

EASY MARKS FOR THE INCENDIARY.

Fire Commissioner A. Lindback has issued another of his trenchant bulletins. This time it is apropos of the conviction of the fire-bug, James Dodds, and in it, he says *inter alia*:—

"I hardly know of any place, city or town, as full of old dilapidated and unprotected buildings as the city of Winnipeg, and if an excuse for this is to be put forth, that the city is growing much faster than others, after a lesson such as that one given us by James Dodds, it appears to me that it is strictly up to the city authorities to make extra efforts as to the enforcement of their own by-laws, by preventing wooden buildings to be erected in the first fire limit, and through their police department to protect the taxpayers from the depredations of lunatics, pyromaniacs and irresponsible tramps.

"In my position as fire commissioner, I have again and again called attention to this menace, have ordered buildings put in repair, and even torn down, have forced contractors to rebuild criminally erected chimneys, but without the co-operation of those whose paramount duty it is to handle such matters within the city limits, can only be expected to make but small headway.

"While the investigations and inspections by my department has shown evidence from time to time of fires of incendiary origin, most of these were charged to the carelessness of irresponsible boys and individuals as it did not stand to reason that a deranged individual would be allowed systematically to burn up a city like this for a length of time stretching beyond two years without being detected and apprehended by the natural guardians of its safety.

"However, I venture to predict that unless drastic measures are applied without delay, James Dodds may have not one but several imitators, and we will still be guessing at the origin of many fires, which proper precautions would eliminate."

PROFITS FROM THE STANDPOINT OF THE LIFE COMPANY AND THE PUBLIC.

(Percy C. H. Papps, *Actuary Mutual Benefit Life Insurance Company, Newark, N.J., before the Insurance Institute of Toronto.*)

(Continued from page 477.)

NEED OF SURPLUS.

The question arises why there should be any surplus and why the premiums are not made smaller so that insurance may be furnished at actual cost.

Let us first consider the case of a purely mutual company, namely, one having no capital stock. At the end of each year a statement must be prepared showing the assets and liabilities of the Company and in order that the Company may be solvent it is necessary that the assets should at least equal the liabilities. If it could be foretold at the time the premium rates are calculated just what rates of interest and mortality are going to be experienced, just how many policyholders are going to lapse or surrender their policies, how much new business is to be secured each year and at what cost, and the expenses and taxes which will be incurred in conducting the business from year to year, it would be possible to so adjust the premiums as to furnish the insurance substantially at cost. Since these factors

cannot be foretold, it is necessary that the premiums should be sufficiently large to cover any contingencies which are in any way likely to arise. It must be recognized that premiums for policies issued without participation in the surplus should be larger than the cost of furnishing the insurance is expected to be.

The cost of new business, such as the agents' commissions, medical examiners' fees, inspection of the risks when necessary, the cost of issuing the policies, together with advertising, rental of offices and many other expenses which are incurred largely, if not entirely, on account of new business, is such that the first premiums are not sufficient to meet these expenses, furnish the insurance for the first year and provide the first year reserve. In time the new business of any year, if wisely selected, will become self-supporting, but for the first year or so a certain amount of capital must be invested in supporting this new business. In the case of a mutual company the only capital available is the general surplus which must have been provided by other policies. A surplus is necessary, therefore, not only to guard against insolvency, but to enable the company to write new business.

COST OF DIVIDEND.

The suggestion has been made that participating premium rates should be reduced materially, so that they would be little, if any, larger than those for non-participating insurance. Good reasons may be advanced in support of this proposal, but on the other hand, it must be remembered that it costs something to ascertain and pay a dividend to each policyholder, and it might well happen that in some years the cost of ascertaining and paying the dividend would exceed the dividend itself. There is another objection to the proposal and that is from the standpoint of safety. A mutual company may have a surplus set aside to provide for contingencies. Suppose some disastrous investment is made and that the loss resulting wipes out the surplus. If the company has premium rates only just sufficient to cover the cost of the insurance granted with very little to spare, it will be a long time before the surplus can be replaced, and if another loss occurs the company will be insolvent. If the premium rates furnish a good margin over the cost of the insurance, as is the case with the present premium rates, the withholding of dividends for a year will provide a surplus. It may be pointed out that at December 31st, in any year, a company may set aside the dividends to be paid in the ensuing year and before those dividends are all paid another year has rolled by and the surplus earned during a normal year has replaced the surplus which has been paid out as dividends. In this way the Company throughout the year has always a fund equal to the dividends of one year. This condition is not materially altered when dividends are paid more frequently than once a year. It will be noticed that I have used the expression "Dividends paid" in the popular sense and intend to include therein the so-called dividends allowed in reduction of premiums or otherwise.

Since a stock company is expected to keep its capital stock unimpaired, it is in practically the same position as a mutual company, so far as maintaining a surplus is concerned.

ASCERTAINMENT OF SURPLUS.

To one unfamiliar with life insurance accounts it may seem to be a simple matter to ascertain the amount of a company's surplus. The net surplus