The work of building up the vast funds owned by the life companies is compared to the operations of the tiny insects to whose labours coral islands are due. So the combined premiums of the multitude have reared in life assurance one of the greatest, soundest and most beneficent of financial institutions, as the coral insects have reared vast and fruitful islands. The investments of the British life companies are thus stated :

"1. LOANS. In 1897 mortgages 32.7 per cent. of the total ; policy loans, 4.5 per cent., loans on rates and rent charges, 9.2 per cent.; loans on personal securities 1.6 per cent. Loans were thus 47.0 per cent. of the funds in 1897.

2. INVESTMENTS. British Government Securities, 2.0 per cent. ; Indian and Colonial Securities, 6.9, per cent. ; Foreign Securities, 2.8 per cent. ; Debentures, 15.8 per cent. ; Stocks and Shares, 10.4 per cent.; Land, House-property and Ground Rents, 7.1 pet cent. ; Life-interests and Reversions, 2.2 per cent. Investments were thus, 47.2 per cent. of the total funds.

3. UNPRODUCTIVE ASSETS. Agent's Balances and Outstanding Premiums were 2.1 per cent. of the total funds ; Outstanding Interest, 9 per cent. ; Cash Stamps, etc., 2.7 per cent. ; Miscellaneous, 1 per cent. Thus the Unproductive Assets were 5.8 per cent. of the total fund. Since 1869 the financial operations of the companies have undergone a change owing to cheapness of money. Instead of "lending" money as freely as formerly the offices have been "investing" more largely on their own account in Stock Exchange and other marketable securities than in earlier years. In this connection Mr. Hewat makes this shrewd remark :"

"The intelligent Briton prefers that the security for his life assurance should rest on these vast accumulations, which can be promptly drawn upon to meet each and every claim as it arises, rather than rely upon unpaid premiums which are supposed to be in the pockets of the policy holder merely waiting to be disbursed when assessed or asked for."

This very able and interesting paper concludes with an eloquent peroration in praise of life assurance. "Financial life insurance means the protecting power of capital. It means the preservation of the family. It means the productive power of money. It means the conservation of all the powers of capital for the benefit of humanity."

THE ALLIANCE—IMPERIAL RUMOUR.

MR. G. R. KEARLEY, resident manager for Canada of the Imperial Fire Insurance Co., informs us that he is in a position to state that there is no truth in the report that the Imperial will be absorbed, or purchased, by any other Company, or that it will re-insure its American, or any other part of its business.

PHASES OF MORAL HAZARD.

The precise difference between a moral hazard and a physical hazard as regards an insurance risk is not easy to define. There may be moral conditions existing, that ordinarily involve serious physical hazard without such risk attending the moral hazard. There may also be conditions existing, that ordinarily imply moral hazard without such moral hazard existing. A storekeeper, for instance, may be as utterly unscrupulous as a tiger, he may be ever on the watch to defraud every one with whom he has dealings of a business nature. Yet the property of such a person may be an exceptionally good risk owing to the certainty that, were a fire to occur on his premises he would be sure to lose so heavily in excess of the insurance, that he is compelled by self interest to be exceedingly careful in guarding his property from risk of fire.

In this case the intense selfishness of the man, which makes him almost a criminal in his ordinary dealings, makes him practically a faithful guardian of the interests of the insurance company that has underwritten his property. On the other hand, a property owner may be carrying insurance so greatly in excess of any loss he can suffer by fire, and his financial prospects may be so unsatisfactory, that there is, ordinarily, the moral hazard of the temptation to start a fire in order to secure the insurance money. But, these dangerous, these hazardous conditions do not, in this instance, create any moral hazard, because the person insured prizes his honour above any financial considerations, and would almost as soon expose his own body to the flames as set his property afire to defraud an insurance company. The moral hazard that imperils a building is at times wholly disassociated with the insured owner. In 1880 the Scott Act was passed in a certain county. An innkeeper who was living on the border thereupon had his house carried a few feet across the line into the next county, which was an "open" one. He was a man well-to-do and upright. Soon after the removal the house was burnt to the ground. Had it been kept in its original location there would have been the moral hazard caused by its value as a hotel being destroyed, but, in its new location, it was making more money than before, so, apparently, the risk was improved by the removal.

The insurance company suspected the owner of having fired the building, the removal of which had been formally sanctioned, indeed a new policy had been issued to replace the old one. But the owner was exonerated, and the evidence collected was quite sufficient to satisfy him and the company that the house was set afire by a jealous neighbour, whose