$25,000 to $50,000, and even as much as $75,000. All this is the result of labor, and is pregnant with hope for the future interest of the country.

SPECULATIVE INSURANCE—LEGISLATIVE CHECKS WANTED.

A meagre report copied from a Montreal journal into our columns, is the only information that the directors of the Citizens' Insurance Company of Canada, have deemed it wise to give the public, respecting its position and affairs. Some of the statements in that report, brief as it is, are highly interesting, and we cannot suffer them to pass without notice,

In the directors report, read by the President, Sir Hugh Allan, at the annual meeting it is stated that "after the deduction of a dividend on the paid-up stock of 10 per cent, the Company have a "rest" (whatever that may mean as applied to an insurance company) of $76,234. The term "rest" as used in reference to a bank, is perfectly intelligible; every novice in the science or the practice of banking knows the reasons for the creation of the fund so designated, and the objects it is chiefly intended to serve. But to so describe any item of an insurance company's accounts shows pitiable ignorance; and the Manager or Secretary who drew up the report and put the word in Sir H. Allans' mouth, ought to be cashiered at once. Before we can congratulate the Company on the possession of this fund, we require to know of what it consists. Does it include the cash capital of $10,000 and the accumulated premiums of the life branch? In ascertaining the amount of this so called "rest' was any account taken of the life liabilities along with all the other liabilities, for which this sum so "amply provides "as to make the stock worth "50 per cent premium in the market," according to the reckoning of the President? It is a first principle of insurance that before a company can rightly pay a dividend, it must be possessed of sufficient premium reserve independent of capital to provide for all its out-standing risks. Out of the surplus, over and above this reserve, only can a dividend be legitimately paid; otherwise it is a dividend paid out of capital, which is a financial absurdity and held to be illegal. The chief object of capital in the case of a life insurance company, is to provide for any deficiency in the reserve, and only in cases where it is specially permitted by charter, can a company distribute even the interest accruing from the investment of its capital among the stockholders, until the reserve arising out of accumulated premiums is sufficient to provide for all outstanding risks. A life insurance company has no right to pay a dividend to stockholders or a bonus to policy-holders, until by a valuation of its assets and liabilities it has been ascertained that there is a clear surplus, and even the whole of that is never divided by any well-managed insurance company. Paying dividends to stockholders out of capital, or what is the same thing, in the absence of a surplus, invo ves the grossest injustice, and in England is justly treated as a crime.

If, then, this fund of $76.234 is ample to meet all liabilities, direct and indirect—under fire, life, guarantee and accident policies and otherwise—it follows that the business of the Company is exceedingly limited; if it be not sufficient then the assured have been most unjustly, not to say dishonestly dealt with, and the management have assumed a grave responsibility in the payment of a dividend!

This brings us to what is, after all, the most remarkable feature of the Citizens' affairs—the capital. According to the presidents' statement, the paid up capital is $250.000, that is $10.000 in cash and $240-000 in promissory notes. The dividend being declared on the paid-up capital (so called) is therefore nomially 10 per cent, but actually 250 per cent on the money paid in, or $25.000 dividend on $10.000 paid! A truly handsome dividend if fairly earned and honestly paid out. The shareholders are to be congratulated, unless they have received funds that belong not to them but to the assured.

But as Sir H. Allan dignifies these notes with the title of "investments," it may be supposed that they bear interest. Assuming then that they carry legal interest the 10 per cent dividend just paid would considerably exceed the entire cash capital so that, even at this rate, the shareholders have received back directly in cash *in one year* more than the entire amount of their cash investment!

It is to us at once suprising and humiliating to read the President's statement, that these notes are "the very best security," and that "he saw no investment for what was not necessary better than the one they at present had." We are then to understand, upon the word and opinion of "one of the first bankers of the Dominion," that a promissory note is as good an investment for a low-rate, stock life insurance company as any that can be had? That the liquidation of liabilities, which mature in twenty, thirty and fifty years hence is as well secured by promissory notes, as by any other form of investment. It really seems to us that Dominion stock, for instance, would be preferable in point of security for the payment of such debts, to the notes of transient traders, unsecured by collaterals, especially as they instead of paying interest, receive dividends. When the claims for which these notes must be supposed to provide, have matured according to the unalterable laws of average, the majority of the makers and endorsers, after receiving many such handsome dividends as above may stand in a different position as to solvency, and some of them doubtless will have passed forever out of reach of duns and bailiffs, and beyond hearing the plaints and distresses of those whom they may have unintentionally wronged. Individual solvency for a long period of time is, in a comparatively new country, not to be too much relied on. Canada has seen many of her most opulent men suddenly deserted by fortune; and what has happened once, may and most likely will happen again. At any rate there is a possibility of this and, therefore, the sacred trust of life insurance should not rest on such a basis.

But why have these notes at all? What compensating advantage to the Company do they bring, for the apparent payment to the shareholders in three years of dividends amounting to six times the entire cash capital that has been paid in? In all the Company's announcements the capital is blazoned forth in bold type as **$1,000,000.** It is understood that this is the amount subscribed. The shareholders are therefore directly liable for that sum—not less liable for the portion ($750,000) which is uncalled than for the smaller amount represented by notes, and by a fiction said to be paid up. If all the uncalled capital is in good hands, why would it not be available in a contingency?—and if it would be available, where lies the necessity of paying large sums to the very same holders for changing the form of their liability into that of a promissory note? On the other hand, if it would not be available, why mislead and deceive the public by advertizing a capital that will not be forthcoming should it be wanted? The fact, then, is that it is represented to the public that there is, in the words of the Company's prospectus, "a large paid-up capital securely invested," when there is really no investment at all beyond the $10,000 paid in. The balance of the quarter of a million —$240,000—said to be invested, is, in point of fact, not invested at all, but is a drain on the Company's revenues, dividends being paid on money never received, and that may, and most likely will, never be received. However convenient and useful it may be to hold a shareholder's note, it cannot be right, in the interests of the Company, to pay him handsomely for the