

should be divided, as far as practicable, according to the sources from which it has arisen. These introductory remarks are suggested by Mr. David Carment's paper, describing the method of bonus distribution commonly adopted by Australian companies, which was read at the last session of the Actuarial Society of America. Briefly described, the system adopted by our antipodean cousins is as follows: Each participating policy is credited with the surplus accrued from excess of interest realized upon the policy reserves held at the last preceding distribution, and the balance of the office's total surplus is divided in proportion to the loading received in the premiums. We believe that at least one Canadian company employs the same method. It will be seen that the system only partially recognizes the sources from which surplus accrues; interest and loading are taken into account, but mortality is entirely ignored. But in Mr. Carment's opinion, the method nevertheless deals out substantial equity to the policyholders, and might be generally adopted with advantage. Whilst agreeing with him that it is not necessary to insist upon the observance of refinements in theory, and that it is impossible to give them full effect in practice, we can see no reason why such an important factor as that of mortality should be left out of consideration. The argument urged against the "contribution plan" in general use among American companies, that life assurance is "a question of averages," would apply just as much to the Australian method, but, as a matter of fact, it is no argument at all. The principle of average is not violated by the "contribution plan" any more than it is by a company granting reserve values to individual policyholders. The theory of that plan is simply that surplus should be divided according to the sources from which it arises on a basis of average contribution. Whilst it does not exercise discrimination between individual contracts, it possesses the distinct advantage that it provides a measure of equitable adjustment where discrimination has not been made in the rating of different risk.

So far, we have referred only to that portion of the surplus which has accrued from the assured having paid more in premiums than was necessary to cover the risk. No insignificant amount, however, arises from what might be called accidental sources, such as surrenders, changes and lapses. This, strictly speaking, is the only profit, as distinguished from surplus, that a life office makes, and it might very properly and fairly be divided on the business principle of vested interest, that is, in proportion to policy reserves.

In drawing attention in a previous issue to the necessity of reserving some of the loading received on limited and single premium policies as a provision for future expenses when the premiums cease, we published illustrations of the working of the Australian system of distributing surplus. Two important features, however, which we believe are not to be found in that system, were introduced into our calculations. Instead of computing the surplus interest on the basis of policy reserves at date of last division, we calculated it on the mean values during the bonus period. It is

obvious that otherwise old policies and endowment assurances, whose values increase rapidly, would not be credited with their proper profit from excess of interest, and especially in the case of long-period distributions. Limited and single premium policies should be credited with interest profit on their special loading reserves as well as on their policy values, as was done in the instances quoted. Whilst the cardinal principle in the division of surplus should be that of equity, many considerations may arise in practice to render a close adherence to it inexpedient and indeed impracticable. A system which combines simplicity with satisfaction, and at the same time deals out all round justice, is to be preferred to one which, although theoretically more accurate, is more cumbrous and complicated and less calculated to prove acceptable to policyholders.

#### THE NET RESULT OF THE COLONIAL CONFERENCE.

At one of the tenants' dinners given each Christmas by the Duke of Devonshire, he challenged an old farmer to join him in a glass. As the guest was very slow in raising his glass, the Duke said: "Come, Mr. Hurst, I am waiting for you," to which the response was, "Excuse me, your Grace, but I was waiting for the froth to settle a bit!" Now that the exuberance of the Colonial Conference has settled a bit, we may ask, What has been the net result? This is often a very awkward question, is indeed one that is much resented by those who have been floating high on a wave of excitement which they supposed to be a great movement. Now science teaches us that waves never move forward at all, their apparent progress is an optical illusion, which Tyndal compared to the waving seen in a field of grain, where the stalks bend but do not advance. We fear this applies to the wave of excitement caused by the visit of the Delegates from other colonies. How delighted we all were to see them, how we enjoyed their eloquence, how proud Canada was to be the host of such distinguished guests, is it not all chronicled in the press? Several things said to have resulted are very doubtful indeed. It is said that the Delegate learnt how loyal Canadians are, and how hollow is the annexation cry. Surely, this is not complimentary to the intelligence or observing powers of the Delegates. Did not the Australian, New Zealand, and South African statesmen know that Canada sent men to the Sudan during the same period when others were being organized for that service in the Antipodes? Is it credible that such men were ignorant of the speeches of Lord Dufferin, Lord Stanley, and other of our Governors General, which speak so highly of Canadian loyalty? We do not accept the theory that the Conference taught the Delegates that Canada is loyal. Then another result is said to be that many Canadians "have learnt that New Zealand is not Australia!" Whoever said this cannot have known of our public school system, where such a blunder would hardly be possible, as geography is regularly taught, and splendid maps are daily in view and in use. Then, what is more germane to the objects of the Conference, it is