

will not be exposed to the same temptation to entertain questionable risks, because if it declines one application it is able without difficulty to secure others. Hence if your company can announce after each year's investigations that its death losses were well within the "expected" claims, that is a strong point in its favour.

RATE OF INTEREST—The next point we shall consider is the method of finding the average rate of interest earned by a company on its funds during any year. There are a number of ways more or less exact of working out the average rate of interest, but the following method is one of the simplest and exact enough for all practical purposes. Let A represent the assets of the company at the beginning of the year. Let B represent the assets at the end of the year. Let I represent the interest income for the year, which is obtained by taking the cash received from interest, dividends, and rents for that year, and adding thereto interest and rents due and accrued at the end of the year, less the interest and rents due and accrued at the end of the previous year. Then the rate of interest per cent. will be obtained from the formula:

$$\frac{2 \ I}{A + B - I} \times 100$$

The process consists of the following steps:

- (1) Add the assets at the beginning of the year to the assets at the end of the year.
- (2) Subtract the interest income for the year.
- (3) Divide the result into twice the interest income for the year.
- (4) Multiply by 100 to get the rate *per cent.*