The influence of the mild winter in 1905-6 is plainly seen in the net increases of 19.54, 44.08 and 67.91 p.c. respectively in December, January and February. In the same months of 1906-7 operating expenses are likely to be relatively higher and there is an even greater likelihood that net earnings will show decreases than that gross earnings will, from this cause of weather conditions. Then, the cost of railroad supplies has increased. The roads are affected, more almost than any other purchasers, by increases in iron and steel prices. The process never fails to leave its mark on railroad operating expenses. And wages have gone up within the last three months, the increase being not far from 10 p.c. Something similar happened in the matter of wages in 1902-3. Then the conditions were tranquil enough, apparently, with not much sign of trouble from the unions. However, one day the Pennsylvania Railroad startled the other roads by announcing a general wage increase of 10 p.c. Though an immense addition to operating expenses was thereby created, the others had no option, but to follow the Pennsylvania's example. This they did more or less grudgingly. But the increase in expenses did not by any means eat up the gains in gross. For the railroad history shows that net earnings steadily expanded. This year again the Pennsylvania has rather forced the policy of the others. A few weeks ago another wage increase of 10 p.c. was announced by it—the increased cost of living being the ostensible reason. Now, as before, some of the other roads are complaining that the Pennsylvania took the action without consulting them. There is some grumbling, but a number of increases have already been made and others will doubtless follow. It remains to be seen how all these factors will affect railroad net earnings in the spring of next year. It is said that the increase in the Pennsylvania pay-sheets alone will mean an extra $12,000,000 a year.

ROYAL COMMISSION ON LIFE INSURANCE.

PROPOSED VALUATION SYSTEM.
SOME COMMENTS BY DAVID PARKS FACKLER, CONSULTING ACTUARY.

We have pleasure in publishing the following letter from the pen of Mr. David Parks Fackler, the distinguished consulting actuary.

New York, Dec. 22, 1906.

Editor, THE CHRONICLE,
Montreal.

Sir:—As the Canadian Government has thought best to seek its advice from persons on this side of the boundary line, it may not be improper for me to make some comments upon the valuation system, which I understand the Royal Commission is likely to propose. My advice is, of course, unasked by the Commission, and as I labour under the disqualification of having had considerable practical experience, suggestions from such a quarter may not be thought worth considering, for "reformers" apparently value advice just about in proportion to the lack of experience upon which it is based.

One of the few really good points in the present reform movements, is the fact that they generally tend to favour pure life insurance as against investment forms, but the Canadian proposition favors pure life insurance only when it has a net premium equal to that for an ordinary life policy, and excludes from benefit those desirable forms, now coming into use, which have a lower premium. The ordinary life policy which continues the payment of premiums and the full amount of insurance to advanced ages, when men are neither able to pay the premiums, nor properly insurable for the full original amounts, is a survival of the dark ages of life insurance, and in many cases very improper, as Elizur Wright repeatedly declared many years ago. Four of the six policies I have carried myself have been free from these objections in great part, but policies involving such modern ideas, would not be favoured under the proposed legislation. Whatever objections may be made to the Armstrong mode of valuation, it is certainly more reasonable in that it affects all kinds of policies and will particularly favour policies with premiums lower than those on the ordinary life plan.

The proposed reductions in Canadian reserves are obtained with an exactness of calculation, which is quite unnecessary when it is considered that no equities, or money payments, would be directly affected by arriving at practically the same results without any such trouble. The published tables show the series of proposed reductions from the regular reserve for the first four years for all ages of issue. In the first year at the age of 40 these reductions are $15.03, the next year $11.52, the third year $7.85 and the fourth year $4.01. Now it would have answered for every practical purpose if the first year's reductions were reduced by one-fourth for the second year, making that for the second year $11.27, for the third $7.51, and for the fourth year $3.76.

This simple method of readjusting the reserves could be applied to all kinds of policies having premiums less than for ordinary life. The rule in such cases would be, find the excess of the mid-year reserve for the particular policy above that for a one year term policy, allow that reduction in reserve the first year and diminish the reduction for the next three years successively by one-quarter of that amount.

As Abraham Lincoln used to say, "nothing is ."