Death Rate—There are various ratios that are employed by agents in comparing the death rates of different companies. Sometimes they use the ratio of the death losses to the insurance in force; or the ratio of death losses to total income or premium income. None of these methods are fair and the results they give are no indication whatever of the true experience of the companies in respect to the death strain. For example, a very old company will naturally have a larger proportion of death claims than a recently established company, because in the former the lives insured are on the average far older; and it does not follow that the mortality in the old company is above the normal or in the new company below the normal. The deaths in the old company may be mainly among policies that have been on the books for many years and have accumulated substantial reserves, so that the actual loss to the company will be slight; in the case of the new company, the deaths will necessarily be among recently insured lives and there will be no large reserve accumulations to set off against the losses.

Even if the two companies that are being compared are of nearly equal age, it is impossible to make a fair comparison of death rates by any of the usual methods, unless the two companies are and have been for some years writing about the same proportion of new business. As everybody knows the death rate among lives that have recently passed the medical examiner is very light; it is not for a good many years that the effect of the "medical selection" wears off. So that one would naturally expect to find in a company which does a very large new business a lower rate of mortality than in a company which writes very little new insurance. Yet if it were possible to make a careful investigation, it might turn out that the former company was insuring a much inferior class of