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Banking, Insurance and Finance

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THE GENERAL FINANCIAL SITUATION

Complaints of tight money are general, and there appears to be no immediate prospects of an improvement, although some observers point to the opening of St. Lawrence navigation as a possible turning point, when the banks' present load of commercial loans may be lightened by the moving forward of commodities which have been held in store during the winter. The shortage is particularly felt by the Stock Exchange—further withdrawals of funds by the banks are reported by brokers as having taken place during the last few days, and there is no doubt that some of the brokers are finding themselves hard-pressed in this connection —several of them, in fact, are practically in the position of having to refuse business, except upon a cash basis. One reason advanced for this shortage of brokers' funds, which is at least credible is that Toronto interests loaded up very heavily with Grand Trunk securities prior to the announcement of the Government's intentions regarding that road and that about six million dollars is still locked up in this speculation.

In the circumstances, the strength displayed by the local security market is remarkable, and probably enough with any decided easing of the money situation, a bull market would develop equal to that of 1919. A broker remarked to the writer this week, "If we had easy money, there would be the biggest and best bull market we have ever had, because practically all the stocks have big earnings behind them."

At the same time there is a tendency to look for declining prices within the next few weeks, except in the case of various specialties, as a result of the money stringency. The pulp and paper stocks have been stimulated by the result of court decisions giving the companies absolute freedom as to prices of their products, which are moving steadily higher, and in some optimistic quarters there is even a tendency to look for a repetition at a comparatively early date by other paper stocks of the romantic feats performed by Price Brothers and Abitibi. So far as can be seen at present, certainly, there is no cloud on the outlook of the pulp and paper companies. The demand for their product at extraordinarily high prices continues undiminished, and while Canadian exchange on New York remains as at present, they are netting very handsome additional profits from this source.

The intimation that plans for the consolidation of Dominion Steel and Nova Scotia Steel are well under way and likely to be completed at an early date is interesting not merely in itself, but also on account of the collateral plans which the group who have the deal under way are known to have in mind. These plans are believed to embrace a consolidation of existing steel, shipbuilding and transportation enterprises which will enable the consolidation to take a place in the front rank, as regards size, of consolidations of the kind on this continent. British interests are taking a prominent part in the affair, and the connections established, if the present plans are successfully completed, are likely to have an important influence upon Canadian industry and export trade.

A controversy has lately taken place between the banks and the rural credit societies of Manitoba regarding the rate of interest at which loans shall be made by the banks to the societies. Money has so far been loaned to the societies at six per cent., and it is understood that the banks made representations for a slight increase in this rate. The matter was, however, eventually settled on the basis of the banks agreeing to continue loaning to the rural credit societies at six per cent. for the present season, with the understanding that the situation shall be reviewed at the next session of the Manitoba Legislature and an increased rate allowed, if conditions then justify it. Following this controversy, in which the representations made by the banks were reasonable enough, there has been one of the periodical outbursts of accusation of "profiteering" by the banks, in which outbursts the farming west is apt to indulge. In these days, there is something humorous in the spectacle of the farmer denouncing "profiteering", in view of the known facts as to the prosperity of the farming class during recent years—a prosperity of which a few years ago they would hardly have dared to dream. As regards the present accusations, the tables recently published by *"The Chronicle"* regarding the banks' profits are decisive evidence that if any class of the community has been "pro-

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THE GENERAL FINANCIAL SITUATION

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fiteering" in recent years, it is not the banks. Great play is naturally made with the fact that last year the banks showed a profit of over 19 per cent. on their average paid up capital. But it is overlooked that the banks' rests include many large amounts of premiums on new capital stock issues—premiums which were paid in cash by shareholders. While it is not possible to state definitely the amount of these premiums, their total is certainly a very large one, and the figure of 9.68 per cent. profits in proportion to average capital and rest, is a much closer indication of the banks' returns to their shareholders than the 19 per cent.

The real index of banking profits is, however, to be found in the percentage of profits to average total resources, and this furnished conclusive evidence not only that the banks have not been "profiteering" but that in fact, their profits have declined in recent years proportionately, and have only increased in total amount as a result of the immense extention of the banks' resources and operations in recent years. The 1919 figure of 0.83 per cent. compares, for instance, with 1.29 per cent. in 1911 and 1.19 per cent. in 1909. Apart from this point, which is obvious enough to all who are familiar with the facts, and is only here repeated as a definite reply to misstatements, the quality of the present agitation may be gauged from the assertion that for the privilege of circulation "the banks pay not one cent to the Government or anyone else." Has the Special War Reserve Act of 1915 never been heard of in the West? The banks are familiar with it to the tune of several millions of dollars.

Sterling exchange in New York has re-acted definitely to below $4, and there is a general expectation in both New York and London that no further marked advance is likely to be seen in it immediately. One London observer very aptly remarks, "Our economic improvement cannot go far until Government expenditure is checked and productive activities increase. "Gold shipments from Great Britain to New York continue, but any decided cheapening of money in the United States as a result of these shipments is not looked upon a serious probability. The marked decline in French and Italian exchange on New York is probably less a result of the international incidents in the occupation of German territory than a reflection of the grave economic circumstances of those countries, had circumstances, which can only be remedied as a result of internal currency and taxation reforms.

In the United States, the principal development of the week is an "outlaw" railway strike, which the regular unions are fighting jointly with the railway companies. It is regarded as a purposeless demonstration and a foolish attack upon public order, and at the present writing does not appear as likely to lead to serious consequences, except in the inevitable dislocation of freight services. This strike is symphonic of the extraordinary frame of mind into which certain workers have got themselves. A Canadian instance of this came to the notice of the writer the other day. A mill, full up with orders, proposed to engage extra hands and start a night shift. When this became known the management received an ultimatum, "Start a night shift and we'll quit." For the time being, while business is good, these mental aberrations, for they are nothing else, have to be put up with, but workers who indulge in these senseless tantrums cannot expect to get much consideration if once demand begins to fall off.

The financing of an immense housing programme is now being undertaken in England. The London County Council is leading off by borrowing $35,000,000; Birmingham will borrow $20,000,000 and other cities in proportion. It is a significant fact that these issues are already on a 6¼ per cent. basis—a rate fully as high as that paid for new borrowings recently by leading Canadian cities. Before the war the English municipalities were accustomed to get all the money they needed at from 3 to 3½ per cent. Times have certainly changed.

FOREIGN PLATE GLASS SCARCE

Reports from England and Belgium are to the effect that due to the exchange situation, the price of plate glass in those two countries is practically the same as prevails in the local market. The shortage of fuel and raw materials as well as labor has been a big handicap. Belgium factories are getting less than two-thirds of normal production. Most of the glass now being made is absorbed by orders taken sometime ago.

BANK EMPLOYEES AND PENSION FUNDS

7th April, 1920.

To the Editor,
The Chronicle, Montreal.

Dear Sir:—

In a recent issue of The Chronicle you published a table showing the disposition of Bank profits for ten years.

You show that over $7,000,000 of shareholders money has been transferred to Pension Funds.

If the wages of the Employees of Banks are to be increased, and made in many cases better than those of other institutions, surely it is time that all shareholders profits, should be given to shareholders, and allow Bank Employees to depend upon their savings, as shareholders must.

It would seem only fair, either that subscriptions to Pension's Fund should cease, and dividends be increased, or some method of shareholders sharing in Old Pensions, should be arranged.

Yours faithfully,
SHAREHOLDER.

PREFERRED STOCKS PRO AND CON

By Stevens Palmer Harman.

Fundamentally what is good for a corporation is good for its security holders. Owners of a company's stock and bonds are concerned, first of all, that the company should earn enough to pay dividends and interest, lay by a sufficient reserve or surplus to tide it over lean years, and in general that it should be honestly and efficiently managed. However investors like other people are often short-sighted, preferring the present gain to the ultimate larger gain. For this reason the provisions under which preferred stocks are issued are usually most carefully hedged about with stipulations as to what shall be done with the money earned, under what conditions new securities may be issued, and where the voting power of the corporation's stockholders shall lie. In these stipulations will be found the chief advantages, as well as the principal dangers, attaching to issues of preferred stock.

Such issues are a frank attempt to induce investment by people who find the income from bonds too small to suit their tastes or needs, but who are unwilling to accept all the uncertainties inherent in common stock.

In not a few instances, the agreement under which preferred stock is issued provides that the company shall always maintain "quick assets" (including cash, bills receivable, materials on hand and the like) equal to a certain percentage of the preferred issue; sometimes a figure as high as 100 per cent. or even more is specified. This is in recognition of the fact that corporate difficulties, sometimes resulting in bankruptcy, are often the result of inability to meet current obligations, even though a company's "fixed assets," including, plant, equipment, sinking funds and the like may far exceed its obligations. In one sense too, such a provision is a safeguard against improper payment of dividends even on the preferred stock, for if the stipulation is rigidly adhered to, dividends obviously cannot be paid if such payment would reduce the current assets below the minimum stipulated. This matter of the payment of dividends is something that needs to be closely guarded. Pressure from the common stockholders will often be exerted to force payment of preferred dividends, even when they have not been earned, since the common stock can expect no dividends as long as there are arrears on a cumulative preferred issue. Good management on the part of a company's officers and directors, and self-restraint on the part of the stockholders, are needed to see that no financial mistakes of this sort are made.

Accumulated dividends due on a preferred issue are, of course, one of the factors that may result in substantial gain for the preferred stockholder. The Colorado Fuel & Iron Co. in 1916 paid off 60 per cent. in back dividends which accumulated on the preferred issue. It requires painstaking analysis, however, on the part of the prospective buyer to determine what the chances are for the liquidation of back dividends. If a company is ably managed and is gradually improving its position, the chances of payment are naturally much better than in other cases; in other words, the fact that dividends have accumulated does not mean that they will inevitably be paid. It may happen that a proposal will be made for a compromise on back dividends, usually permitting them to be cleared up through the issue of new stock rather than by cash payment. The stockholders, recognizing the hopelessness of looking for the cash to which they are nominally entitled, may accept such a compromise.

As elements in the attractiveness which corporations seek to throw around their preferred stock, the most conspicuous may include a provision permitting the preferred to share in profits equally with the common after the stipulated dividends have been paid on the former—a provision which naturally, would not be viewed with favor by the holders of the "junior" shares, and which is not frequently encountered. Or it may be provided that in case preferred dividends are omitted, an increasing amount of voting power shall accrue to the preferred shareholders. Or it is sometimes stipulated that no bonds or other prior obligations may be put out or assumed by a company without the consent of a large majority of the preferred holders. And finally, it may be agreed that a

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PREFERRED STOCKS PRO AND CON

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certain amount of the preferred issue will be retired each year out of a sinking fund, the redemption price representing as a rule a handsome premium above the par value—a premium greater than would ordinarily be expected to attach to the market price of the stock.

Now, all such provisions, while they doubtless enhance the security and attractiveness of the preferred issue, must be recognized to operate in more than one direction. All may go well as long as a corporation can finance its needs by selling preferred stock, but a time may come when investors demand bonds rather than preferred stocks, and in such case it may be difficult to obtain the necessary consent for a bond issue, which would rank ahead of the preferred. While the holder of preferred shares is apparently favored by the numerous restrictions mentioned, these restrictions imply a lien upon his common sense or financial astuteness which may require him at some future time to sacrifice his immediate interest; and in a large body of stockholders it is dangerous to count upon the existence of such good judgment. Similarly, the operation of a sinking fund for the retirement of the preferred shares may work a hardship, in requiring the redemption of preferred shares at a time when the company needs its money for its current business.

In a word, those minute provisions surrounding preferred stocks, while they safeguard that particular issue impose restrictions upon the issuing company. What is an asset from one view-point is a liability from another.

It is true that while bonds are usually protected by a mortgage upon the company's property, while preferred stocks are not, the bondholders in time of financial trouble seldom exercise their right to foreclose on the property, preferring rather to permit its reorganization through receivership. Hence it has been very truly noted that in the United States a first mortgage fails to give the protection which it ostensibly affords. Yet it should be borne in mind that in case of reorganization, the bondholder usually fares better than the preferred stockholder. While the bonds of a company may be "scaled down" or exchanged for preferred stock in the reorganization, the preferred stock will usually be exchanged for common stock.

An attempt to raise all the funds needed for a new company through the issue of cumulative preferred stock is to be regarded with great scepticism, since it is hardly probable that a new enterprise will from the outset earn the 6 or 7 or 8 per cent. called for by the preferred issue. A generous proportion of the capital should be represented by common stock, which carries no definite claim upon earnings.. Investigation and study are needed by the would-be investor in preferred shares, quite as much as by the buyer of common stocks or bonds. The London *Economist* recently laid down some rules for the guidance of stock buyers, which are excellent advice of a general sort for investors in preferred issues. They may be summarized as follows:—

(1) Be sure that a reasonable proportion of the capital is represented by common shares; otherwise the company may be financially "top-heavy."

(2) Mergers of companies that have been built up by individual skill and enterprise are apt to be handicapped at the outset, in case the men who made the old business successful sever their connection with the enterprise.

(3) Shares in companies whose business is the producing of articles of luxury must be regarded in these uncertain times as speculative.

(4) Do not judge the prospects of a business solely by the profits made during the war years.

(5) Find out whether the men who are running the business are really familiar with it, or whether directors are chosen merely because of their reputation in other fields.

(6) A good record promises a sound future.

QUEEN INSURANCE COMPANY

The forthcoming retirement at the end of the present month, of Mr. George W. Burchell, President of the Queen Insurance Company, and of Mr. William Mackay, the company's Canadian manager, was made the occasion of a banquet and presentation on the 15th instant in New York. Among those present at the function, was Mr. J. H. Labelle, Montreal, who succeeds Mr. Mackay as Canadian Manager.

Mr. Nevett S. Bristow, Vice-President of the Queen will succeed Mr. Burchell as President.

ALLIANCE ASSURANCE CO. LIMITED

Mr. H. J. May, superintendent, Accident Department, of the Alliance Assurance Company Ltd., London, England, arrived in Montreal a few days ago, and left on the 15th instant for the West. Mr. May proposes to visit Toronto, Winnipeg and Vancouver before returning to Montreal. He informed The Chronicle that he is very favourably impressed with Montreal, and its fine buildings. Mr. May is paying his first visit to Canada, and is making a general survey of the casualty situation, the Alliance having recently commenced operations in Canada in this branch of insurance.

PLATE GLASS INSURANCE

(From New York Times, Mar. 27 Issue.)

An unprecedented demand for plate glass, due to breakage by strikers and natural causes, with resulting high prices, has sent insurance rates up. During the past twelve months the plate glass insurance companies have been compelled to advance their rates more than 100 per cent., and there is an indication that further increases will be demanded unless the production of glass assumes pre-war proportions very soon.

"In New York there are only five hundred glass setters who do big jobs and these men are out on strike for ridiculous demands," Edward M. Ridley, manager of the New York Plate Glass Exchange, said yesterday. "One insurance company has about 300 windows waiting for glass to be replaced. If the glass is set by non-union men it is very often found broken again.. All over the city are windows which need new panes, but it is impossible to get them.

"The condition is largely a question of supply and demand. Before the war part of our supply came from Belgium and Northern France, but this has been cut off, and instead of importing we are exporting to those countries as well as to South America. During our part in the war American manufacturers were obliged to reduce their output by one-half, with the result that they lost many skilled workers who were diverted to other lines of industry. Since the armistice the manufacturers have been trying to enlarge their forces, but the task of developing skilled workers is a slow one, and they have been unable thus far to meet the demand for plate glass.

"The condition that exists in New York is country-wide. Prices in Boston and Detroit have been much higher than here. It will be a long time before the supply will meet the requirements of the public.

An official of one of the leading plate glass insurance companies said the liability assumed to replace glass in event of breakage had increased fivefold in four years. He said that many of the windows had been broken by strikers, and he told of having replaced a large pane three times within a month in a place where a strike was on.

This official justified the increased insurance rates because of the terms of the policy, in which it was agreed to replace the broken glass or indemnify the holder at the prevailing rate of plate glass. He said glass was so hard to obtain that premiums were being offered for every carload that came into the city.

"As it stands today the ratio of increase in rates is by no means as great as the ratio of increase in our liability," he said. "Unless the situation improves further increases are bound to come and remain until the manufacturers are able to bring their production up to normal."

Officials of other companies insuring plate glass windows bore out these statements. They said they could not continue to render service to their policyholders at the present rates unless the prices of glass became lower. All of them agreed that the manufacturers were doing their best to overcome the situation and possibly would be able to produce enough glass to meet the demand before the year was over.

PERSONALS

Mr. F. H. Gooch of the firm of Evans & Gooch, Toronto, Resident agents of the North British & Mercantile Insurance Company is leaving this month for an extended trip to France and England. Mr. Gooch has a son buried in France, and the object of his visit is to visit the grave. Mr. Gooch will be accompanied by two of his daughters and one son.

LONDON LIFE ASSURANCE COMPANY

At a meeting of the board of directors of the London Life Insurance Company, London, Ont., held on the 12th instant, Mr. Edward E. Reid, assistant manager and secretary, was appointed general manager of the Company, succeeding Mr. John G. Richter, now Vice-President, and the Assistant Secretary, Mr. J. S. Lovell, was appointed Secretary.

CENTURY INSURANCE CO. LIMITED

Official changes at Head Offices.

The announcement is made of the retirement of Mr. Henry Brown from the position of Managing Director on March 31st, the directors of the Century Insurance Company have appointed Mr. Henry John Tapscott, hitherto general manager at the London Head Office to be managing director of the Company.

Mr. John R. Little, in addition to his present position as Secretary, becomes general manager at the Edinburgh Head Office, and Mr. W. A. Robertson, F. F. A., the present actuary of the Company, has received the additional appointment of assistant general manager at the Edinburgh Head Office.

FIRE AT MOLSONS' WAREHOUSE, MONTREAL

We publish below the various Companies liabilities in the damaged area of the recent fire which occurred in Molsons Warehouse, so far as can be ascertained. The Insurance loss is estimated at $800,000.

Aetna	2,800
Alliance of Phil.	15,000
Alliance of London	25,000
Atlas	5,000
British Colonial	10,000
British Crown	40,000
British Empire	8,500
British Traders	4,000
Canada Security	10,000
Caledonian	20,000
Continental	15,800
Commercial Union	25,000
Eagle Star & British Dominions	99,000
Equitable	3,000
Employers	60,000
Fire Insurance Co. of Canada	5,000
Firemens Und.	27,000
Firemens Fund	17,500
General of Paris	25,000
Globe & Rutgers	35,000
Globe Indemnity	25,000
Guardian	121,300
General of Paris	4,000
Home	38,200
Hudson Bay	10,000
Hartford	5,000
Imperial Und.	5,000
Lloyds	35,000
Liv. & Lon. & Globe	52,300
London Assurance	18,000
London Guarantee	25,000
London Mutual	13,000
London & Lancashire	19,000
Mount Royal	28,600
Nova Scotia	12,650
North Western	15,000
Niagara	12,000
North River	15,000
New York Und.	40,800
North British & Mer.	10,000
North America	102,420
Northern	20,000
North Empire	68,000
Norwich Union	15,000
National of Hartford	25,000
National of Paris	10,000
Occidental	4,508
Provincial	9,000
Palatine	37,000
Prov. Wash.	30,060
Phoenix of London	27,680
Phenix of Hartford	10,000
Queensland	10,000
Queen	20,000
Royal Exchange	7,500
Rochester	20,000
Royal	44,800
St. Paul	35,000
Scottish Metropolitan	10,000
Scottish Union	5,000
Springfield	10,000
Union of London	40,500
Union of Paris	7,500
Union of Canton	25,000
United States	37,500
Yorkshire	25,000
Westchester	11,000
Total	$1,624,918

IMPORTANT JUDGMENT FOR FIRE COMPANIES BY PRIVY COUNCIL

A judgment of unusual importance to fire insurance companies, establishing for all time the responsibility of Light & Power Companies, has just been delivered by the Lords of the Privy Council, London, England.

The history of the case dates back to 1909, when the Electrical Committee of the Canadian Fire Underwriters Association, Montreal instructed its chief Electrical Inspector, at that time Mr. James Bennett, to investigate conditions and suggest such steps as would reduce fire losses in the City of Quebec. As a result of an investigation, Mr. Bennett reported to the C. F. U. A., that the then, two operating companies; Quebec Railway Light, Heat & Power Co. and the Quebec Jacques Cartier Electric Company, having faulty distribution systems, were responsible for a great many fires in Quebec.

In December 1912 very serious losses occurred in the St. Foye Road, Quebec, Mr. Bennett investigated, and through the insurance adjusters, had a meeting with the managers of various insurance companies interested. Plans and photos were shown and explanations given, of the effect, cause, and responsibility. The companies accepted Mr. Bennetts recommendation that action be taken against the Quebec Railway Light, Heat & Power Company. When the case was held before Judge Dorion, in the Superior Court, considerable correspondence that had transpired between the Electrical Department of the C. F. U. A. and the Quebec Ry. Light, Heat & Power Co. covering the condition of their lines, services, transformers, etc., and recommendations made that conditions be improved, and that all transformers be grounded at their neutral point, thus promising the only remedy easily available to the operating Company. A great deal of unnecessary discussions took place upon the subject. Until the fire above referred to, occurred, no serious steps were taken by the operating Company to follow the advice given. Much expert evidence was heard in the case. The learned Judge in his decision found the Quebec Railway Light, Heat & Power Company responsible and they were ordered to pay the full amount claimed $60,000 plus interest and costs. This decision was appealed to the court of King's Bench, appeal side, by whom the former judgment was reversed.

The Insurance Companies in turn took the case to the Supreme Court in Canada, they reversed the judgment of the Court of Appeals and reaffirmed the judgment of the Superior Court. They, however, gave permission to the defendants to appeal to the Privy Council, whose judgment has just been rendered. This judgment is the most important that has ever been rendered by the Privy Council dealing with the responsibility of a Light & Power Company towards its customers in the Dominion of Canada, it also establishes a final decision on the importance and value of grounding transformers.

The lawyers for the insurance Companies were: the Hon. L. A. Taschereau, K.C., and L. A. Cameron, K.C.

We publish the judgment in full as follows:—

The principal object of this appeal is to settle the true construction of Article 1054 of the Civil Code of Lower Canada. Special leave to appeal was given on the terms that the five actions brought in the Courts below should be consolidated and that the appelants should raise only questions of law.

The appellant Company generates and distributes electricity in the City of Quebec and its neighbourhood and along the St. Foye Road, in which the respondents' houses are situated, the Company had erected poles carrying two overhead cables, a primary cable charged with electricity at 2,200 volts and a secondary cable from which electricity was supplied to the houses at 108 volts. There were many trees along the roadside and in the adjacent enclosures and at the time in question a violent wind had torn a branch, coated with frozen rain, from a poplar growing some distance within o e of the enclosures and had driven it against these cables, though many feet away. They broke down in consequence, and thus the high tension electricity found its way along the secondary cable into the customers' houses and set them on fire. For the loss thus caused the actions now consolidated were brought against the appellant Company.

Though no Article of the Code is referred to by number in the Declaration, it is plain that both Articles 1053 and 1054 were relied on, and so the cases were treated both at the trial by Dorion, J., and in the Court of King's Bench on appeal and in the Supreme Court of Canada. There was much difference of opinion among the judges, but the Supreme Court, by a majority of one, restored the judgment of Dorion, J., in favour of the plaintiffs.

Two questions of law arise upon the Code—(1) whether the plaintiffs can succeed without proving negligence or *faute* against the Company; (2) whether even so the defendants would succeed, if they proved that they could not have prevented the fire. In the Courts below it was argued for the defendants that they could not have foreseen the combination of bad weather overloading the branches with *verglas* and of wind breaking off the branch and driving it laterally on to the cables, and that they were accordingly the victims of *force majeure*. As to this the findings of fact are against them. It was also argued for the plaintiffs, that if the defendants had installed suitable apparatus

they would have received automatic warning at the central station of the breakdown of the cable in St. Foye Road in time to have cut off the current before any mischief was done, but, as nothing was made of this below, it need not be pursued now.

The question whether and under what circumstances a defendant can be made liable in a case of quasi-delict, unless actual *faute* is proved against him, has been much discussed in Quebec in recent years. The case of *Doucet* (42, S.C.R. 281) brought the controversy to a head in 1909, and the Supreme Court was then divided in opinion. The present case renewed both the controversy and the division. In *Doucet's* case, which arose between employer and employee, no definite cause could be discovered for the explosion by which *Doucet* was injured. In the present case the cause of the occurrence is known. The issue, moreover, arises in the present case between contractor and customer. Accordingly *Doucet's* case might be no authority in the present case, but for the fact that in Quebec both cases depend on the language of the Code. Unfortunately this seems to have been imperfectly appreciated in the Canadian Courts, and the question "What do the words of Articles 1053 and 1054 mean as a matter of construction?" was not in either case always kept in the forefront.

The opposing views may be summarised thus, without always referring them to the particular judgments in which they are stated. *Faute*, it is said, is the basis of all liability for quasi-delict. To hold a man liable for either delict or quasi-delict, when he is not to blame, is unjust. This must be so in principle and it rests also on authority. The whole jurisprudence of Quebec before *Doucet's* case so holds. Since the Code was enacted, it has been so interpreted, and the decisions before the Code were to the same effect. Furthermore, the framers of the Code were directed to codify exisiting law and, if they suggested alterations, to indicate which of their proposed Articles differed from the existing law, and they did not so indicate Articles 1053 and 1054. As a matter of language these Articles can be made to give effect to these principles, (1) by holding that Article 1054 does but amplify and carry on Article 1053, and impliedly therefore rests on *faute*, as Article 1053 does expressly, or (2) by holding that paragraph 6 of Article 1054, the "exculpatory" paragraph, applies to the first paragraph of the Article as well as to the others, and implies that *faute* must be proved by the plaintiff before the defendant can be called upon for an excuse, or (3) by holding that paragraph 1 of Article 1054 really specifies circumstances from which *faute* may be presumed, leaving the defendant to rebut it by any evidence that may be available.

The contention on the other hand is that the Civil Code of Lower Canada was founded on the Code Napoléon, from which it differed only in language, and that the reasoning of recent decisions of the French Courts on the corresponding Article, 1384, ought to be applied, the prior decisions of the Canadian Courts notwithstanding. The result is to apply a principle thus formulated by Fitzpatrick, C.J., in *Doucet's* case:—"Celui qui perçoit les émoluments procurés par une machine susceptible de nuire au tiers,, doit s'attendre à réparer la préjudice que cette machine cause—*ubi emolumentum ibi onus*." Article 1054 must be held to raise a presumption of *faute* against the defendant Company as the basis of responsibility "non seulement du dommage qu'elle cause par sa propre faute, mais encore de celui causé . . . par les choses qu'elle a sous sa garde." In other words, the fact of the accident supplies all the proof of negligence, which it is necessary for the plaintiff to give.

It seems plain that both these trains of reasoning start rather from the text of the Code Napoléon as interpreted by French Courts and the general jurisprudence of Quebec than from the very words of Articles 1053 and 1054 themselves. Natural as this may be, the statutory character of the Civil Code of Lower Canada must always be borne in mind.

> "The connexion between Canadian law and French law dates from a time earlier than the compilation of the Code Napoléon, and neither its text nor the legal decisions thereon can bind Canadian Courts or even affect directly the duty of Canadian tribunals in interpreting their own law." (*Maclaren* v. *Attorney-General for Quebec*; 1914 A.C. at p. 279.)

Thus, however stimulating and suggestive the reasoning of French Courts or French jurists upon kindred subjects and not dissimilar texts undoubtedly is, "recent French decisions, though entitled to the highest respect . . . are not of binding authority in Quebec" (*McArthur* v. *Dominion Cartridge Co.*, 1905 A.C., at p. 77), still less can they prevail to alter or control what is and always must be remembered to be the language of a legislature established within the British Empire. In the present case, as in *Doucet's* case, the learned judges of the Supreme Court of Canada sedulously, and as they conceive successfully, conformed to this rule and decided, though in different ways, a question of construction of the Quebec Code in accordance with reasoning, which seemed none the less convincing, because it was suggested by French authors or followed a view long laid down by the Courts in Quebec. Nor can the history of the Quebec Code be altogether banished from the recollection of those who administer its provisions, and it is true that under certain conditions it is legitimate to refer to the prior cases which it was intended to codify (*Vagliano* v. *Bank of England*,

1891 A.C. p. 145). A construction of Articles, which have long been before the Courts, differing from that hitherto accepted, will always, even in a tribunal not bound by prior decisions, be adopted with caution.

Still, the first step, the indispensable starting point, is to take the Code itself and to examine its words, and to ask whether their meaning is plain. Only if the enactment is not plain can light be usefully sought from exterior sources. Of course it must not be forgotten what the enactment is, namely, a Code of systematised principles and rules, not a body of administrative directions or an institutional exposition. Of course also the Code, or at least the cognate Articles, should be read as a whole forming a connected scheme; they are not a series of detached enactments. Of course, again, there is a point at which mere linguistic clearness only masks the obscurity of actual provisions or leads to such irrational or unjust results that, however clear the actual expression may be, the conclusion is still clearer that no such meaning could have been intended by the legislature. Whether particular words are plain or not is rarely susceptible of much argument. They must be read and passed upon. The conclusion must largely depend on the impression formed by the mind that has to decide. In the present case their Lordships have arrived at the conclusion that the language of the Articles is plain, in the sense that their meaning must be found in their words, though they are far from denying that the true construction is a matter of nicety and even of difficulty. It follows that the decision of this question is not legitimately assisted even by reference to the prior decisions in Quebec, which, in fact, are much less definite than they have been supposed to be, and that no useful suggestion can be derived from articles in the Code Napoléon differently expressed, or from the expositions of them, however brilliant, by learned French jurists. In no event can the intention of the legislature in passing the Articles under discussion be gathered from the category in which they were placed by the commission which drafted the Code.

Articles 1053 and 1054 are the first two of a group of Articles headed "Offences and quasi-offences." The first deals with damage caused by *faute* on the part of a person, who can tell right from wrong. The second deals further with the liability of such a person not only for damage caused by his own fault, but also for damage caused by persons whom he controls or things which he has under his care. It is not necessary now to define the meaning of "controls" or "under his care." There is obviously much to be said in a proper case about both. The Article proceeds to speak specifically of the liability of parents for the acts of infant children, of guardians for those of wards, of curators for those of lunatics, and of teachers and artisans for those of scholars and apprentices. Then follows provisions for what has been called "Exculpation," a term, which, however, begs the question that *culpa* is implied in the "*responsabilité ci-dessus*." To this succeeds a rule as to the responsibility of masters and employers for their servants and workmen. Subsequent passages deal with responsibility for damage done by animals, or by buildings originally ill-constructed or afterwards allowed to get out of repair.

The language of the exculpatory clause is as follows:—

> "The responsibility attaches in the above cases only when the person subject to it fails to establish that he was unable to prevent the act which has caused the damage."

From this it is argued that the exculpatory clause does not refer at any rate to that part of the first paragraph which contains the words "and by things which he has under his care," firstly because "the act which has caused the damage" cannot be applicable to a case of "damage caused by things which he has under his care," for the act of a thing would be a meaningless expression; and secondly, because "the above cases" means only the "cases" properly so called of parent and child and so forth, which figure as particular cases, and even though taken together are far from exhausting the first paragraph. In the French text, however, the exculpatory clause is as follows:—

> "La responsabilité ci-dessus a lieu seulement lorsque la personne qui y est assujettie ne peut prouver qu'elle n'a pu empêcher le fait qui a causé le dommage."

On these words it is pretty plain that the above comment, founded only on the English text, fails. "La responsabilité ci-dessus" refers to the whole preceding part of the Article, every paragraph of which contains expressly or by implication the word "responsible," and "le fait qui a causé le dommage" is an expression not inapt to cover damage caused by inanimate things as well as by animate persons.

Behind this linguistic criticism lies the structure of the Article. Article 1053 deals with damage caused by the defendant's own *faute*. Artcle 1054 takes up another and a wider responsibility, namely for damage otherwise caused, whether by persons or by things. It deals with what may be conveniently called vicarious responsibility and this under three categories: (*a*) persons who know right from wrong, and would therefore be themselves liable also for their own *faute* under Article 1053; for these the defendant answers on the principle of *respondeat superior;* (*b*) persons, knowing right

from wrong, and therefore personally liable, who though not strictly falling under that principle, impose a vicarious liability on the defendant because they are under his control in one capacity or another; and (c) persons who do not know right from wrong, and things, animate or inanimate, for whom the defendant answers on the ground of his control or charge, his being the only responsibility which the law recognises. Paragraphs 2, 3, 4, and 5 are not mere instances of paragraph 1: they include persons incapable of knowing right from wrong, who are therefore outside of the words "the fault of persons under his control." They make a defendant liable, when the actor himself is incapable of *faute* and is therefore guiltless of it and another person is made liable for him vicariously, regardless of any *faute* of his own. This position as applied to persons is the same as that which paragraph 1 applies to things. Such being the object of the Article it would be illogical to refuse to the defendant, who is called on to answer for things in his care, the same exculpation, namely that he could not have prevented the injurious occurrence, which is open to him when called on to answers for minors, lunatics or apprentices under his control.

If, then, it is open to a defendant sued in respect of damage done by things in his care to raise a defence under the "exculpatory paragraph," the next question that arises is whether before the defendant can be called on to excuse himself, the plaintiff must prove that there was *faute* on the defendant's part, or whether proof of the facts (1) that a certain thing was under the defendant's care and (2) that the plaintiff was hurt by it, will in themselves suffice to discharge the whole of the plaintiff's burthen. First of all, Article 1054 expressly goes beyond Article 1053 in that, after saying "non seulement du dommage qu'elle cause par sa faute à autrui," which refers to Article 1053, it takes up another's *faute* "mais encore de celui causé par la faute de ceux dont elle a le contrôle," that is to say not caused by the defendant's own fault. Indeed, if *faute* must be proved against the defendant before he can be made liable under Article 1054, it is difficult to see what efficacy attaches to the exculpatory clause at all. If the defendant is proved to have been guilty of *faute*, how can he say that he could not have prevented its consequences? if he is not, he needs no exculpation. Secondly, there is no reason why the usual rule should not apply to this as to other statutes, namely that effect must be given, if possible, to all the words used, for the legislature is deemed not to waste its words or to say anything in vain. Accordingly, the observation at once applies that, if the defendant must be guilty of *faute* before Article 1054 can apply, Article 1054 is otiose, for he might have been made liable for that *faute* under Article 1053. There can be no answer to this argument, unless it be that the *faute* required under Article 1053 is *faute* causing the damage, and that under Article 1054 *faute* not causing the damage is brought in, and this cannot be the intention of the Code, for then under Article 1054 a person would be answerable for damage done by things under his care, when his conduct has been blameworthy in some immaterial respect, but not when he has been blameless altogether. In other words he would be visited with civil liability to a private person as a penalty for some unconnected error, and an injured person's right to compensation for damage actually sustained would depend on the question whether the defendant was a person not beyond reproach or was a person of invincible impeccabilitiy. In the third place, to hold that even under Article 1054 the plaintiff must prove *faute* against the defendant would have the singular result that either masters would not be responsible for the *faute* of their servants, unless they were also guilty of *faute* themselves, or the seventh paragraph of the Article would have to be read without the implication of *faute*, which on this construction is to be made in the first. There seems to be no doubt that Article 1054 introduces a new liability, illustrated by a variety of cases and arising out of a variety of circumstances, all of which are independent of that personal element of *faute* which is the foundation of the defendant's liability under Article 1053. Furthermore, proof that damage has been caused by things under the defendant's care does not raise a mere presumption of *faute*, which the defendant may rebut by proving affirmatively that he was guilty of no *faute*. It establishes a liability, unless, in cases where the exculpatory paragraph applies, the defendant brings himself within its terms. There is a difference, slight in fact but clear in law, between a rebuttable presumption of *faute* and a liability defeasible by proof of inability to prevent the damage.

Their Lordships fully appreciate that a considerable number of points can be made against this construction. It is said that absolute liability without *faute* shown was unknown in Quebec before *Doucet's* case. It would, perhaps, be more correct to say that the occasion for so deciding has only recently arisen with the growth of scientific inventions and their industrial exploitation. It may be said that Article 1054 is not the place for obligations arising from what Article 983 calls "the operation of the law solely," but is confined by the title of this group of Articles to "delict and quasi-delicts;" that absolute liability for damage done for things under a man's care, whether those things be in themselves dangerous or not and whether or not they have been brought into the condition which

makes them dangerous for purposes of the defendant's own, is a liability transcending the rule in *Fletcher* v. *Rylands* (L.R. 3 H.L. 330) and *Nichols* v. *Marsland* (2 Ex. D. 1) and might work great injustice; that Article 1054 does not begin with the words "Toute personne est responsable," but with the words "Elle est responsable," *Elle* referring to the words of Article 1053, viz., "Toute personne capable de discerner le bien du mal," a reference which is pointless if the *faute* of such "personne" is immaterial and if all that is needed is that in fact the thing should be under his care. To all this the plain words of the Article, if they are plain as their Lordships conceive them to be, are a sufficient answer. In enacting the Code the legislature may have foreseen cases of the kind now in question many years before any of them arose. In construing it *Fletcher* v. *Rylands* and *Nichols* v. *Marsland* had better be left out of account. There is no reason why the Code should be made to conform to them. The mere title given to a group of Articles is not in itself enough to contradict the prescriptions of one of them. As to the fact that the Article begins with "Elle" and not with "Toute personne," it may be that a person incapable of knowing good from evil would be also incapable of having others under his control or of having things under his care, or at any rate would by that very incapacity be entitled to exculpation, on the ground that, if he could not tell right from wrong, neither could he prévent the *fait* which caused the damage. Even if this be not so, the only result would be to exempt from liabililty under Article 1054 persons incapable of knowing right from wrong, though they may occupy the positions mentioned. As no case of this kind arises here, no decision or opinion need be given about it. The positive words of the Article stand and must have effect.

Two other points may be briefly disposed of. The poplar tree grew in the field of one of the plaintiffs and belonged to him and both the houses burnt belonged to customers of the defendant Company. Though these points were touched upon, it is not clear what legal consequence was supposed to result from them. The owner of the poplar was not shown to have been in fault and, even if every tree that grows is "in the charge" of its owner, the tree was not the cause of the damage, but only an antecedent prerequisite. As to the other point there was no evidence that the owner of the houses consented to take the risk of what happened or even knew of it, and if it is said that the exploitation of the electricity was not solely for the supplier's benefit but also for the consumer's, which is somewhat far-fetched, the Article says nothing about the liability of exploiters. On neither of these points have the facts been found, so as to raise in the appellants' favour any contention requiring decision.

Apart from the articles of the Code the appellants resorted to a separate line of argument. The powers under which they carry on their undertaking are statutory and are contained some in private and some in public statutes. Their Lordships think there is no substance in the objection taken by the respondents that under Article 10 of the Code private statutes must be pleaded, which implies proof, and that evidence was not given of the private statutes in this case. The Article does not provide that if such evidence is not forthcoming the same result may not be obtained by admissions and as all the statutes without distinction were the subject of discussion in the Courts below, as if the terms of both kinds of legislation had been duly brought before the Court, and as the printed text was in fact readily available, their Lordships think that this objection is not now open to the respondents.

The powers which these statutes give are of a very familiar type. The undertakers are authorized to carry and distribute high tension electricity over cables, which may be either overhead or underground. Section 13 of 58 and 59 Vict., ch. 58, expressly provides that the Company may erect equip and maintain poles in the streets for the purpose of working and maintaining its lines for the conveyance of electric power upon, along, across, over and under the same. It was contended by the respondents that Subsection (*e*) of this section, by the words, "the Company shall be responsible for all damage which its agents, servants or workmen cause to individuals or property in carrying out or maintaining any of its said works," made the Company absolutely liable for the damage sued for in the present case. Their Lordships think that, as an independent cause of action, this case fails. The damage here is not, in any view of the construction of the subsection, caused in carrying out or maintaining works.

The appellants, however, rely on the authority to carry their wires overhead which the statutes give, as an answer to the claim, and contend that the statutes exclude the operation of Articles 1053 and 1054 of the Code in matters concerning the distribution of high tension electricity by overhead cables, as repugnant to the power which the legislature has bestowed. The application of enactments of this kind is familiar and well settled. Such powers are not in themselves charters to commit torts and to damage third persons at large, but that which is necessarily incidental to the exercise of the statutory authority is held to have been authorized by implication and therefore it is not the foundation of a cause of action in favour of strangers, since otherwise the application of the general

law would defeat the purpose of the enactment. The legislature, which could have excepted the application of the general law in express terms, must be deemed to have done so by implication in such cases. Nor need a use of the power conferred, which is injurious to others, be excluded from the ambit of that which is necessarily incidental to their enjoyment merely because the progress of discovery or invention reveals some extraordinary means of preventing that injury to others which has previously been unavoidable. This point arose and was settled in connection with sparks falling from locomotive engines many years ago. It therefore becomes necessary to consider how far such an escape of electricity as took place in this case was incidental to the use of overhead cables and how far and by what reasonable precautions injurious consequences were preventible.

The question, whether it was necessary to hang the two sets of cables on the same poles or in such proximity to one another that the fall of the branch upon one would lead to the flow of the high tension current into the other, hardly seems to have been examined at the trial. The main contention is this. It was the result of voluminous evidence called at the trial, and indeed in their Lordships' view the Company's case, that, if the wires of the transformers, which are used at intervals along the line of cable, had been grounded, the escaping high-tension electricity would have found its way innocuously to earth instead of entering the houses and setting them on fire. The value of this precaution had been established by the experience of several years, but it was the view of some distributors of electricity, and of the defendant Company among them, that there was an offset to this advantage in the fact that, if the wiring of the customers' houses was defective, the grounding of the transformer wires would substitute new difficulties for the old. It was not, however, shown that the wiring of the plaintiffs' houses was defective to this extent, although it was "démodé," nor did the evidence compare the one disadvantage with the other quantitatively. The Company could have inspected the wiring and, if it was not safe, could have declined to supply current. It is plain that the Company was quite willing to have carried out the grounding of the transformer wires, if the representatives of the Fire Insurance Companies, who advised this course, had given an instruction instead of a recommendation. The latter naturally pointed out that they had no authority to issue instructions but must confine themselves to advice, and as their Lordships are neither prepared to assume that this request on the appellants' part for instructions was a mere quibble, designed to disguise their own reluctance to do anything, nor even to infer that they saw any objection to the proposal except the expense of it, they conclude that the grounding of the wires of the transformers would, some substantial time before the accident in question, have been a practicable and efficient safeguard against the injury which in fact was inflicted. If so, it is impossible to say that the escape of electricity into customers' houses and the consequent damage in time of storm was a necessary incident of the exercise of the power to distribute high tension current by overhead cables along roads, such as would by implication relieve the Company from liability for the consequences.

Two decisions which were pressed on their Lordships' attention require particular examination, viz., *Roy's* case (1902 A.C. 220) and *Dumphy's* case (1907 A.C. 454). The former is a case of damage by the escape of sparks from a locomotive engine and the decision in terms is in line with the well-known authorities of *Vaughan* v. *The Taff Vale Railway Company* (5 H. & N. 679) and *Brand* v. *The Hafmersmith Railway Company* (L.R. 4 H.L. 171); it is a case of "plain words authorising the doing of the very thing complained of." *Dumphy's* is a case of high tension electricity released by the act of a third party's workman, whom the jury acquitted of negligence. No specific Article of the Code is mentioned, and the presence of a high tension current in the cable was only the *causa sine qua non* and the human action which released it was the *causa causans* of the accident. There was statutory authority to circulate high tension electricity overhead, but on the simple issue, whether the damage caused by the escape of that electricity was caused by the Company's negligence, it was held that no negligence had been proved, and indeed but for the act of a stranger, who himself was not careless, the Company's electricity would have done no harm to anybody.

Whether in the present cases the evidence established affirmatively a case of negligence against the defendants is a question on which the Supreme Court arrived at no definite conclusion. Had it been necessary, the respondents would have been entitled to claim before their Lordships' Board that this issue should be decided now, since the terms imposed on the appellants under the special leave to appeal bound them to rely on points of law only but did not preclude the respondents from meeting those points upon the facts in any way which the evidence warranted. In the view, however, above taken of the case no decision on this question is needed.

Their Lordships will humbly advise His Majesty that this appeal should be dismissed with costs.

FIREMEN'S UNDERWRITERS

The sixty-fifth annual statement of the Firemen's Underwriters' Department of the Firemen's Insurance Company of Newark, N.J., published on this page, indicates considerable prosperity during the year 1919.

Assets have increased from $8,556,046 to $9,242,501 a growth of no less than $686,455; surplus to policyholders has been advanced to $3,550,392. Reserve for Unpaid losses amounts to $1,098,237, and Reserve Re-Insurance Fund now totals $4,593,871; an increase of over $450,000.

Occupying a strong financial position, the Firemen's Underwriters has earned for itself a high reputation for liberality and promptness in the settlement of loss claim. The Company is represented in Montreal by M. J. Walsh & Son, general agents for the Province of Quebec.

CANADIAN FIRE RECORD

Fire at Winnipeg, Man.—By the fire which occurred on the 7th inst. in the premises of the Winnipeg Electric Railway Co., the apportionment of insurance losses are as follows:—Atlas, $2,833; Alliance of London, $5,667; Alliance of Phil., $5,667; Aetna, $5,667; Beaver, $8,500; Brit. America, $8,500; Boston, $2,833; British Traders, $2,833; Com. Union, $2,833; Caledonian, $1,890; Century, $2,833; Canada National, $14,167; Continental, $8,500; Eagle Star, $2,833; Employers, $2,833; Fidelity Und., $11,333; Fidelity Phenix, $5,667; Globe & Rutgers, $1,417; Guardian, $5,666; General of Perth, $2,833; Glens Falls, $2,833; General Accident, $8,500; General of Perth, $5,667; Hartford, $2,833; Imperial Und. $8,500; State of Penn., $5,667; Liv. & Lon. & Globe, $1,417; London & Lan., $6,610; Law Union, $8,500; London Guar., $8,500; Liv. Man., $8,500; Minnesota Und., $11,333; Mount Royal, $2,833; North Brit. & Mer., $2,833; Norwich Union, $5,667; North Empire, $2,833; New Hampshire, $2,833; New York Und., $14,167; Northern, $8,500; Pacific Coast, $5,667; Phenix of Paris, $5,667; Phoenix of London, $2,833; Queen, $8,500; Quebec, $4,250; St. Paul, $2,833; Springfield, $2,833; Scottish Union, $4,250; Union of Canton, $2,833; Union of Paris, $2,833; Western $14,167; Yorkshire, $2,833. Total $283,330. Total loss.

Fire at Notre Dame du Laus, P.Q.—On the 11th inst. a fire destroyed 15 houses and stores, entailing a loss of about $75,000.

Fire at Toronto.—On the 10th inst. a fire destroyed a brick garage owned by Mrs. M. Tuckett, 53 Indian Road. Loss about $2,500.

Fire at Watrous, Sask.—On the 1st. instant the general store of Nemetz Bros., was totally destroyed. Insurance as follows:—Glens Falls, $2,500; Liv. & Lon. & Globe, $3,000; Boston, $1,500; Prov. Wash., $2,000; Hampshire, $1,500; London & Lan., $1,000; Guardian, $3,000; State Penn. $2,500; Union of Canton, $2,500; North Empire, $3,000; Northern, $3,000; Norwich Union, $1,000; Springfield, $5,000. Total $31,500. Loss total. On building, Merchants Fire, $3,000; London Guar., $5,000. On fixtures, Brit. Colonial, $3,000. Total $11,000. Loss total.

Fire at Montreal.—On the 10th instant, a fire broke out in St. Martins Church, Point St. Charles. Loss about $3,000.

Fire at Lakefield, Ont.—On the 11th inst. a fire destroyed the Lakefield Power Plant. Loss about $7,000, partly insured.

Fire at Toronto.—On the 12th instant, a fire destroyed the stable, 670 Dupont St., the property of the E. G. Smith Coal Co. Loss $2,300.

Fire at Prince Rupert, B.C.—On the 11th instant a fire destroyed the Inverness Cannery owned by J. H. Todd, Victoria, along with 52 fishing boats, the grocery store and last season's salmon stock. Loss about $35,000.

Fire at Toronto.—On the 12th instant, a fire did about $40,000 damage to the premises of A. E. Long, paper box manufacturer.

Fire at Montreal.—By the fire which occurred on the 7th instant on the premises of the Real American Hat & Cap Co., St. Helen St., the following companies are interested:—Union of Canton, $8,000; Northern, $6,000; Liv. & Lon. & Globe, $19,500; Aetna, $6,500; Continental, $5,000; National of Paris, $5,000; General of Perth, $10,000; Western, $20,000; General of Paris, $7,500; General Accident, $7,500. Total $95,000. Loss about 30 per cent. The fire communicated with the stock of W. H. Barry & Co. (Ribbons). Insurance as follows:—Guardian, $20,000; British Empire, $20,000; Phoenix of London, $10,000; General of Perth, $5,000; Norwich Union, $15,000; Royal, $15,000; Scottish Union, $15,000. Total $100,000. Loss about $12,000. Insurance on building (Robertson) Scottish Union $20,000; Alliance, $20,000; Hartford, $16,000. Total $56,000. Loss about $3,000.

Fire at Fielding, Sask.—On the 6th inst. the business section was swept by fire, entailing a loss of about $10,000. The Imperial Bank saved its vault, but lost its deposits and securities.

Fire at Montebello, P.Q.—On the 14th inst. a fire destroyed the convent and contents conducted by the Grey Nuns and owned by the corporation of Montebello. Loss about $25,000.

HOW TO INVEST LIFE INSURANCE PAYMENTS

We suggest to life company managers that when they pay a death claim to women they send a card with suggestions as to the safe investment of the money to produce an income. Suitable investments as to their general nature may be referred to without mentioning any names, and the company itself should offer to invest the amount or any part thereof as long as the beneficiary may chose, with a quarterly dividend, and the principal payable on demand. Neither the insured nor the beneficiary may care to have a larger payment and sacrifice the principal.

INTERESTING AUTOMOBILE CASE

A case of much interest in Canada, to underwriters of theft insurance on automobiles, was recently decided in the Appellate term of the Supreme Court, New York, Changed numbers on cars figure in a prominent way, and owners recover stolen cars in spite of contention that at date of theft, another party had them licensed.

On November 12, 1919, the police seized and took away from George W. Griffith, a dealer in used cars, at 1700 Broadway, six Ford cars. It was claimed that one of those cars was stolen from Arthur R. Learey on November 5, 1919, and one Car from A. Cairns and one from Bernard Weinzimmer, an insurance adjuster, on November 10, 1919. Learey and Weinzimmer claimed that the numbers on those cars were changed, and that the original motor number on the Learey car was 3307001 and was changed to 3352087, and the original motor number on the Weinzimmer car was 3636373 and was changed to 361888.

Those three cars were insured by the Northern Underwriters and after they were identified by the owners, the insurer procured writs of replevin and seized the cars and returned them to the owners.

Claims of Defendant.

Griffith claimed that those cars belonged to him, having bought them in Brownsville, from one Amerling, and he produced bills of sale showing that he bought the Learey car on November 7, 1919, and the Wienzimmer car on October 31, 1919; in other words, that he bought those cars before the dates on which the Learey and Weinzimmer cars were stolen. Amerling stated that he bought those cars on different dates from one Nathan Applebaum, who lives in Brownsville and is engaged in the lamp business in New York, and that Applebaum delivered with the bills of sale the "owners cards" showing the Applebaum was the real owner of those cars.

A representative of the Secretary of State produced records showing application for the insurance of an owner's card for car No. 3,361,888 was made on October 29, 1919, and for car No. 3,352,087 was made on October 29, 1919, showing that Applebaum was the owner of those cars and produced owner's cards for same before the occurrence of the thefts from Learey and Weinzimmer.

Counsel for the Northern Underwriters, however, proved that the numbers which were on the cars at the time when they were seized by the police, and which were registered in the office of the Secretary of State, were fictitious. Testimony to that effect was given by the Ford Motor Car Company, showing that car No. 3,352,087 was sold by the Ford Motor Car Company to Brazil, and the car was then on its way, on board a ship, going toward that direction, and car No. 3,361,888 was sold to Mr. Johnson of 442 Mulberry street, Newark, and the car was in Mr. Johnson's possession then.

The cases were tried on December 18, before Judge Hoyer in the Municipal Court, and a decision was rendered in favor of the plaintiffs, the assured and the Northern Underwriters; from those decisions Griffith appealed to the Appellate terms of the Supreme Court. Griffiths counsel contended that the evidence of the Secretary of State to the effect that those cars were registered by Applebaum on dates earlier than the occurrence of the theft, is conclusive and absolute proof that they are not the cars which were stolen. It was, however, contended on behalf of the Northern Underwriters, that at the time of the registration with the Secretary of State those cars were not owned or in the possession of Applebaum, but numbers of cars were registered at random in expectation of the stealing of those or other Ford cars, and with the intention of changing the numbers of the cars which would fall in the thieves' net, so as to correspond with the numbers theretofore registered in the office of the Secretary of State.

Fictitious Numbers Shown.

It was further shown that the "motor numbers" of the twenty-six cars which Amerling claimed during the trial to have bought from Applebaum and others, with an owners license on each car, were likewise fictitious numbers. Those cars, according to Amerling's claim, were bought from five different persons in different parts of the city during a period of several months; the motor numbers, however, were practically, more or less, duplications of one another. Three cars had the following numbers: 3014568, 3017567 and 3074567, respectively; of number 2880814 he had two cars, and the "license numbers" of those cars were 223813 and 223831, respectively; in other words, the motor numbers were exactly the same and the license numbers were the same, with the exception that the last two figures were in the first one "13" and in the second one "31," and there were other duplications all through the entire list.

The justices of the Appellate Term did not, in accordance with the usual custom, reserve a decision, but did, on hearing the argument, unanimously affirm the judgment of the Municipal Court.

S. J. Rosenblum and Arthur C. Mandel appeared as counsel for the respondent and J. Lester Fierman appeared as counsel for the appellants.

FIRE PROTECTION SUGGESTION

"The Protection of Wall Openings" is the subject of a bulletin just issued by the National Fire Protection Association to assist in reducing the danger of sweeping fires by the protection of walls in congested districts. The bulletin calls attention to the conflagration hazard which makes any approach to a feeling of common security impossible. But "there is a way to solve this conflagration problem," says the bulletin—"not absolutely, but at least relatively. We can not be expected to tear down our cities and rebuild them of fire-resisting material, the cities must be protected as they stand." The N. F. P. A. Bulletin then calls attention to the fact that in the heart of every city there are streets crossing at right angles along which for a considerable distance are buildings of brick, stone and concrete. This shows a more or less complete Maltese cross of buildings, which are not wood and which operate to divide the wooden-built district into quarter sections, if they were equipped to do so.. These brick and stone buildings are ordinarily valueless as fire-stops because their windows are of thin glass and their window frames of wood. However, the small city that will trace out its Maltese cross of such buildings and equip them with metal window frames and wired glass or standard fire shutters will immediately possess the equivalent of substantial fire walls crossing at right angles in its center, dividing it into four sections.

TRAFFIC RETURNS

Canadian Pacific Railway

Year to date	1918	1919	1920	Increase
Feb. 29..	$19,859,000	$23,379,000	$26,877,000	$3,298,000
Week ending	**1918**	**1919**	**1920**	**Increase**
Mar. 7..	1,122,000	2,468,000	3,244,000	775,000
Mar. 14..	2,496,000	2,645,000	3,130,000	485,000
Mar. 21..	2,846,000	2,232,000	3,283,000	451,000
Mar. 31..	4,306,000	4,245,000	5,832,000	1,587,000
April 7	2,984,000	2,921,000	3,617,000	696,000

Grand Trunk Railway

Year to date	1918	1919	1920	Increase
Jan. 31..	$ 4,083,362	$ 4,402,229	$ 5,054,034	$ 651,805
Week ending	**1918**	**1919**	**1920**	**Increase**
Feb. 7	675,115	905,449	1,178,184	272,735
Feb. 14	752,861	947,889	1,220,509	272,620
Feb. 21	980,013	974,220	928,693	Dec. 45,527
Feb. 28..	1,133,392	1,260,470	1,333,445	Dec. 72,975
Mar. 7..	1,122,582	1,224,388	1,185,857	" 38,531
Mar. 14..	1,135,552	1,159,337	1,248,993	89,656
Mar. 21..	1,204,467	1,235,013	1,320,407	85,394
Mar. 31..	1,796,678	1,894,855	2,001,115	106,260
April 7..	1,359,291	1,274,553	1,469,333	194,780

Canadian National Railways

Year to date	1918	1919	1920	Increase
Feb. 29..	.....	$13,053,079	$13,783,621	$ 730,542
Week ending	**1918**	**1919**	**1920**	**Increase**
Mar. 7	.....	1,369,774	1,690,099	320,325
Mar. 14..	.....	1,480,946	1,625,485	144,539
Mar. 21..	.....	1,487,313	1,577,062	89,749
Mar. 31..	.....	2,822,003	2,868,680	46,677