forty per cent, is nearly or quite used up in current expenses and dividends on the stock. There can be no considerable diversion of the income, under such circumstances, without immediate and visible effect on the solvency of the company.

On the other hand, fifty-six life insurance companies doing business in Massachussetts, none of them old, and most of them quite young, received an income from premiums in 1868 of nearly seventy million dollars. A little over eleven millions was called for to pay the losses of the year. Thirteen millions and a half more went for current expenses. If we charge all the other expenditures of the year, for dividends and other out goes, amounting to nearly sixteen millions against the premium income, we shall still have left an excess of about thirty millions of premiums, to say nothing of nearly nine millions of income from other sources, which the companies might have swallowed up in mismanagement, extravagance, or fraud, and still have gone on without any visible symptoms of present insolvency, to more magnificent plunderings in the future.

This is owing, as already stated, to the peculiarly remote or prospective character of the obligations which the companies have assumed. The obligation of the assured to pay the premium is a present one recurring at regular intervals. The obligation of the company to pay the policy is postponed until the happening of a contingency, which, by the terms of the contract or the law of life, is sufficiently remote to protect the company against an immediate drain upon its resources. An institution which is sure of its income on the one side, and safe against a run on its treasury on the other, has, if its management is reckless or dishonest, at once the largest temptation, and the largest opportunity, to lay too lavish a hand upon the money which the present supplies, but owes to the future, and by thus plundering the future to make sure the frustration of its hopes and sacred trusts.

It is, of course, fortunate for the most sound and honest company that its obligations are prospective. It is one of the legitimate conditions of its business and ultimate solvency that they are so. If the fifteen hundred and sixty-seven millions of dollars which the companies in this report have assumed in their policies to pay, could by any possibility mature upon their hands to-day we should find them with only one hundred and seventy-five million dollars in hand to meet the call, and a dividend of eleven cents on the dollar would exceed their ability to pay. But if we measure the probable duration of these policies by a safe law of mortality, and give credit for the future premiums due upon them, saving a proper margin for expenses and contingences, and allow for the magical power of compound interest to augment and roll up the accumulated reserves from past and future premiums, we find that one hundred and forty million dollars in hand will satisfy the present liability on the immense amount of prospective policy indebtedness; and if the law of reserve and accumulation is sacredly maintained in the future, we may believe, beyond the shadow of a troublesome doubt, that every one of these policies will be paid at its maturity.

There is, therefore, a present obligation resting upon every life insurance company of the most sacred and vital character, not to encroach upon that portion of every premium received, which must go to swell a constantly accumulating reserve fund, enlarged year by year by additions from new premiums, and so invested that it may expand upon itself by the accretions of interest compounded. A company which faithfully observes this obligation is not only true to the present, but deals honestly with the future, and is building on a rock to which the hopes of another generation may be safely anchored.

It is owing to the existence of this peculiar danger and duty of life insurance that a frequent probing of the condition of every company is necessary, both for the information of the public, and in order that the company may be assured of its own right standing. An unsound company needs, and a sound company will invite, the most thorough and searching test of its present and prospective ability.

THE PREMIUM NOTE SYSTEM.

The practice of satisfying part of the payments required by life insurance companies by giving a premium note, or, in the case of those who are supersensitive about promissory notes, by acknowledging a loan of the portion unpaid, has been warmly advocated and defended by leading insurance men. In the defence of this system we have been told that the company leaves in the hands of the party insured that part of the premium which it does not intend ultimately to retain—the surplus; that instead of requiring the payment in cash of that excess over the actual cost of insurance which the table rates call for, the company deposits it with the policy-holder as a loan at simple interest; that the note is gradually cancelled by the holder's share in the division of the profits, and that thus the insurance is furnished at absolute cost, while, by so convenient an arrangement, persons of small means can secure double the amount of insurance for the same cash payment that can be had in an all-cash company, and capitalists make their money earn more than the legal rate of interest, which is all the company charges for the use of it.

The great champion of this system, Mr. Elizur Wright, says that premium notes, when not exceeding the net value of the policies—or, in other words, the unearned net premiums—are the safest possible assets of a life insurance company. Inasmuch as they are the notes of its creditors, they are a sure offset, to their full extent, in cases of liquidation. With the ordinary premiums there can be no reason to doubt of the safety of 50 per cent. notes, nor that the solvency of the company is made somewhat more sure by their existence as a considerable part of the premium reserve.

In spite of these asserted advantages, however, it is a very noticeable fact that the note system is steadily losing ground and falling into disfavor. The companies which for years proceeded upon the half note plan have, with two or three exceptions, reduced the amount of the note to thirty per cent. of the premium, or even less. Others which have heretofore accepted a note of one-third have abandoned the note or loan feature, and now transact their business upon a cash basis exclusively. The opponents of the part-note plan claim that they foretold this result, and that their predictions have been realized in advance of their expectations. It is noticeable also that the parties assured have themselves largely contributed to this end. Whether from a growing aversion to an accumulation of notes and consequent increase of interest; from distaste for the complications thus substituted for more direct, plain and simple methods,—such, for example, as that of the stock companies, so much insurance purchased for so much money paid; whether from disappointment in the cancellation of the notes by dividends which have no existence save in the over-promises of enthusiastic agents, it matters not, so long as the fact remains as part of the history of the time. The action of the companies in exchanging the part-note for all-cash premium system is a clear confession that however captivating the former may be in theory, it has not withstood the test of experience. It is a distinct avowal that if the propitious circumstances of the past were unfavorable to results more satisfactory than those we have witnessed, it will be impossible to draw encouragement from the future. The adoption of surrender values and of *pro rata* paid-up policies has cut off the revenues derived from the old system of forfeitures. The age of low expenses has passed away, never it is to be feared, to return. Thus while sources of profit have been cut off, expenses have increased in an inverse ratio. If therefore, in the practical workings of the system the company finds that its liabilities, present and contingent, are disproportionate to its actual strength, that its ratio of reserve in premium notes is such as to make a compulsory assessment only a question of time, and if the policy-holder finds that the current dividends are insufficient to offset the notes held against him, it is only the part of common prudence to reduce the percentage of these notes and cut them down to the margin of absolute safety.—*Baltimore Underwriter.*

The Business of Insurance.—A return was published last session (Eng. House of Commons) of the number of stamps for policies of life insurance issued by the stamp office during the years 1863 to 1868, which reveals the startling fact that, during the last six years, the business of life insurance has retrograded instead of advancing. In 1863 there were issued 140,220 stamps, from 3d. to 1s. inclusive, representing insurances from £25 to £100 inclusive. In 1868 the number issued of such was 430,363, the increase having taken place in a great measure from the introduction of Government insurances of that amount. But as we advance the facts are not so satisfactory. In 1868 there were issued 31,001 stamps of from 1s. 3d. to 5s. each, representing insurances from above £100 to £500 inclusive; in 1868 the number of such was 25,715; in 1863 there were issued 9,396 stamps of from 5s. to £75, representing insurances over £500 and upwards; in 1868 there were only 8,233 issued of these amounts. It would appear from these figures that among the large mercantile classes, who know best what is passing in mercantile circles, fewer have insured their lives in 1868 than in 1863. Another return moved by Mr. Goldney shows that during the same period there has been an equal reduction in the amount of abatement from income-tax, in respect of premiums paid by persons for insurances on lives or deferred annuities to insurance offices. In the year ended March 31, 1863, the amount of abatement was £38,934; in the year ended March 31, 1868, it was £15,757.

There has been not only no increase, but an actual decrease in the number and amount of the best business carried on by the leading companies; while the insurance companies in the United States are increasing their business at an enormous ratio. During the year 1868, while twenty of the leading insurance companies of the United Kingdom made out 14,000 policies, for an aggregate amount £7,750,000, twenty of the leading companies of the United States made out 143,000 policies, for the aggregate of £87,000,000 sterling. Whence this enormous contrast?—*London Investor's Guardian.*

Superintendent Barnes' Bookkeeping.—The *Insurance Times* takes Mr. Barnes to task for his bad bookkeeping and reproduces some rather telling discrepancies in his accounts. The *Times* winds up its criticism as follows:—

"It is time for Mr. Barnes to tender his resignation and for the Governor to appoint a better man in his place. In examining this subject we are compelled to adopt one of these two conclusions: either that Mr. Barnes has not the ability to make a clear and correct statement of the expenses of his office; or, having squandered immense sums on his useless experiments, he is desirous of concealing his blunders as much as possible."

The Chicago *Spectator* of last month also devotes a couple of pages to dissecting Mr. Barnes and his English. Some very good points are made against the style of language employed in the last annual report. As the Superintendent devotes himself to supervising the affairs of the companies and exposing their errors and shortcomings, he cannot be surprised if they avail themselves, through their organs in the press, of any opportunities that may arise for picking holes in his coat in return.

Fire Record.—Port Dalhousie Sept. 28.—A telegram says Coles Hotel was consumed. The flames spread rapidly to the contiguous buildings,