

For the first time, the aggregate rests of the banks appear in the return at over \$100,000,000. Excluding the capital of the defunct Sovereign Bank, the proportion of rest to the paid-up capital of the banks is now 92.3 p.c. A year ago, it was 87.3 per cent. At this rate of increase of rest, a comparatively short time will see the Canadian banks as a whole possessing as much rest as paid-up capital.

A TARIFF FOR LIFE OFFICES IN GREAT BRITAIN.

(The Economist, London.)

The success of the principle of joint action applied to fire insurance companies has been complete, and it is a continual source of surprise that no agreement similar to that so ably administered by the fire offices committee has ever found its way into the practice of life assurance. When the fire insurance companies came to an understanding to regulate competition they were in grave danger of complete paralysis, if not of ruin, through the necessity of paying ever-increasing commissions to brokers and agents and accepting ever-diminishing rates of premium from the assured. The bulk of the fire business had found its way into the hands of brokers, who at that time controlled the situation, and did what they pleased with the fire office managers. Bad as the situation was for the fire companies, it was little better for the assured. It is true they got the benefit of the cut rates, and probably shared commission with their brokers, and as long as no loss arose by fire damage, everything seemed rosy. But, when fire claims were presented, practically every point was fought in the settlements, and nothing short of litigation would have brought about the fair and prompt dealing with claims which are a matter of course under the present dispensation.

BONUSES AT THE MERCY OF COMPETITION.

For some time past prudent life insurance managers have been combating the development of a somewhat parallel state of affairs which has been slowly developing in that business. It is true, of course, that death claims cannot be made a matter of higgling as fire claims used to be. The sums assured are fixed and immutable. But the sums added to the original sums assured—the so-called bonuses—are at the mercy of competition, and vary enormously. A regular life insurance high bonus propaganda has been initiated in weekly articles in some of our best-known daily papers. The writers of these articles base their advice to the public on the proposition that future bonuses depend on past results, and unquestionably they help those offices which have done well in the past to obtain business more easily in the present. But notwithstanding these journalistic efforts, the bulk of life assurance is obtained by the influence, direct or indirect, of agents. Where the agents are keen and interested, they quickly realise that, commission being equal in both cases, it is easier for them to advise their friends to insure in the office with a better past record than in its competitor whose hope lies in the future. Nevertheless, the apparently weaker office must have new business if it is to continue to exist, and one of the most obvious means of procuring it is to offer to agents and brokers a higher rate of commission for new introductions than its rival cares to do. Human nature being what it is, this course very often brings about the desired result. As a matter of fact, such commissions have now become exceedingly high, and, by playing one office off against another—just the old fire trouble—the more efficient agents and brokers are securing for themselves very high rates of commission indeed. Both the good office and the less good one—there are no bad life offices in Great Britain—thus find themselves in dilemmas. The good one either refuses to pay the high commission and loses business, with the possible ultimate result of a higher mortality experience and a lower bonus, or it accepts the situation, pays the rate, and ultimately the higher expense ratio tends to produce a lower bonus. Hence the next step: the commission increases have to be made general in order to get business, with the consequent result, postponed perhaps for many years, of a reduced bonus and diminished business and popularity. The less good office which started the competition is no better off. Its real hope of an effective fight lies in going slow for a time until its finances are re-established,

but the necessity of an extra gross expense rate to procure business postpones that re-establishment indefinitely.

It will be sufficient to say that the fire offices committee, having agreed on a commission basis for all agents and practically all classes of fire insurance, have been able to adhere to it and keep the agents in their place. Onlookers would say that it is not the tariff which is so wonderful as the loyal faith which the offices have observed to each other all these years, especially on this commission question. There is no doubt the life offices could do the same if their managers applied their minds to the subject.

COMPETITION IN NEW PROFIT RATES.

The competition in commission is, however, only one element in the problem. Still more serious is the competition in non-profit insurance rates. A few years ago the Institute of Actuaries in England and the Faculty of Actuaries in Scotland, working together in a joint committee, with the assistance of the life offices themselves, compiled new mortality tables as a result of the office experience. Upon those new tables net premium rates were worked out applicable to all ages—and representing the lowest sums necessary to secure the due payments of the sum assured at death or maturity. When a certain percentage is added by any company to these net premiums, its published rate is arrived at, and the difficulty is that in over sixty offices the rates vary from what is practically a net premium to a net premium loaded, or increased to provide working expenses, to the extent of almost 20 per cent. Office after office has tampered with its non-profit rates since the new tables were completed, and in some cases at least there appears to have been no more scientific end in view than to arrive at a rate one penny per annum per £100 assured less than that of its competitors. No actuary will deny that it is theoretically possible to fix non-profit rates on the basis of a certain interest assumption plus a certain definite proportion for loading, and to make that rate applicable to all offices. To a great extent this has been done in France, with very satisfactory results.

THE NATIONAL SURETY COMPANY AND THE PROVINCE OF QUEBEC.

We have received from Mr. William H. Drapier, jr., superintendent of agencies of the National Surety Company, New York, a further letter regarding the taxation paid by his company to the Province of Quebec. As no good purpose would be served by continuing in our columns a controversy of this kind, and as each side has already had an opportunity to state its case, we are unable to devote any further space to this matter. In the course of his letter, Mr. Drapier writes:—

"I am somewhat surprised that no comment whatever should have been made on the chief burden of my complaint, which is the fact that our Company and others seeking permission to do Court business in Quebec are 'held up' for a deposit of \$50,000, whereas companies previously qualifying have been permitted to do so for a deposit of \$20,000.

"The fact remains that other foreign surety companies have received licenses to write Court business in Quebec by the deposit of \$20,000 under the old law, and when the law was amended it applied only to new companies seeking admission and did not provide that the companies already admitted should increase their deposits to the amount required by the new amendment, namely \$50,000. Of course, in the United States such an amendment as this would not be permitted to remain on the statute books because it would be unconstitutional. It is distinctly class legislation, giving the companies admitted under the \$20,000 deposit requirement a preference over companies seeking admission after the law was amended requiring a \$50,000 deposit. In the United States a writ of action would lie against the authorities for a writ of mandamus, compelling the Provincial Authorities to accept a proffered deposit of \$20,000 from any surety company seeking permission to do Court business....."