THE ROYAL BANK OF CANADA—*Continued.*

Profit and Loss Account

Balance of Profit and Loss Account, 29th November, 1913	$1,015,119.58	
Profits for the year, after deducting charges of Management and all other expenses, accrued interest on deposits, full provision for all bad and doubtful debts and rebate of interest on unmatured bills	1,886,142.67	
		$2,901,262.25
APPROPRIATED AS FOLLOWS:		
Dividends Nos. 106, 107, 108 and 109, at 12 per cent. per annum	$1,387,200.00	
Transferred to Officers' Pension Fund	100,000.00	
Written off Bank Premises Account	250,000.00	
Contribution to Patriotic Funds	50,000.00	
Depreciation in Investments	500,000.00	
Balance of Profit and Loss carried forward	614,062.25	
		$2,901,262.25

H. S. HOLT, President.
EDSON L. PEASE, General Manager.

Montreal, 18th December, 1914.

LIABILITY UNDER POLICY OF RE-INSURANCE.

(*Continued from page 1631*)

TRIAL COURT'S DECISION.

The action was tried before the Chief Justice of Victoria and a special jury, who found the statements in question to have been false to the knowledge of Moran, but that the respondent association in settling the claim on the original policy acted reasonably and in good faith. On these findings the Chief Justice dismissed the action, holding that on the true construction of the policy of re-insurance the liability of the appellant society was conditional on the truth of the statements which the jury had found to be false, and that the appellant society was not bound by the settlement effected by the respondent association of the claim against it on the original policy. On appeal the Full Court of Victoria by a majority reversed the decision of the Chief Justice, and directed judgment to be entered for the respondent association for the amount claimed. The High Court of Australia by a majority confirmed the decision of the Full Court, and the appellant society was by special leave appealing from the order of the High Court.

APPEAL ALLOWED.

The Judicial Committee of the Privy Council allowed the appeal. In delivering their Lordships' judgment, Lord Parker said, "The result of the appeal depended entirely upon the construction to be placed on the two policies, and in particular on the policy of re-insurance.

"Apart from any inference to the contrary to be drawn from the recital that the appellant society had agreed to accept the proposal of the respondent association, it was not, and indeed it could not be, disputed that the liability of the appellant society under the policy of re-insurance was conditional on the truth of the statements made the basis of the contract. Further, apart from any effect to be attributed to this recital, the terms of the policy of re-insurance differed in almost every particular from the terms of the original policy. The basic conditions were different, the premiums were different. The original policy allowed, but the policy of re-insurance did not allow, a period of grace for the payment of premiums. The moneys assured differed in amount, and were payable at different dates. The persons to determine the sufficiency of the evidence as to the age, identity, and death of the assured were different. The original policy contained a number of special provisions which were not contained in the policy of re-insurance. Everything pointed, therefore, to the policy of re-insurance being an independent contract of assurance rather than a contract of indemnity. Even the provision limiting liability under the policy of re-insurance to the amount paid under the original policy would be unnecessary if the contract were one of indemnity only.....Having regard, however, to the admission in the pleadings, their Lordships would assume that the recital had the effect of incorporating in the contract the terms and conditions of the document of 2nd January, 1908, which contained the following clause:

APPELLANTS NOT LIABLE.

"'It is understood that in accepting the risk under this re-insurance the Australian Widows' Fund Life Assurance Society, Limited (*i.e.*, the appellant society) does so on the same terms and conditions as those on which the National Mutual Life Association of Australasia, Limited (*i.e.*, the respondent association) have granted a policy, and by whom in the event of claim the settlement will be made.'

"Suppose, then, that that clause had actually been repeated in the policy itself, what would be its effect? It would be contrary to all sound canons of construction to reject or modify the expressed terms of the policy in order that it might be made to conform to the general words of the clause in question. Such clause would be almost necessarily construed as if it were prefaced with the words 'except as herein otherwise provided.' It would be only less difficult to maintain that the effect of the clause was to introduce into the policy of re-insurance provisions relating to (*a*) application of surrender value towards payment of premiums in arrear, or (*b*) forfeiture of premiums already paid, if the basic conditions of the contract were not fulfilled, or (*c*) the allowance of days of grace. But it was enough to say that the incorporation in the policy of the clause could not be allowed to contradict the express provision of the policy.

"In their Lordships' opinion, having regard to the facts found by the jury, the appellant society was not, and never was, liable under the policy of re-insurance."