

Life Assurance Work and Ideals.

Inspiring and Interesting Address by Mr. T. B. Macaulay.

Early Insurance. — Egypt. — Babylon. — Great Britain. — Why Life Companies require to have Reserves. — Enormous Assets of Companies. — \$1,100,000,000 to be distributed in Canada in Organized Philanthropy. — A Noble Business, calling for Noble Men.

At the annual convention of the Life Underwriters Association of Canada, held in Ottawa in August last, a striking speech was delivered by Mr. T. B. Macaulay, Managing-Director of the Sun Life of Canada. Mr. Macaulay's speech, which was received with great enthusiasm, was in part as follows:

The Institute of Actuaries of Great Britain has adopted as its motto this quotation from Bacon: "I hold every man a debtor to his profession, from the which, as men, of course, do seek to receive countenance and profit, so ought they of duty to endeavour themselves by way of amends to be a help and ornament thereunto." That quotation I think particularly appropriate in such a gathering as this, for we have the privilege of belonging to a profession of which we can be proud in a way that is permitted to but few of the toiling millions of earth's workers. (Applause.)

We are told that the first insurance company was founded in Egypt by Joseph, when he took the surplus of the seven years of plenty, and stored it for the seven years of famine which were to follow. Be that as it may, traces of insurance are to be found even in the records of ancient Babylon. We have insurance policies, the actual documents, re-discovered for us, written not on paper and with pen and ink, but impressed upon the plastic clay with metal-pointed pens in curious arrow-shaped letters and preserved in the ruins of that ancient city.

But we are more interested in modern insurance than in its ancient beginnings. In the Middle Ages the risks of the sea brought forth marine insurance; then followed fire insurance, and so we come down to life assurance. The first permanent life company of modern type may be said to have been the Amicable, founded in London, in 1705. It amalgamated with the Norwich Union in 1866, and continued as a branch of that company until the death of the last policyholder. There were crudities in this early experiment, but this is by no means strange for there were many difficulties to solve. Let me draw your attention to one in particular. Life assurance differs from fire or

marine insurance. A well-maintained house may have the same chance of burning year after year and requires merely a uniform premium. But the chance of death increases with the advance of age. A fire policy can be cancelled without injustice, but to cancel a life policy when a man is no longer insurable would mean unthinkable hardship to those dependent on him.

In the working out of these difficulties, life assurance companies have necessarily become different from insurance companies of other kinds. It might be supposed that, though the chance of death increases with age, the premium could also increase, so that for each year the premiums would meet the losses. But do you realize how rapidly those premiums would have to increase? At twenty, the number of deaths per thousand is about 6; at forty, about 10; at fifty, about 16; at sixty, about 30; at seventy, about 62; at eighty, about 145; at ninety, about 280, and, according to the mortality table, all should die off at about ninety-seven. Thus, if premiums increased in proportion to the deaths, the man who paid at twenty a premium of \$6—disregarding expense—would have to pay at higher ages \$8, \$10, \$16, \$30, \$60, \$100, \$300, \$500, and finally \$1,000 per annum. How many people would persist in the payment of such premiums? This is one of the fundamental problems. Attempts to provide assurance by the plan of increasing premiums have been made, even in our own days, by the assessment and natural premium companies. But their record of failure speaks for itself.

How has the difficulty been solved? By adopting the level premium system. The assured pays at first a higher premium than is necessary to meet the losses, and his early surplus payments are used in part payment of the losses of the later years when the premiums would otherwise have to be increased. These necessary surplus payments or reserves are accumulated by the life companies. That is why these companies are among the largest financial institutions in the world. From these extra premiums, running from a few cents up to many dollars, the life companies of Canada have accumulated something like \$300,000,000, including the Canadian funds of the foreign companies. That is the amount deposited by policyholders to provide for future claims. The assurance companies have invested this money profitably and in a way the small investor could not do, and the