

weight to the opinions of a disinterested impartial critic like ourselves, as against those of one who will have shown himself to be neither disinterested nor impartial. We had intended to discuss the question on its merits alone, and without any personality, but since this point, has been raised let both parties abide the result.

It will be noticed that no attempt has yet been made to break down the arguments which we adduced in support of the statement that the Confederation's reserves are ample without any additional provision for so-called "suspended mortality." We believe them to be irrefutable, because true, and if Mr. English wishes to obtain a proper expression of opinion from the actuaries he consults, let him submit to them the main points raised by us. Let him ask them if it is not true that the experience of the Mutual Life of New York, the Mutual Benefit of New Jersey, the Canada Life, the Australian Mutual Provident, and other first-class companies assuring lives of the same class as the Confederation, has been, as quoted by us, very much less than what was predicted by the Hm. table. Let him ask if it is not true that the claims in these Companies, arranged according to the duration of the policies, have for more than the first twenty years not even equalled the predicted amounts, much less exceeded them, as they would do if the "suspended mortality" theory held good. Let him ask if the Confederation has not already set aside larger reserves than would be required by the State of New York. And let him ask, lastly, if the application of the principle would not render bankrupt (according to the law of Massachusetts at any rate) almost every American Life Company, including even the largest and soundest, like the Mutual of New York and the Mutual Benefit. If he wishes to settle the question properly, let him ask such questions instead of a merely theoretical one, which we think we have shown does not apply to the case on hand.

We are blamed for not replying to the other charges which have been made against the Confederation. We would remind our critic, however, that it is just because we are not the mouthpiece of the Company that we do not do so. We have referred to those points in regard to which we are in a position to speak with full knowledge, and only to those points. As to the rest we are not in a position to give an opinion as we have only heard an *ex parte* statement. Our knowledge of the Company, however, convinces us that there are explanations to be made which may put a very different appearance on matters.

N.B.—The INSURANCE SOCIETY is published in Montreal; not in Toronto, as the *Insurance Times* states.

"SUSPENDED MORTALITY."

In order to prevent our readers from losing sight of the real issues involved in this question, we have thought it better to repeat very briefly the pros and cons as pointed out in our last issue.

The argument of the *Insurance Times* is a purely theoretical one. It is that the mortality to be experienced by the Confederation or any other Company must, on the whole, be exactly equal to that predicted by the mortality table; since therefore, its losses so far have been less than those pre-

dicted, at some time in the future its losses will be just so much more than then expected, and the apparent gain is therefore not an actual one, and must be added to the reserves or liabilities.

We admit that as a mere theory this would be true enough if it were certain that the mortality table used correctly represents the death rate which prevails among the lives assured by the Company in question. We do not admit, however, that it applies in any way to the case of the Confederation, and for the following reasons:

The Hm. table, which is used by Canadian Companies, is the result of observations on English lives, most of them assured long before medical selection was brought to its present state of perfection. It is therefore very doubtful if the experience of any Canadian Company will be as heavy. We quoted in detail the experience of the Mutual of New York, the Mutual Benefit of New Jersey, the Canada Life, and the Australian Mutual Provident, which have all been very much below that predicted. Since then the experience of all these Companies comes so much short of the Hm. table, does it not seem ridiculous to say that that of the Confederation must unavoidably equal it?

We then showed that not only does the total experience of these Companies come short of that predicted, but that the claims, even on policies which have been twenty years in existence, are less than the tabular amount. In no one single policy year in the first twenty years of the duration of the assurances did the mortality in any of the Companies referred to come up to the expectation. If the "suspended mortality" theory were correct, the claims during the late years should, instead, have been greatly in excess.

We next pointed out that as a result of valuing by the Hm. table, the Confederation has already set aside reserves which are largely in excess (about \$35,000) of the amount required by the American table which is used by American Companies and is the legal standard of the State of New York.

The next objection to the theory is a practical one. Companies are in the habit of paying large commissions on first year's premiums in order to secure the business, and they look upon the money so spent as well invested. The natural offset is the light mortality during the early years of the policies. The *total* expenditure for claims and expenses will probably for a number of years decrease rather than increase. The one part of the expenditure (the expense) decreases more than the other (the mortality) increases. Even should any little excess of mortality occur it would have practically no more effect than a slight increase in the expense ratio. And the expenses on old policies are so small that a little increase in them would hardly be felt.

Then, lastly, we pointed out that if the "suspended mortality" theory were applied to the case of almost any American life company, it would make it apparently insolvent. This is true of Companies which are undoubtedly sound and flourishing, such as the Mutual of New York and the Mutual Benefit of New Jersey. We therefore claim that as it is ridiculous to apply the theory in the case of these Companies, it is equally so to apply it in the case of the Confederation.