

strength has not been obtained by leaps and bounds; but it has been distinguished by that steadiness and uniformity which promises permanence and points to good and careful management.

With the dividend for shareholders increased to 6 1-4 per cent., a gain of 1 1-4; an increase in new life business; and a reduction in the ratio of expenses to net premium income; the life assurance business of the Lancashire warrants the belief that it may in time assume proportions corresponding to the company's fire insurance transactions.

The net income from fire premiums exceeded \$3,500,000 and the losses of the same department, after deducting re-assurances, amounted to \$2,000,165, a reduction of \$55,000 as compared with the figures of the previous year. The ratio of losses to premium income showed little if any variation, being about 59.9 per cent. The surplus, carried to profit and loss account, exhibited an increase of some \$15,000. The surplus and the fire account, when added to the interest on the fire fund, make the total profit of the department for the year \$237,300.

The fire insurance and general reserve fund benefits by this profit to the extent of \$150,000. After providing for the dividend and income tax (\$88,320), and making the above addition to the Fire Reserves, the funds of the Lancashire are thus represented:—

Shareholders' Capital	\$1,364,930
Life Assurance Fund	5,228,230
Fire Insurance Reserve	1,590,000
Balance carried forward	16,155
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	\$8,199,315

At the annual general meeting of the company on the 24th ult., the Chairman of the Board of Directors congratulated those present upon the fortunate escape of the company from heavy loss by the Cripple-gate conflagration; referred to the loss of some \$60,000 in Melbourne; spoke of the "unsatisfactory experience" of the Lancashire and other companies in the transaction of re-insurance through Continental (European) agencies. Of the American business, the Chairman remarked "this is now on a satisfactory and remunerative basis, and in the absence of exceptional circumstances, we may look forward to the steadily profitable results which have attended our operations there for the past four years."

In acknowledging a vote of thanks, the Chairman, Mr. Edward Coward, referred to the excellent work of the General Manager, Mr. Digby Johnson, who takes pleasure in the position of the Lancashire Insurance Company and is able to say "*we make no history except that of progress,*" and we hope his company may continue in that happy position.

The best tribute to the ability and good judgment of Mr. J. G. Thompson, Manager of the Canadian department, is contained in the quoted remarks of the chairman on the American business.

LIFE INSURANCE RESERVES AND THE INTEREST RATES.

THE MASSACHUSETTS COMMISSIONER'S OPINION.

The question of past, present, and prospective interest rates has often been discussed, and it is of importance at the present time in determining what course the life insurance companies shall pursue in computing their reserve. The almost universal sentiment among life insurance officials has been that it would, in the not distant future, be necessary for them to lay aside their reserve on the basis that it would earn 3 per cent. Some of the companies, of course, are not prepared to do this, for the assumption of such a rate of interest would necessitate so great an addition to the reserve that their surplus would be entirely gone. We refer now to the placing of all business, old and new, upon the 3 per cent. basis. In the case of many of them, it would even hamper and embarrass them if they were obliged to place only the new business upon the assumed smaller rate of interest.

In his recent advance report, the insurance commissioner of Massachusetts takes a more rosy view of the future, and brings forward the idea that the standard of reserve will not need to go above the present 4 per cent. basis for many years to come. The foundation of the commissioner's judgment is the past history of insurance rates, upon which he dwells at some length. On this point he says:

"From a quite careful analysis in this department of the investment in which the reserves may be made under the rule established in the law of 1887, the interest earned upon the assets has averaged in no year during that time less than 5 1-2 per cent. of the reserve; and on even the total ledger assets, which are made to include idle cash and certain other non-interest rates has often been discussed, and it is of excess of 5 per cent."

With all respect to the opinion of one who should be an authority on the subject, we can hardly agree with the commissioner in his very hopeful conclusions. What has been in the past may be in the future, but it is not by any means certain that it will be. It is true that the decline in interest rates, which was noted from 1873 to a few years ago, seems to have been somewhat checked, but the improvement in the rate is so very small as to indicate no particular change in conditions. We should think the more natural conclusion is that the same conditions which operated from 1873 to 1893 to bring down the interest rates would be likely to go on with their work as the years ripen. It is true that this is a great and resourceful country, whose development still has much to expect, but it is also true that capital is largely and rapidly increasing, and that while there is much to be done, there is also a growing amount of money to do it with.

According to our calculations the commissioner is slightly mistaken in saying that the total ledger assets of the companies have always borne interest at the rate of 5 per cent. To show what the course of in-