

occasion is the best evidence of the directors' desire to conserve the true interests of its policy-holders, and at the same time to maintain for the company the superior position it has so long enjoyed. By the time many other companies have seriously attacked this question of transfer to the new $3\frac{1}{2}$ per cent. basis, the Canada Life will have easily surmounted the obstacle, and having thus obtained a long lead, it will be easy to maintain it.

The advantage, therefore, of new assurers choosing the Canada Life, is self-evident.

Now in order to still further confirm our own conclusions as to the future rate of interest, we recently obtained the opinions of several prominent Canadian financiers, asking them what in their opinion was likely to be the level rate of interest for the next twenty-five years on such securities as Life Companies are allowed to invest in. I quote a few extracts from the replies:

Hon. Sir Richard Cartwright, G.C.M.G., ex-Minister of Finance, says:

"In answer to your question as to the probability of the rate of interest on money continuing to fall, I can only say that the reduction in the rate of interest has now been going on with very little interruption for a great many years. There does not appear to be any reason, under existing circumstances, why this movement should not continue to go on, and I therefore look for a still further reduction and equalization in the rate of interest throughout the whole civilized world, within the next twenty or twenty-five years. The only thing which, so far as I can judge, could materially affect the situation, would be the breaking out of a great European war (or succession of wars), which would probably retard this downward tendency for some time. To make assurance doubly sure, I would favor 3 per cent. as a voluntary future basis."

Hon. Geo. E. Foster, ex-Minister of Finance, says:

"For such a length of time, and with such varying conditions as the next twenty years will in all probability experience, the giving of anything like a categorical answer is out of the question. I should think, however, that a slight margin around $3\frac{1}{2}$ per cent. above or below, and more probably below than above, would be safe to go upon."

Mr. E. S. Clouston, general manager Bank of Montreal, says:

"It seems almost impossible to form an opinion that can be worth much on the question of the value of money for the next quarter of a century. Taking a general view of the situation, I am inclined to agree with the opinions of those gentlemen who state that 3 per cent. is the most prudent rate to assume."

Mr. B. E. Walker, general manager of the Canadian Bank of Commerce, says:

"I think there is no doubt that the varying forces which are bringing the markets of the world together are having the same effect in money as in merchandise, and that we are likely to have what may be called a world-market for money, that is, a market which although influenced by local conditions, will have a general tendency towards whatever may be the current rates in the great money centres of the world. This will again be affected of course by war, world-wide expansion or depression of trade, etc., but with the enormous accumulations represented by private fortunes, private and public trusts, funds of life insurance companies, etc., there can be little doubt that we shall witness during the next twenty-five years a decline, not so rapid doubtless, but not different in character from that in the past. Therefore, while taking due account of the fact that in Canada there are great fields for enterprise, and that for these local reasons we may be able to maintain a somewhat better average than that in England or in the Atlantic States of the United States, I would think that Canadian Life Insurance Companies should nevertheless count on money not being worth more than three per cent. per annum on the average during the next twenty-five years."

Mr. Thomas Fyshe, general manager, Merchants' Bank of Canada, says:

"In my opinion the average rate of interest for the next twenty-five years on such securities as Life Insurance Companies should invest in depends largely on whether throughout the world we are going to have war or peace as the prevailing state of things. If the former, the average rate for money may be expected to keep firmly well up to the present rate, but if the other, I do not see what can prevent it from falling to a considerably lower value in twenty-five years. It would not be prudent to calculate on a higher rate than 3 per cent., and I have very little doubt, except in the first contingency named, that before the expiration of twenty-five years, the best insurance companies will either be preparing to put their reserves on a $2\frac{1}{2}$ per cent. basis or they will have already done so."

Hon. G. W. Ross, Provincial Treasurer, says:

"From present appearances, it is not probable that insurance companies would calculate, with safety, on a higher rate of interest on their investments than 3 per cent. It is in the interest of policy-holders that insurance companies should so finance as to place beyond all possible doubt their ability to pay the policies when they mature. A calculation based upon a higher

rate than 3 per cent. might possibly impair that security. Where the interests of a family are concerned the solvency of an insurance company is of the most importance to the parties insured."

Mr. J. H. Mason, manager Canada Permanent Loan and Savings Co., says:

"From best opinion I can form should think that a rate not higher than $3\frac{1}{2}$ per cent. per annum should be used. If investments of company were entirely in first-class bonds, I should name a lower rate, but believing that they invest partly in real estate, and partly in bonds, I should think $3\frac{1}{2}$ per cent. might be accepted as a reasonable rate, although conditions not now apparent might arise and alter this."

Mr. Walter S. Lee, managing director of the Western Canada Loan and Savings Company, says:

"In the next twenty-five years, the maximum rate of interest on the highest class of mortgages is not likely to average over four per cent. (4%), and on such front rank debentures as a first-class life company should confine itself to for investment, I should say three per cent. (3%). I believe, therefore, that three and one-half per cent. ($3\frac{1}{2}$ %), all round would be a reasonable prophecy to make."

Mr. R. Wilson Smith, financial agent, Montreal, says:

"Amongst the elements to be considered, in replying to the above question, are the future progress and development of the resources of the Dominion, as well as the fact that absolute security is the first consideration in connection with the investment of life funds. However, in the light of past experience and general average conditions, while for some years an average rate of $3\frac{1}{2}$ per cent. may fairly be counted upon, yet for the grade of security in which life assurance funds ought to be invested, it will be more prudent and conservative to assume a 3 per cent. rate for the next quarter of a century."

In conclusion, let me say that in the light of these opinions, and in the face of the decided advice tendered by the distinguished actuaries who were consulted, I feel sure that the course recommended by the directors will, among all reasonable business men, be recognized as moderate, and in the best interests of the great majority of our policy-holders.

I have much pleasure in moving the adoption of the report.

Mr. F. W. Gates, vice-president, said:

Mr. Chairman, as vice-president of the company it has been my fortune to second the adoption of the annual report for a great many years, and it is a great pleasure to me to be here to-day to do so at this fifty-third annual meeting of the company, especially as we see that the company has enjoyed so great prosperity during the past year in securing so large a volume of business.

In looking back over the previous reports of our meetings, I find that both our late esteemed president and myself repeatedly called attention to the rapid fall that was taking place in the rate of interest, and we always took occasion to point out the serious effect this would have upon the profits of this and all other companies.

But I suppose no one anticipated that the fall would have been so continuous. I am free to say that if ten, fifteen or twenty years ago the directors could have foreseen what remarkable reductions would occur in interest rates, they would undoubtedly have applied a portion of the profits at each quinquennial period towards strengthening the company's reserves, and thus have enabled us to pass to a $3\frac{1}{2}$ per cent. basis with less variation in our rate of bonus than must now arise. It may interest you to know that if we had at each quinquennial period from 1870 to 1890 paid the same rate of bonus as in 1895—that is 2 per cent.—we would now have had more than enough accumulated surplus to have enabled us to pass to a $3\frac{1}{2}$ per cent. standard and still to pay a 2 per cent. bonus on this occasion.

When I first approached the question of paying a materially reduced rate of bonus, I confess to a feeling of some misgiving as to how far we should now go towards strengthening our reserves; but when the actuarial valuations upon the different standards were laid before us, and when we had also the opinions of independent experts that we would be justified in going much further than we now recommend, I became convinced that the course which is now proposed was not only prudent, but that we would be lacking in our duty to posterity, and to the true interests of this institution by recommending any less conservative course than is now submitted for your adoption.

To intelligent persons it is, of course, unnecessary to point out that this special reserve of \$500,000 is not taken away from the policy-holders to be used for other purposes, but that it is held for the greater security of our policy-holders, and as a fund, which will materially aid in increasing their profits in the future. Of course some enemies of the company and a few irresponsible rival agents may for ulterior motives endeavor to misrepresent our action and intentions, but we are confident of the soundness of our course. One thing is certain, all companies in Canada have sooner or later to face this problem, and the longer it is put off the more difficult will it be to accomplish.

I have much pleasure in seconding the adoption of the report.

The usual votes of thanks were tendered to the directors, officers, agents, etc., all the speeches being most enthusiastic in