either one or more or all of the following items:—(1) premiums received on "revived" policies, which should properly be credited to "renewal" premium account; (2) dividends on "annual dividend" policies, applied in payment of renewal premiums, a further reference to which will be made in our next issue; (3) the cash values of "reversionary additions" granted in lieu of cash dividends; (4) the cash values of reductions of premiums and annuities granted in lieu of cash dividends; (5) the cash equivalents of extended assurance; (6) the accrued but undivided profits on "deferred dividend" policies, on the assumption that the assured will elect to convert them into reversionary additions or paid-up assurance; (7) the difference between "without profit" and "with profit" premiums on non-participating policies; (8) the difference between "reduced" and full tabular premiums on "anticipated dividend" policies issued on the former plan, where the difference in premium may or may not be a charge upon the policy, either with or without interest thereon; and (9) the mortuary or return dividend portion of premium on renewal mortuary or return dividend policies in force.

We are strongly of opinion that there is no justification for treating any of these items as "new cash premium receipts," and that the practice reported to be adopted by some companies in this respect is to be condemned as utterly misleading to the assured and the public.

For purposes of safety and for other good reasons, the premiums charged by life assurance companies are somewhat higher than is theoretically necessary, and the understanding is that the amount paid in excess of that found to be required shall either be returned to the assured or applied to increase the original amount of assurance or reduce the premiums. When, therefore, the surplus is so applied, the transaction is merely a carrying out of the terms of the original contract, and in no sense constitutes a distinct one. The assured has effected only one policy, and has already paid his premium for either of the purposes named. To treat such maturing benefits as new business is opposed to common sense, and to go through a fictitious book-keeping operation to that end is, to say the least, contrary to the rules of good accountancy. We venture to express our conviction that the proper principle to follow in this matter is to treat as new premium income only those premiums received on new and distinct policies issued during the year.

The undesirable methods alluded to have gradually crept into practice through the foolish desire of the companies to parade a large income from new business, and we think we are within the mark in saying that they have resulted in inflating that item to the extent of from 25 to 50 per cent. in the case of some companies. The system is still more objectionable in that it nominally reduces the actual expense ratio for new business, and is thus calculated to mislead policy-holders and the public as to the productive return received upon the excessive expenditure incurred in the present scramble for "new blood."

For the purpose of ascertaining the views of the companies on this and other subjects, which will be dealt with in due course, we purpose communicating with every life assurance company doing business in Canada and the United States. We consider that the general system of life assurance book-keeping requires to be put upon a correct and uniform basis, and that the public reports and government returns of the companies should be made in such a full and frank manner as will enable any man of ordinary business intelligence to grasp their exact meaning.

THE NORTH BRITISH AND MERCANTILE.

The year 1893 will be a notable one in the history of fire underwriting as being, it is hoped, the culmination of a series of unfavorable years for companies generally all the world over. While the above Company has not escaped the common experience, unlike many of its competitors, it has emerged from a year of flames in such a condition as to be able to declare a dividend of $550,000, which is at the same rate as in 1892, viz.: of $5 per share. That the Company was able to announce such a satisfactory result after such a trying time is a speaking commentary upon the stability of its resources and the wisdom of its management in so conserving them in the past as to bear the strain imposed upon them without affecting the dividends. The fire experience of the past twelve months can only have one effect upon the public, and that is to confirm their confidence in such institutions as the North British and Mercantile, and to increase their appreciation of the protection they afford. On another page we publish a summary of the results of the Company's operations for the period under notice, and in this connection it is satisfactory to note that its usual clear statement of accounts has been improved upon, so as to reveal the position of the Company at a glance. In the fire branch the net premiums, although slightly less than in the preceding year, owing possibly to an elimination of unprofitable risks, amounted to no less than $7,236,950, a striking indication of the magnitude of the company's operations and of the prominent place it holds in the front ranks of the world's fire insurance companies. The net losses, which amounted to $5,250,920, were at a somewhat higher ratio than in 1892, but it is gratifying to note from the statement made at the annual meeting that the losses this year so far are $430,000 less than for the same period in the preceding year; and it is expected that with the return to a more normal condition of the fire hazard, of which there is good prospect, and a re-organization of the Company's business in the less profitable parts, a much better showing will be reported for the current twelve months. The total fire insurance fund at the close of the year, including a dividend reserve of $750,000 and $497,205, balance carried forward, aggregated $11,409,520, which, together with the paid up capital of $3,437,500, constitutes a splendid security to the policyholders. The fire business of the Company in Canada is the second largest of any in the field, the amount at risk at the