members of it. The Secretary of State for the Colonies urges an alliance with Germany. British and German interests, however, clash at so many points that, while the preservation of a friendly feeling between both countries is desirable, a formal partnership is not quite practicable. The present policy of Great Britain, in view of Russia's persistent aggressiveness, is the best guarantee of peace in the old world.

ON THE QUESTION OF ANTI DISCRIMINATION.

Many of the States have upon their statute books laws specially forbidding discrimination by life insurance companies among their policy-holders. Ostensibly and primarily these laws have been passed for the purpose of checking or preventing the continuance of the system known as rebating, under which an agent gives an applicant part of the earnings that result to him from the issue of a policy. As a matter of fact, however, these laws (or most of them) go a great deal further, and forbid discrimination among policy-holders in such plain and emphatic terms as to be very far-reaching in their effects.

For instance, the New York law, Chapter 282, approved May 14, 1889, says in Section 1: "Life insurance companies doing business in this State shall not make any discrimination in favor of individuals of the same class and of the same expectation of life, either in the amount of premium charged, or in return of premium, dividends or other advantages, etc., etc., other than that which is plainly expressed in the policy issued."

It is a question whether the spirit of this prohibition is not violated every day by the life insurance companies in the issuance of policies which do create the distinction or discrimination in favor of individuals in at least one of the "other advantages" set forth in their policies. We refer specifically to the variations in the provisions for surrender value, and, even if these be held not to be a violation of the law because of the saving clause of the words "of the same class," it is not very easy to put a limit of construction on the words "of the same class;" but it is quite evident that, whether the letter or spirit of the law be violated or not, a system of unfair and unjust discrimination *does* certainly prevail.

Whatever class or kind of insurance a man applies for he is presumed to pay the mathematical cost involved on the particular form of policy given to him plus a certain increment for expense of conducting the business. That being so, it would seem to be imperative that an equitable basis of relationship should exist between the surrender values granted under policies of different classes: and it is at least an open question whether the granting to a man who holds one form of policy of a surrender equity in the form of a paid-up policy purchasable by, say, 2-3 or 3-4 of the reserve only, is fair and just and equitable to him when another man on a different kind of policy, who has paid for no longer duration than he has, receives a paid-up policy which takes practically all of (and in some cases more than) the entire reserve accumulation credited to his policy.

For instance, those who take ordinary life policies, and are forced to surrender them after the third or any year subsequent thereto, are in the contracts of most Companies guaranteed a certain amount of fully paid-up life insurance. This amount is so gauged that at the net premium rates used by the Company they are only really allowing the effectiveness of from about 2-3 to 3-4 of their reserve. Under limited payment life policies however,—such as the 10, 15 and 20 Payment Life plans—providing upon surrender for the issuance of fractional paid-ups of so many tenths, fifteenths or twentieths, it practically takes the whole of the reserve at net rates to charge up on the books of the Company the paid-up policy issued; and in some extreme cases it occasionally takes *more* than the reserve. Therefore, regarding the cash values necessary to purchase the paid-up policies guaranteed, the ordinary life policy-holder may be allowed only 2-3 or 3-4 of his reserve, while the limited payment life policy-holder may get from 95 to 102 per cent. The logical consequence is that, under limited payment life policies providing for fractional paid-ups, no surrender charge whatever is made against those who retire, while a surrender charge of 33 1-3 per cent. or less is made against the ordinary life policy-holder. Surely there is discrimination in this—and a very inequitable kind of discrimination too—although, of course, it is a question for legal decision whether that discrimination is in violation of the letter of the law.

It may be worth while to quote a few illustrations. Take for instance a 10 Payment Life Policy for $10,000, issued at age 35, which has run to the end of its 5th year, and can call for a paid-up policy of $5,000. On the Actuaries' 4 per cent. table the reserve value is $1,902.30, while the cost of writing the paid-up policy is $1,905.20. At age 50 for a policy of like amount, and under the same conditions, the reserve would be $2,658.70, while it would cost the Company $2,696.55 to write the paid-up policy of $5,000. In the latter instance, instead of the Company making any surrender charge whatever, it is at a loss of very nearly $40, by reason of the issuance of a paid-up policy, which loss has to be sustained by the other policies of the Company.

We think we are quite safe in assuming this to be a loss because any possible future gain in mortality is necessary to be used in other directions aside from the legitimate and unavoidable expense of conducting the Company's business; and it is quite clear that, when such a policy is issued, the issuing Company is subject to incidental future expense, which upon the most conservative basis would require at least 5 per cent. to provide for. Instead of receiving 5 per cent. it really loses about 2 per cent. It would, therefore, seem that the ordinary life policy-holder is taxed to