TRUST COMPANIES' BUSINESS EFFICIENCY.

New Laws in British Columbia Approved—Responsibility of Directors.

For some time British Columbia trust companies generally speaking have not enjoyed the good reputation borne by the older institutions in eastern Canada. In an article on trust company efficiency, Mr. W. R. Arnold, of the Dominion Trust Company, Vancouver, states that this is undoubtedly due to the fact that fully 95 per cent. of the incorporated trust companies in that province are not living up to the provisions of their charters. The result is that eastern financial critics have not looked favorably on any offerings made by Canada's Pacific Coast companies, to the detriment of those institutions doing a consistent trust business as represented to the public.

It is not to be wondered at, then, says Mr. Arnold, that legislation is enacted from time to time to raise the standard of trust companies, thereby placing the provincial companies on a higher plane in the eyes of financial authorities throughout the continent.

CHARACTER AND CAPITAL.

After referring to several clauses of the new trust companies act of British Columbia, Mr. Arnold says: —In organizing a company to do trust business it is most essential that directors and officers be chosen, who have made a success of their own business, and whose characters are above reproach. The Honorable Lyman J. Gage has said that character and capital are the best assets of a trust company. In the new act also appears the following clause regarding companies applying for registration: "The company shall establish to the satisfaction of the inspector that the company and its directors and managers have the qualifications necessary for performing the duties of a trust company, so as to command the confidence of the public."

RESPONSIBILITY OF DIRECTORS.

A single questionable action of a director will oftentimes kill the chances of his company for securing business from certain people. Directors have been known to take advantage of their position to the extent of misappropriating shareholders' funds to their own uses. To stop this the new bill says: "No loan shall be made by any trust company to any director or other officer or employee thereof, or to any company or firm controlled by them, or in the management of which any of them are actively engaged."

So far as is known in the United States, the only cases where trust companies have failed to faithfully execute their trusts, have been where trust funds have not been segregated from those of the company itself. It can be readily understood how the enforcing of this proviso will react to the benefit of the layman. All investments on behalf of the capital account or reserve fund of trust companies will now be specifically defined. Everything of a speculative nature is eliminated. All such investments are to be subject to an inspection by both the inspector of trust companies and a committee of directors on behalf of the shareholders, as well as the company's auditors.

UNDER NEW LAWS.

A careful study of the present provincial laws of British Columbia regarding trust companies—and their enforcement—should impress the individual with the fact that, upon these laws becoming operative, and speaking as a whole, any business given trust companies will be much more efficiently handled in the future than in the past. It is an assured fact that the general public will be protected to a far greater degree than ever before, concludes Mr. Arnold.

FIRE INSURANCE DIVIDENDS.

Public opinion of the fire insurance business is somewhat warped by a misconceived idea that there is enormous profit in it for the stockholders, being led into the fault by the percentage of dividends as to stock as they appear on paper, disregarding the fact that nearly all of these dividends are paid from the interest revenue on surplus and the reserve liability which are the fruit of long years of patient accumulation. Forty per cent. dividends on capital stock, observes *Rough Notes,* does not indicate by any means that in a few brief years the original investors who paid par or even double for their stock are now reaping such returns. The stock as now held is doubtless, most of it, in hands other than it was originally and it has arrived at its present ownership by a long series of transfers at prices governed by the fluctuating fortunes of the company.

CONFLAGRATION RESERVE.

It is because of this very uncertainty of the business that fire insurance companies are forced to hold proportionately large surpluses. The surplus is nothing more or less than a conflagration reserve. It would be no farther removed from the possession and use of the stockholders if it was thus set aside for, in case of a sudden calamity like that of San Francisco, it becomes at once unavailable for distribution to stockholders but must be paid out to policyholders. They have the first right to it and the history of the business is full of instances where, not only has the so-called surplus been entirely swept from a company's books, but, recognizing a high sense of moral responsibility to maintain the valued reputation of their institution for integrity, the stockholders have gone down into their pockets and paid into the company large sums of money to restore its financial stability, such contributions oftentimes amounting to more than the dividends received during the past decade or more. It is, therefore, necessary to maintain assets largely in excess of the liabilities if a company is to command public confidence.

RESPONSIBILITY FOR MONTREAL'S WATER FAMINE.

The Montreal Board of Control's report on their investigation into the break in the water supply conduit last December, in substance places the responsibility on the contractors, the Cook Construction Company, but recommend further examination of plans to decide this point with greater certainty. They decide they are not fully enough informed to give definite opinion as to responsibility of city engineers. They believe contributing causes of the break were too close proximity of the excavation; method of excavation employed; the weakness of the conduit itself. They recommend suspension of work until plans for widening of the aqueduct can be thoroughly examined.