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BRYCE, McMURRICH & CO.

Toronto, December 8, 1870.

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**THE
Monetary and Commercial Times.**

WITH WHICH HAS BEEN INCORPORATED

THE MONTREAL TRADE REVIEW.

TORONTO, CAN., FRIDAY, FEB. 17, 1871.

LIFE INSURANCE REFORMS.

The collapse of two New York State life insurance companies, and the probable suspension of others before many months, continue the principal topic of discussion among insurance journals in the States. Certainly no one connected with life insurance ought to affect any surprise at the beginning of a collapse which has been so often declared inevitable by American insurance journals. It is, however, a rather unpleasant reflection upon the consistency of these "organs," that several of the most widely-circulated and prosperous of them continued to advertise and commend these now defunct corporations up to the very time of their demise. These same journals are now the most energetic in loud denunciation of what never ought to have received their countenance.

The extravagant rates paid for commissions, added to a generally heavy line of advertising and salary expenses, must make it exceedingly difficult for several of the younger offices to maintain the required reserve fund, which is both the test of solvency and the only guarantee to the public. The Great Western, the first of these failures, was spending 85 per cent. of its gross income for expenses; and, according to a quarterly statement of the Farmers' and Mechanics', published June 30 last, the company spent \$44,728 for expenses in three months on a premium income of \$26,110. The expenditure included \$9,453 for salaries and \$17,921 for advertising! According to the renowned

Micawber's principles of financial solvency, it is not easy to see how any corporation or individual could last long with such a line of extravagant outlay. It is feared that the forthcoming reports of other offices will reveal a condition of affairs equally bad.

These failures will finally effect a very desirable reform in the general management of the business. The body of the companies now see the necessity of keeping a more taught line upon their assets, and of forthwith reducing the proportion of unrealized and unavailable assets. In the case of the Great Western, \$595,849 of assets included \$229,760 in the hands of agents, \$53,832 loans on policies, \$122,643 premium notes, and \$51,276 deferred premiums! How much is this \$457,691 of "stuff" worth in the hands of a receiver? There are other companies whose affairs show an equally exposed and dangerous condition. The proportion of the premiums in the hands of the assured and of agents must be largely reduced before such companies can feel themselves safe. To increase at once the proportion of cash or realizable assets, is the exigent necessity of the business. Twenty of the New York State life companies showed, on the business of 1869, nearly \$14,000,000 less of cash assets than the required legal reserve, and fifteen agency companies, \$20,000,000 less!

Three other desirable reforms must follow the revelations of these failures. Companies will henceforth be more generally content with so much business of a permanent character as can be procured at a rate of expense which the known assumptions of life assurance will bear. The note-credit system will be largely reduced, if not wholly abandoned, and the Insurance Departments must refuse henceforth to accept any more "barnacle" assets. The confusion and uncertainty attending the note system is curiously illustrated by the reports made by several agency companies to the Missouri Department. Six of these companies, according to Superintendent King's supplemental report, returned, under oath, \$354,822 of notes on hand which have not been received by them, or at least which are not accounted for in their statement of receipts. And the Department could find but six out of forty note companies, whose premium note account would balance! We are not intending, here, the championing of all cash companies, but the superior convenience, certainty, and security of the plan are so manifest, that several of the largest American note companies, such as the New York Life, New England Mutual, Aetna Life, Mutual Benefit, and Connecticut Mutual, have either abandoned it, or largely reduced the per centage of credit. Notes work equitably enough as between the company and the policy-

holder, but in some circumstances they become worthless as assets! In view of the large per centage of waste on the business of any year, they give a wholly fictitious character to it. Thus, in 1869, the number of "lapses and surrenders," and "not taken," policies in 37 New York State companies was 58,333, out of 129,152 issued, and \$160,422,052 of the total insurance of \$333,987,000! With the collapse of the policy it is needless to say that the note becomes mere waste paper.

And, concerning "barnacle" assets we shall be very likely to see less of such wholly imaginary property as "commuted commissions," "advances to agents," "purchased agents annuities," "invested in purchase of agencies," "agents renewal commissions," "estimates for commuted annuities," "ledger balances," "stationary," "furniture," &c. The value of office furniture as an asset was exemplified in a recent sale of the Farmers and Mechanics household effects—when \$12,000, of the brand-new furniture went for \$2,000, and some three tons of printed matter for a mere song. The present loose way of reporting and estimating the value of stocks and bonds also needs reforming, largely.

THE MONETARY AND COMMERCIAL TIMES has always labored conscientiously to popularize life insurance, and to direct public attention to its transcendent superiority over all other devices for future family provision. Therefore we shall cordially welcome and advocate whatever changes and reforms that can be found to give greater stability, economy and popularity to a system so confessedly benevolent, and which has already done so much good, on this continent, and in the old world.

**TRADE RELATIONS WITH THE
UNITED STATES.**

Signs are not wanting to show that many of our American neighbours are becoming alive to the fact, that their present commercial policy towards Canada, is a complete failure. The why and the wherefore of that policy, the people on both sides of the boundary now fully understand, and we need not, therefore, discuss it. The most important fact for us is this—that it has failed in its object.

One of the signs of the times, in regard to American feeling, on our commercial relations, is a report recently prepared by Mr. J. N. Larned, on the trade relations of the two countries. This gentleman is a resident of Buffalo, and visited Hamilton, Toronto, Montreal, Ottawa and Quebec, to procure reliable data from which to draw his conclusions. His report was, we believe, prepared with the sanction of the Secretary of the Treasury at Washington, and what is