To policies secured by a limited number of premiums, the sum apportioned in cash should be the same as if the policies had been effected by premiums payable throughout life.

In the case of policies subject to half-yearly, quarterly, or monthly premiums, the equivalent annual premiums should be employed; and, if, since the last valuation, premiums have been paid for a number of years and a fraction (for instance, for three and a quarter years), the proportionate amount of cash-bonus should be allotted.

The same principles should be applied to endowment assurances, to assurances on joint lives, and to participating policies of all other classes.

9. Where the bonus is to be applied to increase the sum assured, or to reduce the future premiums, we recommend that the conversion of the cash appropriation should be calculated at 3½ per cent. interest.

The deferred-bonus policies must have their proper cash allotments on the above principles; and, these will have to be converted into reversionary amounts, vesting at the end of the stipulated periods.

10. We think that, until the next valuation, the intermediate bonuses to be allowed should not exceed four-fifths of the rate of cash-bonus now declared.

11. In each of the two preceding valuations, the Institute of Actuaries' "Healthy Males" Mortality Table was employed for the assurance contracts; and, on the present occasion, it has been again adopted.

In making the valuation of the contracts of a life assurance institution, regard must be had to the probable rates of mortality up to the extreme limits of human life. The Association has, however, existed for fifteen years only, and, therefore, cannot, from its own experience, supply the required information.

For the annuity contracts, the tables used were those based upon the recently made analysis (1884) of the duration of the lives of the British Government annuitant nominees; and the sexes have been distinguished.

The liability under the endowment and investment contracts has been estimated by accumulating the premiums paid at 4 per cent. compound interest.

12. Where policies have been granted on lives presumed not to come up to the average vitality, and which have, therefore, been charged with an extra premium, the surcharge has been made in three distinct ways, viz.:—

(*a*.) By increasing the premium payable;

(*b*.) By charging the sum assured with a fixed debt, which after a given period is extinguished, leaving the assurance thereafter in force for the full amount; and,

(*c*.) By charging the sum assured with a sliding debt, diminishing year by year, until it becomes extinguished.

In all these cases, neither the additional premiums nor the debts have been taken into account in the valuation, but have been treated as a fund to provide year by year for the increased mortality expected to arise in this class.

13. The question of the rate of interest to be assumed in the valuation has received our careful consideration.

Looking, first, at the rates that have been realized, an analysis of the accounts, for the five and a half years since the last valuation, shows the following results:—

		£	s.	d.	
12 months	1880–81	5	4	4	per cent per annum.
12 „	1881–82	5	3	5	„
6 „	December, 1882 ...	5	4	3	„
12 „	1883	5	6	2	„
12 „	1884	5	6	7	„
12 „	1885	5	0	7	„