

still no insignificant margin for harvest needs, the difference between circulation and paid-up capital at June 30 this year being about twenty million dollars—or between five and six millions more than enough to allow for the June to October expansion of last year. And it is to be remembered also that the authorized capital of several of the banks is greater than a year ago, so that the potential margin for meeting circulation requirements is thereby further increased over last year's.

The May increase in call loans outside Canada continued during June to the extent of \$3,017,195 with a partially corresponding decrease of \$2,024,008 in current loans abroad. This, of course, indicates continuance of the process of conversion into resources abroad that are quickly available. The possibility of modifying in some degree the present methods of holding quick assets is considered by THE CHRONICLE of this issue in its editorial on Banks and Government Bonds.

WHERE ANNUAL DISTRIBUTION FAILS SIGNALLY.

Dividends, annual dividends and nothing but annual dividends—to the treatment of these the Royal Commission devotes considerable attention in its draft insurance bill. But here, as in more than one other instance, the commissioners appear to have walked by faith rather than by sight—faith in the general wisdom of New York's Armstrong bill, without independent examination into the practical workings of so hard-and-fast a limitation upon the business of life insurance. No weight, apparently, was attached to British actuarial practice and opinion as to the greater fairness of a quinquennial allotment of surplus. Nor does it appear that due consideration was given to the possibility of retaining, with certain modifications, the deferred dividend system—which, whatever may be objected as to it, has undoubtedly done much to popularize life insurance and extend the range of its benefits.

Fortunately, however, the proposed act as yet is only a proposition. There is still time to be warned by the outworking of the Armstrong bill. One of the many puzzling problems growing out of the New York insurance legislation is the dealing with sub-standard lives and hazardous occupations. Take the case of a company which has made a special practice of insuring such risks—charging premium extras, determined as accurately as possible, but with the further proviso that dividend settlements on such policies be deferred until experience shows what surplus has actually been earned by the special classes into which the risks may be grouped. Some such method as that outlined is manifestly as fair to the sub-standard risk as it is to the company's policy-holders in the

large. And as manifestly unfair is it to declare annual dividends upon such contracts—since no actuary can determine whether these are being properly earned or not, no adequate tables being available for his guidance in the matter.

Of course, the New York companies concerned with this class of business will not abandon the writing of sub-standard risks—and thus deprive of all hope of insurance protection a class which particularly needs it. Therefore, the plan has been adopted of rating up the ages according to the best judgment of medical officers and actuaries, and then treating the risks as normal, but at the increased ages. At best, this means unfairness either to the sub-standard or to the normal policy-holders—to the former if the rating up has erred on the side of safety, to the latter if it has been too lenient. Only by deferred dividends in special mortality classes can an absolutely fair arrangement be assured.

While the insurance of sub-standard and other special mortality classes has not, in a country of the Dominion's present population, engaged very greatly as yet the attention of Canadian companies, the field is a legitimate one—and one that will be increasingly important in years to come. It is the part of wisdom therefore, to see to it that arbitrary legislative restrictions shall not hamper the companies in this particular. And aside from its consequence *per se*, this matter is of wider import—affording as it does one instance, among many, of the danger that lurks in undue legislative interference in the details of business management.

COMBINED FIRE INSURANCE LOSS AND EXPENSE RATIOS—1869 TO 1906 INCLUSIVE.

On the opposite page is a statement of the ratios of losses paid to premiums received during a period of thirty-eight years by the companies transacting fire business in Canada. By making the estimated allowance of 30 p.c. for expenses, the column of combined loss and expense ratios is also obtained.

The following summary shows these ratios for the Canadian, British and United States companies respectively:

	Premiums.	Losses.	Loss & Exp. Ratio.	Exp. Ratio.
	1869-1906	1869-1906	P. c.	P. c.
Canadian.....	\$ 51,179,522	\$ 34,178,902	66.78	96.78
British.....	150,070,666	100,129,793	66.70	96.70
United States.....	29,323,131	18,559,714	63.29	93.29
All companies...	\$230,573,319	\$152,868,409	66.30	96.30

THE LONDON ECONOMIST'S index number of average prices of commodities at the opening of July is 2,594, comparing with 2,601 on June 1, which was the highest reported by The Economist at any time since 1876. On July 1, 1906, the number was 2,362.