justify their existence as advisers. Why has not the Actuarial Society taken up the subject and thrashed it out? The most pressing problem of to-day is as to the limit that should be placed upon new business having regard to the interests of existing policy-holders and the cost of securing new assurants and their value after being secured. This is a question for actuaries alone. By taking hypothetical offices, the effect of different volumes of new business could be gauged, after allowing for the benefit of "selection," the present rate of expenses and terminations, and all the factors entering into consideration. Here is an opportunity to perform a signal practical service to life assurance business. It does not need any such demonstration, however, to show where the present "scramble" for volume is leading the companies.

LIFE ASSURANCE REFORMS.

Statement of Accounts.

In our last two numbers we dealt with the revenue statements of companies, and pointed out how many of the items thereof were improperly treated by some of the companies. Turning to the other side of the accounts, we find that disingenuous or at least "advanced" methods of bookkeeping are also applied to many companies' disbursements.

In the case of "cash paid for death claims and endowments," some companies omit to include in this item the mortuary dividends or return premium portion of claims under that class of policy, finding it more convenient to treat it as "cash dividends paid policy-holders," with which of course it has not the slightest connection.

"Amounts received from re-insurance companies" and "cash paid annuitants" appear to be treated properly by companies, with the exception that a few include in the latter item payments made on account of instalment and trust policies.

"Cash paid for surrendered policies" is increased by amounts equal to those fictitiously taken credit for in cash premium income account, as already explained, thereby conveying the impression that the total amount paid in cash each year for policies surrendered before maturity and life assurances surrendered at the "deferred dividend" maturity period is about double what it actually is.

"Cash dividends paid to policy-holders" is also swollen in the case of some companies by the inclusion therein of the mortuary dividend or return premium portion of such policies becoming claims, instead of treating it as death claims.

A number of companies conveniently omit from their expenditure account all the cash paid to agents during the year for commissions, commuted commissions, advances, loans or proceeds of notes discounted, but instead carry such amounts into their assets either under the heading of commuted commission, bills receivable or agents' balances, with the object of course of making their expense ratio appear much lower than it really is. The amounts so omitted range from one to ten per cent. of the total cash premium receipts.

"Cash paid for rent" is inflated by many companies for the purpose of being able to take credit for such increase in their cash received for rentals, in order to show larger returns upon properties owned by them.

Many companies, while taking credit in their income account for "profit on securities sold," do not charge themselves with losses incurred by sales, but instead make a deduction of the amount of loss from the assets carried forward from the previous year. We have already pointed out the inconsistency of this practice.

Other disbursements, as far as we can learn, appear to be correctly treated; but we think it very desirable that they should be specified more in detail, so as to admit of a proper scrutiny of the accounts.

Turning now to the "assets," and dealing with the item "real estate," we find that in the case of many companies the "original cost price" has been added to by either "assumed increases" in value or by "repairs." The cost price of anything we understand to mean the amount of cash actually paid for the purchase, but this has been modified by changing cost into cash or "book" value. Arguments may be advanced in favor of the different opinions held as to the proper method of valuing a life company's assets in real estate, but we think the chief basis of the valuation of a permanent investment of this kind should be the total net rental.

In a few cases where mortgages are in default, but the property is neither sold nor foreclosed, "loans on bond and mortgage" are increased by debiting the original amount with the interest due but unpaid, and crediting interest account with a like sum.

"Loans on collaterals" we believe are treated correctly by nearly all companies.

The original intention was that the actual cost price, of "stocks and bonds owned" should be shown as a ledger asset, but this has been changed to "book" value by many offices. Whilst no general rule of valuation would be satisfactory or suitable to all securities it is desirable that a uniform method on a conservative basis should be laid down for all companies, so that those concerned may know exactly how their investments stand.

In the case of a few companies the full amount of "cash deposited in banks" which have subsequently become insolvent and only able to pay, say, from 10 to 50 per cent. of their liabilities, is still "carried" as an asset.

"Commuted commission" in our opinion is not a valid asset, as in the great majority of cases it means simply the difference between the first year's commission allowed on an agent's renewal contract and an advanced commission of from two to five renewals chargeable against renewal commission on new business which may or may not be secured or continued. It is therefore unearned by the agent and unsecured to the company.

"Bills receivable" for premiums on policies against which a re-insurance reserve is held are no doubt a valid asset, but only for the net amount. A note given by an agent for moneys advanced is not an asset.

Some companies take credit for "premium notes" on "dead policies," and many others, whilst properly