

## FINANCIAL ITEMS.

Bank clearings in the States in September are larger than in same weeks in 1893, they are still, however, some 20 per cent. below the figures of 1892, but are slowly advancing to that point.

The August railroad earnings of 132 lines in the States show an increase over same month last year. This is the first month this year with so satisfactory a record, and being general over the whole railroad system indicates a turn in the tide of business activity.

The U. S. Treasury gold reserve has commenced an upward movement from the lowest point ever reached, \$52,000,000, it is now approaching 60 millions. How small a factor in active business gold is may be judged by not a dollar in gold, or gold certificates, having been received at the New York Custom House during the first three weeks last month, which were \$5,411,800.

The Montreal Gas Company has bought out its competitor, which, strange to say, although it offered gas at a greatly reduced price, complains that the public failed to appreciate their offer. The projectors will receive \$700,000 for their plant and privileges, which will not be of that intrinsic value to the old company, but the removal of a rival will make the bargain a good one for them, what it will be to the consumers is another question.

The return of confidence in Europe is giving such a stimulus to investing and speculating, that in Paris, Berlin, and other centres of financial activity there are indications of as great activity as prevailed prior to the great Baring collapse. During the prolonged distrust heavy accumulations of capital took place in the banks at a nominal rate of interest; these are being heavily drawn upon in the rush to make money, or secure some better return for investments, so that another period of inflation is regarded as having set in.

The exports for July and August of the products of Canada compared with some months last year were as follows:

	1894.	1893.
Animals and their products.....	\$ 7,177,471	\$ 8,017,168
Forest.....	6,419,149	7,316,515
Agricultural.....	1,535,946	2,052,797
Fisheries.....	2,424,212	2,462,463
Manufactures.....	1,380,475	1,182,918
Minerals.....	1,036,432	961,347
Bullion.....	38,680	51,705
Sundries.....	33,427	35,064
Totals.....	\$20,345,792	\$22,679,977

The reduced exports of lumber arose from the holding back of goods until the tariff was decided. The cattle restrictions in England have been very unfavorable to cattle exports. The imports for same months were as follows:

	1894.	1893.
Dutiable goods.....	\$ 9,991,961	\$ 12,423,627
Free goods.....	8,696,104	8,948,587
Coin and bullion.....	2,892,893	696,265
Totals.....	\$21,580,958	\$22,068,499
Duty collected.....	\$3,009,887	\$3,745,834

The reduction in exports of \$2,334,185 was about balanced by lower importations of dutiable goods, \$2,431,686, which shows how prudently importers have adapted their purchases to the conditions of business by which they have to be paid for.

## Correspondence.

We do not hold ourselves responsible for views expressed by Correspondents.

## THE MAGNITUDE OF LEGITIMATE LIFE INSURANCE AND WHAT BECAME OF THE PREMIUMS.

Editor INSURANCE AND FINANCE CHRONICLE.

SIR,—I beg to hand you some statistics on the above subject, which will help to illustrate the vastness of regular life insurance transactions in the United States and Canada as at 31st December last.

First, as to magnitude.—Fifty-four American Companies held at risk \$5,280,585,718; being \$75.43 for every man, woman and child of a population of 70,000,000, or \$377.15 for every family of 5 persons.

The Canadian companies held at same date \$295,659,337; being \$59.13 per head of a population of 5,000,000, or \$295.65 for every family of 5 persons.

Second, as to what became of the Premiums.—The answer to this question is of universal interest, yet little understood by the public.

Since organization, the 54 American companies received premiums amounting to ..... \$2,513,663,430  
Returned policyholders in cash..... 1,665,868,572  
And now hold assets to their credit, of..... 986,891,394  
Total paid policyholders and held for them..... 2,652,759,966  
Being..... 139,096,536  
in excess (or 106%) of the total premiums received.

I have not the same data for Canadian companies since organization, but the transactions of the Canada Life for the past 17 years will fully represent them all for the same time.

Total premiums received by the Canada Life during past 17 years..... \$ 18,151,892  
Returned policyholders in cash..... 10,244,268  
And now holds assets to their credit, of..... 11,355,809  
Total paid policyholders and held for them..... 21,600,077  
Being..... 3,448,185  
in excess (or 119%) of the total premiums received!

The fact of the above companies having paid and credited to policyholders \$142,544,721 in excess of the total premiums received from them is a grand monument to the skill and faithfulness with which they have executed the stupendous and sacred trust committed to their management.

That the millions of reserves, which Government compels companies to hold for the protection of the assured, is necessary for the payment of claims, surrender values, etc., is verified (almost every day) by the sad failure of assessment societies (which were once "the best"—20 Canadian ones having already run their ephemeral day, and died)—not so much because of dishonesty, but simply because they placed a blind faith in the impossible in attempting to transact a life insurance business without providing the necessary mathematical (government) reserve to meet the increasing death rate which always accompanies advancing age. This reserve is a well known quantity. It is the present worth of the difference in the premiums between a lower age and a higher one. For example: A man aged 26 insures his life for \$1,000 on ordinary life plan, and after 10 years his policy is transferred to another company. He is then 10 years older, and the company assuming the risk will require the premium for age 36, which is \$4.71 a year more for life. This it must get, or its equivalent present value, which is \$76.63—the reserve at end of 10th year from age 26. Upon this sum being handed over by the old company to the new one, the latter can carry on the risk at the original cost to the assured, because this reserve of \$76.63 will, at 4½%, produce the \$4.71 additional premium for life; and the assured is not prejudicially affected, as he is not required to pay any more than at first.

On the other hand, should the assured withdraw from the company—instead of being transferred—this reserve forms the basis of the surrender value which the company allows him, and thus reduces the cost of the (mere) risk to less than any mutual benefit society charges for the same time.

It will be noticed that the above reserve of \$76.63 averages \$7.66 a year for the 10 years, in the case under consideration (and to dignify any less sum than this by the name of "a reserve" is an abuse of language—a contradiction in terms. As well might we speak of an honest thief or a prayerless Christian.)

Yours truly,

JOHN L. IRWIN

PORT HORN, 1st Sept., 1894.