

THE FALLACY OF ASSESSMENTISM.

A subscriber has written to us deprecating what he terms our "slamming" of fraternal assessment concerns, and asking:

"Why shouldn't a prudently managed fraternal be an excellent thing for those who cannot afford legal reserve life insurance?"

We shall try to answer this without going unnecessarily into complicated considerations of the science of life insurance.

Let us imagine that one hundred men mutually agree that in the event of the death of any one of them the others remaining alive shall pay to the dead man's widow one thousand dollars contributed in equal portions, share and share alike, by and among the payers. There are no expenses connected with such agreement. That is pure assessmentism. If five men die during the first and each of the succeeding years the remaining ninety-five at the end of the first year pay the \$5,000; the second year the remaining ninety pay an additional \$5,000; and so on, each of those surviving being called upon for an increasing payment each year, until at the end of the nineteenth year the five remaining alive will have contributed steadily to yearly payments aggregating \$95,000, and if those five die during the twentieth year there will be nobody to contribute the \$5,000 to their five widows.

SOME MUST BE CHEATED.

That is the inevitable working out of the principle of assessmentism; and no matter how any man may add complications to it, or defer the period of its operation by increasing the number of men involved in it, its operation will ultimately be the same. At the end some must be cheated out of that which they paid for and expected. If expenses are added to its operation the final catastrophe will be hastened proportionally.

Let us imagine, on the other hand, that one hundred men mutually agree to insure one another for \$1,000 each and recognize the fact that, if five die in each year, there will have to be \$100,000 paid out in twenty years. They then deposit in a trust an amount which at the end of twenty years, at a safe interest calculation, will aggregate \$100,000, each one contributing pro rata to the original deposit. That is real life insurance, on a single premium basis, except that the contributions would not be equitable if made merely pro rata. To be equitable the contributions must be made in accordance with the respective ages—or life expectancy—of the contributors, which may be scientifically determined by use of a proper mortality table. No matter how the contributions are made, however, the fact remains that the \$100,000 will be realized and the widows of all the hundred men will receive each her \$1,000. That has been surely provided for. If expenses are added they also would have been provided for by this prudent hundred men. The principle involved is one of certainty.

FINANCIAL IMMORALITY.

In these two illustrations we have outlined the essential difference between real life insurance and fraternal or assessment operation.

We have used the imaginary group of one hundred and the rate of five deaths each year merely for the purpose of illustration. As a matter of fact the rate of dying each year is estimated by a proper mortality table and varies according to age. A

group of one hundred would not provide sufficient scope to make dependence upon a mortality table safe in practical operation. These facts, however, do not disturb the truth of the principles we have outlined.

It is not well to either promote or participate in a financial undertaking in which somebody, in the long run will surely be cheated. In giving to any such scheme the name of life insurance the immorality is increased by the sacredness of the trust involved.

It must be admitted and deplored that most of those who participate in an assessment organization are entirely unconscious of the essential fallacy of the plan and innocent of intention to have any widows and children cheated. But this does not in any way condone the financial immorality of assessmentism; rather constituting reason for greater publicity and light for those who do not understand.

There are fraternalists that have managers who have awakened to the immorality of assessmentism and who are frantically trying to attain to some basis of certainty for all who are in them; but this appears to be a mighty task.—The Surveyor.

FIRE INSURANCE FAILURES.

The Manchester Policyholder prints a long and interesting list of British insurance companies formed in recent years which have been dismal financial failures. Never in the history of the fire insurance business, says the Policyholder in commenting upon the list, have so many companies been passing through the process of liquidation or transfer as at the present time, and as nearly all these concerns are non-tariff offices, this fact certainly gives colour to the inference so frequently thrown out that, as a matter of course, non-tariff offices are financially unsound.

This deduction is much too sweeping, but it must be admitted that the last few years witnessed an orgy of mismanagement and ruin of such serious proportions that the faith of the investing public could not possibly survive, and new non-tariff fire offices are a thing of the past, for the time being at any rate.

To-day there are scores of well-equipped and well-organised offices keenly competing for any insurance business which holds out a reasonable prospect of producing a profit. This being so, it is self evident that large blocks of desirable business will seldom come upon the market, and any company which is making large additions to its income must be taking hazardous risks. New companies, at any rate, cannot afford to write this class of business, but many of them are unable to resist the temptation, and so are destroying their future prospects as quickly as circumstances permit.

The last ten years have seen the inception of dozens of offices which ought to have succeeded, but they have failed to profit by the experience of others. Of all forms of false economy cheap insurance is perhaps the worst, and the ability of a concern to meet its engagements and not the rate of premium charged should always be the first consideration with policyholders.

Negotiations looking towards the re-insurance of the Prudential of Winnipeg's business with an Eastern Canadian life company are reported to be in progress.