

ASSESSMENTISM A FAILURE.

In the minds of those who were familiar with the fundamental principles upon which life insurance is based there never existed a shadow of doubt about the outcome of the modern system of substituting for level premium life insurance, the plan of post-mortuary assessments made to meet the mortality and expense charges as they should occur from time to time. The inevitable results of such a system were pointed out plainly from the first in columns of demonstration by the insurance press and by expert actuaries, both in England and America, the part which for years this journal has borne in the exposure of the fallacy being well-known. The wilfully blind advocates of the system ignored all the lessons of past experience and persistently deluded themselves and their victims with the theory that modern "smartness" could set aside the long demonstrated verities of mathematics as applied to mortality experience, and with the popular cry of "keep your reserve in your pocket," and of pay-as-you-go insurance at "cost," they launched hundreds of associations and persuaded hundreds of thousands of people to fully believe in the new era of "progress" in life insurance; turning them aside from the beaten path of scientific and long tried level premium protection for something "just as good at half the price."

Very naturally a great many people, destitute of accurate knowledge on the subject of real life insurance and its essential elements of success, clamored for this bargain-counter article which, while new, seemed to justify the claims made for it. The mortuary assessments sufficient to meet the claims arising from a class of newly selected and comparatively young lives were of course light, and the assessment managers everywhere triumphantly exclaimed: "We told you so!" After half a dozen years, the increase in the mortality began to be perceptible, and assessments went up—just a little—and then the managers and their dupes began to tell how "new blood," plenty of fresh lives, must be brought in, which would surely keep the death rate about level. The utter breaking down, in practice, of this plausible theory is well known, for year by year the mortuary assessment grew in the associations best conducted and most vigorous, soon doubled, then trebled, then went higher still, until the reserve which had been "kept in the pockets" of the deluded membership was called for, creating a total demand in excess of the level premiums of the regular companies. How hundreds of the assessment brood have disappeared under the strain of heavy assessments, which the members had for years been taught could not and would not come, we need not stop here to speak, for both Canada and the United States have extensive grave-yards where assessment corpses have been buried without ceremony, leaving thousands of mourners who mingle curses with their tears.

Four or five years ago the managers of several

of the largest and best conducted assessment associations acknowledged that the post-mortuary assessment system was a failure, and that the collection of stated premiums large enough to yield a reserve fund sufficient to keep the premium approximately level by anticipating the mortality of the old tables was a necessity. So the "stipulated premium" plan was adopted for all new business, and has been continued ever since. Under their articles of incorporation and by-laws, however, these reconstructed associations still possess the right to call for an additional premium beyond the so-called "stipulated" premium whenever needed, and as the new premium is less than that of the legal reserve companies, of course the "stipulated premium" reserve will prove to be inadequate later on unless a sufficient saving from expense of management can be made to counterbalance this deficiency. Experience shows that this is not being done. Imperfect though the new plan is, it is a long step in advance of the old, and concedes the failure of the latter and the correctness of the level premium, legal reserve system.

The incubus of the old assessment membership still remains, however, and cannot be shaken off. A large portion of the members have reached advanced ages, in the "sixties" and the "seventies," where they cannot be induced to change over to the stipulated premium plan, and yet to remain in the old ranks is even worse. There being no way by which the heavy mortality of this old membership can be met except by collecting from these members according to their mortality liability, the assessments have reached a point to which Dominie Sampson might, if alive, well apply his favorite term, "prodigious."

INTEREST BY SAVINGS' BANKS.

Savings' Bank officials in the United States are much disturbed by the introduction of a bill in the Legislature at Albany, which provides that the rate of interest paid to depositors in the Savings' banks of New York State shall not be reduced while a Bank's surplus funds exceed 7 1-2 per cent. of the deposits, and for the purpose of preventing such reduction of interest the trustees may use any portion of the surplus above 7 1-2 per cent. of the deposits.

The present law provides that, when the surplus exceeds 15 per cent. of the deposits, the excess must be divided equally among the depositors "at least once in three years." It will be perceived that this new bill would so reduce the percentage of surplus which a Bank may accumulate that under existing restrictions better rates of interest would have to be paid.

A contemporary says:—"Savings' bank officials are, as a rule, conservative, and they are all in favor of leaving the laws affecting their institutions alone. They complain that the channels of investment are restricted and the tendency of the times is to lower returns for money invested by them."