THE VALUATION OF INSURANCE COMPANIES' ASSETS.

This and Legislation were the Subjects of Chief Interest at New York Meeting of the Association of Life Insurance Presidents.

Largely attended, and characterized by great interest, was the annual meeting of the Association of Life Insurance Presidents of the United States, held last week in New York city. Marked modification of the Armstrong laws of the State of New York, with especial reference to the valuation of assets, sale of securities and limitation of business, together with a general demand for less legislation of a restrictive and expense-creating character in all the States, were prominent features of the addresses delivered.

EX-PRESIDENT CLEVELAND ON LEGISLATION.

The first address was that of the Chairman, Ex-President Grover Cleveland. He referred strongly to wrong methods of attacking evils and to the baneful legislation proposed, and in some of the States actually passed, under cover of the excitement aroused by the investigation of life insurance shortcomings. "Must we shut our eyes to the fact that by playing upon the desire of honest men for reform, vicious and unreasonable laws have been passed, or are threatened in certain States, actually originating in nothing better than the mean, political ambition of petty demagogues?"

DARWIN P. KINGSLEY ON ARMSTRONG RESTRICTIONS.

Darwin P. Kingsley, president of the New York Life Insurance Company, in discussing the New York legislation, said:

"I am not opposed to a limitation on what may be spent in the procurement of new business. I am opposed to a law under which socialism creeps in and while professing to limit expenses limits methods. I am opposed to a law which provides for expenses something which may never exist and practically ignores a provision which exists in every premium paid during the lifetime of every insurance contract. I am opposed to a law which, between the limitation which it fixes on cost of new business and the limitation which it fixes on total expenses, leaves opportunity for endless extravagances. I am opposed to a law which, taken with other sections of the insurance law, absolutely takes the soul out of organization."

PAUL MORTON ON VALUATION OF SECURITIES.

Paul Morton, president of the Equitable Life, said that he was more and more convinced that market quotations should not govern in case of a life insurance company which bought its bonds for investment with the intention of holding them until maturity. He pointed out that in the nature of things life insurance investments must be made at all times, whether in periods of inflation, or in periods of depression.

"From a practical point of view it is not clear why the basis for valuation of loans on mortgages should differ from that of investments in bonds—both are mortgages. The only difference between the two is that loans on real estate are generally for shorter periods than railroad mortgage bonds. While there may be some good reason for taking the market quotations of stocks as a basis for the valuation of the assets of an insurance company, there does not seem to be the same reason for using market quotations on a particular date as a basis for valuation of bonds.

"Personally I have had firmly implanted in my own mind the idea that there should be some plan devised whereby the average values of life insurance assets might be determined for a period of five or ten years, and that values thus determined should, if it is possible to do so, be used in the computation of dividends. Dividends are declared from surplus, and surplus depends, to a large extent, on valuations, and as a layman it does not strike me as reasonable that it is quite the fair thing to policy-holders to be punished when they happen to have their contracts mature in years of great depression, or to be rewarded when their contracts happen to mature in years of great inflation."

VALUATION PLAN SUGGESTED.

President Tatlock, of the Washington Life, proposed a method of bond valuation as follows:

"Bearing in mind that securities are purchased by life companies for permanent investment, the nature and occurrence of the liabilities for which they are an offset and the complicated questions which arise in connection with the division of surplus, it is submitted that the method of valuing bonds, by computing their present value on the basis of the effective, or actual, rate of interest, if held to maturity, which is determined by the prices at which they were originally purchased, meets in a satisfactory manner all the conditions of the problem. The method is not new nor original. It rests upon fundamental principles of interest and annuities, and has been used for many years by some life companies and many other financial institutions in fixing the book values of bonds. It is easy of application by means of well known and generally adopted tables. It contains no elements of mystery or pure assumption, and involves in its application no exercise of independent judgment."

THE QUESTION OF DISTRIBUTION OF SURPLUS.

George E. Ide, president of the Home Life, said:

"There can be no wise legislation on this subject, except of the most general character. If the law, such as we have upon our statute books to-day is adopted, specific in its requirements and universal in its application, great injustice is done to policy-holders. In a company writing only participating policies the distribution of surplus is the one item which above all others must be left to the discretion of the management—that is, to the officers and directors—and they should be held responsible for the wise discharge of their trust. Is it the business of the State to determine what dividends shall be paid? If so there is only one proper way to do it, and that is to have the Department of Insurance examine each company separately and distinctly and declare its dividends. This is carrying State supervision to a point which we think should appeal to very few persons."

APPLICATION IS BEING MADE TO PARLIAMENT for incorporation of the Canada Weather Insurance Company, with head office at Toronto.