to be to say that if all the world wanted to realize everything no value would attach to anything. It is an argument that may be used in respect of the balance sheets of all companies having large tangible assets.

THE COST PRICE ARGUMENT.

Another plea is that as debenture bonds, terminable annuities, and similar securities are, by means of sinking funds, redeemed eventually at cost price, they may therefore be taken at their cost price. I do not think that this argument is sound. The incidence of the relationship of the invested funds to the individual policies is continuously changing. Claims arise and deplete the funds which are replenished simultaneously from premium income (either new or renewal), so that a proportion of the existing funds represents each year the investment of new money. If these investments are taken at a price above the market value, the rate of interest is artificially low, and the premium income is not being legitimately invested.

To keep a security standing above its realizable value may act as a restraint upon sale when a change of investment might be advantageously made. To sell the investment below book value, and to write up the new security to the book value of its predecessor, would be considered a questionable proceeding, but it does not appear to be worse than keeping the original security at its cost price.

If there are any offices which have retained for a period of, say, 10 or 15 years, their long term investments at cost price, the balance sheets of these companies must be distinctly of an artificial nature, unless, of course, the depreciation is covered by undervaluation elsewhere. It is true that if the valuation rate has been kept constant, the margin of income on these particular securities may be much the same as after a thorough revaluation of assets and an accompanying increase in the valuation rate, but it is surely of importance (irrespective of the requirements of Act of Parliament) that the accounts of a Company should represent as nearly as possible its circumstances judged by the monetary standard of the day the books are closed.

If I may use the expression it is a "slipshod" policy to retain investments at the varying prices paid for them from time to time, and to ignore the rates of interest obtainable from similar securities at the time of valuation, whilst other investments closely reflect in their yield the true current rate of interest.

The correct method appears to me to be that which I have endeavoured to indicate in these remarks: to write the assets down rigidly at a valuation, and to make any adjustment that may be indicated to be justified by the new rate of yield, in the actuarial valuation.

DEPRECIATION AND FUTURE INTEREST PROFITS.

Against the proposition that depreciation (limited to that caused by an enhanced rate of interest) should be charged against future interest profits, it may be urged.

First—That the reserves are weakened.

Secondly—That when, in process of time, a fall in the rate of interest occurs, the offices will have difficulty in recovering their position.

To the first objection the reply seems to be that the reserves have been substantially strengthened by the increased interest margin, and that a part only of the value of the increase in yield is required for the purpose of the charge for depreciation. The balance will remain to increase future bonuses. If the depreciation is provided by the use of a higher valuation rate (or by an equivalent method), and if care is taken that nothing beyond the depreciation is released from the valuation reserves, there should be no difficulty in recovering the position when a fall in the rate occurs. On a reduction in the valuation rate following a general fall in the rate of interest, it would be legitimate to take credit for the appreciation of assets consequent on the fall in the interest rate, or, in the alternative, if the old valuation rate is retained, the large proportion of Stock Exchange securities now included in Assurance Funds would, if kept at the lower prices, give stability to the rate of yield shown by the accounts.

A company is no better off by keeping investments at book values and maintaining its valuation rate than by writing up investments to market values and using the increase to strengthen its reserves by a reduction in the valuation rate. The latter course may indeed be considered the better one, as new business reserves, which will gradually supplant reserves for existing business, should be taken at the lower valuation rate.

CONCLUSION.

In bringing these notes to a conclusion Mr. Tilt submits the following propositions for consideration:

(1) That at the periodical investigation a strict valuation of assets should be made, no security being taken at a price above that which, if a marketable security, it would realize according to market quotations at the date of the balance sheet; if not a marketable security the criterion of value should be taken as the price which the office would be willing to pay if the opportunity of making the investment occurred at the date of the balance sheet.

(2) That this strict valuation of assets having been made, the charge for depreciation so far as represented by a future increase in the interest surplus on the company's contracts will be treated properly by the actuary if, in his valuation, he provides for it by an increase in the valuation rate of interest or by an equivalent method, and that the balance of the depreciation (due to the increased rate of interest) may, in many cases, be similarly treated.

EXPECTED RUSH ON POLICY LOANS.

American life insurance executives are worried over the danger of too many policyholders, as soon as the Stock Exchange opens, taking advantage of policy loans. This was the case in 1907, at the time of the panic when money was tight. When it was found to be impossible to secure money in any other way, loans were secured from the life companies at five per cent., and at many times this money was loaned at the rate of 6 per cent., or even higher.

At present a large number of life companies are charging a 6 per cent. loan rate on new policies, but this will not be in effect on many outstanding policies. As the savings hanks have temporarily put the ban on all accounts so only $50 may be drawn at one time without giving the sixty days' notice provided, the life insurance companies fear that the low price of stock will tempt many to borrow from them for investment purposes.