MR. J. K. MACDONALD ON THE LIFE INSURANCE SITUATION.

An exceptionally interesting address was delivered on the 2nd inst., before the Canadian Club, Ottawa, by Mr. J. K. Macdonald, managing director of the Confederation Life Insurance Company.

In the course of the address he said:

"A life insurance company properly organized and honestly managed was the most stable of all financial institutions, and could not fail. Regarding the recent disgraceful disclosures in New York, the chief causes of the conditions revealed were, first, the foolish ambition to become the biggest company in the world, utterly ignoring the fact that the interests of the policy-holders were of infinitely more importance than mere business, and the application of the tontine policy to life insurance, which resulted in large accumulation of surplus, leading in turn to extravagance and increase in expenses.

The possession of such large accumulations, for which no account was given, could hardly fail to produce the fruit now appearing under the searchlight of the investigation.

As to the expenses of the Canadian life offices, they are far too high, but while that is admitted there is a matter which should be borne in mind and which will show that to a very large extent, the management of the home companies is really not responsible for the high cost. The Canadian law allows the United States companies to come and transact the business of life insurance without any limit as to the cost of securing the same. The business cannot be carried on with success without agents, and if the home companies are to do a reasonably successful share, their agents must be paid such remuneration as will prevent their going over to the American companies, which would, if such were to happen, get the major part of the business.

The distribution of surplus at reasonable intervals of five or seven years, instead of allowing accumulations for long periods, and by making rebating a punishable offence, if that is possible, will do much to that end. As entrance to our country is open for foreign life insurance companies, the reform must include the American offices operating here.

The field for investment of the companies' funds could be reasonably extended with perfect safety and with benefit to the company and the policyholders. The extension in the field for investment should be such as to place the Canadian companies in no less favourable position than the American companies operating in Canada. In view of what is taking place in New York, he said, no director or manager should occupy any position in which he received benefit in connection with the purchase or sale of securities of any kind in which his company is interested; or be interested in anything of a speculative character by which his judgment may be influenced, or his company's interests affected.

THE EASTERN TOWNSHIPS BANK.

The progress made by the Eastern Townships Bank in the past year was much greater than in any previous year. This is saying much, for this bank has been making advances in extent of business at a rate beyond the average.

The 47th annual meeting was held at Sherbrooke on 6th inst., at which the President, Mr. William Farwell, took the chair, who, no doubt, reflected with eminent satisfaction and justifiable pride upon the contrast between the condition of the bank and its position in its earlier years.

The net profits were announced to be $317,279, which is nearly 12.70 per cent. of the paid-up capital. The directors might well have satisfaction over such a statement considering the low rate of money prevailing last year.

The net profits provided for two 4 per cent. dividends, for a transfer of $100,000 to the reserve fund, $29,000 applied in reduction of the value of securities, $8,000 as a bonus to the employees, and left a balance of $24,566 at credit of profit and loss. Branches have been established during the year at Actonvale, Hemmingford, Lennoxville and Waterville, in the Province of Quebec, and at Vancouver and Midway, in British Columbia. Sub-agencies have also been opened at Valcourt, Belœil, Iberville, Clarenceville, Lacolle, Scotstown, Howick and Stanstead, in this province. Previous reports have foreshadowed the opening at Vancouver, and although the branch has only been opened for a few months a very satisfactory business is being done. The Midway office is at a point where large expenditure is being made by the construction of two railways and is a central point in that section.

The growth of the business in recent years is shown by the following comparisons:

	1900.	1902.	1903.	1905.
	$	$	$	$
Capital paid up	1,500,000	1,955,225	2,426,780	2,500 000
Reserve Fund......	900,000	1,200,000	1,450,000	1,600,000
Deposits...........	5,181,451	6,830 214	8,578,049	11,910,860
Circulation	4,147,707	1,358,730	2,021,495	2,068,885
Loans	7,206,658	7,780,256	10,869,026	13,037,229
Assets immediately available........	1,393,828	2,392,000	3,309,234	4,853,285

The rate of dividend paid annually by the Eastern Townships Bank since 1860, has ranged from 7 to 8 per cent., the higher rate having been paid in 1903, 1904 and 1905, during all which period there have been appropriations made to the reserve fund which now stands at $1,600,000.

To the judicious management of Mr. William Farwell, for a long term of years the bank owes its large business and the strong hold it has on public confidence and gratitude also, for the business interests of Sherbrooke and district have been largely built up by the assistance of this institution. Mr. Mackinnon, who became general manager when Mr. Farwell was elected president, is showing enterprise and sagacity. The business in Montreal has been effectively promoted and developed under Mr. Austin's management.