the opinions of two distinguished actuaries, who were independently consulted, would have supported an immediate adoption of the new Government basis of 3½ per cent. upon all business.

It is further recommended that the usual Quinquennial Bonus to Shareholders be dispensed with.

SYNOPSIS OF FINANCIAL STATEMENT.

Premium Income (net)	$2,199,262 21
Interest, Rents, etc.	853,297 52
	$3,052,559 73
Payments to Policy-holders	$1,357,350 85
All other payments	475,666 28
	$1,833,017 14
ASSETS: January 1st, 1900.	
Ledger Assets	$20,365,202 36
Other Assets	997,859 70
TOTAL ASSETS	$21,364,062 06
LIABILITIES:	
Assurance Reserve Fund—Actuaries' 4 per cent.	$18,964,390 00
Special Reserve towards 3½ per cent. basis	500,000 00
All other liabilities	430,959 21
	$19,895,349 21
SURPLUS OVER ALL LIABILITIES	$1,468,712 85
	$21,364,062 06

At the annual meeting in Toronto, Feb. 28th, the President, Hon. George A. Cox, in moving the adoption of the report, said :—"It is a matter of satisfaction that the new business of the year just closed largely exceeds that of the best year in the Company's history. From every part of the Dominion came these evidences of approval & confidence. While this increased business was to a certain extent due to the fact that new premium rates were to go into effect at the beginning of the year in this & other companies, still the fact that the Canada Life received a much larger volume of new business in the Dominion than any other company is the best evidence of the wisdom of the departures just referred to.

I think it proper, however, to say that it is not my intention, nor of those responsible for the management of the Company to depart from the conservative principles by which it has been so long conducted. I believe in building on foundations that will stand the strain & stress of years. Whether in the securing of business or in making investments, I prefer to look at the matter as it is likely to appear ten, twenty, thirty years hence, & I am content to sacrifice transient success for absolute security, & the permanent welfare of those whose interests are wrapped up in this institution. At the same time I think we should not be doing our duty if we did not seek to keep the Canada Life thoroughly abreast of the times, both in its agencies & at head office. "Conservative Progress" will, therefore, be our motto.

The most important matter dealt with in the report is the quinquennial investigation. That is always an eventful period, but especially so on this occasion, for the reason that the life companies are now brought face to face with a most serious practical problem, viz., the readjustment of their finances, due to the permanent fall that has taken place in the rate of interest. Many persons who are not familiar with life assurance finance do not realize the important place which interest holds in the foundations of a life company. Without its interest income a life company would soon become insolvent. It is not alone from the premiums, but from the interest as well, that claims must be met, & if interest is likely to fall below what has been assumed, then the security of a company's contracts is endangered. Moreover, the securing of a rate of interest larger than that assumed in a company's calculations is one of its main sources of profit. Hence it is of the highest importance that the margin of interest for profit should be maintained.

I will illustrate in two ways the effect of a fall in the rate of interest. Within a period of twelve years the rate of interest has fallen 2 per cent. Now, taking the assets of a company like the Canada Life at $21,000,000, this means an annual shrinkage in its interest income of $420,000, or in five years the accumulated loss would amount to almost $2,300,000. This clearly demonstrates the effect of a fall in the rate of interest.

My second illustration shows what annual premium would be required to insure a man for $1,000 at age 30 upon the Whole Life plan, supposing no interest were assumed as procurable. The gross annual premium would be $32.75, whereas the rate which we now charge for a non-profit policy on that plan is only $20.50, or $12.25 per year less. The difference is accounted for by assuming the benefit from interest.

These illustrations prove the almost criminal negligence that would be involved in blissfully closing one's eyes to facts before us, & gently drifting either into ultimate insecurity, or into a condition devoid of earning power. Hence, in face of a rate of interest that has permanently fallen, & that will, in all probability, continue for some time to fall, the advocates of an immediate division of a nominal surplus may defeat their own object & prejudice their own interest by impairing the stability of a company from which their children may obtain little because they themselves have already eaten the fruit. Therefore, it becomes at times the bounden duty of those charged with the administration of a great trust to maintain people's interests, even against their opinions.

Under the amended Insurance Act of last session, all the companies must now hold their reserves on new business upon a 3½ per cent. interest basis, & must further proceed to bring the reserves on all existing business to the same basis. As generous creditors sometimes do for respectable debtors, the Government has granted an extension of time in which any company, however weak, might easily meet its obligations under existing contracts. But a law which is framed to aid the weak should not be used to bind the strong.

In order to place before our directors just what was involved in passing to the higher standard, it was decided during last year to ask our Actuarial Department to make a detailed valuation of our $37,000 policies upon the Hm. 3½ per cent. basis. In addition to this, two other full detailed valuations were made, viz., one upon the Actuaries' Table & interest at 4 per cent., & the other upon American Experience 4 per cent. Table. Never has such an exhaustive investigation of its policy liabilities been undertaken by the Company. But the results proved of great value & interest. While the Actuarial Department was busily engaged in measuring up the policy liabilities on different bases, the newly-appointed Treasurer was hard at work taking stock of our assets. When the two sides of our balance sheet came together, therefore, it was a matter of great satisfaction that the Company was found in possession of a substantial surplus over all liabilities, even upon the high standard of Hm. 3½ per cent.—the new Government basis.

In order to have the benefit of independent expert opinion as to how far the Company should now go towards meeting the new Government standard, it was decided to lay the whole situation before two distinguished Actuaries, one English & the other American. The gentlemen selected were H. W. Manly, F.I.A., London, England, the President of the Institute of Actuaries of Great Britain, & Mr. David Parks Fackler, Consulting Actuary of New York, ex-President of the Actuarial Society of America. Mr. Manly, who, by the way, holds the highest office in the gift of