EARNINGS OF LIFE ASSURANCE FUNDS.

The Connecticut Mutual Life Assurance Company has made a sweeping reduction in its estimate of the future earnings of its funds. Henceforth all its calculations are based upon the assumption that the funds under the Company's control will earn three instead of four per cent. This is done on the avowed ground of "the possible continuance and future effect of causes producing the recent great changes in the rate of interest on the best securities." It follows that the general rate of premium may be somewhat increased; the increase, if any, will be on the young lives, while the re-adjustment of the tables of mortality, in accordance with ascertained facts, will permit of some decrease for older lives.

It does not follow of course that, under the new method of estimating returns from investments, no more than three per cent. will be realized; and any surplus over that amount will go to the credit of the policy holders. If, under the new conditions, the company can avoid a loss of business, the guarantees of safety will be increased. The only question is whether insurers will be willing to pay an increased rate of premium. The new movement means, among other things that, looking to the future, such an increase is, by the Company in question, deemed necessary. The period for which the President deems it safe to make the new estimate of earnings is two generations, during which time he thinks three per cent will continue to be earned on the best class of investments. But if, on such securities, more can be got, the company will naturally be as anxious to get it as it has ever been. Any mistake in the way of overestimating future interest earnings, extended over the life time of two generations, would be fatal; and if the Connecticut Mutual has erred, it has taken care to err on the safe side. The company will not be any the poorer for this new method of calculating future income from investments; and if it realizes no more than the minimum of three per cent., it will be perfectly safe. A serious falling off in business, as a result of the general increase of the rate of premium, would of course operate adversely, and it is the one contingency to be feared.

What will other life assurance companies do, in face of this action on the part of the Connecticut Mutual? Will they go on, as some of the state laws permit them to do, estimating their interest earnings at four, and four and a half per cent.? In Canada, too, the question of future interest earnings of life assurance companies must again engage the attention of those responsible for their management, if not of the legislature. There seems to be no present danger; but it is not the present, it is the future that has to be dealt with. Life assurance companies undertake to accumulate funds to meet distant future claims, and they must be sure that their calculations rest on so safe a basis that they will be able to meet these demands. It may be true that, at present, interest is higher in Canada than in the States; but admitting this is there any sure guarantee that this discrepency is likely to continue? It is a perilous thing to base extensive transactions on the future rate of interest for a generation or two; and it is incumbent on those who have the responsibility of conducting these transactions to be sure that they are well within the margin of safety. It may not be necessary to estimate at so low a figure as three per cent.; but it is necessary to consider whether existing estimates do not call for revisal.

FIRE INSURANCE IN 1881.

An abstract of the business done by fire and marine insurance companies in Canada during last year, has been sent us by the Superintendent of Insurance. It is subject to correction, but the totals of premium and loss, at least, are doubtless substantially correct. We therefore compare the fire figures with those of the previous year:

Total cash premiums, 1881,......$	3,831,897
do. do. " 1880,......	3,479,577
Amount insured, 1881,............	440,615,357
do. do. 1880,............	384.051,861
Losses incurred, 1881,............	3,205,672
do. do. 1880,............	1,524,836

These figures show a lower ratio of premium to risk, and a greatly increased loss ratio as compared with 1880. In the face of these discouraging features it is no consolation, whatever, to observe that the volume of insurance has increased by an eighth. This is almost a case of "The more business you do the worse you are off." In the case of Canadian companies this is actually the fact. The increased business is divided much as usual between the home and foreign companies, whose shares are given below for 1881:

	Premiums.	Losses.	Am't Insured
Canadian Co.'s	$1,208.024	$1,345,166	$140,331,153
British "	2,356,485	1,697,547	270,243,838
American "	267,388	162,959	30,040,366

In another issue we shall go more fully into particulars, but it is a sufficiently unpleasant circumstance to observe that the losses incurred by Canadian companies within the year exceed the premiums of those companies by $137,000, or say ten per cent. When things are at their worst they begin to mend, it is said. Truly there is reason to hope for amendment.

—A movement for working the Grand Trunk and the Great Western in connection has been revived. This time, the proposal is for the Grand Trunk nominally to lease the Western, though practically it would be an amalgamation. The Grand Trunk is willing to make the proportions between the preference stock of the two companies seventy to Great Western to thirty of its own; also to give the Great Western ordinary stock a minimum of three per cent. preference. Twelve thousand shares of Great Western are said to be for fusion. The lease form is probably intended to get round any difficulty that might arise if amalgamation were proposed in direct terms.

—The trunk lines of railway have agreed upon an eastbound pool, which assigns to each a proportion of traffic—exclusive of live stock, coal, ore, and petroleum—and of passengers, on the basis of the traffic of 1880. A supplementary agreement to include the freight omitted from the first, will be proposed. Forfeits are put up by the several companies to be exacted in case of breach of agreement. There will go into operation on the 1st July a new competing line, with about half the mileage capital of the old roads; and this may prove a disturbing element to the pooling arrangement.

PRINCE EDWARD ISLAND BANKS.

The disturbance which was occasioned in the province of Prince Edward Island by the suspension, in December last, of the oldest bank in Charlottetown, in a measure prepared us for less favorable returns from the other banking institutions on the Island. The report of the Union Bank of P. E. Island, read at the meeting on 1st instant, regrets that the result for the year has not been so favorable as anticipated. But the Merchants' Bank of P. E. Island displays in its report a hopeful spirit, and its figures show progress since it was thrown into difficulties by the failure of Duncan & Co., in 1878.

The business of the Union Bank is declared to have been "more active for the last six months than ever in its previous history;" the circulation has reached an unusually high point for the time of year, while the deposits, which were last year $475,000, are well maintained. A careful valuation of the assets, however, resulted in writing off for loss and depreciation no less then $34,341. Part of this results from loss in liquidating sundry estates and forcing to settlement slow accounts of previous years. The reserve, though reduced this year by $25,000 stands now at $40,000, which is nearly forty per cent of the capital. Eight per cent. dividend was declared, the net profit on the year's business, after deducting bad and doubtful debts, being $22,743. It appears to us that this is a very encouraging statement. Having wisely lopped off their doubtful assets, the Directors have now good