

BANK OF MONTREAL.

The 89th annual meeting of the Bank of Montreal was held in this city on the 3rd instant.

The Hon. Sir George Drummond, K.C.M.G., president, occupied the chair. The profits for the year ending 31st October, 1906, after deducting charges of management and making provision for bad and doubtful debts amounted to \$1,797,976.43 as compared with \$1,638,659 for the previous year. The balance of profit and loss brought forward from last year, viz., \$801,855.41 added to \$1,797,976.43 makes a total of \$2,599,831.84 for distribution, which has been appropriated as follows, four quarterly dividends at the rate of 10 per cent. per annum absorbed \$1,440,000; added to rest account \$1,000,000; leaving a balance of \$159,834 to be carried forward to next account. Mr. E. S. Clouston referring to the general business of the country said:

"I can only repeat my remarks of last year, that we are still in the full flood tide of prosperity. Railway earnings continue large, immigration is satisfactory, and the farming community share with manufacturers and merchants the general well-being; but in its wake it is feared will follow over-expansion, inflated values and increasing speculations particularly in real estate and mining stocks leaving wreckage behind when the tide ebbs.

"There is still time to set one's house in order and keep it there, but the tardy should remember that the prolongation of the day of grace may add to the severity of the day of reckoning."

Sir George Drummond in the course of his remarks said:

"There is abroad in the world at large a prevalent idea that capital and corporations of all kinds are antagonistic to the general welfare. Now it would be an interesting question how much of our present prosperity is founded on substantial realizations of our own, and how much is due to an increased confidence in our future on the part of outside capitalists.

"The absurdity of regarding capital with suspicion is evidenced by the fact that the vast additions to our railways and other enterprises essential to the opening up of our country would be impossible without the aid of outside capital.

"It would be contrary to all experience to hope for an unbroken continuance of the present condition of prosperity—periods of reaction and of suspended enterprise may be expected, but we may be assured that the surest means of postponing their coming and dealing with the bad times when they come, is the exercise of prudence and caution in prosperous times like the present."

Both Sir George Drummond, the president, and Mr. E. S. Clouston, the vice-president and general manager, are only repeating the warning of a year

ago that times of prosperity may not be expected to remain with us for ever.

It was also stated that the liquidation of the Ontario Bank was proceeding quietly without any public excitement, and with a minimum of cost to the shareholders of the Ontario Bank, also without the loss of a dollar to either noteholders or depositors. The record of Canadian banks, in this respect is excellent.

THE MORAL HAZARD.

At the outset insurance was considered to be of the nature of gambling, a betting upon contingencies; "in effect, nothing more than a wager, for the underwriter who insures at five per cent. receives five pounds to return one hundred upon the contingency of a certain event; and it is precisely the same in its consequences as if he had betted a wager of ninety-five pounds to five that the ship arrives safe; or that a certain event does or does not happen." And, we may add, in fire insurance especially, this gives the insured every opportunity for winning the bet by some fraudulent means or another, for the issuing of a policy is a virtual declaration of the underwriter of his trust in the insured; that he will be and do right in what he commits, and that he will not be dishonest in what he omits.

It is this peculiarity of the insurance contract by which man's probity is so sorely tempted and tested, that creates what is called by fire underwriters, for want of a more fitting designation, the

MORAL HAZARD,

which, as recognized in fire underwriting, has reference not only to the honesty, good standing and moral character of the person, socially and commercially, but also and especially to his business characteristics, as shrewd, careful, pains-taking, or the reverse, careless, remiss, slipshod and indifferent as to results and consequences; a condition quite as likely to result to the detriment of the underwriter as downright dishonesty.

Moral hazard may, consequently, be divided into two classes or kinds. First and most important the

CRIMINAL HAZARD,

where wrongful purpose, acts or intention, dependent upon human will, actuate the insured, and although physical causes may be employed, the prime and determining causation is very properly styled "criminal hazard," because it can be punished at common law when sufficiently proven.

The losses of insurance companies attributed to this criminal hazard are by many underwriters estimated to reach from twenty to forty per cent. of the total; but while it cannot be reasonably disputed that losses from this source are frequent and sometimes heavy, it is exceedingly doubtful if such