

SIR:

MINT OF THE UNITED STATES, *January 1, 1816.*

I have the honor at this time of laying before you a report of the operations of the Mint during the last year.

From the statement of the Treasurer, herewith transmitted, it will appear that, during that period, there have been struck at the Mint—

In gold coins 635 pieces, amounting to	-	-	-	-	-	\$3,175
In silver coins 69,232 pieces, amounting to	-	-	-	-	-	17,308
Making in the whole, 69,867 pieces, amounting to	-	-	-	-	-	<u>\$20,483</u>

The high price of gold and silver bullion for some time past in the current paper money of the country has prevented, and, as long as this shall continue to be the case, must necessarily prevent, deposits of these metals being made for coinage to any considerable amount. But a fresh supply of copper having lately been received at the Mint, we have again resumed the coinage of cents; and, it is believed that we shall, in the course of the year, should no failure in the expected supply of copper take place, be fully able to coin fifty tons weight, amounting to nearly 47,000 dollars; and that, with a regular supply of copper, which can readily be procured, on terms highly advantageous to Government, we can continue to coin fifty tons per annum as long as it may be judged expedient.

The circulation of these copper coins, and of those heretofore issued from the Mint, amounting to 251,646 dollars, and which must be still nearly all in the country, would, it is presumed, soon supply, in a great measure, the place of the small silver coins, which have now almost totally disappeared.

I have the honor to be, sir, with the greatest respect and esteem, your most obedient servant,

R. PATTERSON.

JAMES MADISON, *President of the United States.*

A statement of the coins struck at the Mint of the United States from the 1st January to the 31st December, 1815, inclusive, viz:

Gold coins,	-	-	-	-	-	-	635	Half Eagles,	\$3,175 00
Silver coins,	-	-	-	-	-	-	69,232	Quarter Dollars,	17,308 00
Number of pieces,	-	-	-	-	-	-	69,867	-	\$20,483 00

MINT OF THE UNITED STATES, TREASURER'S OFFICE, PHILADELPHIA, *December 30, 1815.*

JAMES RUSH.

An abstract of the ordinary expenses of the Mint of the United States, from 1st January to the 31st December, 1815, inclusive, viz:

Amount paid in salaries of the officers and clerks,	-	-	-	-	-	-	\$9,766 67
Amount paid in wages of labourers,	-	-	-	-	-	-	3,116 44
Amount paid in incidental and contingent expenses,	-	-	-	-	-	-	1,612 03
Total amount,	-	-	-	-	-	-	\$14,495 14

MINT OF THE UNITED STATES, TREASURER'S OFFICE, PHILADELPHIA, *December 30, 1815.*

JAMES RUSH.

14th CONGRESS.]

No. 462.

[1st SESSION.]

NATIONAL BANK.

COMMUNICATED TO THE HOUSE OF REPRESENTATIVES, JANUARY 8, 1816.

SIR:

TREASURY DEPARTMENT, *December 24, 1815.*

I have the honor to acknowledge the receipt of your letter, dated the 23d instant, informing me "that the committee on so much of the President's message as relates to the national currency had determined that a national bank is the most certain means of restoring to the nation a specie circulation," and had directed you to obtain the opinion of this Department on the following points:

- 1st. The amount and composition of the capital of the bank.
- 2d. The government of the bank.
- 3d. The privileges and duties of the bank.
- 4th. The organization and operation of the bank.
- 5th. The bonus to be required for the charter of the bank.
- 6th. The measures which may aid the bank in commencing and maintaining its operations in specie.

It affords much satisfaction to find that the policy of establishing a national bank has received the sanction of the committee, and the decision, in this respect, renders it unnecessary to enter into a comparative examination of

the superior advantages of such an institution for the attainment of the objects contemplated by the Legislature. Referring, therefore, to the outline of a national bank, which is subjoined to this letter, as the result of an attentive consideration bestowed upon the subjects of your inquiry, I proceed, with deference and respect, to offer some explanation of the principles upon which the system is founded.

I. It is proposed that, under a charter for twenty years, the capital of the national bank shall amount to \$35,000,000; that Congress shall retain the power to raise it to \$50,000,000, and that it shall consist three-quarters of public stock, and one-quarter of gold and silver.

1st. *With respect to the amount of the capital.* The services to be performed by the capital of the bank are important, various, and extensive. They will be required through a period almost as long as is usually assigned to a generation. They will be required for the accommodation of the Government, in the collection and distribution of its revenue, as well as for the uses of commerce, agriculture, manufactures, and the arts, throughout the Union. They will be required to restore and maintain the national currency; and, in short, they will be required, under every change of circumstances, in a season of war, as well as in the season of peace, for the circulation of the national wealth, which augments with a rapidity beyond the reach of ordinary calculation.

In the performance of these national services the local and incidental co-operation of the State banks may undoubtedly be expected; but it is the object of the present measure to create an independent, though not a discordant, institution; and while the Government is granting a monopoly for twenty years, it would seem to be improvident and dangerous to rely upon gratuitous or casual aids for the enjoyment of those benefits, which can be effectually secured by positive stipulation.

Nor is it believed that any public inconvenience can possibly arise from the proposed amount of the capital of the bank with its augmentable quality. The amount may, indeed, be a clog upon the profits of the institution, but it can never be employed for any injurious purpose, (not even for the purpose of discount accommodation beyond the fair demand,) without an abuse of trust, which cannot, in candor, be anticipated, or which, if anticipated, may be made an object of penal responsibility.

The competition which exists at present among the State banks will, it is true, be extended to the national bank; but competition does not imply hostility. The commercial interests and the personal associations of the stockholders will generally be the same in the State banks and in the national bank. The directors of both institutions will naturally be taken from the same class of citizens. And experience has shown not only the policy, but the existence of those sympathies by which the intercourse of a national bank and the State banks has been, and always ought to be, regulated, for their common credit and security. At the present crisis it will be peculiarly incumbent upon the national bank, as well as the Treasury, to conciliate the State banks; to confide to them, liberally, a participation in the deposits of public revenue, and to encourage them in every reasonable effort to resume the payment of their notes in coin. But, independent of these considerations, it is to be recollected that when portions of the capital of the national bank shall be transferred to its branches, the amount invested in each branch will not, probably, exceed the amount of the capital of any of the principal State banks, and will certainly be less than the amount of the combined capital of the State banks, operating in any of the principal commercial cities. The whole number of the banking establishments in the United States may be stated at two hundred and sixty, and the aggregate amount of their capitals may be estimated at \$85,000,000; but the services of the national bank are also required in every State and Territory, and the capital proposed is \$35,000,000, of which only one-fourth part will consist of gold and silver.

2d. *With respect to the composition of the capital of the bank.* There does not prevail much diversity of opinion upon the proposition to form a compound capital for the national bank, partly of public stock, and partly of coin. The proportions now suggested appear also to be free from any important objections. Under all the regulations of the charter, it is believed that the amount of gold and silver required will afford an adequate supply for commencing and continuing the payments of the bank in current coin; while the power which the bank will possess, to convert its stock portion of capital into bullion or coin, from time to time, is calculated to provide for any probable augmentation of the demand. This object being sufficiently secured the capital of the bank is next to be employed, in perfect consistency with the general interests and safety of the institution, to raise the value of the public securities, by withdrawing almost one-fifth of the amount from the ordinary stock market. Nor will the bank be allowed to expose the public to the danger of a depreciation, by returning any part of the stock to the market, until it has been offered, at the current price, to the commissioners of the sinking fund; and it is not an inconsiderable advantage, in the growing state of the public revenue, that the stock subscribed to the capital of the bank will become redeemable at the pleasure of the Government.

The subscription to the capital of the bank is opened to every species of funded stock. The estimate that the revenues of 1816 and 1817 will enable the Treasury to discharge the whole of the Treasury note debt, furnishes the only reason for omitting to authorize a subscription in that species of debt. Thus,

The old and new six per cent. stocks are receivable at par.

The seven per cent. stock, upon a valuation referring to the 30th of September, 1816, is receivable at $106\frac{51}{100}$ dollars per cent.

The three per cent. stock, which can only be redeemed for its nominal or certificate value, may be estimated, under all circumstances, to be worth about sixty-two per cent. when the six per cent. stock is at par; but as it is desirable to accomplish the redemption of this stock upon equitable terms, it is made receivable at sixty-five per cent., the rate sanctioned by the Government, and in part accepted by the stockholders in the year 1807.

Of the instalments for paying the subscriptions it is only necessary to observe that they are regulated by a desire to reconcile an early commencement of the operations of the bank with the existing difficulties in the currency, and with the convenience of the subscribers. In one of the modes proposed for discharging the subscription of the Government, it is particularly contemplated to aid the bank with a medium which cannot fail to alleviate the first pressure for payments in coin.

II. It is proposed that the national bank shall be governed by twenty-five directors, and each of its branches by thirteen directors; that the President of the United States, with the advice and consent of the Senate, shall appoint five of the directors of the bank, one of whom shall be chosen as president of the bank by the board of directors; that the resident stockholders shall elect twenty of the directors of the national bank, who shall be resident citizens of the United States, and that the national bank shall appoint the directors of each branch, (being resident citizens of the United States,) one of whom shall be designated by the Secretary of the Treasury, with the approbation of the President of the United States, to be president of the branch bank.

The participation of the President and Senate of the United States in the appointment of directors appears to be the only feature in the proposition for the government of the national bank which requires an explanatory remark.

Upon general principles, wherever a pecuniary interest is to be effected by the operations of a public institution a representative authority ought to be recognised. The United States will be the proprietors of one-fifth of the capital of the bank, and in that proportion, upon general principles, they should be represented in the direction.

But an apprehension has sometimes been expressed, lest the power of the Government thus inserted into the administration of the affairs of the bank should be employed eventually to alienate the funds, and to destroy the credit of the institution. Whatever may have been the fate of banks in other countries, subject to forms of government essentially different, there can be no reasonable cause for apprehension here. Independent of the obvious improbability of the attempt, the Government of the United States cannot, by any legislative or executive act, impair the rights, or multiply the obligations of a corporation constitutionally established, as long as the independence and integrity of the judicial power shall be maintained. Whatever accommodation the Treasury may have occasion to ask from the bank, can only be asked under the license of a law; and whatever accommodation shall be obtained must be obtained from the voluntary assent of the directors, acting under the responsibility of their trust.

Nor can it be doubted that the Department of the Government, which is invested with the power of appointment to all the important offices of the State, is a proper Department to exercise the power of appointment in relation to a national trust of incalculable magnitude. The national bank ought not to be regarded simply as a commercial bank. It will not operate upon the funds of the stockholders alone, but much more upon the funds of the nation. Its conduct, good or bad, will not affect the corporate credit and resources alone, but much more the credit and resources of the Government. In fine, it is not an institution created for the purposes of commerce and profit alone, but much more for the purposes of national policy, as an auxiliary in the exercise of some of the highest powers of the Government. Under such circumstances the public interests cannot be too cautiously guarded, and the guards proposed can never be injurious to the commercial interests of the institution. The right to inspect the general accounts of the bank may be employed to detect the evils of a mal-administration; but an interior agency in the direction of its affairs will best serve to prevent them.

III. It is proposed that, in addition to the usual privileges of a corporation, the notes of the national bank shall be received in all payments to the United States, unless Congress shall hereafter otherwise provide by law; and that, in addition to the duties usually required from a corporation of this description, the national bank shall be employed to receive, transfer, and distribute, the public revenue, under the directions of the proper Department.

The reservation of a legislative power on the subject of accepting the notes of the national bank in payments to the Government, is the only new stipulation in the present proposition. It is designed not merely as one of the securities for the general conduct of the bank, but as the means of preserving entire the sovereign authority of Congress relative to the coin and currency of the United States. Recent occurrences inculcate the expediency of such a reservation, but it may be confidently hoped that an occasion to enforce it will never arise.

It is not proposed to stipulate that the bank shall in any case be bound to make loans to the Government; but, in that respect, whenever a loan is authorized by law, the Government will act upon the ordinary footing of an applicant for pecuniary accommodation.

IV. It is proposed that the organization of the national bank shall be effected with as little delay as possible; and that its operations shall commence and continue upon the basis of payments in the current coin of the United States, with a qualified power under the authority of the Government to suspend such payments.

The proposition now submitted necessarily implies an opinion that it is practicable to commence the operations of the national bank upon a circulation of gold and silver coin; and, in support of the opinion, a few remarks are respectfully offered to the consideration of the committee:

1. The actual receipts of the bank, at the opening of the subscription, will amount to the sum of \$8,400,000; of which the sum of \$1,400,000 will consist of gold and silver, and the sum of \$7,000,000 will consist of public stock convertible by sale into gold and silver. But the actual receipts of the bank, at the expiration of six months from the opening of the subscription, will amount to the sum of \$16,800,000; of which the sum of \$2,800,000 will be in gold and silver, and the sum of \$14,000,000 will be in public stock convertible by sale into gold and silver. To the fund thus possessed by the bank, the accumulations of the public revenue and the deposits of individuals being added, there can be little doubt, from past experience and observation in reference to similar establishments, that a sufficient foundation will exist for a gradual and judicious issue of bank notes payable on demand in the current coin; unless, contrary to all probability, public confidence should be withheld from the institution, or sinister combinations should be formed to defeat its operations, or the demands of an unfavorable balance of trade should press upon its metallic resources.

2. The public confidence cannot be withheld from the institution. The resources of the nation will be intimately connected with the resources of the bank. The notes of the bank are accredited in every payment to the Government, and must become familiar in every pecuniary negotiation. Unless, therefore, a state of things exist in which gold and silver only can command the public confidence, the national bank must command it. But the expression of the public sentiment does not, even at this period, leave the question exposed to difficulty and doubt; it is well known that the wealth of opulent and commercial nations requires for its circulation something more than a medium composed of the precious metals. The incompetency of the existing paper substitutes to furnish a national currency is also well known. Hence, throughout the United States, the public hope seems to rest, at this crisis, upon the establishment of a national bank; and every citizen, upon private or upon patriotic motives, will be prepared to support the institution.

3. Sinister combinations to defeat the operations of a national bank, ought not to be presumed, and need not be feared. It is true that the influence of the State banks is extensively diffused; but the State banks, and the patrons of the State banks, partake of the existing evils; they must be conscious of the inadequacy of State institutions to restore and maintain the national currency; they will perceive that there is sufficient space in the commercial sphere for the movement of the State banks and the national bank; and, upon the whole, they will be ready to act upon the impulse of a common duty, and a common interest. If, however, most unexpectedly, a different course should be pursued, the concurring powers of the national treasury and the national bank will be sufficient to avert the danger.

4. The demand of an unfavorable balance of trade appears to be much overrated. It is not practicable, at this time, to ascertain either the value of the goods imported since the peace, or the value of the property employed to pay for them. But when it is considered that a great proportion of the importations arose from investments of American funds previously in Europe; that a great proportion of the price has been paid by American exports; that a great proportion has been paid by remittances in American stocks; and that a great proportion remains upon credit to be paid by gradual remittances of goods, as well as in coin; it cannot be justly concluded, that the balance of trade has hitherto materially affected the national stock of the precious metals. So far as an opportunity has occurred for observation, the demand for gold and silver to export appears rather to have arisen from the expectation of obtaining a higher price in a part of Europe, and from the revival of commerce with the countries beyond the Cape of Good Hope, than from any necessity to provide for the payment of the recent importations of goods into the United States. The former of these causes will probably soon cease to operate, and the operation of the latter may, if necessary, be restrained by law.

The proposition now under consideration further provides for a suspension of the bank payments in coin upon any future emergency. This is merely a matter of precaution; but, if the emergency should arise, it must be agreed on all hands that the power of suspension ought rather to be confided to the Government than to the directors of the institution.

V. It is proposed that a bonus be paid to the Government by the subscribers to the national bank, in consideration of the emoluments to be derived from an exclusive charter, during a period of twenty years.

Independent of the bonus here proposed to be exacted, there are undoubtedly many public advantages to be drawn from the establishment of the national bank; but these are generally of an incidental kind, and (as in the case of the deposits and distribution of the revenue) may be regarded in the light of equivalents, not for the monopoly of the charter, but for the reciprocal advantages of a fiscal connexion with the public Treasury.

The amount of the bonus should be in proportion to the value of the charter grant; or, in other words, to the nett profits which the subscribers will probably make, in consequence of their incorporation. The average rate of the dividends of the State banks, before the suspension of payments in coin, was about eight per cent. per annum. It appears by a report from this Department to the House of Representatives, dated the 3d of April, 1810, that the annual dividends of the late bank of the United States, averaged, throughout the duration of its charter, the rate of $8\frac{1}{3}\frac{2}{6}$ per cent. But under all the circumstances which will attend the establishment and operations of the proposed national bank, its enlarged capital, and the extended field of competition, it is not deemed reasonable, for the present purpose, to rate the annual dividends of the institution higher than 7 per cent. upon its capital of \$35,000,000.

Allowing, therefore, two, three, and four years for the payment of the bonus, a sum of \$1,500,000 would amount to about four per cent. upon the capital of the bank, and would constitute a just equivalent for the benefits of its charter.

VI. It is proposed that the measures, suggested by the following considerations, be adopted to aid the national bank in commencing and maintaining its operations upon the basis of payments in the current coin.

1. To restore the national currency of gold and silver it is essential that the quantity of bank paper in circulation should be reduced; but this effort alone will be sufficient to effect the object. By reducing the amount of bank paper its value must be proportionably increased; and as soon as the amount shall be contracted to the limits of a just proportion in the circulating medium of the country, the consequent revival of the uses for coin, in the business of exchange, will insure its re-appearance in abundance. The policy, the interest, and the honor of the State banks will stimulate them to undertake and prosecute this salutary work. But it will be proper to apprise them that, after a specified day, the notes of such banks as have not resumed their payments in the current coin will not be received in payments, either to the Government or to the national bank.

2. The resumption of payments in current coin at the State banks will remove every obstacle to the commencement of similar payments at the national bank. The difficulty of commencing payments in coin is not, however, to be considered as equal to the difficulty of resuming them. The national bank, free from all engagements, will be able to regulate its issues of paper with a view to the danger, as well as to the demand that may be found to exist. But in addition to the privileges granted by the charter, it will also be proper to apprise the State banks, that, after the commencement of the operations of the national bank, the notes of such banks as do not agree to receive, re-issue, and circulate the notes of that institution, shall not be received in payments either to the Government or to the national bank.

3. The possibility that the national currency of coin may not be perfectly restored at the time of organizing the bank, has induced the proposition that the payment of the Government subscription to the capital shall be made in Treasury notes, which will be receivable in all payments to the Government, and to the national bank, but which will not be demandable in coin. The principle of this proposition might, perhaps, be usefully extended to authorize the national bank to issue notes of a similar character, for a limited period; and it will be proper further to apprise the State banks that the notes of such banks as do not agree to receive, re-issue, and circulate these Treasury notes, or national bank notes, shall not be received in payments, either to the Government or to the national bank.

I have the honor, very respectfully, sir, to be your most obedient servant,

A. J. DALLAS.

The Hon. JOHN C. CALHOUN, *Chairman of the Committee on the National Currency.*

OUTLINE OF A PLAN FOR THE NATIONAL BANK.

I. *The charter of the bank.*

1. To continue 21 years.
2. To be exclusive.

II. *The capital of the bank.*

1. To be \$35,000,000—at present.
2. To be augmentable by Congress to \$50,000,000, and the additional sum to be distributed among the several States.
3. To be divided into 350,000 shares of 100 dollars each, on the capital of \$35,000,000, and to be subscribed,

By the United States, one-fifth, or 70,000 shares,	-	-	-	-	-	\$7,000,000
By corporations and individuals, four-fifths, or 280,000 shares,	-	-	-	-	-	28,000,000
						\$35,000,000
4. To be compounded of public debt and of gold and silver; as to the subscriptions of corporations and individuals, in the proportions—

Of funded debt, three-fourths, equal to	-	-	-	-	-	\$21,000,000
Of gold and silver, one-fourth, equal to	-	-	-	-	-	7,000,000
						\$28,000,000

The subscriptions of 6 per cent. stock to be at par.

The subscriptions of 3 per cent. stock to be at 65 per cent.

The subscriptions of 7 per cent. stock to be at $106\frac{51}{100}$ per cent.

5. The subscriptions in public debt may be discharged at pleasure by the Government at the rate at which it is subscribed.

6. The subscriptions of corporations or individuals to be payable by instalments—

(1.) <i>Specie</i> , at subscribing,								
On each share, \$ 5,	-	-	-	-	-	-	-	\$1,400,000
At 6 months, 5,	-	-	-	-	-	-	-	1,400,000
At 12 months, 5,	-	-	-	-	-	-	-	1,400,000
At 18 months, 10,	-	-	-	-	-	-	-	2,800,000
								\$7,000,000
(2.) <i>Public debt</i> , at subscribing,								
Each share, \$25,	-	-	-	-	-	-	-	7,000,000
At 6 months, 25,	-	-	-	-	-	-	-	7,000,000
At 12 months, 25,	-	-	-	-	-	-	-	7,000,000
								\$28,000,000

7. The subscription of the United States to be paid in instalments not extending beyond a period of seven years; the first instalments to be paid at the time of subscribing, and the payments to be made at the pleasure of the Government, either
 In gold and silver, or
 In 6 per cent. stock, redeemable at the pleasure of the Government, or
 In Treasury notes not fundable nor bearing interest, nor payable at a particular time, but receivable in all payments to the Government, and also in all payments to the bank, with a right on the part of the bank to re-issue the Treasury notes so paid, from time to time, until they are discharged by payments to the Government.
8. The bank shall be at liberty to sell the stock portion of its capital to an amount not exceeding _____ in any one year; but, if the sales are intended to be effected in the United States, notice thereof shall be given to the Secretary of the Treasury that the Commissioners of the Sinking Fund may, if they please, become the purchasers, at the market price, not exceeding par.

III. *The Government of the bank.*

1. The bank shall be established at Philadelphia, with power to erect branches, or to employ State banks as branches elsewhere.
2. There shall be twenty-five directors for the bank at Philadelphia, and thirteen directors for each of the branches where branches are erected, with the usual description and number of officers.
4. The President of the United States, with the advice and consent of the Senate, shall annually appoint five of the directors of the bank at Philadelphia.
4. The qualified stockholders shall annually elect twenty of the directors of the bank at Philadelphia; but a portion of the directors shall be changed at every annual election upon the principle of rotation.
5. The directors of the bank at Philadelphia shall annually, at their first meeting after their election, choose one of the five directors appointed by the President and Senate of the United States, to be president of the bank; and the president of the bank shall always be re-eligible if re-appointed.
6. The directors of the bank at Philadelphia shall annually appoint thirteen directors for each of the branches where branches are erected, and shall transmit a list of the persons appointed to the Secretary of the Treasury.
7. The Secretary of the Treasury, with the approbation of the President of the United States, shall annually designate, from the list of the branch directors, the person to be the president of the respective branches.
8. None but resident citizens of the United States shall be directors of the bank, or its branches.
9. The stockholders may vote for directors in person or by proxy; but no stockholder, who is not resident within the United States at the time of election, shall vote by proxy; nor shall any one person vote as proxy a greater number of votes than he would be entitled to vote in his own right, according to a scale of voting to be graduated by the number of shares which the voters respectively hold.
10. The bank and its several branches, or the State banks employed as branches, shall furnish the officer at the head of the Treasury Department with statements of their officers, in such form and at such period as shall be required.

IV. *The privileges and duties of the bank.*

1. The bank shall enjoy the usual privileges, and be subject to the usual restrictions of a body corporate and politic, instituted for such purposes, and the forgery of its notes shall be made penal.
2. The notes of the bank shall be receivable in all payments to the United States, unless Congress shall hereafter otherwise provide by law.
3. The bank and its branches, and State banks employed as branches, shall give the necessary aid and facility to the Treasury for transferring the public funds from place to place, and for making payments to the public creditors, without charging commissions, or claiming allowances on account of differences of exchange, &c.

V. *The organization and operation of the bank.*

1. Subscriptions to be opened with as little delay as possible, and at as few places as shall be deemed just and convenient. The commissioners may be named in the act or be appointed by the President.
2. The bank to be organized and commence its operations in specie as soon as the sum of \$1,400,000 has been actually received from the subscriptions in gold and silver.
3. The bank shall not at any time suspend its specie payments, unless the same shall be previously authorized by Congress, if in session, or by the President of the United States if Congress be not in session. In the latter case the suspension shall continue for six weeks after the meeting of Congress, and no longer, unless authorized by law.

VI. *The bonus for the charter of the bank.*

The subscribers to the bank shall pay a premium to the Government for its charter. Estimating the profits of the bank from the probable advance in the value of its stock, and the result of its business when in full operation at 7 per cent., a bonus of \$1,500,000 dollars, payable in equal instalments of two, three, and four years, after the bank commences its operations, might, under all circumstances, be considered as about 4 per cent. upon its capital, and would constitute a reasonable premium.