

received our very full consideration, and we have come to the conclusion that it would not be consistent with prudence to assume that the fund will earn a higher rate than $4\frac{1}{2}$ per cent., which is fully $\frac{1}{2}$ per cent. beyond that obtained in the mother-country. Indeed, we do not consider it free from doubt whether in after years this rate will not be too high, having regard to the marked and inevitable tendency to an equalization of the rate of interest throughout the world.

Bearing in mind, however, that a fall in the rate of interest must be gradual, and that, if a reduction of $\frac{1}{2}$ per cent. were made on the present occasion, the difference in the net liability would not be great, we think that this valuation, like the last, may be made upon a $4\frac{1}{2}$ per cent. basis.

7 Appended hereto is a summary of the several assurance and annuity contracts in force as at 30th June, 1880, with a valuation at $4\frac{1}{2}$ per cent. interest, of the assurances by the H^m Table of Mortality and of the annuities by the Carlisle Table.

An additional reserve, amounting to £19,302, has been made, because the sums assured are payable one month after death, and also in respect of the 817 assurances under Table II., where the premiums are payable for a limited term only, so as to make provision for the expenses of management and for profits after the premiums have ceased to be payable.

The financial position is as follows:—

The realized assets on the 30th June, 1880, were	£459,335
The estimated net liability, as per valuation, was	381,740
Surplus	£77,595

8. Having regard to all circumstances, and especially to the necessity of proceeding cautiously for some time until the prevailing rates of mortality and interest have been better ascertained, we suggest that the whole of this amount be not divided on this occasion, but that the distribution should be restricted to a sum not exceeding £60,000.

Apart from other considerations, we feel satisfied that some portion of the surplus has arisen through the operation of what is sometimes termed “suspended mortality,” or the lightened death-rate resulting from the recent selection of so large a proportion of the lives.

Experience has shown that an acceleration of the rate of mortality exhibited by any general table takes place when the lives are no longer of recent selection, and we think it is expedient that some further reserve should be made on this account.

This, we recommend, should on the present occasion be done by leaving undivided some portion of the estimated surplus, rather than by assessing a part of the liabilities by another table of mortality.

9. The next matter submitted to our consideration is “the best and fairest system by which the divisible profits should be distributed.”

Various methods, more or less elaborate, have been suggested and adopted by several companies, the applicability of which to the present case has received our full consideration.

There can be little doubt, however, that the surplus proposed for division has been derived mainly from what is called the “loading,” upon the premiums having been found to be more than sufficient for the expenses incurred; and, therefore, we consider that it will do substantial justice to the policy-holders, without a needless amount of labour in calculation, to divide that surplus in proportion to the accumulated “loading.” We deem it an unnecessary refinement to introduce the element of interest in this process, and that it will be sufficient to ascertain the amount of “loading” on the premiums received on each policy.

This being the first division of profits, the accumulation, on this occasion, should be taken as from the dates of the policies.

It should be noted that the “loading” used for this purpose in the case of the whole-term policies should be that corresponding to the annual premiums under Table I., taking the increased age where the lives are under average; so that, *ceteris paribus*, the sum apportioned as the bonus in cash will be the same, whether the policy be effected under Tables I. or II., or the premiums be receivable by annual or more frequent instalments.

The same principles are applicable to endowment assurances, and to policies of other classes.

10. If, as is commonly the case, it is desired to convert the cash bonuses into corresponding additions to the sums assured, a lower rate of interest than that adopted in the valuation should be assumed for the purpose.

11. We have examined the tables of rates given in the prospectus, and we consider them to be sufficient under the present circumstances. They are undoubtedly low, and especially so at the older ages; and, if the rate of interest in the colony were to fall materially, we think that the rates in question would require revision before new transactions were entered into. We notice, however, that the rates for single premiums given in Table II. appear to be inconsistent with the other rates shown in the same table, and with those in Table I., being relatively higher.

We have also tested the Table of Surrender Values, given on page 6 of the prospectus; and we consider that on the basis of the present valuation the amounts promised to be allowed, whether in cash or as paid-up policy, can be granted with safety. We do not think that either should be increased; and we recommend that, in applying them, the real, and not the increased, ages of the lives assured be taken.

As both rates of premium and amounts of surrender-allowance must be ultimately determined by competition on the spot, we consider that, so long as the first are sufficient, and the second not too high, it is not necessary to propose, upon purely theoretical grounds, any revision of either, on the present occasion, beyond the rates for single premiums above adverted to. Theoretical perfection on such points as these must be subordinated to the practical considerations involved in meeting the public demands.

12. The results of our valuation show that the finances of the department are in a sound condition; and, considering the low rates of premium paid by the assured, the amount of the divisible