that other and larger institutions have, and we find the growing difficulty in earning dividends experienced by the Eastern Townships is referred to in other reports recently submitted to bank shareholders. It is described by the president, Mr. Henecker, as the "active competition which is now taking place in every branch of business—banking not excepted."

However, the profit and loss statement shows that after allotting $105,000 among the shareholders and transferring $15,000 to the reserve fund, the amount carried forward as a credit balance, $41,994.72, is nearly double that of the previous year.

The deposits show an increase quite in keeping with the very considerable advance therein recorded last year, the interest bearing deposits being $4,016,000 as against $3,594,000 at the close of the preceding twelve months. As we stated last year, bank premises and real estate other than bank premises, form rather large items in the statement of assets; but the continued addition to the bank's reserve fund warrants the supposition that the directors regard the property represented by these increasing figures as being ample value for the money. Altogether, despite reduced profits, and increased totals in those items at which bankers first glance for evidence of a satisfactory year's business, the annual statement of the Eastern Townships Bank may, to quote from the president's address, be accepted as satisfactory. The outlook for the present year is doubtless bright indeed, as the same report states that business is active and profitable, and adds:—

"Indeed the trade returns of the Dominion show a like degree of prosperity, which has compensated largely for the long period of dulness which formerly prevailed. Agriculture, manufactures, lumbering in the shape of pulp wood, mining, and commercial business, have all shared in this prosperity. From a study of the reports of Dun & Company and Bradstreet it will be seen that the failures have not only been fewer than in previous years, but the aggregate of loss has been less."

That the directors of the bank intend to share, if possible, in the general prosperity of the Dominion is indicated by their enterprise in entering British Columbia in search of profitable business.

THE CHANGE IN THE INTEREST BASIS OF VALUATION.

THE CHRONICLE is indebted to Mr. Thomas Bradshaw, F. I. A., for a copy of his paper prepared for the decennial meeting of the Actuarial Society of America, held in New York last month. In view of the interest manifested by the life insurance companies in the bill introduced by the Hon. Mr. Fielding, amending the Insurance Act, Mr. Bradshaw's paper cannot but prove interesting, and we present the following extracts dealing with two of the most momentous questions now engaging the attention of life companies in Canada, the basis of valuation, and the powers of investment of funds.

Mr. Bradshaw says:—

It is a significant fact that the measure on the one hand proposes a radical lowering of the interest basis of valuation, and on the other hand an enlargement of the powers of investments of some of the companies. Two native companies now possess almost unlimited powers of investing their funds; and these powers the Bill does not propose to disturb. My own opinion is that if the Government had been less restrictive in granting originally powers of investments to the large majority of the companies, it would not now be necessary for it to propose this radical change in the basis of valuation. It is, however, to be earnestly hoped that such broad powers will be granted to all companies as will afford them a wide range of securities to choose from, and thus do away with the necessity of the companies seeking further extension of limits in the future (which, in view of the proposed general Bill, it is altogether likely the Government will be most chary in granting); or of being obliged to disturb, for at least many years to come, the interest basis of valuation.

* * * *

The new Act proposes that the valuations of all policies and bonuses granted by Canadian, American and British companies on and after the first of January, 1900, shall be made on the mortality table of the Institute of Actuaries of Great Britain and interest at 3 1-2 per cent.; of all policies and bonuses granted prior to the first of January, 1900, on the same table of mortality and interest at 4 1-2 per cent. until the first of January, 1907; after which date the valuations of all policies and bonuses are to be made on the higher basis. In the valuation of annuities, the table of mortality experience of (British) Government Life Annuitants may be used.

* * * *

Although the existing Insurance Act merely requires that the valuation of policies of life insurance shall be made on at least as stringent a basis as the Institute of Actuaries' table of mortality and a 4 1-2 per cent. interest rate, most of the companies have voluntarily valued the whole or a part of their obligations on a more severe standard.

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From the official returns it would be impossible to approximate, with any degree of accuracy, how much would be involved in the change from a 4 1-2 per cent. standard to a 4 per cent. or to a 3 1-2 per cent. in any one company's business. A comparison of values, computed on different interest bases, will nevertheless enable us to determine what effect a reduced rate of interest has upon individual insurances.