

AMORTISATION OF SECURITIES.

With the legislature of the State of Connecticut placing on the Statute Books a law permitting life companies to value their bonds on the basis of amortisation, this law will be operative in the four great insurance States of New York, New Jersey, Pennsylvania and Connecticut. No doubt the example of these States will be followed by other legislatures. It is said indeed that nearly every insurance department in the Union accepts valuations on this basis.

The Canada Life completed last year the valuation of its holdings of bonds and debentures on the amortisation system. This revaluation was commenced in 1900, and was extended to different sections of the bond and debenture holdings from year to year until finally completed in 1913. For the benefit of those who are not familiar with this method of valuation, the late Mr. E. W. Cox, then President of the Canada Life, explained that it is based upon the original purchase price of the bonds and debentures, which are valued by computing their present value under the actual rate of interest realized if the bonds and debentures are held to maturity. This method does not in any way affect either the value or the yield rate which was contracted for in their purchase, but on the assumption that these bonds and debentures are to be held until maturity it enables the company to ignore the market value of them, as, no matter what the fluctuations may be, the Company is bound to receive the face value at the time specified.

AN ACTUARY'S ARGUMENT.

The amortization method of valuation of securities is advocated by the Life Presidents' Association, and in a recent paper written for the Faculty of Actuaries in Scotland, and quoted in our issue of December 4, Mr. Henry Moir, the well-known New York actuary, spoke in favor of it. Mr. Moir is a firm believer in the amortisation method for the valuation of life insurance funds for the reasons that life companies accumulate funds not for immediate necessities, but for the distant future; that in a progressive company funds steadily increase and there is no need for liquidation of assets; that life companies are not (or should not be) speculative dealers in securities; a rate of interest is assumed for discounting liabilities, which rate will be effective until the obligations mature; while life companies are permanent institutions, whose primal duty is to equalise the ups and downs of life, and the valuation of fixed term securities by means of amortisation is a scientific development tending towards equalisation. The adoption of this method, however, does not, in Mr. Moir's opinion, shut out the necessity for unceasing vigilance in investment supervision. "A careless and wasteful management," he says, "might manipulate investments so as to show considerable profits while concealing losses under the amortisation method. If a company were deliberately to sell bonds which

appreciated in value and carry on the amortised basis those which depreciated, it is easy to see that the condition of the company would be imperilled. Judicious and honest management is needful under this plan as under any other."

CONFEDERATION LIFE ASSOCIATION.

Sound, conservatively progressive, and highly respected, the old established Confederation Life Association goes steadily on its way year by year, whether the times be good or bad. For many years, the Confederation Life has been under the skilful management of Mr. J. K. Macdonald, now its president, and Col. W. C. Macdonald, managing director. Under their direction, the Company has been built up on the best lines, and its continued progress is assured.

The forty-third annual report for the year ended December 31st last, published on another page, shows that in face of the considerable difficulties with which business was surrounded last year, the Confederation Life made a substantial advance in many ways. While new business was not quite so good as in 1913, being \$11,703,565 against \$12,129,502, the falling off of \$400,000 is certainly not a serious one. Total insurance on the books at the close of the year is brought up to \$71,400,715. Net income from premiums and annuities was \$2,667,235, a slight decrease compared with 1913, but this is practically made up by the increased returns from interest and rents, which reach almost the round figure of a million at \$993,495.

Disbursements to policyholders and their beneficiaries amounted to \$1,869,077. These include death claims, endowments, annuities, matured investment policies, surrendered policies and profits. A feature which was to be expected but is none the less regrettable is the increase in surrendered policies, payments under which are \$104,061 in 1914 against \$138,306 in 1913. The increase is an index to the financial stress under which many policyholders have been compelled to give up their protection or draw upon savings for the future made through an endowment policy, and doubtless others of the Canadian life companies have had a similar experience. More cheerful is the increase in profits paid to policyholders and their beneficiaries, amounting to \$235,349, an advance of \$21,000 on those paid for 1913.

After payment of expenses, etc., the balance on the year's operations was such as to increase the net invested assets of the Company from \$17,637,350, at which figure they stood at December 31, 1913, to \$18,602,000, credit not being taken for an appraised value of real estate, bonds, debentures and stocks, \$294,173 in excess of the ledger value. Cash surplus over all liabilities is handsomely increased to \$2,246,182. It is thus obvious that very sound and solid progress was made by the Confederation Life during 1914.

Certain sportive individuals are inviting underwriters to quote a premium against "the risk" of peace being declared by 30th June next; that is to say, the assured to claim as for a total loss if the war terminates on or before the date mentioned. We have not been able to ascertain that business has resulted from these overtures, as underwriters appear to be unwilling to accept less than 70 per cent. for the "hazard."—*Financial Times*.