

ance in force, which writes \$5,000,000 new business in a year. Company B has \$30,000,000 insurance on its books and writes the same amount of new business in the year as company A. In this case, if we use any of the usual methods—for example, ratio of expenses to insurance in force—company B is almost sure to show the lower expense rate. Whereas, if we had a knowledge of all the facts, we might discover that company B is not being conducted very economically after all, but is simply using the low cost of its large renewal business to cover up the extravagant price it is paying for new insurance.*

SURPLUS EARNED—The surplus earned by a company during any financial year may be roughly obtained by taking the divisible surplus (which means the total surplus less the paid-up capital) at the end of the year and deducting the divisible surplus at the end of the previous year. To this add the profits paid to policyholders during the year.

*It may be stated that the method used in arriving at the Expense Ratios in Stone and Cox Life Tables gives due regard to the amount of new business written. It is the only method that is fair to all companies, whether they be young or old established.

—PUBLISHERS.