

In view of the satisfactory result of the company's operations during the past five years, and notwithstanding that, at its first establishment, the company inaugurated a material reduction in the rates then being charged for guarantees, the executive, in fulfilment of the promises then made, that they would, at all times, study the interest of the insured toward effecting further modification of the premiums when occasion warranted, have now decided that the present position and future prospects of the company admit of their taking steps toward the fulfilment of this promise, in respect to those who, by their uninterrupted connection with the company for a term of years, have contributed in the past, or may in the future contribute, to its success, by an annual apportionment of a bonus out of the profits of the company, as the result of each successive year may warrant.

The several institutions interested will be communicated with, in respect to the form this modification shall take; and all that the directors will now ask is the concurrence of the shareholders in authorizing the board to allot such sums out of the reserve of the company in each year as they may, in their discretion, deem proper for carrying out this object.

At the last annual meeting, power was given by the stockholders to the Directors to issue new stock to the extent of \$500,000 in all, inclusive of the existing stock, limiting the first offer to existing stockholders.

The response to the intimation made by the Company to the existing shareholders was such as to impress the Directors with the belief that but little additional funds would accrue therefrom; and some of the stockholders having expressed a wish to pay up their subscriptions in full, the Directors, under the advice of their counsel, decided to place the option of paying up their full subscriptions at the disposal of the shareholders, and a circular was sent to each shareholder to that effect. The result was that some of the shareholders availed themselves of the offer, whereby the paid-up capital has been increased by \$10,400 during the year.

It will be seen by the foregoing statement that the company has improved its position materially, both in respect to extent of business and increase of assets and reserve, the latter now amounting to over 65 per cent. upon the increased paid-up capital and this after making ample provision for all contingences, including the proportion of premiums in hand, which are, as yet, *unearned*, a liberal estimate for claims made, but under consideration—and after payment of a dividend of 8 per cent. and bonus of 2 per cent. for the year to the stockholders.

In making the return to the shareholders for the year of 10 per cent., the directors considered that in view of the increased stability of the company, and the fact that the shareholders had hitherto received but barely commercial value for their money—setting aside the risk which naturally attends the business of a Guarantee Company—they were fully justified in doing so; and it should be stated that the 10 per cent. thus paid is considerably less than the amount of interest obtained on the company's investments, so that the premium income and funds of the company have not been entrenched on therefor.

The deposit with Government has also been increased by the sum of \$7,133, making the total amount now deposited, par value \$58,133, in order to make up the accepted value of the bonds deposited with Government to the full \$50,000 required under the Act; the Department accepting such securities as Montreal Harbour Bonds and Montreal Corporation Bonds, whose market value is from 2 to 6 per cent. at 10 per cent. discount only, so that in order to have \$50,000 as their estimate, the deposit of this Company has been thus increased.

It may be stated that the premium, according

to the market value, on the investments of the Company is not included in the assets—the par value only being taken—and when a premium has been paid for any of its investments, the excess paid over par has been debited to profit and loss. None of the Company's investments are below par, at the present time, but the majority are at an increased premium upon the price paid for them. Being, moreover, entirely composed of bonds and debentures on the best of securities, they are not liable to spasmodic variations in value.

In concluding their report the directors are pleased to record these satisfactory results of the company's working, not merely as a fairly remunerative investment for stockholders, but as an institution of value to the country. The fact that it has since its commencement reimbursed to employers (Government, bank, railway and others) over \$75,000 for defalcations of employees—at once establishes its important usefulness; while its greatly increasing business is the best evidence of the confidence in which it is held by those governments and institutions requiring security from officers in positions of trust.

The directors would also acknowledge the value of the important services rendered the company by the several gentlemen forming the local boards, and also of the agents' efforts on behalf of the company's interests.

The whole of the directors retire, but are eligible for re-election.

The detailed statements of receipts and expenditure and assets and liabilities, duly certified by the auditors, are on the table for the inspection of the stockholders.

EDWARD RAWLINGS,

Manager.

A. T. GALT,

President.

In moving the adoption of the report, the President said that it would doubtless be a source of equal satisfaction to the shareholders as it was to the Directors to see the prosperous condition of the company. The report dealt with the particulars so fully and clearly that it left him but little to say. He might, however, refer to the new element proposed to be introduced into the company's system,—that of giving a bonus to certain of the insured who had been a length of time with the company, and whose business had been profitable. It had, however, been deemed prudent for this year to confine the operation of the plan to the Institutions who insured their staff of employees with the company, and who pay the whole or part of the premium; reserving the consideration of its extension to individual insurers for the present. He believed that this would be of considerable benefit to the Company in popularising it, and the effect would be productive of far greater results to the Company than the appropriation involved in carrying it out. It was, however, in some measure, a step in the dark, and it was not without the most careful consideration that they had agreed to recommend its adoption, as they did not wish to have to recede from it in the future, and, therefore they had been careful not to do too much in the beginning, so that after a time, and a little experience in the working of the experiment, they would be able to remodel or improve it as might be justified by the results of the Company's working. It was not proposed to make any specific or permanent reduction of premium—that would always remain at the original rate—but according to the position of the Company at the end of each year, a discount on the premium of the following year would be made or not—as the Directors deem prudent,—where the risks had been the required term of years on the Company's books. A year or two ago, when serious defalcations were suffered by the Company, and it was suggested to some of the banks that the premiums charged were inadequate, those banks readily submitted

to slight increase in the rate, and now the Directors thought that they should not be backward in meeting those institutions in the same friendly spirit and evince their desire to do all they could to make the premium an equitable one between the Company and the insured, and this he thought the bonus system would effectually carry out. Having invited enquiry from any member present, and there being none made, he moved the adoption of the report, which was seconded by Mr. Rose, and carried unanimously.

The usual vote of thanks to the Directors and to the Manager was proposed and adopted.

Mr. Rankin, Vice-President, in proposing the latter made allusion to the pleasure it always afforded him to meet Mr. Rawlings in the course of the Company's business; he was convinced that he (Mr. R.) had the interest of the Company thoroughly at heart, and the best evidence of that was the continued advancement of the Company's prosperity.

Mr. James Rose and Mr. Edward McKay seconded, and in putting the resolution, the President added his testimony in a similarly complimentary tone.

Mr. Rawlings acknowledged the very flattering terms in which his services had been referred to by Mr. Rankin and other gentlemen who had spoken, and could only return the compliment by expressing the pleasure he always felt in meeting the Directors, and in experiencing the readiness with which they always accorded him their friendly advice and co-operation. They had now been associated for five years without any interruption of the most cordial unanimity, and it was in a great measure to this harmonious and smooth working together that the prosperity of the Company was attributable. On behalf of the office staff he thanked the meeting, and would, in addition, add his own tribute to their assiduity in the discharge of their several duties allotted to them and to the inspector Mr. Weston he would also desire to record his satisfaction at the manner in which he at all times fulfilled the duties entrusted to him. The report embraced every item of interest or importance, but there was, however, one point which he thought it well to allude to, that was the several items of "provisions" which were held against the "balance in hand" before arriving at the "surplus" or profit. The item of \$10,000, put down for claims made and under consideration, included every unsettled claim that was made against the Company. Some of these claims the Company were doubtless liable for, and others there were good grounds for doubting the Company's liability, in proof of which he might state that since the books had closed one of the claims had been withdrawn and another disposed of at considerable less than the amount allotted for it, so that the item was now materially in excess of the requirements. Every probable liability against the Company has been considered at its full amount before stating the "net profit," and the shareholders and public could rely that the item "surplus" put forth by this Company was in all respects a *bona fide* one, and in no way dependent upon the development of after possibilities, or under-estimates. In regard to the bonus—he felt specially pleased that the Directors and the meeting had so readily concurred in its adoption. It had been his aim from the commencement, to arrive at the consummation of a bonus system as a just and equitable mode of establishing a rate mutually satisfactory. He hoped, and had no doubt, that by a continuance of the past liberal dealings with their supporters, and the new friends and adherents which he hoped the Company would secure in the future, that the bonus system would prove to be of no small moment to those who contributed to the Company's welfare. The Company had evinced its desire to meet the insured in this respect, and if, in any future year, the Company should