DEFERRED AND UNPAID PREMIUMS.

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One of the invariable requirements of the governmental supervision of insurance is the filing with the insurance departments, annually or semi-annually, a sworn statement of the condition of the company reporting, covering detailed accounts of income, expenditures, assets, etc. These general items are essential. But unfortunately an endless variety of questions are asked relating to matters that have comparatively no public interest whatever, and which cannot possibly help the most skilled and careful examiner in determining anything of importance in regard to the standing of the company.

It is not an easy thing to properly examine such a statement. The training of a mere accountant is not sufficient because there are several items appearing in such a statement that can be tampered with beyond almost the possibility of his detection. This applies with greatest force to the publications of the condition of life insurance companies; but it certainly applies in a greater degree than is suspected to the statements of all branches of insurance. An ingenious trickster who has had a long experience in his profession, and who is unscrupulous enough to resort to almost any method, rather than bring his income to a sudden close, can see glorious possibilities of refuge and safety in almost any one of the various items composing these accounts. In the present articles, attention will be given solely to the two items of "deferred premiums" and "unpaid" or "uncollected premiums."

DEFERRED PREMIUMS.

"Deferred premiums" are only allowable as credits when they will become due before the end of the current policy year, and not then, unless the mode of valuation that was used in ascertaining the company's liabilities was such as to charge the company with the whole of the year's premium upon the policy -just as though it had been an annual premium. Premiums are payable annually, semi-annually, quarterly, or otherwise; but in all cases of valuations according to the usual methods, policies are treated as though their premiums were paid annually. This is done largely for convenience. It would create endless trouble and annoyance if it were compulsory to compute valuation tables, not only for annual premium policies, but also for those paying premiums semi-annually, quarterly, or monthly, and no particular benefit would be derived from this greatly increased labour.

Therefore, if a policy paying a semi-annual premium bearing a date, say August, 1913, be valued on the 31st of December, 1913, it is treated as though it had paid a full year's premium; and the reserve for an annual premium policy is charged up against the company as a liability. If this valuation is not made strictly in accordance with facts, and if the pursuit of such a method should be injurious to the companies, and should be detrimental to their good showing, it

is right that a proper and scientific adjustment should be made. A company is, therefore, permitted on such a policy to credit itself, as an asset, with the amount of one deferred net semi-annual premium. Practically, it credits itself with one gross semiannual premium, making such a deduction as it is thought will about cover the cost of collection.

It will therefore readily be seen that if companies' business is mixed, and they have policies paying annual premiums, semi-annual premiums, and quarterly premiums, they must effect an equitable adjustment of the over-valuation of their policies by crediting themselves with the ascertained value of their "deferred premiums."

If a valution of a semi-annual premium should be made upon its true basis, no such credit would be required; but under the present system of valuation it is perfectly right and proper that the companies should receive the benefit of this credit.

WEAKENING OF THE SPECIE RESERVE.

The weakening of the specie reserve supporting Dominion notes, while it may have seemed to be necessary or advisable in the present crisis, promises to have some disadvantages when normal conditions are restored, write Mr. H. M. P. Eckhardt in the Journal of the Canadian Bankers' Association. This cutting down of the gold reserve, in combination with the action of the Government in ceasing to pay gold on demand for all notes presented, must have a tendency to cause the bankers to value the Dominion notes less highly in the future for reserve purposes. Hitherto, until the war started, they have been regarded as practically equivalent to gold; and nearly all of the banks followed the policy of carrying a comparatively small amount of gold and a large proportionate amount of Dominion notes. If the permanent reserve basis of the notes had been left unchanged, the suspension of the specie payments by itself might not have affected the standing of the notes, inasmuch as everyone would recognize that the suspension was caused by a grave crisis, which is not likely to be repeated for a long time; but on account of the suspension, combined with the permanent weakening of the ratio of reserve, it is probable that a number of the important banks in future will carry a larger proportion of gold and a smaller proportion of Dominion notes in their vaults. The present crisis has made it clear that as a reserve the gold is superior to the notes and, indeed, to all the other forms of reserve-call loans, bank balances, etc. As the Dominion notes are on the same basis as gold in regard to the absence of revenue, the inducement for carrying the notes will be less. Hence it is within the possibilities that we may see a decided drop in the Dominion note circulation and in the specie reserve, held against it, as soon as financial affairs again become normal. If the view is correct, we may expect the large banks to carry more important reserves of specie in London and New York, and less proportionally in Dominion notes at Montreal and Toronto.

A London, England, tradesman recently displayed the notice: "Owing to the recent fire on these premises, business will be carried on as usual." Probably the insurance company looked upon the matter as a case of lapsus calami. At any rate, the slip is not quite so bad as that of the man who, being offered sympathy by a friend upon having had a fire at his premises "last" week, replied "Oh, no! Next week."