee voted unanimously to submit their momentous recommendations to the National Convention which holds its mid-winter meeting in New York, December 2-3. They follow:

1. The Burlington rule whereby special deposits in excess of the corresponding liabilities are not allowed as assets in annual statements shall be abolished.

2. Special deposit laws should be repealed in those states where they now exist, notably Virginia, North Carolina, Louisiana, Arkansas and Texas.

3. Uncollected premiums on foreign business shall be allowed as assets for a period of six months after they become due instead of three months only as on domestic business.

Stock Ownership

What may prove to be the biggest step of all taken by the commissioners in their efforts to give the companies as free rein as possible, was the appointment of a subcommittee consisting of Commissioners Burton Mansfield of Connecticut, Jesse S. Phillips of New York, and Clarence W. Hobbs of Massachusetts, to consider the advisability of allowing American companies to own the stock of other American insurance companies. Favorable action on this proposal undoubtedly would give American executives an opportunity to consolidate resources and erect financial giants strong enough to compete with all comers in a world wide contest for business.

Speaking to a representative of The Insurance Field, relative to plans of the American Foreign Insurance Association, Mr. Wyper, whose investigation in Great Britain gives his views much force, said: "The American flag never meant so much before as it does today. The American companies are entering the foreign fields to get business and they mean to use every legitimate method to secure their full share. It is planned to keep to recognized rates prevailing in foreign fields and it is further the intention to advertise liberally and make every use of progressive methods. The business opportunity is immense in its possibilities."

"American business interests in foreign lands have been largely increased as a result of the

European war," Mr. Wyper continued, "and it has been felt by executives of the leading fire and marine companies of the United States that they should be prepared to furnish indemnity against loss to property owned by our merchants, wherever it might be situated. Our banks are establishing connections abroad for financing American enterprises in countries that heretofore have been comparatively neglected by us, and everything points to the assumption by the United States of a worthy share in the commerce of the world. Fire insurance companies expect to bear a prominent part in establishing and maintaining throughout the world a high reputation for business methods.

"We appreciate that we will meet with competition from companies long established in the various fields. For instance, in the various eastern countries, the old line British companies have maintained branches for long periods while there are a number of established South American companies. In Chile 60 per cent of the capital is Chilean, 30 per cent British and only 1 per cent American. However, we believe the opportunity is well worth while."

THE BRITISH GENERAL INSURANCE COMPANY, LIMITED, OF LONDON, ENG.

The British General Insurance Company, Limited, now about entering Canada (as announced in The Chronicle last week) is a composite office, and transacts fire, life, casualty and marine insurance, it will, however, confine its operations in Canada to fire insurance. Mr. Norman M. Walker, managing director of the Company for the past fifteen years, has the distinction of being one of the youngest general managers in Great Britain. Mr. Thos. F. Dobbin, who has been appointed the Company's Canadian manager, with head office at Montreal, is also manager for the Province of Quebec of the British America, in addition to being Canadian manager of the Phenix of Paris and General of Paris.

REBATERS

Any attempt whatsoever to drive the rebater out of the insurance business is worthy of attention. These days, when there is so much enthusiasm to practice the highest sort of ideals, and when every man and woman in the business is doing his and her best to prove that the insurance business is worthy of being considered a profession, the rebaters and the twisters are dark clouds on the horizon. United action on the part of company and agent will dissipate these clouds, and then the insurance business can honestly lay claim to consideration as a profession.



Security - - \$42,000,000

ONTARIO AND NORTH WEST BRANCH
14 Richmond Street, East, TORONTO

PROVINCE OF QUEBEC BRANCH
164 St. James St., Cor. St. John St., MONTREAL.



PERSONAL ACCIDENT
SICKNESS
FIDELITY GUARANTEE

PLATE GLASS
AUTOMOBILE
GENERAL LIABILITY

Head Office, TORONTO
Montreal, 164 St. James Street. Quebec, 81 St. Peter Street.

Mount Royal Assurance Company

SURPLUS AND RESERVES, \$1,214,457 **TOTAL FUNDS, \$1,436,842**

TOTAL LOSSES PAID, \$2,692,201

Applications for Agencies Invited

HEAD OFFICE - - - - - MONTREAL

P. J. PERRIN and J. R. MACDONALD, - - - Joint Managers

Established in Canada in 1821

1819 **AETNA (FIRE)** 1919

HARTFORD, CONN., U. S. A.

Losses Paid over \$175,000,000

J. B. HUGHES, Special Agent, WATERLOO, ONTARIO
J. R. STEWART, Special Agent, 36 Toronto Street, TORONTO, ONT.
R. LONG, Special Agent, 515 Yorkshire Bldg., VANCOUVER, B. C.

Union Assurance Society, Ltd.

OF LONDON, ENGLAND
(Fire Insurance since A. D. 1714)

CANADA BRANCH, MONTREAL.
T. L. MORRISSEY, Resident Manager.
NORTH WEST BRANCH, WISNIPEG.
THOS. BEUCE, Branch Manager.

Agencies throughout the Dominion

EXCELSIOR

INSURANCE LIFE COMPANY

A Strong Canadian Company

J. J. Robichaud, Provincial Inspector.
MONTREAL TRUST BUILDING, 11 Place d'Armes, MONTREAL

The Law Union & Rock

INSURANCE CO. LIMITED, LONDON. Founded in 1800

Assets Exceed - - \$50,000,000.00

Over \$10,000,000 invested in Canada
FIRE and ACCIDENT RISKS accepted.
Canadian Head Office: 377 Beaver Hall Hill,
MONTREAL

Agents wanted in unrepresented towns in Canada.
W. D. AIKEN, Superintendent, J. E. E. DICKSON
Accident Dept. Canadian Manager.

GOOD SALESMAN WANTED IN MONTREAL

If you are a good salesman, a hard worker and ambitious, we will help you to make good, whether experienced in Life Insurance or not. Attractive openings for men of fair education and good records. Apply stating experience and references, to

M. D. McPHERSON, Provincial Manager, 180 St. John Street, MONTREAL, P.Q.

THE CONTINENTAL LIFE INSURANCE CO.

GEORGE B. WOODS, President TORONTO, Ont. CHAS. H. FULLER, Secretary

GUARDIAN AND LEGAL AND GENERAL JOIN FORCES

Referring to the fusion of the Guardian Insurance Company and the Legal and General Assurance Society of London, England. The Policyholder says: The first definite announcement is that an agreement has been made between the directors of the Guardian and the Legal and General under which there shall be an exchange of shares and a combination of the two interests. The Legal and General quite recently secured powers to write fire and accident in addition to life business to which class it has hitherto confined itself, and this Company took the novel step of ceasing to write with-profit business and of confining its energies to non-profit business. These developments certainly gave the impression that no thought of a fusion was entertained by the management, but the unexpected is the order of the day in these exceptional times. On the other hand, the Guardian has shown great activity in recent years. No so long ago it obtained control of the Reliance Marine Insurance Company, and in July it floated the Guardian Eastern as a subsidiary. The capital of the Legal and General is £1,000,000 with £160,000 paid up, the shares being £50 each on which £8 has been called. On the other hand, the Guardian paid-up capital, apart from the preference shares, is £200,000, being 10s. per share in respect of 400,000 shares of £3 each. Guardian shares are steady at £10 each, and Legal and General shares at £43. There is no doubt that the Legal and General has wonderful connections, and the impression was that it would be very successful as a composite office after such a long career of wonderful success as a purely life office. That it should surrender its independence is a surprise to the insurance world. One thing is fairly evident, the fusion of so many tariff offices will play into the hands of the numerous non-tariff companies which have been formed during the past few years. As yet, nothing has been announced beyond the formal statement that the Legal and General and Guardian are joining forces. When the terms are given we shall refer to the matter again.

"The Guardian of recent years has been noted for its progressive policy in Canada, and the commanding position it has assumed in fire insurance, while the Legal and General occupies a position in the front rank among life companies in Great Britain. The combined funds of both companies exceed \$100,000,000."—Editor.

PERSONALS

Mr. G. E. Moberly, manager for Canada of the Northern Assurance Company, who, with Mr. Alex. Hurry, manager of the Casualty Depart-

ment, has been making an extended tour of the West, has returned to Montreal. Many important centres in the Prairie Provinces were visited with the object of laying plans for organizing the Casualty Department. Besides visiting the field in the interests of the Northern, Mr. Moberly was also giving some consideration to a subsidiary fire company, which the Northern expects to operate in Canada very shortly. Mr. Moberly states that there is a spirit of optimism prevailing generally throughout the West, which is bound to develop very materially in the near future.

Mr. E. Roger Owen, General Manager, Commercial Union, who has been on this side for some time, will sail for home from New York to-morrow per S.S. Mauretania.

Mr. R. Hill Stewart, General Manager of the Caledonian, is sailing for home by the same boat.

MORAL HAZARD GIVES CONCERN

Fire insurance companies are watching the efforts of the Government to reduce the high cost of living with more than ordinary concern, is the conclusion of the "Insurance Post." They are as much interested as any others in having the high costs reduced, but they fear an increase in the moral hazard if prices take a materially downward trend. The underwriters believe that with rising prices much of the moral hazard was eliminated, as owners of property realized that their goods might be worth more than the money, especially in view of the steady reduction of the purchasing power of the dollar. If prices begin to come down people who have stocked up at high figures and see loss ahead of them may be more disposed to "sell out to the insurance companies" by having a convenient fire. These factors require careful and farseeing underwriting and loyal co-operation on the part of the local agents.—Underwriter Report.

Recent dust explosions have resulted in large loss of life and property. The explosions in the Douglas Starch Works, Cedar Rapids, Iowa; of the Government elevator, Port Colborne, Ontario; the Murray elevator at Kansas City, and that of the Curtis Company, Buffalo, were conspicuous examples. This hazard is inherent in grain storage, flouring mills, starch mills, confectionery manufacturing, certain kinds of wood-workers and other sorts where fine dust is a feature.

Cleanliness is the best prevention and explosion insurance the best protection, if the property is kept clean enough to deserve this indemnity.

THE BRITISH AMERICA ASSURANCE COMPANY

Incorporated 1883

Fire, Marine, Hail and Automobile

HEAD OFFICE: TORONTO

Old	Reliable	Progressive
Assets over	-	- \$4,000,000.00
Losses paid since organization over	-	- \$45,000,000.00

DIRECTORS:

W. B. MEKLE, President

SIR JOHN AIRD
ROBT. BICKERDIKE, Montreal
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ALFRED COOPER, London, Eng.
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W. B. MEKLE **JOHN SIME** **E. F. GARROW**
Pres. and Gen. Man. Asst. Gen. Man. Secretary

THOMAS F. DOBBIN, Resident Manager
MONTREAL

NORWICH UNION FIRE INSURANCE SOCIETY, Limited

INSURANCE AGAINST

**Fire, Accident and Sickness
Employers' Liability
Automobile, Plate Glass**

AGENTS WANTED FOR THE ACCIDENT BRANCH.

Head Office for Canada, - - TORONTO
Head Office for Province of Quebec, MONTREAL
F. A. TANKER, Branch Manager.

FOUNDED A. D. 1819

THE PHENIX FIRE INSURANCE COMPANY OF PARIS, FRANCE

SURPLUS TO POLICYHOLDERS, \$5,500,000

THOMAS F. DOBBIN, Manager for Canada.
EDMUND FOSTER, Assistant Manager.

Lewis Building, St. John Street, - MONTREAL
Applications for Agencies invited.

The Travellers Life Assurance Company

of Canada

HEAD OFFICE: MONTREAL

Hon. GEO. F. GRAHAM, President

TO AGENTS.—Write to the Home Office for particulars of direct renewal contract. Valuable territory available in Quebec and Eastern Ontario.

THE LONDON MUTUAL FIRE

INSURANCE COMPANY
ESTABLISHED 1859

Assets - - - - - \$639,691.53
Surplus to Policyholders - - - - - 184,317.87



DIRECTORS:

A. H. C. CARSON, Toronto - - - - - President
F. D. WILLIAMS - - - - - Vice-President
A. C. McMASTER, K.C. W. T. KEENAHAN
S. G. M. NESSBITT H. N. COWAN
W. H. HUNTER

HEAD OFFICE - 33 SCOTT ST., TORONTO

QUEBEC BRANCH OFFICE

W. J. CLEARY,
BRANCH MANAGER.

17 St. John Street, - MONTREAL

ESTABLISHED 1864.

New York Underwriters Agency

A. & J. H. STODDART
REGISTERED

100 William Street - New York

Provincial Agents

MURPHY, LOVE, HAMILTON & BASCOM,
Toronto, Ont.
OHLER, HAMMOND & NANTON,
Winnipeg, Man.
ALFRED J. BELL & CO.
Halifax, N.S.
JOHN Wm. MOLESEN & ROBERT Y. HUNTER
Montreal, Que.
WHITE & CALKIN
St. John, N.B.
ATYAS & BROWN, Ltd.
St. John's, Nfld.

T. D. RICHARDSON, Supt. for Canada
TORONTO

Founded
A. D.
1710

SUN INSURANCE OFFICE

Head Office: Threadneedle St., London, Eng.

THE OLDEST INSURANCE OFFICE IN THE WORLD

Canadian Branch:
15 Wellington St. East
TORONTO, Ont.

LYMAN BOOT
Manager

CANADIAN FIRE RECORD.

Fire at Montreal.—On the 22nd instant, a fire broke out in Laval University, St. Denis street. The cause of the fire is not definitely settled, but suspected to be from butts of cigars or cigarettes. The building was practically gutted, and valuable contents destroyed, involving a loss of about \$350,000. Insurance as follows: On building, Royal, \$20,000; Queen, \$10,000; Phoenix of London, \$20,000; Liv. & Lon. & Globe, \$20,000; Commercial Union, \$10,000; North Brit. & Mer., \$10,000; London & Lan. Fire, \$10,000; Sun, \$10,000; Fabriques, \$10,000. Total, \$120,000. Loss, total. On contents, Queen, \$10,000; North Brit. & Mer., \$20,000. Total, \$30,000. Loss, total.

Fire at Trois Pistoles, P.Q.—On the 20th instant a fire broke out in lumber mills of the Brown Corporation of Berlin, N.H. Insurance as follows: Alliance of Phila., \$10,000; Prov. Washington, \$5,000; Firemen's Fund, \$5,000; Home, \$5,000; National of Hartford, \$10,000; General of Perth, \$10,000; British Empire, \$5,000. Total, \$50,000. Other insurance, \$250,000, divided between Manufacturers, Lumbermen, Ohio Millers, Manufacturers, Wood Workers, Lloyds and various mutual companies in Boston. Loss about \$750,000.

Fire at Harrowsmith, Ont.—On the 20th inst., a fire destroyed the barber shop and dwelling of A. W. Cowd. Loss, \$2,500. Insurance, \$1,000.

Fire at Port Dover, Ont.—On the 23rd instant, a fire destroyed the Grand Trunk roundhouse, together with two passenger engines.

Fire at Montreal.—On the 22nd instant a fire destroyed a shed of the Montreal Warehousing Co., together with twelve tractors, six automobiles, four motor trucks, and a quantity of leather. Loss about \$35,000.

Fire at Sharpton, Ont.—On the 22nd inst., a fire destroyed the dwelling and contents of Geo. Bell. Loss about \$6,000.

INSURANCE BUSINESS

The insurance business has changed and the agent has changed with it. A business that was once simple and limited in range has now become complex and varied beyond the dreams of our ancestors. The general insurance agent of earlier days was half a mendicant and often a failure in other walks of life, glad to pick up small commissions by the good grace of his friends. It was an easy business to turn one's hand to, because it was then simple and elementary in form and limited in scope, and the chief quality then required in the agent was not knowledge and experience but merely persistence as a salesman. But other days other manners. A successful insurance agent of the present day must be a man of many parts. A good salesman he should always be, but he must also possess a working knowledge of the multiplied kinds and variety of modern insurance. Fire insurance companies for instance, now issue several kinds of policies, covering several kinds of hazards, requiring increased knowledge on the part of agents in order to intelligently use the opportunity for the increased income thus afforded.—The Policyholder.

UNDER - INSURANCE

The purchasing power of the 1914 dollar is 47c. today. If the contents of your house, factory, office or shop were destroyed by fire it would cost you double as much money to replace them as in 1914. If you have not increased your insurance proportionately, you are skating on thin ice.

The Fidelity (Fire) Underwriters offering as it does unequalled service and paying cash without discount to all honest claimants provides with the surest remedy against under-insurance.

Co-operation will pay us both

**FIDELITY (FIRE) UNDERWRITERS
OF NEW YORK**

Policies assumed half by the FIDELITY-PHENIX FIRE INSURANCE CO. and half by the CONTINENTAL INSURANCE CO. OF N. Y.

HENRY EVANS, PRESIDENT

Canadian Head Office: 17 St. John Street, Montreal
W. E. BALDWIN, Manager

"The Oldest Life Company in America"

Issued its First Policy in 1848

Three leadership achievements of the Mutual Life:—The American Experience Table of Mortality, the cornerstone of modern life insurance. The "contribution plan" of surplus distribution, used almost universally by American companies. The Continuous Instalment policy, the basic form of all Life Income contracts.

"Mutual Life"—known in every household Unexcelled policies and service, notable financial strength, co-operation with agencies. Life Insurance at its best!—the Agent's desire and ideal.

For terms to producing Agents address

**The Mutual Life Insurance Company
OF NEW YORK**

34 Nassau Street, New York City

THE London Assurance CORPORATION OF ENGLAND.

INCORPORATED BY ROYAL CHARTER A. D. 1790

CAPITAL PAID UP - - - - - \$ 3,741,375
TOTAL ASSETS EXCEED - - - - - 42,500,000

Head Office for Canada - MONTREAL
W. KENNEDY, W. B. COLLEY, Joint Managers.

Contract Bonds

CONTRACTORS—BUILDERS.

Municipalities exact of Road Builders a deposit or bond as guarantee that the work will be executed as per contract, and completed within the specified time. Proprietors of buildings require the same guarantee of contractors. The Provident Assurance Company, in consideration of a slight premium guarantees that the work undertaken shall be properly executed and finished inside of the time limit, thus protecting the owner against any loss and enabling the Contractor to use to better advantage the money which he would otherwise have to deposit as a guarantee.

The Provident Assurance Company
180 St. James Street, Montreal. Tel. Main 1626-7.
J. C. Gagne, Managing Director.

ATLAS ASSURANCE COMPANY LIMITED

Founded in the Reign of George III

Subscribed Capital - - - \$ 11,000,000
Capital Paid Up - - - - - 1,320,000
Additional Funds - - - - - 25,198,205

The Company enjoys the highest reputation for prompt and liberal settlement of claims and will be glad to receive applications for agencies from gentlemen in a position to introduce business.

Head Office for Canada:

260 St. James St., MONTREAL
MATTHEW C. HINSHAW, Branch Manager

Established 1886

Queensland Insurance Co. Limited of Sydney, N. S. W.

Capital Paid Up \$1,750,000 Assets \$4,015,811

Agents Wanted in Unrepresented Districts.

Managers for Canada:

Montreal Agencies Limited, Montreal



Assets:
\$30,389,461.55

Surplus:
\$8,824,000.31

Canadian Head Office:
MONTREAL.
J. W. HINNIE, Manager

L'UNION

FIRE INSURANCE COMPANY, Limited

Established 1828 Head Office: PARIS, France.

Capital fully subscribed. . . \$2,000,000.00
25 p.c. paid-up

Fire and General Reserve Funds 6,792,000.00

Available Balance from Profit
and Loss Account. 118,405.00

Net Premiums in 1918. 7,105,053.00

Total Losses paid to 31 Dec.,
1918. 108,718,000.00

Canadian Branch:

LEWIS BUILDING, 17 St. John St., Montreal
Manager for Canada: MAURICE FERRAND

FIRE INSURANCE AND ITS RELATION TO THE COMMON WELFARE

Address Delivered by John B. Laidlaw Before the Insurance Federation of British Columbia

On the subject of Fire Insurance, there are few, if any, Underwriters in Canada better qualified to address an audience than Mr. John B. Laidlaw, Manager for Canada of Norwich Union Fire Insurance Society. During his long career as manager for this important Company, he has been a student of the business and has given close and painstaking attention to all the numerous details connected with it, and on many special occasions, he has rendered valuable service to the business generally. On a recent occasion at Vancouver Mr. Laidlaw addressed the members of the Insurance Federation of British Columbia, and many prominent citizens on Fire Insurance, as follows:

It is always well to remember that Fire Insurance is not an insurance of property, it is an insurance of interest. There may be half a dozen interests around a particular property and the different interests will be variously affected by the event of fire and consequently the rates may vary. The rates that are now made have gradually been evolved. These rates are not arbitrary and they are not permanently fixed. The companies do business in this country and in all civilized countries through Boards of Underwriters. It is one of the fundamental bases of insurance that all companies soon come to charge about the same rate, and it necessarily follows there must be some method by which the consensus of opinion can be reached as to what that rate should be, and that is accomplished by a Board of Underwriters, and the rates fixed by them represent the consensus of opinion—the average view of all companies comprising the Board upon the different classes of risks that are insured.

As the average view changes, these rates will change. Keeping in touch with experience there is gradual evolution going on all the time. There is a flow in rates; going up on certain classes, going down on other classes, and that change is constantly working. An insured feels he is not fairly treated because he ascertains that he is paying the same rate as his friend across the way. He feels he has a better risk and he tells the agent so. And the agent, perhaps, believing his is the better risk and that he has a reasonable case, and he passes the complaint on to the manager, who passes it on to the secretary of the board, or brings it up at meeting, and gradually that view prevails. It may be the Board will correspond with other Boards and will ascertain what other people

have experienced, and what has been done to deal with a similar situation in other cities, and in that way fair treatment is extended to the man by the discrimination that is made in order to meet his particular case; but once the matter is so decided, the same treatment is at once accorded in all other similar instances. Discrimination in Fire Insurance is absolutely essential if the companies are to be fair to all risks and classes.

In connection with the Insurance investigation in Ontario the question of whether the province should fix the rates was brought up, although in an incidental way, and I made the argument that if the rates were to be made by an official of the government, even though you got the most expert man to do it—a man who has a great deal of experience—of the broadest acquaintance with all different kinds of property and hazards and construction and protection throughout the country and you put him in the Parliament Buildings and made him a government official, that man would very soon become inefficient. He would be out of touch and so would very rapidly be out of date in the matter of rates, because the rates should constantly change, just as the conditions change. If a city neglects its fire appliances, the rates should go up and if they improve them the rates should go down. If a new business introduces a new or novel process of manufacture which is hazardous, the rates will go up on the properties affected. On the other hand, the development of a process of manufacture may have the effect of removing a formerly hazardous method, and the result will be a reduction in the rate. It is the public acting on the agents and inspectors of the companies and they acting on the companies and the companies acting on the secretary of the Board of Underwriters, and the Secretary on the Board through whom they all work, which forms a combination of forces which tends to keep Fire Insurance rates fair as between risks and as between man and man; and I claim that no matter whom you now select for the purpose of naming Fire Insurance rates on behalf of a government, that it is impossible for him to be subject to the same conditions, and therefore he cannot achieve results as correctly as by the present system.

Sometimes the criticism is made of the cost of Fire Insurance. One looks at the returns and sees that a little over thirty per cent. goes for expenses.

I may say in the first place that the rate of expense in Canada is lower than in other countries. It is lower than in the United States. It is considerably lower than in Great Britain, and I anticipate that the rate of expense will tend to increase rather than decrease. There is a constant tend-

ency towards the reduction of the rate and there is a constant tendency towards the associations of companies doing more and more in the way of more frequent inspection of risks and of municipal conditions, all of which is costly, so I anticipate we may look for an increase rather than a reduction in the expense ratio; but the main thing is to see that value is received for the work and that the result justifies the expense.

In boiler insurance, the loss ratio is ordinarily five or ten per cent., and the expenses eighty, eighty-five and even ninety per cent. In other words nearly the whole of the premium that is paid goes towards the prevention of explosions and I anticipate that, in the years to come a larger proportion of the premium will be devoted to the prevention of fire rather than to the reimbursement of losses. That has already become the case with some classes of property.

The business is one of enormous detail. The number of policies issued annually runs into the hundreds of thousands and the public desire to be dealt with promptly. Through the agency system the companies bring their protection to every part of the country. It is not like a bank which requires a considerable expenditure to open a branch, but through the system of agency representation working on a commission basis the insurance companies are able to bring their protection to the smallest hamlet. Even if there are only half a dozen people, a company may appoint some one there to be their agent, and he can grant protection there at once, and just as effectually as if he were the manager of the company. It is only through the commission system, that is—payment for actual services rendered—that the insurance companies can possibly give to the public the protection which the public ask for, and the service which the public ought to get. It has been suggested that, if the companies would only pay their agents by salary the cost would be greatly reduced. As a matter of fact, it would be much more expensive, and it would be very much less efficient and accommodating to the public. Very few men, as those in insurance circles know, are engaged exclusively in Fire Insurance. They are agents for all kinds of insurance, and, in fact, nowadays, the up-to-date agent requires to be familiar with all the forms of insurance. It is only through a commission system by which a man is paid for the work he does that this protection can be afforded to the public when and where the public requires it.

It may be pointed out, too, that the commission system is universal in Fire Insurance throughout the world. While in a few of the larger cities there are salaried agents who look for a special

kind of business, the great multitude of agents throughout the world are paid on the commission system. I might quote from Judge Matson's report in regard to the matter of expense, where he says:

"One of the strongest points in favor of an Insurance combination, such as the Canadian Fire Underwriters' Association, is the fact that its method of conducting business is not only economical and efficient, but incidentally brings about an improvement of conditions that directly benefits the public. The inspection of properties and schedule rating, by which defects are brought to the attention of property owners, tends, in the long run, to effect a considerable betterment of the physical conditions, which are largely responsible for the extent of our losses by fire. No individual company could maintain a staff of experts competent to give this service without tremendously increasing the cost of insurance to the public. It is equally plain that no single company would be in a position to bring about the improvements that can be effected by many of the companies acting in co-operation one with another.

On the grounds which I have here set forth, I am of the opinion that the operations of the Canadian Fire Underwriters' Association have been and are to the advantage, and in the interests of the public and that such a combination tends strongly to maintain the solvency of the companies, to stabilize rates, to eliminate discrimination and to assist in controlling the expenses of carrying on the business.

The conclusion accords with findings of the strongest commissions in the United States that have considered this question."

I have tried to show that the business is one of great detail. I believe that the companies are endeavouring to keep the cost down and within bounds. Notwithstanding that the rewards in almost all other lines have gone up, the agents have not had any increase in the rate of their commission; and they have also been faced with this condition, that the actual rates on which their commission is based have declined—one of the few cases in which something has been reduced in Canada during the war.

After all is said and done, however, the main item that fixes the rate is the burning ratio. That is, it is the number of fires and the fire losses which in the long run make the rates, and, no matter what may be done regarding the methods of the business, you cannot get away from the fact that the fires are the cause of the rates.

If the property burns and you are going to distribute the losses over the whole community, then in order to get the rate down you must reduce your

fire losses. The companies claim that there has been a reduction in the fire losses through their efforts. The companies have been dinning into the public the millions of money wasted every year by fires and urging the prevention of fires. They have maintained systems of inspection of waterworks, and of individual risks; they have prepared standards and rules for better construction and for the equipment of buildings with automatic sprinklers. They have held out inducements to the insured for the protection of property, suggested better arrangements for the processes of manufacture, and for the heating and lighting, and they have done more than anyone else to bring about a desire for reduction of the fire waste in the minds of the public through emphasizing the fact that this is an enormous loss which should not occur; and I am glad to say the public at last seems to have become aroused to the situation.

Last year the losses of Canada amounted to \$38,000,000. That means over \$4.00 per head of the population. In the United States where we are accustomed to think the loss from fires is high, it ran to from \$2.25 to \$2.50 per head of the population. In some European countries the loss runs as low as 20c per head. In England it is 50c. It is impossible for us in Canada to have low rates like those of England. That only needs to be stated to be admitted.

It is a rather interesting thing to me to read the report of the superintendent of Insurance of British Columbia, and to find from the records of fire losses that last year the losses were \$500,000 greater than in 1917 and that the loss ratio per head of population was \$2.25 as against a little over \$4.00 for the whole of Canada. So that B.C. is more than holding its own on rather undesirable lines. As one goes through this Province he can see conditions which cannot be described as non-burnable. Then there are periods of the year in which there is no rain at all, even if sometimes there are periods in which there is a great deal of rain. A fire may break out when a high wind is blowing during a dry season, and the number of wooden buildings with shingle roofs that are almost universally found, would suggest to me that the conflagration conditions are serious.

It is rather a peculiar thing that so many maritime cities have suffered from conflagrations. One would almost imagine that the presence of so much water would have some better effect. In St. Johns, Newfoundland, St. John, New Brunswick, Toronto, on Lake Ontario, in Seattle, San Francisco, Chicago, Boston, Portland and other maritime cities there have been large conflagrations.

While on that subject I may refer to a memorial

presented to Judge Matson by the conservation commission of Canada. In it they point out that 95 per cent. of the roofs in Canada are of shingles and that practically no city or town in Canada is free from the danger of conflagration, even though in some places it has been modified.

The words of that memorial very well apply to Vancouver. Not that I am making invidious distinctions, but I mean to say you have a city with conditions here which are reproduced all over Canada. I have said the rates are made by the losses, but it is evident that, for a period of years they have not been excessive from the fact that few insurance companies which are formed succeed. The number of companies that have survived over a few years is very small indeed. I expect in the years to come more of the work in the Underwriters' Association in this province will be along lines of fire prevention. Considerable work is now being done through the inspection of waterworks, of electrical installations in new properties and of systems of automatic sprinklers. Not only are there three highly trained men now employed, but there are eight surveyors constantly at work, inspecting properties, and giving advice to the insured, while in addition to them every agent, at least every live agent, is an advisor to the insured at any time in regard to the protection of his property, and I anticipate that, with the introduction of the new rating schedule that has been brought into force there will be a great deal more to be done by the agents in the way of co-operation with the insured and the reduction of the hazard with the consequent reduction of the rate.

In regard to the matter of rates, permit me to read an extract from Judge Matson's report:

"It must at the same time be recognized that the Insurance Companies are the chief exponents of systematic fire protection, and that their methods constitute one of the most potent influences now affecting the safeguarding of property from fire.

"It is my opinion that the salutary influence of schedule rating can most advantageously be supplemented and reinforced by legislative action in the direction of compelling the owners of property to safeguard their property in the public interest, quite apart from the personal advantage which they secure by lowered rates of insurance."

In connection with this whole matter of fire prevention, the Dominion Government at the last session passed an act imposing heavy penalties upon every one who by negligence causes any fire which occasions loss of life or loss of property. By this act negligence is defined to be failure to obey the requirements of any law intended to prevent fires,

or which requires apparatus for the extinguishment of fires or to facilitate the escape of persons in the event of fire, if the jury finds that such fire, or the loss of life, or the whole or any substantial portion of the loss of property, would not have occurred if such law had been complied with.

There is a further provision making any one liable to fine or imprisonment who does not attend to an official order for improvement of conditions, with certain safeguards calling for proper service of notice, and for approval of the recommendation by the proper official of the Dominion Government.

This act, however, is a long step in advance, and it is believed it will become a powerful factor in securing the correction of conditions found in premises where little or no insurance is carried, and where, in consequence, the Insurance Companies have little or no influence.

It is sometimes suggested, and it was suggested before Judge Matson in an impersonal way, that possibly there might be State Insurance, and he refers to that when he says:

I am clearly of the opinion that Government Insurance of property is neither desirable nor practicable in Ontario at the present time. In the first place, it would have to involve a reinspection by experts of all risks in the province, for the purpose of determining the rate of premium which each risk ought equitably to bear. This would be an enormous preliminary task and would involve the establishment by the province of a huge Insurance Department conducted by managers of great experience and high ability. Such men could be obtained only from the staffs of insurance companies now doing business and only by offering them such remuneration as would warrant them in resigning from their present service. In the second place, it is generally agreed that at the present time no adequate data are available from which there can be deduced such a scientific system of rating as will perfectly adapt itself to the infinite variety of risks, to the uncertain hazard of conflagration, and to the moral hazard. The fixing a rate is still, notwithstanding all the experience of the past, somewhat of guesswork, assisted by the practical sagacity of the experienced underwriter. Lastly, such a course would not merely destroy the present insurance business, but would in many ways dislocate business in general. In my opinion the public is not ready and would not be willing to adopt such changes in their mode of doing business as would be necessary if this method of insurance were adopted. These inherent difficulties exist quite apart from the practical objections which might arise in the conduct of such a system owing to abuse in the direction of political or personal favoritism, or animosity, by Government In-

spectors entrusted with the duty of reporting on risks, and adjusting losses.

Judge Matson mentions in his report that his conclusions indicated above are in accord with the conclusions of other commissions, notably in New York, Massachusetts, Pennsylvania, Wisconsin, Michigan, Illinois, New Jersey and Ohio.

So far as Canada is concerned I doubt very much if any province could introduce an obligatory system of State Insurance because of Dominion legislation which grants to the individual the right to go abroad to secure his insurance from companies that are licensed in Canada. No insurance company can do business in Canada until it has been licensed and made proper deposits, but the public are permitted to go abroad if they wish, provided they insure without solicitation from a company not licensed here. I do not think it would take much reflection to see what the effect of a Provincial law would be with a Dominion law which would permit anyone who desired to go abroad. I think the natural result would be that it would build up a very large number of brokerage offices in Seattle and Spokane to the very serious detriment of the agents in Canada. Of course, when that happened, there would not be a sympathetic agent close at hand to take up the insured's case. He would have a hard-hearted government official to deal with or a non-resident broker who cared nothing whatever for him except what he could make out of him.

There is one question, however, that is entirely overlooked when any question of Government Insurance comes up, and that is the liability of the companies. A fire insurance company is different from a mercantile corporation. A person goes into a store to buy a certain article, and after looking at it he can value the article; and after purchasing it, he can go away and be no longer concerned with the man who sold it. It does not make any difference to him if the vendor of that article fails the next day; but when a man purchases fire insurance, it is then only that he is interested in the company and it is of the most vital importance to him that a fire insurance company should remain solvent during the whole of the period the policy is issued for. A company sells its credit for three years, or one year, as the case may be, and the insured is vitally interested in knowing that that company can meet its obligations.

An insurance company that is a well managed concern, endeavors to safeguard itself, that is, to provide reserves and endeavors to so conduct its business that it can be enabled to carry out all its obligations. Large companies spread their commitments all over the world and in each place they limit the liabilities they will assume. Suppose the case of a company doing business in Vancou-

ver. They spread their business all over the city, and they watch that their total liability is kept within a certain proportion to their assets and business.

The total liability that is carried by the fire offices in British Columbia approximates \$400,000,000. That is to say, the insurance companies business in British Columbia of about one hundred offices, have insurance to the amount of \$400,000,000 in force. Of that large amount, \$25,000,000 is covered in this City of Vancouver. In Victoria there is between thirty and forty millions of liability. In New Westminster there is about eleven and a half millions, and in Kamloops and Nelson about three and a half millions. Even the latter is no small sum when it has to be raised in a hurry, and it can only be safely carried by companies with their large assets and deposits in Canada, and with further large assets at their home offices. It is by the large funds that have been gradually accumulated to back up their contracts that fire insurance companies are able to carry on or stand such enormous conflagrations as occurred in San Francisco.

When conflagrations occurred in Chicago in 1871 the insurance involved was \$96,000,000, but only \$44,000,000 was recovered by the claimants; there was a loss of \$52,000,000 by policy holders. A large number of fire insurance companies were ruined, and many prosperous business men found themselves beggars. Nearly every insurance company doing a local business was utterly ruined. Most local companies had been organized with comparatively small capital, and they had shut their eyes to the liability they were assuming.

In Boston the following year, namely, 1872, there was another great conflagration, with insurance of about \$60,000,000. Many of the smaller companies had been wiped out by the Chicago conflagration, but many others succumbed to the Boston catastrophe, and only \$36,000,000 insurance was collected, leaving a loss of \$24,000,000 to property owners.

These severe lessons were so taken heed of by the governments of the various states that ever since it has been the law across the line that a company must maintain its capital absolutely intact, that is, be able to pay all its liabilities, and also pay its shareholders in full, and failing that, they must go out of business at once. The result of that practice was that only the larger companies remained in business, and as an attribute of good management is to increase the assets in keeping with the liabilities, when the San Francisco conflagration occurred, with a loss of \$240,000,000, almost the whole of that immense sum was paid to policy holders by the insurance companies.

The fire insurance companies licensed in Canada have assets of \$80,000,000 in Canada. Of course that is only a comparatively small portion of their total assets. There are many companies with assets in Canada of one million dollars, and twenty or thirty millions of assets at the home office, all of which is liable for their contracts in Canada. By this modern system of insurance carried on over the world the conflagration liabilities are able to be carried. You must look forward to the fact that conflagrations have occurred in the past with remarkable regularity. They may not occur for a year or for a period of years, but they will come.

It is rather surprising, but if you will look at the statistics you will see that the number of fires that occurred last year are in proportion to the population. As the population of a city grows, there will be a steady increase in the number of fires. There will not be much variation. There will be a considerable variation in the amount of loss, and as it is in the cities, so it will be in the province. A city will go on for years without any very great loss, but the number of fires that occur will remain about the same. Ordinarily these fires are put out with small losses, but suddenly a whole section of the city will be wiped out. We may expect conflagrations to occur regularly in the future, as they have in the past, and the well managed companies recognise that the best way to safeguard themselves is by having large assets, by leaving the profits made in the companies at the risk of the business and content themselves by an increase in dividends from the interest on such accumulation of funds, until eventually they are able in many cases to pay their dividends out of the interest on these accumulations.

In connection with this liability there is another feature, and that is insurance on dwellings. Many people say if we wrote only on dwellings we would be quite safe. Dwellings are a high explosive mixture. In Vancouver a premium income of \$5,000 would mean a liability of one million dollars. There ought to be some margin of profit in ordinary times to carry that liability, and the experience in Chicago and of other cities is that the dwellings business is the business that puts the company on the rocks when a conflagration occurs. It is quite idle to think that great success can be achieved by writing dwellings. There is not a single company in existence that wrote dwellings and nothing but dwellings.

It has been admitted by everyone who has looked into the question that in the ramifications of present day business, fire insurance is one of the greatest and most important factors in that wonderful fabric of credit upon which most of our business is carried on. The banker would not give

credit to a merchant unless he had insurance. The loan companies would not advance money unless the property was protected against fire. The same goes still further in regard to a municipality selling debentures or a large industry extending its plant. If a large manufacturing concern offers its bonds, the company will say, "We have the property fully insured up to the full value, and frequently also the use and occupancy so that they will be paid a certain sum per day if the manufactory is burned, until it can be rebuilt and running again."

A municipality will offer its bonds. What does the bond buyer do? He looks at the assessment. If you will read a bond prospectus, you will find that it will say: The city has a good water works system and electric lighting and well constructed buildings and a fire brigade that is well maintained, that the administration is good, and give statistics of the business carried on, but underlying all is the fact that all the property in the city men mentioned in the prospectus is protected by fire insurance. Who would buy a bond of this city of Vancouver, dependent, as it is, on the property of the private citizens, if it was not for the protection of fire insurance? Anything that affects the stability of fire insurance, that raises a question as to whether it cannot be collected quickly in the event of a loss, would vitally affect the question of how much money Vancouver could raise. I would like to know, if Vancouver wanted to raise money and stated that it was depending for fire insurance on the province, which itself was dependent on Vancouver, how many bonds could the province sell when it, too, depends on Vancouver and other cities and towns in the province. It would mean absolute stagnation to British Columbia if such a state of affairs prevailed. What investor would lend money on mortgage or property? What bank would lend to its customers under such conditions?

What would have happened to California and San Francisco, if when that disaster had occurred, California had to go into the money markets of the world to raise over \$200,000,000? We have been accustomed of late, to raising many millions in Canada, but before the war we could not raise ten millions, and it is only by the concerted effort of everyone in a patriotic way that we have been able to raise such enormous sums as War Loans. But where would San Francisco have been had if it had to wait in uncertainty as to whether it would get the money necessary to rebuild the city and replenish the stocks and machinery destroyed, while California was seeking in the money markets of the world for the funds required? There would have been no reconstruction in San Francisco such

as occurred, for the uncertainty and delay would have paralyzed their aims and desires.

It is sometimes claimed that our government can do this and can do that better than any private individual. Governments have done some things fairly well, for instance they operate the post office, and in some places they operate the telephones and control the operation of railways. We are not sure that they operate either the telephones or railways as well as private corporations, but there is a great difference between the service given by the post office and telephone companies, and by the railways, as compared with that given by the fire insurance companies. A railway goes upon a fixed right of way from one certain place to another certain place, and every one must travel in the cars provided; there is no different treatment accorded, provided the price that is fixed for a certain class of accommodation is paid, whether the traveller be black or white, young or old, male or female, Jew or Gentile. The same is true of the telephone, and also the post office, where all users are treated alike. Fire insurance, however, is a business which must be adapted to every kind and condition of property and of people; it is a business of infinite variety and of great intricacy in detail, so that it is simply absurd to compare the post office, telephone, and railway, with their simple, uniform, unvarying methods, to the business of fire insurance, which is now of infinite variety, and will become still more varied in the future if it keeps pace and in touch with our developing civilization.

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