



LIFE ASSOCIATION OF SCOTLAND,

MONTREAL, JANUARY 1870.

DEAR SIR,

*As you are interested in the Association, there is enclosed herewith a copy of our new Pamphlet and annual Report, containing full statements of our position and transactions.*

*I have to draw your particular attention to the SPECIAL INTIMATION by the Directors as printed on the first page of the Pamphlet, relating to the unusual close and continuous Audit to which the transactions of the Association have for many years been subjected under the hands of a skilful Public Accountant (apart from the Directors and other officials), and to the rigid tests which have been applied in the valuations of the Life Liabilities. Statements to a similar effect have frequently appeared in the Annual Reports, but the Directors have thought it desirable to repeat the intimation in a more emphatic form, in consequence of the present position of at least one Assurance Company prominently commented on in the public newspapers. It had for a considerable time been known among Actuaries that the career of the Office alluded to, must very shortly have reached its present crisis. But although the result in that case has given no surprise to those in the profession, it has probably occasioned the less-informed portion of the public to entertain some feeling of distrust of Life Assurance generally. Unfortunately also, the comments and discussions that have followed in the newspapers have not always been written with judgment. Indeed, many of them exhibit not a little ignorance of the subject, and tend rather to mislead and confuse.*

*FOR INSTANCE—In some of these popular discussions it has been affirmed that a Life Office of standing ought to have accumulated Funds amounting to a certain proportion of the Sums Assured; and again, that the Funds ought to amount to a certain number of times the Premium Income. Both of these ideas are entirely erroneous, for an Office may fully satisfy any such requirement, and yet its Funds may, or may not, be enough to meet its liabilities. Actuaries well know that Life Assurance Liabilities cannot be estimated, even roughly, in any such manner.*

*CERTAIN NEWSPAPERS have published also tables of the Funds, Risks, and Income, &c., of the several Life Offices. The figures in these are in many cases most inaccurate, and even if accurate, are perfectly useless for the purpose intended. A simple comparison of the amount of Funds exhibited by two Offices, having the same nominal amount of Assurance Risks, can afford no proper ground for forming an opinion regarding either of the Offices; and for this reason, that the risks of the two may*

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