

THE MUTUAL OBLIGATIONS OF INSURER AND INSURED IN LIFE INSURANCE CONTRACTS.

Generally in connection with the specific inquiries referred to in our last consideration of this subject, arises the question of the former rejection of the applicant. He is therefore asked specifically whether he has ever made an application for insurance upon his life which did not result in the issuance of a policy; or whether upon such an application only a policy on some different and more expensive form than that for which he applied was granted to him; or whether any discrimination as to the rate for the insurance granted to him was made against him by the Company. If the answer to either of these questions is Yes, then it is of course desired to know what Company rejected or thus discriminated against the applicant, and as near as he can remember the date and circumstances of such rejection or discrimination.

We think we can safely say that as a matter of fact, the motive for asking these questions is as much a test of good faith and truthfulness of the applicant as for any other reason, because, if he has been rejected by some other Company, the Company to which he applies will be fully cognizant of that fact, and be able to detect him effectually if he should endeavor to perpetrate a falsehood.

The vitality of life insurance companies is something proverbial. Their elasticity in periods of general business depression, and the ease with which they can surmount business troubles, are generally known and fully appreciated, and these benefits result from the absolutely sure and certain scientific basis upon which their business is transacted. They deal with averages which rarely vary sufficiently to jeopardize their safety, and then only when carelessness in management and selection of risks has occurred. Assuming good business judgment and management, the one thing above all others that life insurance companies must avoid is the acceptance of manifestly bad risks. No other elements of safety could offset the drain upon the Company's resources that would follow the adoption of a very low standard of selection, or the acceptance of risks which a capable Medical Director would not be willing to recommend.

Nevertheless, if an applicant knows that he has been declined elsewhere, and that the chances of his being granted a policy he has applied for are but slim, it will pay him to deal with the company in perfect candor and frankness, suppressing nothing, but revealing all that is known to him. It often happens that when a company cannot grant the form of policy desired, some short term endowment may be believed to be perfectly safe, and an applicant who would otherwise be rejected will certainly commend himself more strongly as deserving of an endowment if he candidly tells the truth in regard to his previous rejections.

Of course the cheaper forms of insurance, and those involving upon the Company a liability throughout the whole period of life, are only granted to those risks that the Medical Director can assume to be safely insurable; but under endowment forms of insurance, the

risk of death, or rather the risk of a loss resulting to the company by the death of the insured, is limited according to the limitation of the term of the endowment. It may thus very well happen, that while a man may not be acceptable for an ordinary life policy, or even for a limited payment life policy, the Medical Director may deem him perfectly safe as an average risk for a period of ten, fifteen or twenty years, and would therefore feel disposed to grant him the privilege that can be given under such a policy as a ten, fifteen or twenty-year endowment.

This consideration only bears out the conclusion that we have deliberately reached in considering so many other questions contained in an application for Life Insurance, viz., that in the long run the applicant is going to do himself the greatest benefit by being open, above board, and perfectly candid with the Company in every answer that he may make to the inquiries contained in his application form.

THE MUTUAL RESERVE FUND LIFE AND ITS SOUNDING PRETENSIONS.

The prominent characteristic of the Mutual Reserve Fund Life Association is indiscriminate hornblowing in its own behalf. Whether grandiloquently announcing through its chief bugler, President Harper, at the Toronto banquet, that the Association is, or speedily will be, the grandest life insurance institution in the world "!" or proclaiming in bold-faced type in newspaper advertisements, at fancy rates, that it furnishes insurance "at half the cost of the level premium companies," the same absurd boastfulness is always apparent. This applies especially to the claim that insurance is being furnished "at half the cost of the old line companies." Allowing for the time being, by way of accommodation, that the insurance furnished is really reliable insurance at all, we proceed to prick, in a few sentences, this pretentious bubble of "cheapness."

At best the insurance furnished by the Mutual Reserve is bi-monthly renewable term insurance, pure and simple, at a cost liable to increase with increasing age. From the annual statement of the Association for 1893, as found in the Massachusetts Report we find that the members paid during the year for membership fees, annual dues, mortuary assessments, and medical examiners' fees a total of \$4,346,495. The mean amount of insurance in force during the year was \$249,514,427, from which we find that the average cost per \$1,000 of insurance in force was a little over \$17. Now there are several level premium companies in the United States and Canada, among the strongest and best in the field, which will furnish *ten year* term insurance at age 40 for a uniform premium of from \$14.76, the lowest, to \$17.80, the highest, several of those charging the higher rate, making their policies not only renewable at the end of the ten years, without medical examination, but also guaranteeing to the holders all accrued profits at the end of the period. That is how the Mutual Reserve Fund compares with level premium companies as to cost. Furnishing a