that in the same company a complete system of accounting is in use, and that it had on hand $108 for every $100 required to carry out its present estimates for every policy in force on its books. I mention this case merely to prove that the abuses in question are not necessarily inherent in the deferred profit plan. Why should such an office be prohibited from continuing to transact this form of business, merely because some others may perhaps have made mistakes? If policyholders get all they have been led to expect and are perfectly satisfied, who else need object? Evil practices should be guarded against, but entire prohibition would itself constitute an evil greater than those complained of.

Up to the present time, comparatively little business has been written on the annual distribution plan by Canadian companies. Annual distribution is essentially an American idea. Apart from the deferred profit plan, the usual system in Canada is that of quinquennial distribution, as in Great Britain. My own company, for example, has in force in Canada less than one hundred annual distribution policies, out of a total of about 45,000 assurances on Canadian lives. Very few British companies divide their profits more than once in five years. Such great British offices as the Scottish Provident Institution were even founded on the theory that profits should be paid only to those who may live out their expectation of life, and the deferred profit plan has thus been made the very corner-stone of their business. There are at least twenty-seven British offices which transact deferred profit business in one form or another, and on the other hand, probably not over one in twenty of the British companies issues policies on any annual dividend plan. The recommendation of our Canadian commissioners that annual distribution be made compulsory, shows how completely they had come under the influence of the American agitators, and particularly of the Armstrong committee.

THE LIMITATION OF UNDISTRIBUTED SURPLUS.

Closely associated with the question of deferred profits is that of the limitation of undistributed surplus. The Armstrong law places a maximum upon the surplus which any company may retain for contingency purposes. The scale runs from $10,000 for a small company, to five per cent. of the policy liabilities for a large one. Any further sum must be distributed to the policyholders. It is as if the law were to say to our banks that they must not accumulate rests or reserve funds beyond a certain proportion, and must divide everything else as they go along in dividends to their stockholders.

Such a regulation may cause objectionable fluctuations in dividends, but that is a minor matter compared with its extreme danger. The market values of railroad bonds of the highest grade have declined on the average not merely five, but more than six p.c. in the last twelve months alone. As a company can only take credit for the market value of its securities, it follows that if its funds were all invested in bonds, no matter how secure, the compulsory limitation of its undivided surplus to five per cent, might result in its entire margin being wiped out in any year of financial depression. A more unwise provision can hardly be imagined. Safety should be