

BANK INSPECTION: SIR EDMUND WALKER'S PROPOSAL.

Sir Edmund Walker, president of the Canadian Bank of Commerce, recently delivered before the Institute of Bankers, in London, England, an address on banking in Canada. While we have not before us at the moment, the full text of this address, from the summaries which have come to hand by mail, it would appear that the address, whose main object, it is stated, was to demonstrate the soundness of the banking situation, in addition to dealing, in Sir Edmund's usual masterly manner, with the Canadian banking system as a whole, contained an interesting announcement on the subject of the banks' policy with regard to inspection. On this question the London Canadian Mail quotes Sir Edmund Walker as follows:—

We have in Canada no system under which the annual statements of banks are verified by independent auditors, nor have we, as in the United States, a system of Government bank examiners. At the revision of the Bank Act in 1890 we resisted the attempt to introduce either of these systems, because, in our opinion, they tended to produce in the public mind an assurance of safety which would certainly not be warranted by anything that external examination could accomplish. As we are at the moment engaged in one of our decennial revisions of the Bank Act, the subject is one of unusual interest in Canada.

The Canadian Bankers' Association, which had already been in existence for about ten years, was regularly incorporated in 1900.

For many years, some members of the Canadian Bankers' Association have thought that there should be in the Association a committee of bankers possessing the respect of the bankers as a whole, having authority to confer with the authorities of any bank which seemed to be getting into bad courses. In this way the worst features of recent bank failures might have been averted, even if the actual failure of the bank could not. The conviction that no inspection would be of any real benefit to the public unless made under the auspices of the banks acting as a whole, caused the speaker to work out a proposal which, with the authority of the committee of members of the Association having the subject in charge, will be offered for consideration when the Act is discussed by the bankers with the Government. If the suggestions are accepted, the Government will impose upon the Canadian Bankers' Association, within well defined limits, the duty of bank inspection. The Association would, as a consequence, appoint a bank examiner or examiners, with assistants. Such examiners would periodically—say, not less often than every two years—visit the head office of every bank in Canada, and test the accuracy of its balance-sheet in a manner quite as complete as any audit.

This is the first public announcement regarding proposals which will be made by the Canadian Bankers' Association, when the revision of the Bank Act comes up at Ottawa next session. It is known that the amendments to the existing Bank Act, which appear in the new bill introduced into the House of Commons formally last December, were drafted without consultation with the Canadian Bankers' Association. Presumably this proposal for examination of the banks by officials of the Association, is the alternative suggested by the bankers to Mr. Fielding's proposed audit by nominees of the shareholders.

ROYAL INSURANCE COMPANY, LIMITED.

The Royal Insurance Company, of Liverpool, has enjoyed four years of prosperity since the San Francisco disaster involved it in payments aggregating practically \$6,250,000. In those four years, as was pointed out by the Chairman at the recent annual meeting, the Company has not only obliterated the draft upon its floating funds, which the payment of the San Francisco losses entailed, but also, it has restored, by additions made to the funds, the ratio of reserve to what it was previously to that disaster. Having regard to the reserve requirements of the increasing premium income, this is a magnificent record, with which those associated with the Company may well be satisfied.

In regard to 1910, the results of the Company's fire business were very similar to those of the previous year, as the following comparison shows:—

	1909.	1910.
Premiums after deductions of re-insurances.....	\$18,436,799.70	\$18,956,026.94
Net Losses.....	9,026,164.98	9,369,250.33
Ratio of Losses to Premiums.....	48.9	49.4
Fire Fund at end of year.....	11,193,333.33	13,626,666.66

Again, it will be observed, a fine increase is recorded in the net premiums received by the Company. These created a new high record at \$18,956,027, an advance of practically \$520,000 upon those of 1909, which figures in turn constituted a \$460,000 increase upon those of 1908. It may well be said, in fact, that the great disaster at San Francisco, instead of being a set-back but slowly recovered from, served as an incentive to further efforts by the Royal, for from 1906 and onwards there have been continued unbrokenly year by year, those advances in the Company's net fire premiums, which have been so notable a feature of the Company's reports for a number of years. The time can scarcely be long postponed, when the Royal's fire premium income will reach the immense annual total of \$20,000,000.

Net losses at \$9,369,250 are slightly higher than in 1909, being 49.4 p.c. of the premium income. A sequence of heavy losses in the closing weeks of 1910 caused some disappointment in this regard, but the 1910 record is not an unsatisfactory one. Expenses have been kept at about the same relative level as in the previous year—an indication, in these days of keen competition, of constant vigilance and careful organisation. After meeting losses and expenses, there is left a surplus on the year's trading of \$2,826,814, as compared with a surplus last year of \$2,776,002. Of this surplus \$2,433,333, as was the case last year, is transferred to the Fire Fund, raising this fund to \$13,626,667. As showing the immense strength of the Royal's position in this connection it may be pointed out that funds, apart from capital, available to meet the obligations of the fire department, include in addition to the fire fund of \$13,626,667, a reserve fund of \$7,786,667, and a profit and loss balance of \$4,816,284, together a total of \$26,229,618, or nearly 140 p.c. of the year's premiums.

The following table of the Royal's net premiums, net losses and loss ratio during the last decade illustrates effectively not only the great growth of the Royal during these ten years, but also the fact,