

In addition to the above surplus, £7,478 was paid as interim bonus, and £29,935 was absorbed in completing the transition from a 4 per cent. to a $3\frac{1}{2}$ per cent. basis of valuation, thus making the total profit for the three years £164,013.

ALLOTMENT OF SURPLUS.

The results of the valuation made in the manner described being reported to the Department's Consulting Actuaries in London—Messrs. R. P. Hardy and George King—those gentlemen approved of their adoption, and acquiesced in the proposal to divide the surplus of £126,600 among the policyholders. The principles guiding the distribution were those recommended by Messrs. Bailey, Hardy, and King, and adopted by the Department on the occasion of its 1890 valuation. The approximate profit from favourable mortality in the General and Temperance Sections respectively was ascertained and divided among the members of the two sections, with the result that General and Temperance policies, which were alike in all other respects, received equal reversionary bonuses.

GENERAL REMARKS.

The immediate result of the adoption of a $3\frac{1}{2}$ per cent. interest basis will be a slight temporary reduction in the bonuses to policyholders. This is, of course, unfortunate, but the rate of interest has everywhere fallen very considerably during recent years, and there is a remarkable unanimity of expert opinion as to the necessity for strengthening life insurance reserves. A recent issue of the *Economist* states that, out of eight British companies reporting on their valuations last year, five have decreased their bonuses and five have strengthened the bases of their reserves. It concludes by saying that, "these facts faithfully reflect the inevitable effect of present financial conditions on life assurance funds, and no greater benefit can accrue to the British policyholder than that the companies should have the wisdom and courage to make their position stronger, even at the cost of distributing less by way of profit."

It is probable, indeed, that the necessity may eventually arise for still further strengthening the reserves, and, with this ultimate object in view, I think it will be well to consider the advisability of making a Valuation Reserve Fund, by retaining a certain proportion of the surplus of each triennium. The reserve so formed will lower the virtual rate of interest in future valuations, and, while still further strengthening the position of the Department, will tend to prevent fluctuations in the periodical bonuses.

Now that the valuation has been placed on a $3\frac{1}{2}$ per cent. basis, and such reserves have been made in connection with the investments that there is little likelihood of any further considerable demands upon the profits in this connection for some time to come, I consider the prospects of larger bonuses in the future are much improved; and, in conclusion, I beg to recommend that interim bonuses be allotted to participating policies becoming claims during the present triennium at the rate of 20s. per cent. per annum upon the sums assured and existing bonuses in the case of death claims, and 24s. per cent. per annum in the case of claims by maturity.

Respectfully submitted,

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Actuary.

The Government Insurance Commissioner.