

INTER-INSURANCE AND THE ULTRA-VIRES ARGUMENT.

In our issue of April 28th, there was published an account, which excited much interest among business men throughout the Dominion, of a dispute between the Forest Mills Lumber Company of British Columbia and an inter-insurance concern known as the Lumbermen's Indemnity Exchange of Seattle. As will be in recollection, the main points are that the Lumber Company has been unable to collect from the Exchange \$170,500 following a fire in April, 1915, and that, succeeding various attempts to get a settlement, the Lumber Company took suit in the British Columbia Courts against an individual subscriber, being met with the defence of *ultra vires*.

The Lumbermen's Indemnity Exchange has now got out a counterblast to this statement, a summary of which is printed in the San Francisco Coast Review. In brief, the Exchange says that the claim is excessive to the extent of \$75,000, that the circumstances of the fire were extremely suspicious and that while the incendiary origin of the fire is admitted, no attempt has been made to discover the incendiary. The Exchange apparently forgets to mention the fact that the Board companies paid up their share of the loss promptly. The Exchange also says:—"It is well known to the Canadian members of the Exchange that it is *ultra vires* for a corporation in the Dominion to enter into inter-insurance with it, *except as a gentleman's agreement*" and again, "while an *ultra vires* defence will undoubtedly lie in Canada, such defence would not lie on this side of the line, so far as the Lumbermen's Indemnity Exchange is concerned. So the Exchange is advised by its counsel."

The Exchange's transaction of business in Canada is thus condemned out of its own mouth. It takes two to make and keep a "gentlemen's agreement" and it is easy enough when a dispute arises to tell the other fellow he is no gentleman and promptly set up the wall of *ultra vires*. Under such circumstances, the inter-insurance organisation has the whip hand all the time, and the individual party to the inter-insurance scheme no remedy. A nice position for business men to be in, regarding a matter that may mean all the difference—as fire insurance not infrequently does—between solvency and bankruptcy.

Fire insurance is too important a matter to be made the subject of merely "gentlemen's agreements" that may prove not worth the paper they are written on. According to the Exchange: "Amendments to Canadian contracts are being attached. If the Exchange finds itself involved again in a case like that of the Forest Mills Company, it will have to take its medicine." Evidently

the Exchange is very anxious not to lose its Canadian business, which it must recognise, under such circumstances as have been disclosed, was liable to get rather shaky. And no wonder.

SCHOOL COMMISSIONS' UNBUSINESSLIKE METHODS.

Strong complaints are again being made by life insurance companies and other institutional investors in regard to the unbusinesslike methods of the various School Commissions in meeting their interest engagements. One prominent institutional investor remarked to us this week that some School Commissions don't seem to care whether or not they meet their interest payments at due date. A common example of these Commissions' careless management is the changing of the bank at which coupons are payable without any notification, public or private, to the bondholders. In consequence, when interest dates arrive, the coupons are returned unpaid by the original bank and the bondholder has the trouble of finding out as best he can—often with some difficulty—where the coupons are at present payable. He has not only this trouble, but is, in consequence, out of his interest money for any period ranging from a few days up to a month. Unless the School Commissions adopt more business-like methods in regard to these and other details, they are not unlikely to find their bonds being discriminated against by institutional investors, who hitherto have been important supporters of the market for these bonds.

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