PARTICIPATING AND NON-PARTICIPATING INSURANCE: RULES FOR ACCOUNTING.

The Dominion Insurance Department has issued a series of suggestions regarding the method of accounting following the separation of accounts of life companies' participating and non-participating business as required by section 96 of the Insurance Act of 1910. It is stated that examination of the companies has revealed considerable diversity of practice among them in their attempts to comply with the provisions of this section, and in some cases the practice adopted cannot be regarded as giving better than a rough approximation to the result desired. It is, therefore, desirable that more uniform and precise methods be, if possible, adopted.

The problem, the department states, is somewhat complicated by the fact that in the case of several items of expense incurred on behalf of both branches in common, it is difficult to make an accurate apportionment. In the case of other, and the more important items, however, no such difficulty occurs, and there appears to be no good reason why an approximation should be used in the separation of the latter, because of the difficulty encountered in dealing with the former.

A Basis for Separation.

The insurance department suggests the following as a basis for the separation of accounts contemplated by the section:—

1. Premiums received in the two branches should be kept distinct and credited to their proper accounts.

2. Items of expenditure definitely attributable to one or the other branch, such as claims, matured endowments, surrender values, medical fees, new and renewal commission paid, taxes, etc., should be charged to the branch in respect of which they have been incurred and in the case of these items, separate cash-book entries should be made and ledger accounts maintained.

3. Items of expenditure which cannot be definitely attributed to one or the other branch such as head office and agents' salaries, printing and stationery, travelling expenses, advertising, rent, etc., should be divided between the two branches in the manner shown by the experience of each company to be, in the opinion of its officers, the most equitable, but a statement of the basis of the division of each item should be included in the annual statement furnished to the department, for publication in its annual report.

4. The total investment expenses should be deducted from the gross interest earned and the net rate used in crediting interest to the respective funds.

5. Non-participating policies arising out of the choice of options under participating policies should be retained in the participating branch and the profit or loss on such policies should be credited or charged to the participating policyholders.

6. Profit or loss on investments should be divided in the proportion of the reserves on the policies in the two branches as required by section 110 of the Act.

7. No re-insurance between the two branches should be effected.

8. Companies which have not yet dealt with the question of the payment of dividends to shareholders or policyholders should nevertheless keep separate accounts for the two branches in respect of the items mentioned in paragraphs 1 and 2, and before any such dividends are paid, a complete statement of the basis of division of expenses and of the funds in the two branches should be submitted to the department.

It is desirable, concludes the department's circular, that any change made in pursuance of the foregoing in the books of account of the various companies be made not later than January 1st, 1916, in order that the accounts for that year may be on a fairly uniform basis.

TWO USEFUL HINTS TO LIFE AGENTS.

The Prudential of America is responsible for what appear to be two particularly useful hints to agents in regard to quotation to prospective policyholders of the cost of protection. One method is not to quote the actual figures of the premium at all when the important question of cost is first touched upon. To the intending buyer, who is, say, 35 years old and who is considering a policy on the whole-life plan, the agent says:—"It will cost a little over 2 per cent. per annum." If the same-aged prospect was figuring on the twenty-payment life plan, the remark would be "about 3 per cent. per annum." If the enquiry was on a twenty-year endowment, the answer would be "about 4½ per cent. yearly."

The Prudential publishes for the information of its agents a table showing premiums as percentages of amounts of insurance on these three popular forms of policy, and cites the following example of the use of it with the prospect:— "Suppose you needed $3,000 held to your credit in order to protect your interests. If your banker demanded that you merely pay 2½ per cent. interest yearly, you would be surprised at so liberal a deal. Your amazement would grow if he added, 'In case of your death I will not require the return of the principal. The entire amount will therefore become instantly a part of your estate."

The second method of premium quotation suggested by the Prudential is the daily cost basis, for which an elaborate table has also been worked out. For instance, the agent is canvassing a man at age 20 for a whole-life policy. The agent sizes him up as being able to carry, say $3,000. The agent points out to the prospect that a policy for that amount will cost him about 15 cents a day. If a prospect is 43 years old, it can be made plain to him that for about 20 cents a day he could insure his life for $2,500. And so on. As means of preventing prospects getting nervous as a result of the quotation to them of the amount of the annual premium, both these methods seem to be admirable.

THE LACHINE CHURCH FIRE.

George Sikini, the youth who is accused of having set fire to the R. C. parish church at Lachine, which he had been employed to watch, was before the Enquete Court again this week, and it was testified that he had stated to a turnkey, "I know who set fire to the Lachine church but I was given $1.50 not to tell." Sikini was committed for trial.