ILLEGITIMATE WINDOW DRESSING.

The gentle art of window-dressing balance sheets is usually regarded even by conservative business men as legitimate up to a point. Great banks, those models and monuments of business respectability, are known not to despise the practice when annual statements are in question, and where they lead, the average business man may be excused for following. But there are limits to the legitimate use of the practice and those limits have been passed a long way in some of the published statements and announcements of the younger Canadian insurance companies.

The point of view of these companies can be readily understood. They start out in business only to find themselves "up against" the competition of companies whose annual operations run into millions of dollars; their assets possibly into hundreds of millions. The public, whose average knowledge of insurance is about on a par with its average knowledge of patristic theology, is impressed by size; an impression which in the life insurance business at all events the companies up to a few years ago did their very best to accentuate. In consequence the new company feels compelled in self-defence to make itself look as large as it can. It starts window-dressing—and steps over the bounds.

UNCALLED CAPITAL.

In this connection, we have principally in mind at the moment, the matter of capital subscribed but not paid-up. Although this is not allowed by the various insurance departments as an asset, it may be conceded that under certain circumstances, credit may be given for it. But the extent of the credit which will be given depends upon the character of the shareholders of the company. If, as is sometimes the case, the greater part of the share capital of an insurance company is in the hands of wealthy shareholders of high reputation, who it might reasonably be expected would be prepared to back the company further with adequate resources at any time of financial crisis or heavy losses, in reviewing the position of the company, a very fair amount of credit might reasonably be conceded to the company and claimed by it correspondingly on this account. But the case is different where, as is frequently the case, the stock of the company is widely distributed among small shareholders of no very great worldly wealth. In that case the value of the uncalled capital as an asset will be little, and even in some cases, practically *nil*. Forfeiture or no forfeiture, it is likely enough that a very large proportion would not pay additional calls assessed upon them to tide the company over a crisis, for the very simple reason that they have not the means to do so.

BOOK-KEEPING GYMNASTICS.

Generally speaking, the public is in no position to ascertain the real value of the uncalled capital as a prospective asset, and in consequence is easily imposed upon by those who carry the art of window-dressing to illegitimate lengths. An almost ludicrous instance of the kind of thing which is solemnly given out to the public came to our notice recently in the shape of a folder containing the annual statement of a young fire company. In this case the company was able to make a very fair showing of real assets. But the figures, quite naturally, were small. The management, to double them up, included the uncalled capital as an asset and to balance the account put in a corresponding entry of uncalled capital among the liabilities! Following this ingenuous piece of comic book-keeping, the company was, of course, able to assure the public that it had assets more than double and a surplus to policyholders three times as large as would otherwise have appeared.

In cases where the shareholders of a company are, generally speaking, not men of great wealth, enough cash might, of course, be secured to carry the company over a time of crisis, but the possibility is a mighty poor basis on which to rest the hopes of policyholders for settlements of losses. Insurance companies are burdened with too much legislation already, but there seems to be a need for an amendment to the existing Insurance Act explicitly forbidding book-keeping gymnastics of this sort.

THE BOOM IN "WAR STOCKS."

After a period of comparative quiet, there was again at the beginning of the week, spectaculas trading on the local stock exchanges in the so-called "war stocks." Canadian Car common, which har been a favorite in this connection for some months, responded so vigorously to New York buying that on Monday it had climbed in a week 41 points to 106, while the preferred has been as high as 115. In the case of the common stock, movements since the high point of 108½ was reached have been very erratic. The common stock is reported to be extremely scarce locally; local holdings are said to have been well liquidated at from twenty to thirty points below the high level reached this week. Interests close to the company make no secret of their opinion that the company's prospects do not justify the high figures for the Common Stock. The fireworks in Canadian Car have led to a broadening of the interest locally in shares of other companies which are supposed to be largely benefitting from war orders, including Iron, Iron Preferred, Scotia, and Steel of Canada. The latter has been in demand on New York account.

In this connection it is interesting to note what one financial authority has to say of the boom in so-called "war stocks" now in full blast in New York :—

"The speculation in these securities has reached what is concededly a point of great danger, and it apparently is only a question of time when natural collapse must follow. This speculation is under the leadership of unscrupulous operators who have been associated in the past with a number of reprehensible railroad deals of the first magnitude and who are probably second to none in the art of shrewd market manipulation."