The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881 PUBLISHED EVERY FRIDAY

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THE GENERAL FINANCIAL SITUATION.

Something more than mere generalisation regarding thrift is necessary to account for the recent marked rise in the notice deposits of the banks. An advance in these deposits in May of practically $28,000,000 has been followed by a further rise in the month of June, to the new record level of $1,139,569,570, a growth during the month of no less than $31,586,498, and for the year of $182,635,014. While doubtless considerable saving is going on among the mass of the population in spite of the high cost of living, it is abundantly clear that real saving plays only a comparatively minor part in these spectacular movements. The fact that coincidently with these rises in notice deposits, the banks' current loans in Canada have decreased heavily should not be overlooked. The May decrease in these loans amount to $36,538,837; in June there was a further decrease of $27,734,754. The link between notice deposits and current loans is to be found primarily in our export trade. Since the opening of St. Lawrence navigation at the end of April, exports of all kinds, particularly foodstuffs have been moving forward very freely. These goods and commodities, carried on bank loans during the winter months have been turned into cash. The bank loans have been cleared off, and pending their employment in new commercial or industrial ventures, the funds received in payment for them, are being allowed to accumulate in the banks.

A subsidiary link between this decrease in loans and increase in notice deposits, and an important explanation of the rise in notice deposits, is to be found in the fact, that while trade generally in Canada is very good, in certain lines, notably the metal trades, there is practically nothing doing. Resources, very large resources, which were most actively employed in these trades during the war, are now idle, with the consequent result again of a decrease in bank loans, and an accumulatiton of idle Funds in the banks. In our opinion, these two facts, the liquidation of exports and the accumulation of idle resources due to the falling away of certain lines of trade, account largely for the recent pronounced ise in notice deposits. A minor but considerable influence upon these deposits is also apt to be overlooked—demobilisation of the Canadian army. With the home coming of the troops, sums which in the aggregate must reach a very large amount have been distributed to them in deferred pay and gratuities, and the deposit of these Funds in the banks by individual soldiers has been undoubtedly a factor in swelling notice deposits.

It needs to be borne in mind that rapidly increasing bank deposits are not, per se, necessarily an indication of prosperity. The essence of prosperity is that all available resources should be actively and profitably employed, and bank deposits may, and frequently do, increase rapidly in a period when this is not the case,—in a period of steadily declining trade and activity. There are some reasons to believe, as has been show above that the present rapid increase in the notice deposits of the Canadian banks, is in part at least due, to trade inactivity. So far as the general structure of Canadian trade and industry is concerned, there is, of course, not the least doubt of its continued activity for some time to come. But the liability of the uninitiated in economic affairs, including many business men, to draw wrong conclusions from given premises, justifies at the present time, a warning on this point.

The greedy fashion in which advancing expenses eat up increases in gross earnings is strikingly shown in the half-yearly earnings statement of C. P. R. **While the premier Canadian Railway organization shows record gross earnings for the half-year ended with June, it also shows a record expense ratio of approximatively 85.4 per cent compared with under 65 per cent in the corresponding half-year of 1915. To put the case even more strikingly, gross earnings in the first half of 1919, were $76,722,266; in the first half 1910, they were $45,063,976. But to such an extent have expenses increased that net earnings in 1919 were actually lower than in 1910—$12,186,478 against $13,770,080, and of course, much lower than in any intervening year. The prospects of relief of railways shareholders from this state of affairs do not appear to be rosy. There**

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MONTREAL, FRIDAY, AUGUST 1st, 1919

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is a growing conviction among the business community that no real relief will be secured in this direction until the preposterous McAdoo schedule, with its grossly-inflated wage-scales has been got rid of, but what the prospects are in this connection is not altogether obvious. While it is becoming recognized to an increasing extent that relief from present high costs must be generally sought in other directions than wages, the McAdoo schedule is an absolute millstone around the necks of the railways, and it appears doubtful whether it can long be kept in force and at the same time, the railway systems of the continent be maintained in reasonable efficiency, and operated at a profit.

Considerable interest has been displayed by the business community in a stament made by Mr. James S. Alexander, president of the National Bank of Commerce in New York, regarding the organization of American credit for the supply of Europe's needs in regard to foodstuffs, raw materials and manufactured goods. Mr. Alexander advocates an eleborate organization whereby "the total amount for the United States, in respect to all nations and all commodities, would be submitted to analysis, and allocation for the common good." To achieve this end, Mr. Alexander proposes that a pool of Europe's needs should be met by a pool of American resources, for which he considers necessary the setting up of a special instrumentality, along lines recently suggested in behalf of American bankers' groups, probably in the form of a great credit corporation with capital enough to handle transactions of the size that would be involved—that is transactions representing not mainly business with individual concerns, but the combined requirements of nations. Mr Alexander proposes that this credit corporation should be financed through issues of bonds or debentures, which would have as the security behind them everything in the way of collateral that Europe is able to offer with the endorsement of a conservation of banks, reinforced where possible by governmental guarantees. On this point, it may be permissible to remark, that American financiers as usual, do not intend to take any chances although at the same time, Mr. Alexander admits that some plan of this kind is essential to a continuance of American prosperity, since the present industrial capacity of the United States, is far ahead of the domestic consumption. Whatever eventually becomes of this plan, it is quite clear that the next year or two will see economic and financial expedients quite as novel as any which were adumbrated during the war period, in order to meet new conditions.

While the daily cables are full of lugubrious accounts of conditions in England it is refreshing to find that in some respects at least the old country is not going to "the dimnition bow-wows," It appears that New York is the only foreign market where there is any marked depreciation in sterling exchange, other belligerent exchanges being in London's favour, and even rates on neutral centres are either approximatively at par or are actually favourable to England. In other words, demands for British goods and for London credits, at every centre save New York, are sufficient to offset, or more than offset, the obligations which England must meet in foreign markets. This fact has some bearing on the plan of financial reconstruction referred to above. It is believed that any American efforts in the direction indicated will be made in conjunction with Great Britain, France and Italy, which are in a position to furnish credit to the newer European states which have come into being as a result of the war. In any case, it is clear that the problems involved in the financial reconstruction of Europe will not be speedly settled or the demands of the new countries met in the space of a few months.

CAPITALIZING RESERVES.

Of much interest to joint stock enterprises, is the following article appearing in the June issue of "The Secretary" the official journal of the Chartered Institute of Secretaries of Joint Stock Companies.

There has in recent years been a marked tendency among industrial and certain other companies to dispose of large reserve funds, often the patient work of years of cautious and conservative profit distribution, by their capitalization in the form of bonus shares, issued to shareholders "pro-rata" to their holdings.

Why should there be this change of view towards a principle which, when adopted in earlier days, was frequently the subject of adverse comment by financial critics?

In the first place, the instinct of self-preservation has undoubtedly been a contributing factor. The old plan of writing assets down to the bone and sinking undistributed profits in what were real capital account expenditures restricted dividends for a time and kept down capital permanently, thus permitting, when the new capital expenditure became productive, the payment of a higher rate of dividend upon the issued capital than would have been the case if fresh capital had been raised for the purpose of extensions.

But experience has unfortunately proved that such cautious finance does not pay in the long run. High rates of dividend naturally have the effect of attracting competition to the industry concerned,

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but this is a minor matter by comparison with the envy which big dividends excite in the breast of Labour, which ignores the fact that past reinvestment of shareholders' profits alone made the high rate possible. In this respect, therefore, the capitalization of reserves is a movement in the direction of least resistance. It is much more simple to keep the rate of dividend than to attempt to prove to a body of employees that a high rate of dividend is really a low one.

Under the stress of war taxation, and with the prospect of some more or less permanent impost in place of the Excess Profits Duty, the movement has gathered momentum as a matter of policy, for experience in this respect also has shown that there is nothing to be gained by grossly undervaluing the assets so as to indicate a higher percentage of profit than is actually the case in relation to the invested capital.

The accounting methods adopted in the past in cases where any considerable portion of the profits has been withheld from distribution have an important bearing on the power of the directors to capitalize these profits. Where, for instance, the under-valuation has not actually taken the form of excessive writing down in the company's books, but the undistributed profits still exist in the form of nominal reserves on the liabilities side of the balance sheet, it is a simple matter to issue new shares to bring up the issued capital to a figure in keeping with the value of the assets. On the other hand, excessive depreciation allowances actually written off are not easy, to restore, as auditors, on a matter of principle, set their faces against anything which involves writing up any asset, whether it has previously been written down or not. Still, by a process of revaluation of all their assets, companies whose financial purity is above all question, have in several instances recast their balance sheets so as to bring their figures more in accordance with facts.

It may be quite fairly urged that such a procedure is thoroughly justified, because a balance-sheet which grossly undervalues the assets cannot be said to present "a true and correct view." The expression is really only justified by the words which follow, namely, "as shown by the books of the company," but auditors are more than mere checkers of other people's book-keeping. They are the shareholders' watch-dogs, and are not content with no more than reconcilement of the balance-sheet with the company's books. Yet they will allow assets to be written down excessively, but will not permit any readjustment to be made in an upward direction, no matter how much the circumstances may justify such action.

Up to the present the exact position of the shareholder with regard to any liability for Income Tax in respect of bonus shares distributed to him has not been precisely defined, and in the opinion of the Inland Revenue, depends on the fact of each case. From the company's point of view there is clearly no liability, since there is no question of the receipt of any income. But in the shareholder's case, too, it is difficult to see how it can be argued that any income has accrued to him. The capitalization of reserve is a purely book-keeping transaction through which the shareholders proportionate share in the assets remains the same as before, so that any tax which might be levied upon the bonus share would clearly be a tax upon the shareholders capital.

While the position remains undefined in this respect, care should be taken to word any resolution providing for a distribution of this kind in a form that will make it clear that it is the reserve fund or accumulated profit which is being taken into capital account rather than distributed to shareholders, by means of a share allotment. It will sometimes be found, however, that while articles of association may give power to distribute reserves, they do not mention their capitalization. The articles should therefore be revised if necessary, so as to make it quite clear that the company has power to capitalize its reserves, and then to word the shareholders' resolution on exactly similar lines.

Ed. note.—The establishment of a Canadian branch of the above institute recently referred to in these columns, will no doubt be welcomed by the Secretaries of the leading Joint Stock Enterprises of Canada.

TRAFFIC RETURNS.

Canadian Pacific Railway

Year to date	1917	1918	1919	Increase
June 30.....	$69,575,000	$70,213,000	$74,847,000	$4,634,000
Week ending	1917	1918	1919	Increase
July 7.....	3,101,000	2,787,000	3,120,000	333,000
" 14.....	2,867,000	2,688,000	3,325,000	637,000

Grand Trunk Railway.

Year to date	1917	1918	1919	Increase
June 30.....	$30,501,564	$22,972,154	$28,581,242	$5,609,088
Week ending	1917	1918	1919	Increase
July 7.....	1,297,003	1,093,462	1,048,962	Dec 44,500
" 14.....	1,379,293	1,130,800	1,238,903	108,103

Canadian National Railways.

Year to date	1917	1918	1919	Increase
June 30.....	....	$35,445,231	$40,009,585	$4,564,354
Week ending	1917	1918	1919	Increase
July 7.....	....	1,424,684	1,653,564	228,880
" 14.....	....	1,506,147	1,599,242	93,095

ALLIANCE ASSURANCE COMPANY LIMITED OF LONDON, ENGLAND.

In considering the report for the year 1918 of the Alliance Assurance Company of London, England, attention is attracted to its fire department, the results of which again demonstrate the exceptionally choice and select character of risks derived by the Company's powerful connections in its wide operations throughout the world. It has previously been pointed out by the Chronicle that the Alliance, unlike the large majority of the British offices, does not operate its fire department in the United States, the premiums derived from this enormous field, contributing a substantial proportion to such other companies total income. Notwithstanding this fact, the companys net fire premiums for 1918 amounted to $8,079,400 showing an increase of nearly $500,000 as compared with 1917. The splendid quality of the Alliance fire business, already referred to, has again asserted itself to an extent beyond the average; the loss requirement of $3,073,945 figuring a ratio of 38 per cent to premium income. Since the opening of the present century, this splendid record has been excelled on three separate occasions, namely, in 1916, 1912 and 1910, when loss ratio percentages of 34.4, 34.9, and 37.8 per cent respectively, were registered.

Including contributions to fire brigades, etc.; commission and expenses of management totalled $3,733,940, a ratio of 40 per cent to fire premiums. Referring to expenses the chairman said:—the items for British taxation, do not include the large amounts which the company have to pay in the Dominions and in foreign countries and which being included amongst the expenses of management in revenue accounts are to a large extent responsible for the high figure at which those expenses stand. After providing 40 per cent of the increase in premium, to meet the consequent increased liabilities, there was disclosed an underwriting profit of $1,571,965 which with interest $400,745 added, makes a total of $1,972,710 taken to profit and loss from the fire account. The fire insurance fund has been increased to $11,128,535 at which it represents over 137 per cent. of the annual premiums, a high record irrespective of other magnificent resources.

Transacting an important business in other branches of insurance such as Life, Marine, and Casualty, the total income of the Alliance for 1918 amounted to the huge sum of $28,106,855 with a trading profit of $4,217,800 irrespective of interest. The total assets of this wealthy concern amount to $134,581,915 (not including an uncalled capital of $22,250,000) at date of the annual meeting the large amount of $36,509,045 was represented by British Government securities, an increase of over $10,000,000.

Canadian Business.

The Alliance of England has become a familiar name in Canada, where it has been operating for over a quarter of a century with a most desirable organization throughout the most important centres of the Dominion. Under the management of Mr. T. D. Belfield the high prestige of the company is well maintained while the results of his underwriting for a series of years, form a most desirable record for any company operating in Canada, allowing for the vagaries and fluctuations of the fire business in some individual years. Very satisfactory expansion is generally taking place in the Canadian business. Last year the net cash received for fire premiums totalled $357,526 an increase of over $100,000 as compared with 1916, and about $50,000 more than those recorded for 1917. The loss ratio for 1918 was higher than usual figuring at 61.22 per cent to premiums, the average loss ratio, however, for the past seven years was excellent, figuring at under 50 per cent to premiums. The Casualty branch of the Alliance in Canada, which has been operating for the past two years, is now pretty well established and a satisfactory expansion in business is recorded with careful underwriting. The Company recently extended its business in Canada to Hail, Burglary and Plate Glass.

OCEAN ACCIDENT AND GUARANTEE CORPORATION LIMITED.

Changes in Montreal Branch

The Ocean Accident & Guarantee Corporation, Limited, announces the transfer of Mr. Arthur James, who has filled the position of superintendent in the Province of Quebec during the past seven years, to the United States branch of the Corporaton, as resident manager at Boston, Mass.

Mr. John W. Wetmore has been appointed superintendent for the Province of Quebec as from the first August. Mr. Wetmore has for many years efficiently attended to the large eastern claims business of the Corporation, and has also served the Corporation in a broader consulting capacity. Mr. Wetmore's extended claims experience and general knowledge of affairs equip him admirably for the wider scope of the work he is now undertaking.

BRITISH FIRE LOSSES HEAVY.

According to the Times, London, Eng., the fire losses for June, 1919, in Great Britain are estimated at $22,881,000 compared with $2,337,500 in June 1918. The total estimated losses for the first six months of 1919 is given as $36,,565,000 as compared with $10,860,000 for the first half year of 1918. The heavy total for June this year includes the following fires:—June 13 warehouses at Trofford Park, Manchester, loss estimated at $10,000,000. June 16 Liverpool Docks, loss estimated at $5,000,000 and June 26 warehouse at Manchester, loss estimated at $5,000,000.

QUEBEC WORKMEN COMPENSATION ACT.

Continued from last week's issue.

Another important point raised by Mr. Lafleur bears on the question of guarantees for the payment of compensation in the event of bankruptcy of the employer.

In order to get the correct view point on the subject we must look back at the situation before compensation laws came into being. Payment of damages depended on (1) the ability of the workman to prove his case and (2) the ability of the employer to pay the judgment. When the courts were considering these cases it was usual to take into account the ability of the employer to pay, as well as the degree of fault, and there was sound reason for this. An extravagant judgment against a small employer might never be met, while a moderate one would not involve him financially and payment would be possible.

The compensation law in fixing the amount approximately for all cases pre-supposes that all employers are equally solvent and able to pay. This is of course not so, and there will always be some employers found to be in financial difficulties no matter how small the claim. The question then arises as to whether the claim is a personal matter of the employer or a matter for the community at large. The modern view point is that the cost is ultimately borne by the community at large, the employer merely being the medium through whom payment is made. Mr. Lafleur suggests that a system might be devised to enforce any judgment direct against an insurance company carrying the risk in the event of failure of the employer. At the present time the insurance policy is purely a private arrangement between the companies and employers of labour whereby the former guarantee the latter against loss actually sustained. When the employer becomes bankrupt no further loss can be sustained from a compensation claim; the subject of insurance disappears and the policy automatically comes to an end; nobody has any right thereunder except that the bankrupt employer might seek return of any balance of premium unearned at date of termination.

In order to carry out Mr. Lafleur's suggestion it would be necessary to alter the present insurance system and instead of the company merely indemnifying the employer it would require to guarantee payment into court. Naturally this would be expected to increase the premiums slightly, because the question of ability of the employer to pay would never enter into the consideration of gross negligence cases, and the tendency would be for payments to increase.

However an important question now arises. Will the employer continue to insure under these circumstances? It would seem that any change of this kind would have to carry with it a provision compelling all employers to file with the department an insurance policy guaranteeing payment. This system would probably be criticised by employers on the grounds that they should not be compelled to insure with stock insurance companies who might not always be sufficiently competitive to keep the premium rate at a minimum. The proper answer to this would be a clause compelling all employers to file a guarantee or bond whether in the shape of an insurance policy or private indenture made in the same way as a bail bond or other contract guarantee.

However, it is possible that the whole system will be subject to review and criticism at an early date, and it is well that those who are able to speak with authority on the subject should get a hearing before the legislature attempts to make sweeping reforms which in the end may not prove themselves to be of any real value to any section of the community.

THE TRUST AND LOAN COMPANY OF CANADA.

The Trust and Loan Company of Canada incorporated in 1843, owes its present strong financial position to a conservative and efficient management, which has marked its long and illustrious career. Held in the highest esteem by all who are brought into contact with it, the company itself goes quietly forward, transacting a choice and remunerative business, when circumstances permit. The Trust and Loan Company have been able to present a series of financial statements from year to year disclosing results of a highly satisfactory character.

During the year ended 31st March, 1919 the Trust and Loan Company continued to follow a conservative policy. Mortgages in Canada were increased during the year by over $112,000 to $13,376,389. Properties held by foreclosure are reduced by over $80,000 to $210,489. The interest account in Canada totalled $1,090,365 a reduction of slightly over $33,000 as compared with the preceding year chiefly due to the reduction in mortgages in 1917. Profit on exchange is down by some $30,000. The net profits of $550,300 for the year under review may be considered satisfactory under the circumstances, although some $80,000 less than the profits recorded for the preceding year. Liquid assets were maintained at a high level throughout the period, cash at 31 March last, approximately amounting to no less than $1,175,450 and temporary investments to $1,941,120.

At the annual meeting Mr. Fred W. Stobart, O.B.E., presided, in the absence of the President, Lieut-Col. The Hon. Sydney Peel who was engaged in national work in Paris.

Mr. R. C. Young, Assistant Commissioner in Canada, is manager at Montreal.

The Trust and Loan Company of Canada

REPORT

1. The following Report and Statement of Accounts for the year ending 31st March, 1919, is submitted.

2. The net profits for this period amounted to £110,062 5s. 9d., and the amount at credit of Revenue Account, including £8,354 17s. 5d. brought forward from 31st March, 1918, is £118,417 3s. 2d.

3. Out of this amount the Directors have provided £8,539 5s. 2d. for Income Tax, transferred £10,000 to Contingencies Account, and paid an interim dividend on 13th December, 1918, of £45,000, leaving a balance of £54,877 18s. available for distribution.

4. The Directors recommend that out of this balance of £54,877 18s., a Dividend at the rate of 15 per cent. per annum for the six months ending 31st March, 1919, less Income Tax, be declared on the paid-up Capital, which, with the Dividend paid on 13th December, 1918, makes 15 per cent. for the year ending 31st March, 1919, and leaves a balance of £9,877 18s. to be carried forward.

5. The Directors regret to have to record the deaths of the Lord Stratheden and Campbell and Mr. Frederick Henry Scott, who acted as Directors of the Company for upwards of 37 years and 31 years respectively. The Directors retiring by rotation are Frederick William Stobart, Esq., and James Henry Newcomb, Esq., who being eligible, offer themselves for re-election.

6. The Auditors, Messrs. Price, Waterhouse & Co., retire, and offer themselves for re-election.

JAMES H. NEWCOMB, Director.
L. EDYE, Director.

7 GREAT WINCHESTER STREET
29th May, 1919

Dr. BALANCE SHEET, 31st March, 1919 Cr.

Dr.	£	s.	d.	£	s.	d.
To Subscribed Capital—						
150,000 Shares, £20 each	3,000,000	0	0			
Paid-up Capital—						
100,000 Shares, £5 paid	500,000	0	0			
25,000 Shares, £3 paid	75,000	0	0			
25,000 Shares, £1 paid	25,000	0	0			
				600,000	0	0
Debentures				1,668,473	15	2
Debenture Stock				847,586	0	0
Accrued Interest on Debentures and Debenture Stock				37,453	19	3
Statutory Reserve Fund (including £299,756 12s. 9d. invested as per Contra)				600,314	4	4
Building and Improvements Fund Account				32,181	10	11
Exchange Suspense Account				16,409	12	4
Sundry Creditors and Contingencies Account				45,543	16	3
Revenue Account—						
Balance as above	£99,877	18	0			
Less Interim Dividend paid on 13th December, 1918	45,000	0	0			
				54,877	18	0
				£3,902,840	**16**	**3**

Cr.		£	s.	d.	£	s.	d.
By Cash—							
At Banks in London		123,652	15	8			
Petty Cash in London		13	12	9			
At Banks in Canada		111,423	13	8			
					235,090	2	1
Temporary Investments and Money at Call					368,224	10	1
Statutory Reserve Fund Investments—							
£290,000 Exchequer 6 p. c. Bonds		293,625	0	0			
School Debentures (Canada)		6,131	12	9			
					299,756	12	9
Investments—In Canada—		$ c.					
Mortgages		13,376,389.17					
Land Investments, &c (properties bought in and held under foreclosure)		210,489.01					
		$13,586,878.18					
Sundry Debtors—							
For Interest accrued and not due	$372,803.20						
For Interest overdue	104,206.27						
For Insurance, Repairs &c.	8,125.53						
For Sundries	7,823.40						
		492,958.40					
		$14,079,836.58 =			2,893,117	1	7
Sundry Debtors, London					13,491	6	8
Office Premises, Canada					90,961	13	1
House Property					2,199	10	0
					£3,902,840	**16**	**3**

Note.—Dollars converted into Sterling: 4.86 = £1.

PRICE, WATERHOUSE & CO., Auditors.

GRADED RATE FOR CO-INSURANCE.

The Mainland Fire Underwriters Association, British Columbia, has attempted to grapple with this question. A Committee has presented a report recommending a graded co-insurance scale for buildings of fire resistive construction, as follows:

For 50 percent. add 40 percent. to the 80 percent. rate
" 60 " " 20 " " " "
" 70 " " 10 " " " "
For 90 percent. deduct 5 percent. from the 80 percent. rate
" 100 " " 10 " " " "

The "Chronicle" in its June 21st, 1918, issue published a Graded Rate for co-insurance prepared by Mr. T. L. Morrisey, which attracted considerable attention, not only because of the novelty of the method employed, but also because of the soundness of the conclusions reached.

Upon being asked to express an opinion on the British Columbia scale, Mr. Morrisey writes:

"Whoever is responsible for the deductions and additions proposed was evidently more interested in the apparent relations of the percentage deduction or addition to the given rate than by the results produced. All he would have to do to prove the fallacy of his proposal would be to put it to the very simple test of seeing how it works out. For instance: a fire resistive building valued at $100,000. rates 20c with 80% co-insurance. Thus we have:

% Deduction or Addition	Amount		Rate	Premium	Increase	Cost
+ 40	50,000	@	.28	140.00		
+ 20	60,000	@	.24	144.00	10,000	4.00
+ 10	70,000	@	.22	154.00	10,000	10.00
	80,000	@	.20	160.00	10,000	6.00
− 5	90,000	@	.19	171.00	10,000	11.00
= 10	100,000	@	.18	180.00	10,000	9.00

Just why the $10,000. insurance between fifty and sixty should be worth only $4.00 in premium while the next ten, though admittedly less liable to be called upon to contribute, costs two and a half times as much, is a point that the authority responsible for this proposal might find some difficulty in giving a satisfactory explanation. But considering that the last ten thousand, between 90% and 100%, which in a fire resistive building should be worth little or nothing, costs two and a quarter times as much as the favored ten between fifty and sixty is rather suggestive of the idea that this is a case of "the blind leading the blind."

There can be no doubt but the proporton of insurance carried to value has an important bearing on the risk assumed by the insurer, and in strict equity this should be recognized in fixing the rate; but any scale for determing the rate according to the different rates of co-insurance should be graduated according to the degree of risk assumed. That table of mine which you were good enough to publish in your June 21st, 1918, issue meets this requirement and possesses the additional advantage of being simple in its application. All that is required to be known is the normal rate—the index does the rest.

If fire underwriting is ever to be treated as an exact science those engaged in its study will have to do more deep thinking. Imagine a life insurance actuary putting forward a table that any school boy could tear holes in!"

FIRE MARSHALS ASSOCIATION OF NORTH AMERICA ANNUAL CONVENTION TO BE HELD IN TORONTO.

The Annual Convention of the Fire Marshals Association of North America is to held in Toronto, August 26-29 this year. A number of specialists in various lines who are not members of the association will address the convention.

PERSONALS.

The friends of Mr. Martin, Provincial Manager of the Imperial Guarantee & Accident Co. will be sorry to learn, that he is at present confined in the Western Hospital, where he has undergone an operation for appendicitis.

MR. D. STUART MACLEOD, has been appointed by the GENERAL ACCIDENT ASSURANCE CO. OF CANADA, as Inspector for British Columbia, with Headquarters at Vancouver. Mr. MacLeod was latterly with Messrs. Johnson & Higgins in New York and previously Inspector for the London & Lancashire Guarantee & Acccident Company in Montreal.

COMPARATIVE ABSTRACT OF THE BANK STATEMENT FOR JUNE, 1919

(Compiled by The Chronicle)

	June 30 1919	May 31 1919	Month's Movement	June 30 1918	Month's Movement 1918	Year's Movement
ASSETS						
Specie	$ 79,279,438	$ 80,004,173	$ 724,735	$ 75,564,627	— $ 1,005,959	+ $ 3,714,811
Dominion Notes	175,547,837	179,074,218	— 3,526,381	183,814,738	+ 6,159,261	— .8,266,901
Deposits In Central Gold Reserve	107,200,000	107,200,000	....	84,470,000	+ 4,600,000	+ 22,730,000
Notes of other Banks	29,749,922	29,346,774	+ 403,148	23,184,239	+ 1,786,334	+ 6,565,683
Cheques on other Banks	106,211,835	91,030,043	+ 15,181,792	84,568,652	+ 1,682,936	+ 21,643,183
Deposit to secure Note issues	5,930,608	5,873,250	+ 57,358	5,821,486	+ 41,968	+ 109,122
Deposits with and balances due from other Banks in Canada	4,280,792	6,178,928	— 1,898,136	4,636,987	+ 797,866	— 356,186
Due from Banks, etc., in U.K.	14,557,257	9,652,684	+ 4,904,573	12,617,705	+ 1,099,457	+ 1,939,552
Due from Banks, etc., elsewhere	48,484,051	47,474,793	+ 1,009,258	50,878,154	+ 10,766,095	— 2,394,103
Dom. and Prov. Securities	224,301,264	123,939,312	+ 100,361,952	100,152,237	— 964,742	+ 124,149,027
Can. Mun. Brit., For. & Col. Pub. Securities	254,147,015	256,617,235	— 2,470,220	266,226,264	— 2,875,806	— 12,079,249
Rlwy. and other Bonds and Stocks	55,191,819	56,812,743	— 1,620,924	58,394,801	+ 1,224,183	— 3,202,982
Total Securities held	533,640,098	437,369,290	+ 96,270,808	424,773,302	— 2,616,365	+ 108,866,796
Call Loans in Canada	95,852,728	89,187,032	+ 6,665,696	76,970,920	— 1,495,662	+ 18,881,808
Call Loans outside Canada	167,236,045	157,176,325	+ 10,059,729	170,034,476	— 2,225,403	— 2,798,431
Total Call and Short Loans	263,088,773	246,363,357	+ 16,725,416	247,005,396	— 3,721,065	+ 16,083,377
Current Loans and Discounts in Canada	1,043,712,932	1,071,447,686	— 27,734,754	897,226,012	+ 2,408,899	+ 146,486,920
Current Loans and Discount outside	132,525,550	127,490,932	+ 5,034,618	103,033,289	+ 3,732,363	+ 29,492,261
Total Current Loans and Discounts	1,176,238,482	1,198,938,618	— 22,700,136	1,000,259,301	+ 6,141,262	+ 175,979,181
Loans to Dominion Government	....	....	....	....	....	....
Loans to Provincial Governments	8,104,927	8,156,982	— 52,055	3,637,234	— 2,140,523	+ 4,467,693
Loans to Cities, Towns, etc.	52,349,353	50,356,227	+ 1,993,126	58,000,424	+ 272,198	— 5,651,071
Bank Premises	54,315,064	53,898,884	+ 416,180	52,780,885	+ 279,304	+ 1,534,179
Total Assets	2,697,564,571	2,585,887,780	+ 111,676,791	2,349,836,297	+ 29,877,895	+ 347,728,274
Liabilities						
Notes in Circulation	217,608,195	215,895,050	+ 1,713,145	194,681,710	+ 12,791,751	+ 22,926,485
Due to Dominion Government	128,890,218	113,860,593	+ 15,029,625	86,436,245	— 31,227,797	+ 42,453,973
Due to Provincial Governments	24,454,438	26,196,865	— 1,742,427	20,531,269	+ 1,512,917	+ 3,923,169
Deposits in Canada, pabyale on demand	605,927,027	568,730,118	+ 37,196,909	549,327,078	+ 13,671,347	+ 56,599,949
Deposits in Canada, payable after notice	1,139,569,570	1,107,983,072	+ 31,586,498	965,934,556	+ 18,177,219	+ 173,635,014
Total Deposits of Public in Canada	1,745,496,597	1,676,713,190	+ 68,783,407	1,515,261,634	31,848,566	+ 230,234,963
Deposits elsewhere in Canada	240,201,440	221,605,846	+ 18,595,594	210,118,939	+ 5,945,654	+ 30,082,501
Total Deposits other than Govt.	1,985,698,037	1,898,319,036	+ 87,379,001	1,725,380,573	+ 37,794,226	+ 260,317,464
Deposits and Bal., other Can. Bks	10,556,638	10,329,188	+ 227,450	8,022,255	+ 411,769	+ 2,534,383
Due to Bks. and Correspts. in U.K	7,958,573	6,254,219	+ 1,704,354	6,193,978	+ 1,262,789	+ 1,764,595
Due to Banks & Correspts. elsewhere	32,208,785	30,319,410	+ 1,889,375	30,854,313	+ 5,399,004	1,354,472
Total Liabilities	2,439,504,074	2,329,983,200	+ 109,520,874	2,101,467,350	+ 30,923,626	+ 338,036,724
Capital, Etc						
Capital Paid up	115,423,327	114,238,015	+ 1,185,312	111,781,331	+ 45,716	+ 3,641,996
Rest	122,124,261	121,126,066	+ 998,195	114,344,068	+ 10,550	+ 7,780,193
Loans to Directors and their Firms	7,275,448	7,919,869	— 644,421	8,013,622	+ 45,730	— 738,174
Greatest Circulation in Month	222,712,991	219,287,788	+ 3,425,203	195,135,577	+ 5,387,107	+ 27,577,414

BANKS AND LIFE INSURANCE

By Edwin H. George.

This article by Mr. George, reprinted from the "Northwestern Bankers," is written from the banker's standpoint but it is of particular interest to life insurance men and is particularly illustrative of the growing cooperative spirit between insurance companies and banking institutions.

It is not the usual thing to expand your business and profit through boosting another fellow's game. History has taught the doctrine of being a little faster than the other man and beating him to it, rather than take your competitor by the hand and pulling him along with you, that you may share the benefits with him.

Banks and insurance companies are often looked upon as rival interests in the business of holding the savings of the public. Nevertheless, in the following example is shown how a bank has considerably increased its deposits and good will by advertising the insurance companies; the latter, of course, reaping a profit from the bank's expenditure also.

The idea was worked out from the theory that if the bank would publish advertisements suggesting that a young man who had no insurance might save the amount necessary for the first premium by making a regular weekly or monthly deposit in the savings department, it would have a double effect —it would secure the bank a few savings accounts, but through the bank's indirect indorsement it would assist some of the agents in that district to sell more insurance.

This enterprising bank went further into the matter and the deeper they went the better the proposition looked to them until finally four advertisements were prepared, which brought out the following seven points:

1. Save systematically to pay the first premium.
2. Save systematically to meet subsequent premiums.
3. This savings plan will enable many people to buy life insurance who otherwise could not meet the first premium.
4. It will help the sale of life insurance to people who are afraid they will fall down on subsequent annual premiums.
5. The case of meeting the annual premiums will further the purchase of additional insurance by those already insured.
7. The bank flatly and openly endorses the life insurance men.

It will be noticed that the first two points only are for the benefit of the bank, and the last five are for the benefit of the insurance men. It appears to be even more than a fifty-fifty proposition, and naturally when the bank advanced the idea to the insurance men of the city, they were astounded but anxious to have the bank put it to test. From the start the bank had the indorsement and hearty cooperation of the insurance men. And herein lies the success of the plan as far as the bank is concerned. To further show the benefits derived and the desire of the insurance companies, a part of a letter from Forrest F. Dryden, president of the Prudential Insurance Co. is reproduced:

"I believe the attitude of your bank to be absolutely correct, and think that if you will look up the subject you will find that since industrial insurance was introduced into this country by the Prudential Insurance Company of America the deposits in the savings banks of the country have steadily increased."

This is evidence enough that the insurance-bank advertisements are of material benefit to the insurance men . But many bankers want to know what the bank gets out of this expenditure of money.

The first result to them has been increased confidence in the institution. It was impressed upon the bank officials daily while the campaign was going on. Friends, patrons and press praised the bank which had taken so broad a view to serve the public, and it was strongly indicated that the bank had raised its already high standing in the estimation of the people.

The second benefit, while also intangible, was no less valuable and positive. It was good will. And the growth of any bank is largely a matter of good will. So when this bank spends money to advertise insurance what is more natural than that every insurance man who feels the beneficial effect of the campaign should reciprocate in every way possible to increase the business of the bank?

The tangible results were equally gratifying. During the months of the campaign, the checking deposits of the bank increased over one million dollars, the savings deposits over $400,000, and both checking and saving deposit totals reached the highest point in the history of the bank.

The bank has kept a record of the number and amount of checks drawn by insurance companies that were used as initial deposits in opening savings accounts. In one week nine of the accounts opened in the savings department were started by beneficiaries of insurance policies, some endowments and some death claims. The aggregate of these nine accounts was $30,000 and more than half of these new depositors were escorted to the bank by insurance men who kept their own accounts, and whose agencies kept their agency accounts, in other institutions.

These results have convinced the officials of the bank that it has paid and will pay to boost the other fellow's game through such a medium.

ASSIGNMENT OF FIRE POLICY AS COLLATERAL SECURITY.

Fire insurance policies invariably contain a clause which varies more or less, but to the general effect that an assignment of the policy without the consent of the company shall render it void, and a large proportion of the cases in which fire insurance companies are sued on their policies is where the company defends on the ground that there has been a breach of the assignment clause on the part of the insured and that the policy is consequently void.

The leading Canadian case on the point is Salterio vs. London Mutual Fire Insurance Company, decided by the Supreme Court of Canada, in which the policy in question contained a clause in the following words:—

"If during this assurance any change takes place in the title to or possession of the property described in the policy, or in the event of any change affecting the interest of the assured therein, whether by sale, legal process, judicial decree, voluntary transfer or conveyance of any kind, or if the assured is not the sole and unconditional owner of the property insured, or of the premises in or upon which the same may be situate, or has not such more limited interest in the property insured or in the premises in or upon which the same may be situate, as may be described in the application for the policy and approved by the company, or if the policy or any interest therein be assigned, parted with, or in any way encumbered, or if possession of the premises becomes vacant by removal of the owner or occupants, then in every such case this assurance shall be absolutely void, unless the consent thereto of the company in writing shall have been obtained and indorsed hereon."

In this case the insured gave a creditor a chattle mortgage on all the insured property and an assignment of all policies of insurance thereon and all renewals thereof, without obtaining the consent of the London Mutual Fire Insurance Company, and, a fire having occurred the Company refused to pay on the ground that there had been a breach of the assignment clause quoted above.

It was argued on behalf of the insured, in view of the fact that the insured held other policies which did not forbid an assignment, the assignment should be limited to such policies, but the Supreme Court of Canada decided in favor of the Company and disposed of this argument in the following words:—

"It was argued that the assignment should be limited to such of the policies as contained no restraint upon assignment, upon the ground that it would be insensible for the mortgagor to destroy his security under the policy, as neither he nor the mortgagee could derive any advantage from it. It was also contended that the insured could not be said to have assigned or encumbered the policy when the policy did not admit of such assignment or encumbrance being made effectual except upon a condition that was not performed. But I conceive that what was meant by the condition is that the policy shall be voidable by the insurance company upon breach of the condition, and the Messrs. Gault, had, by the assignment and encumbrance, the legal possibility of advantage through the chance of the company's consent being given. The encumbrance was effectual so far as Salterio was concerned, and might be entirely an affectual security by the company electing not to avoid the policy. Unless the clause of the policy operates to render voidable what but for it would be a valid assignment or encumbrance it is difficult to see what it can mean. Here there was the transfer of the insured property by way of mortgage, and the transfer by way of mortgage of the insured's interest in the policy and the policy itself, and this seems to be an encumbrance of the policy or of an interest therein within the meaning of the condition."

In this connection, it is to be noted, the company in the policy provided that any change in the title to or possession of the insured property, without the consent of the company, should avoid the policy, and in this case there was a palpable breach of the policy when the insured gave a chattel mortgage on the insured property. Suppose, however, that the insured, without transferring the insured property, simply transfers the policy itself, not by way of absolute assignment but simply as collateral security for the debt. Will such an assignment by way of collateral security only without the consent of the company be considered as a breach of the assignment clause?

This point does not seem to have been directly decided by the Canadian Courts, but dozens and perhaps hundreds of cases along that line have been decided by the courts of the United States, which have laid down the general rule that an assignment of a policy by way of collateral security only, without the consent of the company is not a breach of the assignment clause, on the ground that the assignee of the policy acquires a mere equitable claim which does not destrtoy the legal title of the insured. A leading American Court has laid down this rule in the following words:—

"As to the first contention made by appelant, that the assignment of the policy before loss occurred, without the consent of the company, invalidated the policy, we find, after an extensive and careful investigation of the authorities on that question, that the weight of authority and the better rule is that the assignment of an insurance policy as collateral security for a debt is not such an assignment as will invalidate the policy, and is not a violation of the terms of the insurance contract, which prohibits an assignment of the policy before loss without the consent of the insurance company. The stipulation in the policy, providing that it shall be void if assigned before loss without the consent of the company, contemplates a general or complete unconditional assignment of the ownership of the policy, and is not intended to work a forfeiture of the rights of the insured where the policy is assigned merely as collateral security for a debt and its real ownership remains in the insured. Therefore the assignment in this case did not invalidate the policy. The proof in the record shows that the insured had never ceased to be the real owners of the policy, and that the only interest of the assignee was merely such an interest as the holder of collateral security acquires in the thing given as a security,—a mere equity. The legal title and ownership of the policy still remained in the insured. Consequently, when a strict and proper construction is placed upon the terms and stipulations of the policy, as should be done in favor of the insured and against the insurer, where forfeiture is claimed to become plain, and reasonably follows, that the assignment in this case did not constitute an assignment in violation of the stipulation contained in the policy."

CANADIAN FIRE RECORD.

Fire at Thetford Mines, P.Q. On the 28th July a fire broke out in the Jacobs Asbestos Mines, causing a loss of about $9,000. Insurance stated to be $200,-000.

Fire at Lachine, P.Q. On the 29th July a fire broke out in a block of houses on 7th Avenue numbers 79 to 83, the property of U. Gaineross the houses are three storeys high and built of wood. Loss about $6,500.

Fire at St. Jacobs, Ont. On the 21st, a fire destroyed the barns of Nathaniel Martin. Loss about $5,000. There was no insurance. Mr. Martin is a menonite and does not believe in insurance, but on mutual assistance, both in labor and money, and this assistance, it is stated will be promptly given by every member of that society in the neighborhood without being asked for.

Fire at Thorold, Ont. On July 31st fire broke out in the large paper machine room of the Ontario Paper Company and climbed to roof ,causing considerable damage to roof and large stock of felts fully covered.

Fire at St. Thomas, Ont. On July 27th a fire destroyed the three storey building occupied by the New Method Laundry in West Talbot. Loss about $12,000.

Fire at Port Arthur, Ont. On July 24th a fire broke out in the Port Arthur ship building plant. Loss about $10,000.

Fire near Brampton, Ont. On July 27th an electrical storm destroyed, a large barn on the farm of C. H. Bull, also nine horses and a large quantity of hay. The barn was two-thirds insured.

Fire near Chatham Ont. During the electric storm on July 27th a fire destroyed a large barn and stable on the farm of J. C. Montgomery, the barn was loaded with hay. Damage not estimated.

Fire at Orangeville, Ont. During the electric storm on July 26th the barns of W. H. Hunter, the noted Hereford breeder at the Maples, were destroyed by fire. The barns were well supplied with lightning rods, but the flames appeared to be over the whole building at once, about 50 tons of hay, a large quantity of straw, 2,000 bushels of grain, harness and implements were lost. Loss about $18,000, insured for about one-half that amount.

Fire at Toronto.. On July 28th a fire broke out in a five storey brick building, 8-10 West Market street, occupied by the Marshall Mattress Company, stated to have been caused by spontaneous combustion. Loss about $15,000.

Forest Fires Southeast of Fort William, Ont. On July 24th the Saw Mill Plant of Archie Bishop at North Lake was destroyed entailing a loss of about $20,000, as the result of forest fires in that district. Mr. Bishop and his wife were driven from their home by the flames,and had to take refuge in a row boat on North Lake.

Fire at Sorel, P.Q. By the fire which occurred on July 23rd in the saw mill of the Leclaire ship building Co. the following companies are interested.—Norwich Union $5,000, General of Perth $3,000, British Empire $3,000, British Crown $5,000, St. Paul $5,000, Glens Falls $4,350, Springfield $2,500, Niagara $4,500, Queensland $4,350, British Dominions $5,000, Royal $5,000 Firemens of Newark $3,200, Guardian $3,000 Atlas $5,000, British Colonial $1,200, Aetna $4,000, North Brit. & Mer. $6,000, National Union $5,000, Globe & Rutgers $5,750, London & Lancashire $5,750, Nationale $4,500, Fire Insurance Co. of Canada $4,500. Total $94,600. **Loss $37,500.**