the company at dates varying from three to six and in a few cases nine months, of which about three-fourths have been paid, and funds will be ready to protect the remainder as they become due.

It is, however, no part of the system of this Company, to accumulate large funds in hand; but on the contrary, advantage has been taken of our considerable receipts from policies issued on the cash system, to apply moneys so received to the immediate outlay of the various branches, at the same time deferring assessments to a late period, so as to leave as much money as possible in the hands of members, to be called for only when required by absolute necessity. It was owing to this caution on the part of the Board that it became possible to obtain so large a sum when required to meet this most extraordinary demand. And it is surely a very gratifying proof of the entire confidence felt by the farmers about Ottawa in the Company and and its Board of Directors, that they were willing to wait with patience, and even with lively gratitude, until funds could be collected by assessment from the many thousands of merchants, householders, and farmers, included in our long list of members.

Up to the 1st January, 1871, the sum of $33,-942.80 had been received on account of our Ottawa Special Assessment. To this date a further sum of $13,069.95 had been collected, and there remains a balance of $23,113.25 to be received from that source.

Objections to the Special Assessment Considered.

As doubts have been raised by certain parties, not perhaps too warmly disposed towards the Company, of the Board of Directors to assess members of the Mercantile Branch for losses by fire occurring on Farm property, it may be well to explain the principles upon which the several Branches have been assessed on this occasion, and to do so, we must notice the position of the two companies before the union in 1869. The Beaver Company, being the older, made considerable cash advances to the Toronto Mutual company, and in this manner invested the reserve funds then accruing from its cash system policies. When the union took place, it was found that the tendency amongst farmers to insure on the cash principle was becoming so general, that the board of directors thought it prudent to discontinue issuing cash system policies in the Farmers' branch, under the apprehension that the predominance of cash policies might lead to serious consequences should any heavy misfortune happen to the branch. One leading Farmers' Mutual company had abandoned the premium note system altogether, and another appeared to be following in the same course. The Board, therefore, acting under legal advice, decided to reinsure all their Farm cash risks in the Mercantile Branch, and did so, crediting it at the same time with the full estimated value of all unexpired cash policies. They thenceforward issued *all* cash policies in the Mercantile Branch, considering that they were conferring upon it a valuable class of business, as is evident from the fact that about $25,000 were thus transferred to its account in the office books, and held as a reserve fund for future claims under cash policies. Hence it happens that under cash policies, chiefly issued since the union of the two companies, not less than $35,212.95 became payable to the Ottawa sufferers in the Mercantile Branch alone, as will be seen by the statement given elsewhere. The special assessment became inevitable, to provide that sum, and still maintain a reserve sufficient to protect future cash policy-holders. The probable gross product of the assessment in this branch is $33,104.

In the Farmers' Branch, consisting of premium note policies exclusively, the Ottawa losses were $26,269.85. The special assessment of one-third is estimated to produce $24,861.00.

It will be more difficult, perhaps, to explain clearly to members of the Household Branch, how it became necessary to assess them at the same time with other members, on account of these Ottawa losses. They are, however, aware that they pay on insuring a sum of about $3, which includes agent's fees and commissions, and are not asked for any ordinary assessment until the end of twelve months. In this way nearly the whole expenses of the Household Branch have had to be advanced by the Mercantile Branch out of its cash reserve, until repaid gradually out of each member's annual assessment, when it becomes due, twelve months afterwards. Thus the Household Branch has been constantly indebted a year in advance, and the larger the business done, the greater the indebtedness for cash advances. The Board regret much the necessity they were under, suddenly to call in these advances, but were quite unable to avoid doing so, as the funds were required for the Ottawa claims. They have measures in contemplation, however, which will completely remedy this matter in future, and they hope effectually prevent its recurrence. In the meantime, the promise held out by them, that the cost of insurance in the Household Branch will be in no wise increased by the levy of the special assessment, is being and will be strictly adhered to.

Separate Account of the Branches.

In their last year's report, your Board stated, that in consequence of immense labor involved in the settlement of all questions between the united Companies, and because of the fact that the first half of the year 1869 would require separate audited statements, while the latter six months' business was under one organization, it would not be possible, on that occasion, to submit detailed accounts of the affairs of the several Branches separately. This year, however, the accounts of the Branches have been prepared with care, and every item is separately classified, so as to exhibit the exact status of each Branch.

The General Result.

The losses of the year have been rather heavy independently of the Ottawa fires, but not nearly so heavy, in proportion, at those recorded by other Fire Companies proprietary as well as mutual; and even the Ottawa claims have not proved an unmixed misfortune, as they have been the occasion of making an effort which has placed the mutual principle in a favorable light before the Dominion as is proved by the still increasing business of the office, and the frequent commendations we receive from insurance authorities. All admit that this visitation has been one which no ordinary foresight could anticipate—no actuarial calculation forefend—and that there is but one reflection which, with reverence, can be properly applied to it: "It is the act of Providence—*fiat voluntas tua.*"

It ought to be a pleasurable reflection to us all that our Company has really done more towards alleviating the Ottawa farmer's distress, than any other private organization. Sixty-four thousand dollars is a handsome contribution from one source for such a purpose, as those of our members have doubtless felt, whose assurance of confidence and approval have been a very great support and assistance to your Board under the unusually heavy burthen of their official duties.

Proposed Changes.

Your Board are of opinion that considerable improvement may be effected in our internal arrangements. It seems now established, that isolated private dwellings in the outskirts of villages and towns are quite as safe, if not much safer risks, than farm buildings; and there appears to be no reason why the distinction between the Household and Farm branches should be maintained. The more extensive the business of each Branch, the cheaper the insurance; and for this reason, your board ask the authority of the meeting to close the Household Branch as soon as convenient, and to transfer its policies to the Farm Branch.

They have also had in view the propriety of opening a new Branch, in imitation of a sister Company at Hamilton, for the insurance of risks within the fire limits of the City of Toronto alone, for which purpose an Act of the Legislature may be needed.

Furthermore, your Board have decided, for several reasons, to restore the practice of allowing agents to collect a fee on insuring, which will save the trouble and cost of keeping many voluminous accounts in the office books; and at the same time, in consequence of a recent judgment of the Court of Common Pleas, which has decided that there is no authority in law to justify Mutual Companies in taking a note for "first payments," although they may take notes for cash premiums in full, your Board contemplate collecting no "first payment" whatever, but, instead thereof, levying the first assessment at the end of six months, the second at the end of eighteen months, and so forth. Of course this change will not affect existing policies, but only those hereafter to be issued.

Mutual Insurance.

Some few of our members, whose sense of justice induced them to pay cheerfully our Ottawa special assessment, have nevertheless expressed their intention not again to insure in any Mutual Company. Such persons surely labour under a mistake. Had a loss of equal proportionate amount occurred to any proprietary Company, that is, if its whole cash reserve had been swallowed by a single fire, what would have been its chance of recovering itself? Many Proprietary Companies have succumbed to much less serious reverses even within the past year. If, then, a Mutual Company can sustain itself where others would fail, is not that the very best argument for the mutual principle? One of the oldest Mutual Companies in Canada met with heavy losses thirty years ago, yet those who have adhered to it up to the present day, declare that in the long run they have saved money.

Under the Mutual Insurance Law, the Directors are bound to assess all losses and expenses upon premium notes in force at the date of such losses, &c. If the special assessment should fail to produce the necessary funds to cover the Ottawa losses, it will be the duty of the Board to make a further call upon the same parties for the same purpose. No member whose policy dates after the 17th of last August, has been called upon to contribute to the payment of those losses; and no future insurer need be apprehensive of suffering from any past losses of the Company.

Summary of the Year's Business.

The total receipts of the year 1870, were $100,-812.25. The expenditure was $98,669.59. The number of policies issued was 7095, covering property to the amount of $4,686,464. Policies cancelled and expired during the year 4838, covering property to the amount of $3,588,083. Total policies in force on the 1st of January, 18,346, covering property to the amount of $12,415,958, of these 8428 policies were on the Cash System. The total amount of premium notes liable to assessment was $214,935. We have gained since our last Annual Statement an increase of 2,474 policies. The Fire and Live Stock Claims for the year amounted in all to $99,938, of which $63,-747.06 were for Ottawa claims of the 17th Aug. last.

It will be seen, on examination of the Table of Assets and Liabilities, that the Company now possesses a surplus premium note capital of $80,-000, which is the more remarkable, as other Mutual Companies show a contrary result, having considerably reduced or altogether lost their premium note capital.

On a late occasion, your Board did all in their power to secure the passage of an Act of Parliament intended to restrain Cash Premium Policies within very strict limits, and they hope yet to see some measure of the kind carried through the Legislature.

By-Laws.

By Act of the Dominion Legislature, 32 and 33 Victoria, ch. 70, all the By-laws of the Beaver and