virtually all sold. Late advices from Liverpool state that November imports into Britain being light, values at the first week in December were generally maintained, in a few items indeed a slight advance being declared. For waney pine from Eastern Canada there is fair enquiry at firm prices, while square moves with more difficulty. Of British Columbia pine the stock is too heavy, and little improvement is seen in the demand. Pine deals have moved off fairly well and values have advanced slightly.

The eastern United States market, on the other hand, to which so much of our Ottawa Valley lumber goes, presents conditions less hopeful. The causes of disappointment are various, notably, low freights from the West, lessened demand for Michigan and Minnesota lumber at home, and the introduction of other woods, such as southern pine, etc. Doubtless, the unsettled financial and currency situation in the United States has something to do with the lessened demand, people being more disposed to live "from hand to mouth," and manufacturers to expand less readily. Ottawa lumber dealers look for an increased demand, however, after the turn of the year, when a considerable share of the large stock wintered here may be expected to move.

Canadian dealers did not benefit as greatly as was expected by the alteration of the duty on lumber, because of the untoward commercial and financial conditions in the United States themselves. Not nearly the expected degree of activity has prevailed among our neighbors, activity that should have caused a brisk demand for lumber. Nor has the export demand for South America, etc., been brisk; on the contrary, it has been dreadfully slow. One Boston house which is ordinarily a heavy shipper, has an immense lot of lumber in Ottawa, carried over.

What the turn of the year will bring to our merchants remains to be seen. Good judges, while welcoming a slight present improvement, look for a more pronounced one a little later on. There are some indications that the higher grades of Canadian pine will be in request, and that, too, at better prices than now prevail. The winter has so far been favorable for logging; but, nevertheless, a lessened production on the part of all the large lumbering firms is considered quite likely.

THE UNEARNED PREMIUM RESERVE OF FIRE INSURANCE COMPANIES.

Anyone who has given attention to the details of the returns of fire insurance companies, as set forth in the annual reports of the Superintendent of Insurance for the Dominion, will have been struck by the large proportion of the premium income for any year which is comprised in the amount set down as a liability for unearned premium on outstanding risks. As there is more or less haziness in the minds of many persons as to how this liability is estimated, it may be well to state that it is arrived at by charging fifty per cent. of the premiums received on all unexpired policies written for one year or less, and five-sixths of the premiums received upon three-year policies. Thus a company which had transacted a business of $200,000 in annual premiums, and $60,000 in premiums upon three-year risks, would be debited in the Government statement, upon this income of $260,000, with a liability at the end of the year of $150,000.

On turning to the income and expenditure statements, it will be found that the average expenses—agents' commissions, salaries, taxes, and all other charges connected with the business—of fire insurance companies in Canada, are somewhere in the neighborhood of thirty per cent. of the premiums. This would amount, on a $260,000 income, to $78,000, and deducting this and the $150,000 charged as unearned premium from the year's receipts, would leave the company but $32,000, or about twelve per cent. of its premiums, to provide for the losses which had been incurred during the year. To anyone at all familiar with fire insurance business, it will be apparent that $80,000 incurred losses would be an average experience for a company upon such a volume of business as that above stated, and, with such a loss experience, the result of its year's operations would be shown in the Government returns to be a deficiency, or an impairment in its capital, of $48,000. The larger the volume of business transacted, the greater would necessarily be the apparent deficit.

As a further illustration of the effect upon a company's statement of the Government charge for unearned premium, we will assume a case of a company organized to insure dwellings only, which risks are usually written for the term of three years. If it secured $300,000 of such premiums at an expense of thirty per cent., or $90,000, the company's net income would be $210,000, while the liability for unearned premium charged against it at the end of the year would be five-sixths of its gross premium income, or $250,000, thus showing an impairment of its capital (without providing one dollar for the year's losses) of $40,000. In other words, the Government charge for unearned premium would be $40,000 more than the company's net income.

Our object in calling attention to this question is not so much to urge a modification in the method adopted by the Insurance Department in computing these liabilities (which, however, might well be considered) but to point out that under the present method, which ignores altogether expenses incurred by companies in placing the business on their books, no new insurance company can be organized, and no company already in business can make any material addition to its income, without having to face this technical impairment or deficit. That it is purely technical is well understood by those in the business, and will be at once apparent to anyone giving the matter due consideration. In speaking of this liability for unearned premiums in the Government statement, Professor Cherriman, in one of his annual reports while Superintendent of Insurance for the Dominion, admits that the reserve charged "is a larger amount than a company in continuance of active business would require under ordinary circumstances for the fulfilment of its contracts," being, "in fact, the amount which a company would have to return to its policy-holders for the cancellation of its contracts, and which policy-holders could claim for in the event of withdrawal or insolvency of the company." It is scarcely necessary to say that no company would attempt, even if it were discontinuing business, to relieve itself of its liabilities by the method provided for by the Government standard, namely, by returning to each individual policy-holder the unearned proportion of the premium he had paid, inasmuch as other companies are always willing (as shown by the re-insurance contracts of companies which have retired from business) to assume the risks of a retiring company and make an allowance at least equal to the expense incurred in securing them.

While it is evident, therefore, that the interests of the insuring public are abundantly protected—the object of the Government apparently being to "make assurance doubly sure"—it is equally clear that the Government reports convey, in consequence of this implied liability, an erroneous idea as to the true financial position of the companies. The actual liability upon outstanding policies can, of course, only be accurately determined when the risks have been run off. But in making an estimate of it at any given date, it would appear that the companies would be justified in