

obligations have no other way of putting off the evil day which sooner or later must overtake them than by securing as many new liabilities as possible. In their case our contemporary is correct when it states "that the less new business the nearer to the receiver's execution block; while the increase of new business increases the distance of the receiver from the home office." It is the glory of "old line" or level premium companies, however, that they can close their doors at any time to new business, and carry out their contracts to the satisfaction of their last claim.

#### The Expense Problem.

In connection with the foregoing, the *Insurance Age* has published an interesting and thoughtful article on the subject, in striking contrast to the superficial views expressed by the advocates of the "business or bust" fallacy. Starting with a recognition of the necessity for economy, it concludes with some practical advice to managers to that end. Amongst other measures it recommends a minute investigation of their new business, to see whether it is profitable or not, having regard to its cost and also its quality in respect of permanence and selection, and points out the wisdom of companies laying themselves out to maintain policy-holders on their books. We can hardly agree, however, with some of the theories advanced by our contemporary, in reference to the expense question. For instance, the rate of  $7\frac{1}{2}$  per cent. of the renewal premium income allowed for the care of old business is a purely arbitrary one, a fact which destroys the value of the comparative figures quoted. Probably no two offices devote the same amount of attention to retaining their existing business, and it is evident from their greater success in this direction that some are more active than others in their efforts to maintain policies in force, and are therefore clearly entitled to a larger allowance of expense. Again, in our opinion the question for managers of large life offices to consider is not, "What can a company afford to pay for its business?" but "What is new business worth, and what amount of it is desirable in the interests of the policy-holders, considering its cost and value?" As our contemporary observes, "life assurance is a business," and it should be conducted on business principles for the advantage of the assured alone. Regarded from a purely public point of view, of course life assurance has a beneficent mission, and we should like to see its protection extended to as many people as possible; but that view of it would not justify a manager in continuously spending the policy-holder's profits in securing new assurers, even if the rate of cost were reasonable, although in a sense the company could "afford" to do so. The heavy initial expense which it is necessary to incur to obtain new business must be borne in a large measure by the existing policy-holders, and it is obvious that a proper regard for their interest would necessitate a limitation of the amount, so as not to subject them to a continuously heavy drain. This applies more particularly to an old company, for

although a young institution may endanger its existence by building too much for the future, it is necessary for that existence that it should have a broad basis. A well established office, however, has no such excuse for any costly extension which reduces its profit-producing power; it already has an assured foundation.

"THE Old Lady of Threadneedle Street" has been celebrating her 200th birthday. Unlike we mortals, she has renewed her youth about every twenty years since her birth on 27th July, 1694, her charter having been renewed ten times since first issued. Although science declares that "out of nothing, nothing comes," the Bank of England arose out of less than nothing; it was the creature of debt, having been organized to meet the needs of the public Treasury, which had got into severe straits from the financial irregularities and national disorders following the troublous days of the Stuart dynasty. To provide the Crown with six millions of dollars, one Paterson, a bold, daring adventurer of Darien fame, undertook to raise this sum. He succeeded, the terms being interest at 8 per cent., a very high rate even in those days, and \$20,000 a year for management expenses, the lenders being granted a charter and incorporated as "The Governor and Company of the Bank of England," a title it still retains. Its powers were of the "blanket" order, as it had authority to purchase "any kind of possessions," and "to purchase all sorts of goods and chattels." No dividend could be paid "save out of profits," and every vote in the management was to represent not less than \$2,500, both provisions indicating the conservative policy which has given the Bank its unrivalled hold on the world's confidence. The Bank on several occasions has suspended specie payments, the first trouble of the kind being in 1696. But in regard to these events it may be said that such steps were not caused by the fault of the management, but owing to the whole financial interests of the country centering in and resting upon the Bank, so that this one institution had to bear the shock of the storms that have arisen from prolonged war expenditures, national alarms, and commercial disorder. In 1745, for instance, the troops of the Pretender being at Derby, all England fancied a revolution was at hand. To check the demand for gold the Bank began paying all claims in shillings and sixpences! In 1797 the Bank was ordered by the Government to stop specie payments, and a meeting of merchants was held to assure the Bank of public confidence being unshaken. Our space will not admit of more than a glance at the history of the Bank, which is full of interest. Nothing succeeds like success. The Bank of England system has been denounced in tons of pamphlets and acres of articles, but there it stands, the only one whose notes are current throughout the world. Adam Smith said, "She acts not only as an ordinary bank, but as a great engine of State." That is still true; The Bank of England is the symbol and the synonym for financial stability.