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THE GENERAL FINANCIAL SITUATION

The last published bank statement continues the story which recent months have made comparatively familiar. Current loans are at a further new high record; notice deposits show a fair increase; circulation shows an actual decline of \$4,000,000. for the month, and in spite of the enormous increase in current loans during the last twelve months is less than \$5,000,000 higher than at the end of August 1919. What these facts indicate is that the stocks of merchandise and raw materials which have been accumulated during recent months—most of them deliveries of orders placed months, and in some cases, years ago—are not being marketed readily and that the capacity to save is declining on the part of some portions of the community, partly as a result of higher prices than a year ago, and partly as a result of decreased earnings.

It is by no means clear what the immediate outlook is for Canadian trade and industry. The marketing of the western crops would result in the freeing of very considerable cash resources, for the payment of debts and the purchase of necessities and to some extent luxuries. But it is noted that buyers abroad are holding off their purchases—like the consumer at home—in the expectation of lower prices, and there is a very decided possibility that this year's crops will not be turned into cash at as early a date as in some recent years. Even allowing for this factor, the evidence appears to be increasing that the earlier stages of a trade reaction are in process here. The successful completion of the marketing of the crops would probably minimize that trade re-action; but whether it would wholly stop it appears doubtful. The effect of the recent newspaper campaign regarding price cuts in the United States will be undoubtedly to make the consumers wary in purchasing. Rightly or wrongly, many people will conclude that they will be wise to hold off purchases, and they will receive with scepticism the statements made by departmental stores and other retailers that prices cannot go lower at present. This newspaper publicity regarding cutting of prices has

probably been more effective in checking purchases than all the homilies to save and thrift campaigns during the war period combined.

There is no gainsaying the fact that in many lines of industry and trade in Canada at the present time, immense stocks are being carried. That is the only possible explanation of the year's rise in the bank current loans of \$373,684,000 to their present record figure of \$1,385,470,153, and credit is not likely to be easier until some of these stocks have been liquidated. The circumstances of recent years; the abnormal activity of trade on the one hand; the difficulties of production and delivery on the other, are a sufficiently simple explanation of the fact that stocks have accumulated largely immediately trade showed a tendency to decline in activity. The banks, foreseeing the inevitable end, put on the brakes months before the tendency to lower prices and declining trade was widely observed, and did not increase their popularity with the unthinking by so doing. But it takes times to make the brakes effective. Customers, who months before had entered into legitimate commitments, had to be protected, and, owing to the delays in production and deliveries, it is probably only now that really effective results are being secured from the banks policy of restriction of credits inaugurated last winter. As regards the position of the wholesaler and retailer, who are now accused of holding up prices in various quarters, self-preservation is the first law of life, and no trader can be blamed if, finding himself faced with a declining market, he endeavors to get the best price possible for his stock, instead of liquidating it at a ruinous loss. That in some lines at least, there will be forced liquidation during the coming winter seems apparent, though while this liquidation may be temporarily a good thing for the consumer, it is decidedly more desirable in the general interest that the adjustment to a new level of prices, should be accompanied by as few incidents of this kind as possible.

To return to the actual figures of the bank statement. The total of current loans, \$1,385,470,153 represents an increase, as already noted, of \$373.

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The Chronicle

Banking, Insurance and Finance

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MONTREAL, FRIDAY, OCTOBER 8th, 1920

(Continued from front Page)

684,729 over the corresponding total a year previously. But notice deposits, while at almost their highest figures on record, \$1,261,641,723, have increased only in twelve months by \$65,008,792. In other words, current loans in the last twelve months have increased six times more rapidly than notice deposits, which are their mainstay. Call loans in Canada, which include some loans on commodities as well as on stocks, were reduced during August by \$1,761,971 to \$113,958,923, at which figure they are still, however, about \$18,000,000 higher than at the corresponding date last year. Call loans abroad were reduced during August by over \$9,000,000 to \$193,888,245. Circulation dropped during the month by \$4,160,369 to \$227,373,864, and as noted above, is only \$4,911,949 higher than at the corresponding date of 1919.

With regard to the effect upon securities of the existing adjustment of prices, these will certainly not be wholly unfavourable. A steady decline in prices, particularly if it is accompanied by any reaction in trade not too long continued, will gradually free funds now used in commerce and industry, for investment and the support of Stock Exchange speculation. The effect of any marked decline of prices would certainly be first seen in the bond market. In the United States, indeed, a distinct improvement in this market has already been noted. Compared with the low prices of the year, which were reached about May, standard high grade bonds are up from five to ten points or more, as a result of capital switching from speculative to investment securities. Two recent large issues, the \$100,000,000, 8 per cent. 25-year French bonds, and the \$20,000,000 Norwegian 7½ per cent. bonds, were each over-subscribed within a few hours. As regards bond conditions in Canada, we are inclined to believe that the War Loans are now at about their lowest point, though there may be some selling later on in order to meet Income Tax payments. Any improvement in the price of these issues would naturally be quickly reflected in the whole bond market.

As regards stocks, the strength of C. P. R. in the New York market recently is a welcome indication of a revival of interest and appreciation on the part of the investing public of the possibilities still ahead of Canada's premier railroad. There are also some signs of a stirring of the dry bones of the public utility and traction groups which a few years ago, were prime favorites on the local exchanges, but within the last two or three years, have been, market-wise-as dead as a doornail. This group of stocks should undoubtedly be assisted by the change in public opinion, which is now evident, regarding the necessity of these companies being allowed to charge rates for their services, which will earn such a return to capital invested, as will continue to attract readily the additional capital necessary to their development. Of the various groups of industrial securities possibly the most strongly entrenched against adverse influences is the pulp and paper group. While any marked trade re-action would undoubtedly result in some decline in the demand for the products of these companies, there are at present no indications that the established companies will not continue to earn profits on an exceedingly handsome scale for the next two or three years. The point to be remembered by investors at the present time is that a decline in prices and re-action in trade has the ultimate effect of increasing the supply of funds available for investment and lowering money rates; that these in turn lead to a rising market for fixed interest bearing securities, bonds and the highest grade stocks. They may also eventually result in a supply of funds for active speculation in a particular group of securities which are not prejudicially affected or only slightly so, by a trade re-action.

TRAFFIC RETURNS

Canadian Pacific Railway

| Year to date | 1918 | 1919 | 1920 | Increase |
|--------------|--------------|---------------|--------------|--------------|
| August 31 .. | \$94,846,000 | \$123,968,000 | \$24,500,000 | \$29,532,000 |
| Week ending | 1918 | 1919 | 1920 | Increase |
| Sept. 7 .. | \$3,653,000 | \$3,599,000 | \$3,991,000 | \$392,000 |
| Sept. 14 .. | 2,915,000 | 3,763,000 | 4,278,000 | 495,000 |
| Sept. 21 .. | 3,114,000 | 3,993,000 | 4,605,000 | 712,000 |
| Sept. 30 .. | 4,210,000 | 5,993,000 | 6,849,000 | 886,000 |

Grand Trunk Railway

| Year to date | 1918 | 1919 | 1920 | Increase |
|--------------|--------------|--------------|--------------|-------------|
| August 31 .. | \$34,408,355 | \$50,384,474 | \$38,814,439 | \$5,429,565 |
| Week ending | 1918 | 1919 | 1920 | Increase |
| Sept. 7 .. | \$1,346,396 | \$1,949,914 | \$2,473,270 | \$523,356 |
| Sept. 14 .. | 1,415,000 | 2,178,855 | 2,689,721 | 501,865 |
| Sept. 21 .. | 1,456,812 | 2,164,619 | 2,483,460 | 330,841 |

Canadian National Railways

| Year to date | 1918 | 1919 | 1920 | Increase |
|--------------|--------------|--------------|--------------|-------------|
| August 31 .. | \$49,434,472 | \$57,808,499 | \$94,251,487 | \$6,452,983 |
| Week ending | 1918 | 1919 | 1920 | Increase |
| Sept. 7 .. | \$1,564,892 | \$1,789,169 | \$1,998,011 | \$208,842 |
| Sept. 14 .. | 1,593,343 | 2,009,675 | 2,372,906 | 303,231 |
| Sept. 21 .. | 1,697,019 | 2,085,089 | 2,293,007 | 297,518 |
| Sept. 30 .. | 2,553,187 | 2,890,196 | 3,291,757 | 401,561 |

BANKERS' ADVANCES

It is a matter of common knowledge that bankers are pursuing an inspired policy of restricting accommodation to legitimate trade and industrial requirements. This policy forms part of the general movement to stem the rising tide of prices, and while within the limits of this article we are not much concerned with arguments for and against such a policy, yet it is apparent that a connection exists between it and the recent break recorded in many lines of commodities, and, furthermore, banks being, as they are, custodians of the nation's loose wealth, their duty to their depositors demands that they discriminate between loans which militate against the interests of the community at large and those which do not. Further, English banks are of such size and national importance that, without question, they must modify their policies in accord with current national exigencies. This decision to withhold monetary assistance from those whose operations are not considered necessary or advantageous to the community only affects the legitimate borrower in so far as his applications for advances will be more closely scrutinized than heretofore, in order that bankers can assure themselves that they are not knowingly financing operations whose objects are wholly or mainly speculative in character.

In future, bank customers are likely to find bankers more exigent in the matter of information to be supplied by the customer as a preliminary to considering applications for advances, and it is worth while making a brief *resumé* of the principal items of information likely to be required, a knowledge of which on the part of the customer will certainly help him to secure sympathetic consideration of his proposals.

In the first place, the banker considers the category in which the customer trades or does his business, whatever it may be. In other words, is he trading alone or in partnership, or is the customer a limited liability company, society, corporation, or liquidator or trustee? For, if in any of the latter categories, the banker has to satisfy himself of the borrowing powers possessed, and the capacity to create liability upon bills of exchange. The banker will also want to know to what extent assets may be pledged as security for advances. In the case of ordinary limited trading companies the power to borrow is implied, but it is always a good thing that the banker should be allowed personal inspection of the memorandum and articles of association, or deed, or Act under which such concerns take their powers.

The Balance Sheet

Having satisfied himself of the customer's power to borrow and, if necessary, to pledge secur-

ity against such advances, the next step is to examine the financial position in detail and as a whole. This clearly calls for a balance sheet in a statement of position, and their production in a clear and concise form, reliably audited, will create a good impression. Naturally, bankers do not wholly base their estimates thereon, because, in so many instances, either through carelessness or neglect, balance sheets of a most misleading character are submitted; also, the fact that the figures have been audited does not put them beyond question, for auditors can be misled if the accounts have been systematically falsified. Nevertheless, a balance sheet clearly drawn up and audited is certainly an important factor in the banker's eyes. It is read in much the same way as in any other investigation of position. The banker, however, has always in mind a quick realisation of assets, and, therefore, the higher proportion quick assets bear to liabilities the better it is from his point of view. Going into detail, he examines the proportion of working capital to total liabilities, whether there are any mortgages or other charges, and, if so, how they are secured. The proportion of bills payable and debts due by the company on open account are next examined. On the assets side the principal items of interest, as mentioned above, are such assets as are realisable within a reasonably short time; that is, cash, bills, book debts, and in certain cases, stock. Excepting cash, all these are subject to estimation, especially stock, which may be of a good selling character, or, again, may realise but a small fraction of its face value in case of a forced sale. In regard to plant, machinery, buildings, &c., looked at from the point of view of the bank, these are doubtful factors, and are not liked. The reason, of course, is that bankers can not, in fact, dare not, tie their funds up for long periods. They have a primary duty to their depositors to repay deposits on demand, hence it is that their lending operations are carried through with an eye on the period of time it would take to liquidate a loan position in case of trouble. If a borrower is in need of funds for fixed expenditure, such as plant, machinery, &c., unless he is in such a position as will enable him to repay the loan out of profits or other funds within a relatively short period, it is to one of the numerous houses catering for fixed long-term loans that he should go. Such concerns, using their own money, are in a position to allow their funds to outstand for long periods, and can afford to take a relatively higher percentage of risk.

The Applicant's Position

Having presumably approved the position shown by the balance sheet, the personal element enters; in other words, how is the applicant regarded by

those who have dealings with him, (1) as to his capability, (2) his honesty?

In this respect the banker has sources of information available through the media of the Commercial Information Departments maintained by all banks of importance, and information thus gained is carefully weighed, sifted, and supplemented by the banker's own observation of his customer's business methods, ability, honesty, integrity, and so forth. The old watchword of bankers, "know your customer," is very fully acted up to now-a-days, and instances of bankers being misled by means of incorrect information, or by the customer's skilful manipulation of the current account with the bank, become increasingly rare.

The form in which the loan proposition is made is not a matter of much difficulty where it is a question of straight advances against easily appraised securities, but where accommodation is required for transactions in the import and export trades, it is sometimes a matter of no little trouble to put the proposition into workable form. Formerly it was a fairly general rule to expect the customer to present his proposal "cut and dried," but the development of banking, and the higher educational and technical standard of modern bank officials, has facilitated the practice of helping the customer to formulate his proposition to show how, when, and where the accommodation is wanted, and in what way the lender will be secured. This practice is a growing one, beneficial alike to banker and customer, for the former develops his knowledge of trading and manufacturing customs, and the latter his conception of the possibilities of judicious finance to the advantage of his business.

Finally, the banker examines the position from the point of view of his being secured. There are many points to be considered, but they may be condensed into the following questions, viz.: Is the security sufficient to cover effectively the loan in case of a forced sale, present or future? Is its value a fairly constant one? Can it be easily and quickly realised? Is it the property of the customer, and, if not, has he power to pledge it, and to what extent?

A security may only fulfil these requirements in part, but there may be other circumstances which would induce the banker to give his sanction to the loan. In his business as a lender, the banker has little opportunity for standardisation; every case has to be considered on its own particular merits, but in the foregoing has been indicated the general methods which bankers apply when considering accommodation proposals.

By Cambist, In the Secretary.

QUESTIONABLE FORECASTS

The panic forecasters have continued at work and are now found in Great Britain as well as in the United States. One local forecaster who has been constant in his predictions for a long time past now asserts that while he does not see signs of an immediate panic he is sure it will come within a year. Others, and among the British prophets of evil, assert immediate reaction and point to price reduction all over the world and business reaction in their own country as the indication of it. All these predictions are based on past performances in various countries where similar conditions are supposed to have prevailed in former times. The trouble is that none of the analogies urged exactly fits the present position and while it is never wise to try to predict the future one way or the other it is fair to say in the present case that the panic school of thought has not made out its case. Gradual restoration of business on a normal volume of trade seems to be the outlook for the immediate future although it would seem that we are now passing definitely out of the period of war prosperity, much of it imaginary, and into the period of moderate earnings and more direct competition.

AUTOMOBILE READJUSTMENT

An expected readjustment in the automobile business, which has been predicted by informed persons for months past and has been vociferously denied by others, is manifestly under way, the total number of concerns which have reduced prices now including several of the best known manufacturers. So long as it was only the maker of a popular priced car that had taken the step it was possible to sneer at the proposed price revision and to attribute it to a desire for advertising. The events of the past few days put a different color on the matter.

Automobile readjustment is important, not only for what it may produced in the way of other price changes but also for what it reveals or reflects concerning demand. There is a distinctly lower disposition to submit to high prices and a greater tendency to economize. This is partly the result of the high returns to be had on savings, partly the outcome of readjustment of purchasing power which results in cutting the ability to use wages as freely as in the past. The time has come when trade must be restored to a recognition of the principles which have long been admitted to govern it. There is abundant ability in the automobile business and it has long since passed beyond the stage of a mere luxury. As a commercial proposition it knows that the laws of supply and demand will govern it the same as in other businesses.



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PERSONALS

Mr. J. E. Clement, General Manager of the Fire Insurance Company of Canada, sailed last week en route to England and France on a business trip. He expects to return to Montreal early in December.

Mr. T. L. Morrissey, Manager for Canada of the Union Assurance Society of London, is visiting the West in the interests of his Company. While in Winnipeg this week he attended the Inter-Provincial Conference of Provincial Insurance Superintendents.

Mr. J. B. Laidlaw, Manager of the Norwich Union Insurance Society, attended the Inter-Provincial Conference of Provincial Insurance Superintendents at Winnipeg this week and delivered an address on the Standard Conditions for Automobile policies.

HOW AUTO RATES ARE MADE

New Schedule Will Reduce Hazard

BY JOHN M. HARRISON

In previous years we have based our rates for automobile insurance upon the factory list prices. This system of rating has been found to be illogical and inconsistent, and frequently the cause of embarrassment between agents and companies, and the starting point of many criticisms made by automobile manufacturers, dealers and owners. There was no real justification for giving the same fire insurance rates to two different cars of approximately the same cost, but constructed on entirely different lines, and the one containing very much greater physical hazards or being very much more popular with automobile thieves than the other.

Again, it was very difficult to explain why a car listing a few dollars below the dividing line of the classes was required to take a higher rate than another car listing a few dollars above the dividing line. The case of the Chandler, which used to list for \$1,799.00—thereby falling in Class "D," comprising cars listing between \$800.00—and \$1,799.00—was very troublesome because there was quite a temptation to add freight, war tax, and the cost of accessories to the list price of \$1,795.00 in an attempt to justify a rate for Class "C," comprising cars listing between \$1,800.00 and \$2,499.00. The faults of the old rating system have been apparent for a long time, and during the last three years the National Automobile Underwriters Conference, in co-operation with the Underwriters Laboratories, Incorporated, and the Society of Automobile Engineers, has been working upon a

schedule for rating each automobile according to its physical hazard for fire, its re-sale value and popularity with thieves—in so far as the theft rates are concerned, and its susceptibility to damage, and the cost of repairs in respect to collision insurance. The result of the labors of the joint committee I have just described has been the creation of a schedule which has been well received by the automobile manufacturers, many of whom will effect changes in the construction of their cars so as to eliminate physical hazard defects, for which they are now penalized by the schedule, or to improve their products so as to obtain credits which may be available under the schedule.

Gasoline Storage Factor.

An instance of the thoroughness with which the rating schedule has been prepared is the treatment which it accords to the question of gasoline storage and gasoline feed system. The capacity of the gasoline tank, the location of the tank on the car, and the question of whether the gasoline feeds by gravity or otherwise, each has a bearing upon the rate classification of each automobile. Similar treatment is given in the schedule to the lighting and starting systems. I have simply referred to these things to give you a general idea of how carefully the schedule for rating was prepared. No doubt you will be more interested in the practical question of how to figure out a fire insurance rate according to the rate schedule.

Practically all of the automobiles being manufactured today have been thoroughly examined by the engineers connected with the Underwriters Laboratories, Incorporated, and have been classified under the merit rating schedule, and are designated, according to their classification, by alphabetical symbols in the new classification manual, which supersedes the old list price book. The four columns on the right hand side of each page of the classification manual contain the alphabetical symbols which will enable the fire, theft, collision and property damage rates to be quickly found in the rate sheets themselves, the basis for according to the loss ratio of each. Among the cars rated for fire in Class "A" are to be found the Packard, Pierce Arrow, Hupmobile and Locomobile. These new fire insurance rates average thirty-three and a third per cent. reduction over the rates for 1919.

In respect to the theft rates, the principle which has been followed is that of giving the highest theft rates to those cars of which the thieves are particularly fond and which have a ready re-sale in the second hand market. Then, again, it is but natural that the rates for theft insurance in the cities and metropolitan centres should be

higher than in the country districts, as the thieves are in position to ply their trade to better advantage in the former.

In respect to collision insurance, I would like to call your attention particularly to the method of calculating the premium for the "drive away" hazard, or for the collision risk to which the car is subject while being driven from factory to dealer. These "drive away" rates appear somewhat high; but it must be borne in mind that when a dealer brings cars through the country he generally brings from ten to twenty at a time, and his small group of cars is more often part of a large convoy of cars leaving the factory the same day—all bound for the territory of a distributor. In the vicinity of the automobile factories a convoy of Buick cars is very likely to be on the road at the same time with a convoy of Overland cars, or a convoy of Cadillacs, and in most instances it is the case that the individual cars are being driven by men who are not familiar with the roads, and who may be making the "drive away" trip as a matter of recreation, and who are naturally handling cars with which they are not thoroughly familiar. The danger of accidental collision between two cars of the same convoy or between two cars of different convoys is very pronounced, and it is quite impossible to accurately measure the "drive away" hazard and obtain a pro rata part of the annual collision premium, although it is permissible, where the owner himself goes to the factory and receives his car, for the collision insurance to be written thereon upon an annual basis. Reference to page 67 of the collision and properly damage manual will show the minimum premium charges per car for "drive aways" of less than 100 miles, for "drive aways" of between 100 and 200 miles, and for "drive aways" of more than 200 miles, and it will be noted that the minimum premium for a "drive away" of more than 200 miles is double the minimum premium for a "drive away" of less than 100 miles.

PRUDENTIAL TRUST COMPANY

The Prudential Trust Company, Montreal has appointed Mr. E. V. Barthe as manager of the Company's Toronto Branch, with offices in the Union Bank Building, corner of King and Bay Streets.

Mr. Barthe has had a valuable and successful experience of fourteen years service with the Bank of Toronto, and during recent filled the post of Inspector. The appointment seems an excellent one, and will no doubt be in the interest of all concerned.

Mr. Barthe is a son of the late L. A. Barthe well known in Montreal.

OUTLAW CANADIAN AGENTS

A survey of the insurance field by agents of the Ontario Insurance Department discloses the fact that approximately 2,400 insurance agents of various descriptions are selling insurance in the province of Ontario without a license. This disclosure has resulted in the determination on the part of the insurance department to enforce the regulations with much more strictness and copies of the regulations and questionnaires have been forwarded to all who are known to be engaged in the business of insurance within the province.

Judgment Against Royal Bank

A judgment of great importance to outside companies licensed to do business in British Columbia was rendered by Justice Murphy on September 14, in the case of the Royal Bank vs. the National Fire Insurance Co. Under a judgment against a man named Stewart, a shareholder in the defendant company, the sheriff in behalf of the bank seized Stewart's stock. The company is not registered and has no share register in British Columbia. The bank was suing the company to compel registration of the shares in the bank's name to make effective the seizure.

The action is dismissed, his lordship holding that as the process in question could not legally be carried out without the knowledge of the shareholder, every step in the process must be carried out with the utmost technical regard for the law. His lordship found that there had been a flaw in the service and on that account gave judgment against the plaintiff.

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RICHARD J. BOND,
Supt. for Canada

TORONTO
Royal Insurance Bldg.
JULIAN H. FERGUSON
Supt. for Ontario

Commercial Union Assurance Company Limited

of London, England

as at 31st Dec., 1919.

| | | | |
|-----------------------------------|--------------|-------------------------------|--------------|
| Capital Fully Subscribed. | \$14,750,000 | Total Annual Income exceeds.. | \$75,000,000 |
| Capital Paid Up. | 7,375,000 | Life Fund, Etc. | 99,147,565 |
| Deposit with Dominion Gov't. | 1,416,333 | Total Funds exceed. | 209,000,000 |

Palatine Insurance Company Limited

of London, England

as at 31st Dec., 1919.

| | | | |
|------------------------------|-------------|------------------------------|-------------|
| Capital Fully Paid | \$1,000,000 | Total Income | \$4,145,585 |
| Fire Premiums 1919. | 3,957,650 | Funds. | 6,826,795 |
| Interest Net | 187,935 | Deposit with Dominion Gov't. | 365,567 |

N.B.--In addition to the above there is the further guarantee of the Commercial Union Assurance Company Limited, whose Funds exceed \$209,000,000.

Applications for Agencies Solicited in Unrepresented Districts

Head Office: CANADIAN BRANCH

COMMERCIAL UNION BUILDING, 232-236 ST. JAMES STREET, MONTREAL

W. S. JOPLING, Manager

THE CANADA

ACCIDENT & FIRE ASSURANCE COMPANY

Head Office, - - MONTREAL

T. H. HUDSON, Manager, Fire Department.

H. F. RODEN, Manager, Casualty Department

Policies Guaranteed by
Commercial Union Assurance
Company Limited

Local General Agents, (Fire)
G. U. PRICE & CO., LIMITED
Bank of Toronto Bldg., Montreal

FIRE - MARINE - HAIL
AUTOMOBILE

ASSETS EXCEED
\$93,000,000



EAGLE STAR AND BRITISH DOMINIONS INSURANCE COMPANY LIMITED

J. H. RIDDEL, Manager for Canada OF LONDON, ENGLAND E. C. G. JOHNSON, Assistant Manager

HEAD OFFICE FOR CANADA - TORONTO

DALE & COMPANY, LIMITED - GENERAL AGENTS - MONTREAL AND TORONTO

THE FIRE INSURANCE COMPANY OF CANADA MONTREAL

Authorized Capital, \$1,000,000 Subscribed Capital, \$500,000 Paid Up Capital, \$200,000

GENERAL FIRE INSURANCE BUSINESS TRANSACTED

President: Hon. R. DANDURAND Vice-President and Managing Director: J. E. CLEMENT

UNDERFED RUSSIA

Six years ago Russia a great storehouse of wheat, helped to feed all Europe. Today it is not feeding itself. Russia has neither Government or money.

Today Europe draws on Canada and the United States for foodstuffs, and will continue to do so for another year at least.

Present conditions in the world generally are not natural. We, of course, refer to industrial and financial conditions, and to food supplies and high prices generally

Education as it Applies to Insurance Business

Mr. D. J. Locke, President of the Insurance Institutes of New South Wales in his inaugural address said:—

It has often occurred to me that insurance is not given the place in business life that the object it fulfils entitle it to, or that we who are engaged in its pursuits have that standing in the community which our trading and responsibilities really merit, as it must be obvious to anybody who is even slightly acquainted with our vocation that much energy and application are required in order to secure that breadth of knowledge which is vitally necessary to those who hold executive positions in Insurance Companies. This situation has been created to a certain extent by our own apathy, and our attitude should be completely changed if we wish to keep abreast of the times. It is an economic truth that there are only two movements known to society—progression and retrogression. If we do not advance, a counter movement is set up and we then drift backwards. I am prompted to make these references on account of the stressful period through which we are passing, feeling that it is incumbent on all to do their utmost in assisting to stabilize affairs, and this can best be done by endeavouring first to place our own house in order. It is our duty to educate the public thoroughly to understand the contracts we sell them, so that on the happening of a loss they may know exactly how they stand. We should make it clear to them that we contract to indemnify them against their actual loss or liability only, as the case may be. When we make them comprehend the fact that we do not covenant to do anything more than that, then, and not till then, shall we be able to dispel that undercurrent suspicion which links in the minds of so many people that Insurance Companies always try to avoid their liabilities.

In the earlier portion of my remarks I referred to the energy and application required to obtain a knowledge of Insurance business, and I desire to bring under your notice how much more difficult it is of accomplishment to-day than was the case, say twenty years ago. The youth of that day,

when he entered an office, found himself faced with the problems which were usually confined to one class of the business only. To-day, if he aspires to a managerial position, it is usually necessary that he qualify in three classes, Fire, Marine and Accident, as there are now very few companies which do not combine all these classes. The progress the world has made in that period, too, has brought with it additional risks in every department which have to be dealt with by underwriters, and, on that account, the student's range of knowledge has to become more and more extended. In the fire department we have had to provide for Motor Car and Profits Insurance, Acetylene Gas Installations, Mineral Spirit (for lighting, power and storage), new Fire Appliances, Fireproof Construction, etc., whilst, in the Accident section, there are Workmen's Compensation, Seamen's Compensation, Sprinkler Leakage, Motor Car and Cycle, Hailstone, Boiler Explosion and many new classes of Public Risk Insurance, all of which require careful study. The war has also given the Life and Marine Insurance companies new problems to consider, which will have to be faced and the difficulties overcome. In drawing attention to these matters, I am not wishing to discourage those who hold junior positions in the Companies, but it is well for them to know that ours is a serious business that demands close attention from those engaged in it. The senior members should be prepared to assist in the training of the younger men in the profession, particularly by directing the best course of study to be pursued. The syllabus for examinations issued by the Incorporated Australian Insurance Institute will also be a helpful guide to students, whilst attendance at the lectures should prove most beneficial.

Must Avoid Over-Insurance

It is just as essential for the agent to safeguard the companies he represents by seeing that his clients are not over-insured, as it is for him to protect his clients by seeing to it that they carry adequate insurance.

Present conditions are abnormal and over-insurance would result in stimulation of the moral hazard. Secretary J. F. Van Riper of the Norwich Union in a recent address before the New York State Bankers Association made the point that as "values are changing and cannot be economically determined, property is likely to be over-insured or under-insured.

"The only remedies against over-insurance," he said, "are the honesty of the assured and the wisdom and caution of the agent."

Proper service to assured, and duty to companies, demand that he keep a close watch on his business and guard against both over and under-insurance.

ONTARIO FIRE AGENTS ASSOCIATION

At the preliminary meeting of Ontario Agents held in Toronto, early last month (already referred to by *The Chronicle*) for the purpose of laying plans for the formation of a Fire Insurance Agents Association for Ontario, Mr. V. Evan Gray the Ontario Superintendent of Insurance, who was present on the occasion, addressed the meeting in part, as follows:—

Dangers to be Avoided.

I do not want to be considered as in any way preaching or attempting to direct the methods or activities of your association, but I would just like to point out a few of the dangers which may be foreseen and guarded against in the conduct of any association which you may undertake, because as against the advantages which I have enumerated, and many others which must occur to you, there are certain well understood dangers that might lead your association into difficulties. For example, I consider it of supreme importance that the ideals of the association and its purposes should be absolutely unselfish in so far as your particular interest is concerned. If the sole purpose of your association is to improve the position of the agent by getting him more money and by excluding from the field all other persons for your own advantage, then I certainly would not be here recommending any organization of the agents, because I think that would be a great danger to the public and no real gain to the agents in the final result. Your association, if formed, must consider itself a trustee of the general interest of the public in insurance matters, and the best interests of the insurance business as a business as well as any particular individual aspect of the matter in so far as the agent is concerned. Unless your association is formed and actuated by the motive of securing the very best that is possible for the insurance business, irrespective of the particular interest that you represent, then you might better not proceed with the organization at all; and I do hope that if you consummate your plan the officers whom you choose will be actuated by the very highest ideals of unselfishness in so far as the particular interest of the agents is concerned. I believe that that is not impracticable. It is quite possible to combine the fair representation of the agent's case with a fair view also of the other interests which are concerned, and I sincerely hope that your organization may not be the subject of criticism as being a closed combine or an institution made for the purpose of establishing the interest of the agent apart from the interest of the general public or of the insurance business. It would be most unfortunate if either the public or the companies were to receive the impression that the purpose of your

association was to secure better terms from the companies en bloc, if you will, or was for the protection of the commission of the agent, or things of that kind. I think you ought to keep it as far as possible free from any entanglements with any individual companies in the matter of commissions, or with matters which particularly concern the relations of the agent to the company. One of the worst things that could happen, I think, would be that your association should take on the character of a trade union, with the lamentable results that we can see in some directions at the present time.

The Department's New License Plans.

That, Mr. Chairman, is all I have to say about the matter of the organization of the agents as such, but if you will spare me the time I would like to take just a few minutes to tell you something of what the Department is doing in the matter of the agents' licenses, because this is an opportunity that will not come to me again.

You have already received, I expect, the new draft forms of application for insurance agents certificate of authority which have been issued by the Department and which are to be used for the current year's license certificates. If you have had no further intimation, this will have warned you that the Department is proposing the tightening up of the departmental regulations in so far as they affect the issue of these certificates to insurance agents. I do not think I need explain to you gentlemen the purpose back of that, because you all fully understand the idea. The general purpose is the improvement of the insurance business by the elimination from the agency field of those persons who are not rightfully agents or entitled to collect agent's commissions on business placed. This is not by any means the whole programme, nor do we pretend for a moment that it is either perfect or above criticism; it is experimental, rather. I hope that in the administration of these amended regulations and the use of these forms you will be patient with the Department, because we are up against a great many difficult problems that have to be settled with fairness to all so far as possible, and without any precedent so far as the administration of the Department is concerned. I do not need to enlarge on that; I am sure you, yourselves, can imagine the condition to which I refer.

The purpose of this particular application form is that the Department shall be able to make a better selection of authorized agents for the insurance business. It is intended that each of these applications should be carefully scrutinized; they are, in fact, now being carefully scrutinized with the intention of refusing licenses to those persons

Improved Disability Provision

Claim may be made as soon as disability occurs—no probationary period.

Payments begin immediately on approval of claim—no probationary period.

Monthly payments, lifelong, conditioned on permanence of disability.

Immediate waiver of future premiums—no waiting until next anniversary.

Full amount of insurance paid when insured dies, without deduction for disability payments or for premiums waived.

This new disability provision brings the service of America's oldest legal reserve life insurance company still closer to the needs of the insuring public.

For terms to producing Agents address

The Mutual Life Insurance Company OF NEW YORK

34 NASSAU STREET, NEW YORK

GENERAL

ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION LIMITED OF PERTH, SCOTLAND

Total security to Policyholders now exceed - \$12,000,000

PELEG HOWLAND, Esq.

Chairman Advisory Board

T. H. HALL

JUDSON G. LEE

Manager for Canada. General Agent Montreal.

THE

London Assurance CORPORATION

OF ENGLAND

INCORPORATED BY ROYAL CHARTER A.D. 1720

CAPITAL PAID UP - \$ 3,741,375

TOTAL ASSETS EXCEED 42,500,000

Head Office for Canada, MONTREAL

W. KENNEDY, W. B. COLLEY, Joint Managers.

Fidelity Insurance

Manufacturers—Contractors—Merchants

The Workmen's Compensation Act imposes upon you serious obligations respecting your liability for injuries or death suffered by your employees by reason of or in course of their work.

The Provident Assurance Company issues, at reasonable cost, an Employers' Liability Policy that provides complete indemnity against all liability imposed by law upon the assured for injuries to his employees, including all legal expenses.

The Provident Assurance Company

159 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 Street, MONTREAL

R. R. MARTIN - - - Manager.

Established 1884

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:

\$33,687,274.25

Surplus:

\$10,846,931.00

Canadian Head Office:

MONTREAL

J. W. BINNIE, Manager

L'UNION

FIRE INSURANCE COMPANY, Limited

Established 1828 Head Office: PARIS, France.

Capital fully subscribed . . \$2,000,000.00

50 per cent. paid-up.

Fire and General Reserve Funds 8,270,000.00

Available Balance from Profit

and Loss Account. . . 55,891.00

Net Premiums in 1919. . . 8,648,669.00

Total Losses paid to 31 Dec.,

1919. 104,500,000.00

Canadian Branch:

LEWIS BUILDING, 17 St. John St. Montreal

Manager for Canada: MAURICE FERRAND

who, in the view of the Department, are not entitled to receive them. We shall not get far in that programme without encountering a good many difficult problems that are going to give the Department a great deal of concern and cause a good deal of discussion among the insurance agents and companies, because there are many of these problems on which the agents themselves are very much divided in opinion, and the companies are in a similar situation.

Perhaps I might just mention one or two of the problems that we have which are now occasioning some discussion. There is the great question as to whether or not a part-time agent is entitled to do the insurance business and receive a certificate. There is a problem as to whether or not persons in any particular line of business should be entitled to carry on along with that business the business of an insurance agent. For example, our friend, the Lawyer—I happen to be a lawyer myself, so I expect some sympathy from you. There is also the case of the loan corporation, and a number of general cases in which there seems to be doubt and difference of opinion as to whether or not they are properly in the insurance agent business. These are some of the problems which we have to solve.

In addition to carefully scrutinizing these applications, the Department is undertaking to investigate reliable complaints that may be received as to the conduct of agents already licensed by it. You may know that in one case recently we have cancelled the license of an insurance agent for fraud, and that man is now in a position where he can no longer do an insurance agency business. I mention that merely to show you that in addition to the original scrutiny it is intended to endeavor to keep some kind of check upon the conduct of the agents who are licensed by the Department.

There is one thing that is absolutely essential to success in the work that we have undertaken, and that is sympathetic co-operation of the agents throughout the province. Unless we have both their sympathy and their co-operation it is absolutely useless for the Department to attempt anything along the line of its present programme. We have adopted this programme believing it to be in the best interest of the insurance business, but we can draw application forms and we can write circular letters and we can make speeches or do anything else we like until doomsday, and the Department will not move one foot forward unless the agents themselves and the insurance interests are anxious to assist the Department in every way possible in the working out of its programme; and I want to ask you as representatives from various parts of the province to assist in spreading that gospel among the other agents with whom you may

come in contact so that there may be in larger measure a complete co-operation between the Department officials and the agents personally.

Individual Applications.

Every member of a firm requires to sign an individual application and to pay a separate license fee and obtain a separate certificate for each of the three divisions of insurance which he propose to transact.

Two or More Classes of Insurance

The present separation of licenses is largely an experiment and the manner in which it works out this year will determine whether or not the present forms should be continued. The purpose of the requirement of the separate applications was to assist in getting to a personal qualification basis for the issue of licenses, the idea being that anyone who wished to do the business of life insurance agency should first demonstrate that he is qualified to act as a life insurance agent, and similarly in the case of the fire applicant. For that reason the form of the questions asked in the applications is somewhat different. I think it has already been proven that it would have been an advantage to arrange for the issue of a general license upon the receipt of the separate applications, and that will doubtless be done next year. I would rather not express any opinion as to the wisdom of consolidating the applications until we have tested the present system for this year. I would just like to say that these application forms are being required from every agent, whether or not he is newly appointed or has been long in the field. The purpose of that is to establish a proper record in the Department for every person now licensed. As you know, the old application forms gave no information of any kind in reference to the applicant. Therefore, we ask the patience of the older insurance men in the matter of completing these forms which may seem somewhat unnecessary in the case of men who have been long in the business. However, I would ask you to realize that it is for the purpose of making the original records of the Department, and to fill it in with that in mind. There will be no objection to the issue of both Fire and Life Certificates to the same man. For instance, the members of your firm I expect will apply for all three licenses and there will be no difficulty about the issue.

Necessity of Obtaining Licenses.

The Department certainly intends to follow up its records, to make certain that persons both in Toronto and outside district who carry on the business of insurance agents apply for and obtain proper Certificates of Authority. I will tell you what we have already done in that connection.



FIRE CASUALTY
The Northern Assurance Co. Limited
 Of England

ASSETS - - - \$79,801,255.00

Including Paid up Capital of \$4,000,000.00

Head Office for Canada: Lewis Building, 17 St. John Street, Montreal

ALEX. HURRY, Manager Casualty Department

G. E. MOBERLY, Manager

FIRE

THE

FIRE



Royal Scottish

INSURANCE COMPANY LIMITED
 of Glasgow, Scotland

HEAD OFFICE FOR CANADA
 17 ST. JOHN STREET
 MONTREAL

G. E. MOBERLY,
 MANAGER

This Company's contracts are guaranteed by
 The Northern Assurance Company Limited, of England

THE ST. PAUL FIRE AND MARINE INSURANCE COMPANY

INCORPORATED 1865

ASSETS OVER \$16,000,000

REPRESENTED IN TORONTO BY

McADAM, SHERRITT & COMPANY

General Agents

EXCELSIOR LIFE BUILDING

36 TORONTO STREET

BRITISH TRADERS' INSURANCE COMPANY, LIMITED

ESTABLISHED 1865

HEAD OFFICE: HONG KONG

HEAD OFFICE FOR CANADA: TORONTO

FIRE & MARINE INSURANCE

LOSSES PAID SINCE ORGANIZATION OVER \$50,000,000

JOHNSON—JENNINGS, Inc., General Agents,
 MONTREAL.

Manager for Canada, C. R. DRAYTON

THE STRATHCONA
 FIRE INSURANCE COMPANY

HEAD OFFICE: MONTREAL,
 90 ST. JAMES ST.

"For ten years the STRATHCONA has pursued a safe and steady course and is now beginning to gather the fruits of its wise and sound policy."

We secured from every registered company in the Province a complete list of its authorized agents. We took those lists and checked them with our records of those holding licenses. We found that there were some twenty-five hundred agents in this province actually authorized by the companies and carrying on Insurance business who have not got licenses. We took every one of those twenty-five hundred names and have sent out notices to those persons informing them that we have received notice from the Company—naming the Company—that they are carrying on the business of insurance agents and warning them that they must obtain a license immediately. Their applications are coming in rapidly. I tell you frankly that we intend to reinforce that campaign by beginning a number of prosecutions throughout the Province of persons who ignore that notice; so you are quite safe in informing anyone who receives such a letter that it would not be wise for him to put it to one side or to throw it in the waste-paper basket. He should apply for a license, because we certainly intend to follow up everyone of those names with close attention until we get the proper results.

Company's Recommendation Required.

In the matter of the signature to the recommendation by the Insurance Company, contained on the application form, the Department has already written to every registered company asking them to supply me with a list of the names, addresses and titles of persons authorized to sign that recommendation. That is, we put it up to the Company to name the persons who are to sign recommendations for the Company, and those names are being reported, and every application that is received will have the signature to this recommendation checked with the authorized officer of that Company.

Responsibility of Recommending Company

Answering the question as to the attitude of the Department towards a case in which a recommendation was signed on behalf of a company under pressure in cases in which the applicant was not properly entitled to a certificate, Mr. Gray said: "I must say that the Department is certainly going to refuse to accept any such shifted responsibility as that indicates. Every signature that comes to the Department will be considered to be a free and wilful act of the person who signs it, and if he signed it under vis major or undue influence, that is his lookout.

The point of the matter is that the recommending requirement was adopted as a safeguard to this business, with the idea of putting upon the Companies the responsibility of saying who was entitled to be an agent for that Company. We accept

that, naturally, at its face value. It would not get us anywhere if we started to go behind that signature; in fact, it would destroy the whole virtue of the signature, and it would release the Company and the signer from the responsibility. If the man that signs that recommendation has not got backbone enough to refuse to sign a recommendation in an improper case, then he can not come to the Department and expect them to help him out of the situation into which he has got himself. That is my view of it."

Prosecution of Non-Licensed Agents.

It is intention of the Government to prosecute persons who carry on illegally the business of insurance agents.

Brokers' Licenses.

The Insurance Companies and the Insurance Agencies have been warned that they should not pay commissions to any person who does not hold a proper Certificate of Authority from the Department and we intend to supplement the list of authorized agents which we have obtained from the registered companies by investigation of other persons who are carrying on business as casual brokers or solicitors for general insurance agencies; that is, the solicitor who does not represent any Company. A special form of return is required from all insurance agencies of the names of all soliciting agents to whom they have paid commissions.

I may say that I am of opinion that the present system does not meet all the requirements of the situation by any means. The broker to whom you have referred is certainly in a position different from the ordinary agent; and if I may be allowed to express an opinion, I may say that the development of the brokerage in the insurance business seems to be a line that will have to be recognized and provided for. His business differs in essential points from that of the regular authorized agent. I have in mind that it may be a development of the licensing system that there should be another class established subject to supervision under special regulations in regard to brokers and adjusters. That departure has been recommended by Mr. Justice Masten in his report as Insurance Commissioner and there is likely to be some development along that line in the course of the ensuing year, although I do not know what it will be.

Inspection of Company and Agency Records.

We have already warned the companies and agencies that there is likely to be an inspection of their books, at least of their commission accounts, made by the Department.

IN ALL INSURANCE BRANCHES
STRENGTH REPUTATION SERVICE
The Montreal Securities Corporation Limited

Dominion Express Building - MONTREAL

GENERAL AGENTS FOR

The GLOBE INDEMNITY COMPANY of Canada

The CANADIAN FIRE INSURANCE COMPANY

Applications for Agencies Solicited

NIAGARA FIRE INSURANCE COMPANY

HEAD OFFICE, NEW YORK

INCORPORATED 1850

Cash Capital

\$1,000,000.00

Net Surplus 31st Dec., 1919

\$3,393,907.58

CANADIAN DEPARTMENT - - 22 ST. JOHN STREET, MONTREAL

W. E. FINDLAY, MANAGER

AGENTS WANTED

"THE OLDEST SCOTTISH FIRE OFFICE"

Caledonian Insurance Company

OF EDINBURGH.

FOUNDED 1805

Caledonian-American Insurance Company

OF NEW YORK

Head Offices for Canada: - DOMINION EXPRESS BUILDING, - MONTREAL

JOHN G. BORTHWICK, Canadian Manager

LONDON & SCOTTISH ASSURANCE CORPORATION
LIMITED, OF LONDON, ENGLAND

Formerly LONDON & LANCASHIRE LIFE & GENERAL ASSURANCE ASSOCIATION, LIMITED

ESTABLISHED IN CANADA 1863

Directors for Canada:

A. J. Dawes, Esq.

E. C. Pratt, Esq.

H. B. Mackenzie, Esq.

D. C. Macarow, Esq.

ALL CLASSES OF LIFE ASSURANCE TRANSACTED

SCOTTISH METROPOLITAN ASSURANCE COMPANY
LIMITED

FIRE and MARINE
 ACCIDENT and SICKNESS
 GUARANTEE BONDS

ELEVATOR and GENERAL LIABILITY

AUTOMOBILE LIABILITY and FIRE
 Individual or Combined Policies
 EMPLOYERS' LIABILITY
 PUBLIC and TEAMS' LIABILITY

Head Offices for Canada: LONDON & SCOTTISH BUILDING, MONTREAL

Total Funds and Assets Exceed **\$25,500,000**

Fire Manager, C.E. CORBOLD Casualty Manager, J. UPTON FLETCHER Secretary and Actuary, W.H.R. EMMERSON

Manager for Canada, ALEXANDER BISSETT

APPLICATIONS FOR AGENCIES INVITED

CANADIAN FIRE RECORD

Fire at Meaford, Ont.—On the 2nd instant a fire destroyed the apple evaporator operated by Reid & Gower. Loss about \$8,000, partly insured.

Fire near Kitchener, Ont.—On the 4th instant a fire destroyed the large barns of Philip Weber, on the road between St. Jacobs and Elmira, together with a portion of the seasons crops. Loss about \$6,000, partly covered.

Fire at Barrie, Ont.—On the 4th instant a fire destroyed the stables of Dr. A. Morren, Collier St. together with contents, including an automobile, buggies, harness, etc. Loss about \$6,000.

Fire near Sherbrooke, P.Q.—On the 2nd instant a fire destroyed the barns together with the seasons crops, machinery and waggons, etc. Loss about \$30,000. The property was owned by Alderman W. Brault of Sherbrooke, and was situated on a farm between Bromptonville and Sherbrooke.

Fire at Drumheller, Alta.—On the 2nd instant a fire destroyed the Drumheller Club, a Cafe, Grocery Store, Garage and Bowling Alley. Loss about \$45,000.

Fire at Grassy Lake, Alta.—On the 2nd inst. a disastrous fire wiped out the greater portion of

the business section of the town. Loss about \$50,000. Stated to be very much under-insured.

Fire at Merlin, Ont.—As a result of an explosion of natural gas, the dwelling owned by Roy Williams was destroyed. Loss about \$4,000.

Fire near Toronto.—On the 1st instant a fire broke out in the Nanton Court apartment house in Eastern Eosedale, entailing a loss of about \$20,000.

Fire at Quebec.—On the 1st inst. a fire broke out in Lamoignon Convent on Eighth Ave. While only the roof was burned the interior of the building was badly damaged by water. Loss about \$25,000.

Fire at Calgary, Alta.—On Sept. 23rd a fire damaged Annette Ladies' Wear Store. Loss about \$3,500.

Fire at Church Point, N.S.—On Sept. 20th a fire destroyed the Presbytery connected with St. Anns College. Loss about \$15,000, insured for \$6,000.

Fire at Stratford, Ont.—On Sept. 28th a fire damaged the stables of Duggan & Gray. Loss about \$1,800.

Fire at Tofield, Alta.—On Sept. 20th a fire destroyed the store of Jack Forbes. Loss about \$5,000.

COLUMBIA

INSURANCE COMPANY OF NEW JERSEY

Annual Statement as of December 31st, 1920

ASSETS

| | |
|---|---------------|
| Government and Municipal Bonds . . . | \$ 790,488.00 |
| Railroad and Miscellaneous Bonds . . . | 563,890.00 |
| Cash in Banks | 175,145.60 |
| Premiums in course of Collection and other Assets | 267,431.48 |

\$1,796,955.08

LIABILITIES

| | |
|---|---------------|
| Cash Capital | \$ 400,000.00 |
| Unearned Premium Reserve | 390,134.38 |
| Losses in process of adjustment | 105,426.82 |
| All other claims | 88,000.00 |

\$93,561.20

Surplus over all Liabilities **813,393.88**

\$1,796,955.08

**Head Office for Canada
Montreal**

**R. MacD. Paterson
J. B. Paterson**

Joint Managers

A. McBEAN & CO.
GENERAL AGENTS FOR MONTREAL
LEWIS BUILDING, MONTREAL



Security - - \$46,500,000
ONTARIO AND NORTH WEST BRANCH
 14 Richmond Street, East, TORONTO
PROVINCE OF QUEBEC BRANCH
 146 Notre Dame Street West, MONTREAL



PERSONAL ACCIDENT **PLATE GLASS**
SICKNESS **AUTOMOBILE**
FIDELITY GUARANTEE **GENERAL LIABILITY**

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

Mount Royal Assurance Company

SURPLUS and RESERVES, \$1,416,740.57 TOTAL FUNDS, \$1,708,120.67
TOTAL LOSSES PAID, \$3,180,308.63

Application for Agencies Invited

Head Office - - - MONTREAL

P. J. PERRIN - - - - - Manager

Established in Canada in 1821

1819 **AETNA (FIRE)** 1920

HARTFORD, CONN., U.S.A.

Losses Paid over \$183,000,000

J. R. STEWART, Special Agent, 36 Toronto Street, TORONTO, ONTARIO
 R. LONG, Special Agent, 515 Yorkshire Building, 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, WINNIPEG,
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LEGISLATION AS TO SOLVENCY OF FRATERNAL BENEFIT SOCIETIES

Extracts from Address Given at Winnipeg, October 5th, Before the Conference of Provincial Superintendents of Insurance.

BY FRANK SANDERSON, M.A., LL.D.,
Consulting Actuary.

The vital importance of Fraternal Benefit Societies to the home, to the community and to the State, has for many years been generally recognized. The State sustains an important relation to these benefit-granting Societies and that relation naturally expressed itself in legislation.

The question of legislation in reference to Fraternal Orders is both difficult and delicate. In dealing with this subject, much strong feeling has been engendered in years gone by, in Great Britain, the United States and Canada. The problem is still with us and will not down until properly settled. Recent and prospective legislation in the United States and Canada touching the financial position of these Societies is demanding attention on every side. The present magnitude and extent of the operation of fraternal societies in America is seen by these striking facts:

Annual benefits paid (1919) - - - \$150,000,000
Number of Members - - - - - Ten Million
Amount of Insurance - - Ten Billion Dollars

Provincial Legislation.

Prior to the year 1916, no provision for regular valuations of the insurance certificates of fraternal societies existed in the laws of any Province of Canada, nor in the Dominion Insurance Act. This was not due to the oversight or shortcoming of the Superintendents of Insurance, but to the fact that for years outside influences at work rendered it impossible for either Insurance Departments or members of Parliament and Legislature to carry out desirable legislation and needed reforms. It was not until the laws of nature and arithmetic, together with the general trend of public opinion

both inside and outside fraternal ranks, had made such legislation possible of enactment that we find the first requirement for the valuation of the certificates of Fraternal Societies placed on the statutes of any province of Canada. The adoption in the United States of the Mobile Bill and the New York Conference Bill created the atmosphere and the occasion for the passing by the Ontario Legislature of amendments to the Ontario Insurance Act embodying several of the valuation and other requirements of the United States Acts just mentioned.

The New Ontario Act passed in 1916 did not, fortunately, include the ineffective section of the New York Conference Bill known as section 23 (B) previously referred to. On the other hand it did not provide for annual actuarial valuation reports to the Insurance Department as required by both the Mobile Bill and the New York Conference Bill, but only for a valuation *every three years*. Nor did it provide for any *improvement* in the degree of solvency of a Society from triennium to triennium no matter what the degree of actuarial insolvency, but was content with the condition of "not getting worse". It provided that if at any triennial valuation subsequent to 1917 the Society had gone backward as to solvency then a restoration is supposed to be made up to the 1917 degree of solvency within two years, or thereafter the rates for new members are to be those known as the Hunter rates, and these contributions kept apart from other funds of the Society; and further if at next triennial valuation no improvement be shown, then the new members are supposed to be placed in a separate class and their certificates valued as an independent society in respect of contributions and funds.

Other provisions were incorporated but the above are the vital parts of the 1916 Ontario amendments as to solvency.

Unfortunately by some strange action or suggestion, an innocent looking sub-section was added at the end absolutely nullifying the foregoing pro-

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visions as to a society maintaining its degree of solvency, by the proviso that unless the governing body of the society at its annual meeting voted itself within the application of these new legal provisions, the said provisions should not apply or have any effect. To the credit of the officers and executive of the Canadian Fraternal Association be it said that they made more than one effort to have this remarkable clause eliminated but unfortunately without success.

No society having since voted itself within the operation of these special solvency clauses they are therefore now actually "dead wood" in the Ontario law. It should be recorded that at the last session of the legislature the present Superintendent of insurance recommended the elimination of the objectionable clause, but owing to certain representation it was allowed to stand until the next revision of all the provisions as to valuation and solvency. When we remember that in Great Britain compulsory actuarial valuations for friendly societies have now been required for about half a century and various other allied returns for a much longer period, if cannot be admitted that our legislators in Canada have been guilty of breaking the speed limit in legislation touching the solvency of fraternal societies. The fact is adequate and effective legislation on this vital question is long overdue on Provincial Statute books and the Ontario law of 1916 is sadly in need of being replaced by a more worthy substitute.

The hopelessness of a large Society, say 50% solvent, with a deficiency say of \$10,000,000, ever

overcoming this deficiency by any mere makeshift methods and without honestly facing a readjustment of rates or reduction of benefits is manifest by the annual loss from *interest alone*—a loss at 5% of \$500,000, per annum on the deficiency. The increase in liability due to increase on age works much faster in such a case than any increase in assets from year to year.

(To be continued.)

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