

EARLY DAYS OF A NEW YORK GIANT.

From the very readable history of its early days, recently issued by the Mutual Life of New York, we take the following:—

It has sometimes been asserted that in the early days of life insurance in the United States, the companies did not understand the necessity of maintaining a mathematical reserve, and that for some years the excess receipts over disbursements were regarded as profits to be distributed as dividends. That this view is altogether incorrect is easily shown. The Fifth Annual Report of the company covers its transactions of the first five years, beginning with the 1st of February, 1843, and ending with the 31st of January, 1848. In those five years the company issued 4,686 policies of which 3,620 were still in force at the end of the period. The accumulated funds at that date amounted to \$550,878.56. A valuation of outstanding policies based on the Carlisle Table and 4 per cent. interest showed a reserve of \$172,569.68. As a measure of conservatism, however, the sum of \$22,666.28 was retained as an additional "margin for all possible contingencies," constituting what is now termed a "contingency reserve." The balance of \$355,642.60 was apportioned as a dividend of 52 per cent. on total premiums (\$683,928.09) paid on existing policies. This dividend, however, was not paid in cash, but was placed to the credit of the policy, "payable at death with the sum insured." As the single premium for this paid-up insurance would have been little, if any, in excess of 50 per cent. of the face amount, it is obvious that the real contingency reserve, or surplus of the Company at the end of the first five years was largely in excess of \$100,000, instead of only \$22,666.28.

DIVIDEND METHODS.

In its early years The Mutual Life, following the

English custom, apportioned its dividends every fifth year in the form of paid-up additions to the policy, as already stated. The first distribution of surplus was made in 1848, and at the end of every fifth year thereafter until and including 1863; that is, there were 4 quinquennial distributions covering the first 20 years. Three years later, in 1866, the company apportioned a triennial, or three year, dividend, since which all dividends have been paid yearly save as stated below.

In July, 1870, the company began the issue of tontine policies, which several of its contemporaries were vigorously pushing. Under this form of contract no dividend was to be paid until the end of a specified period, and policies terminating within that time by death or lapse were to forfeit all surplus and *lapsed policies the reserve as well*. The trustees and management of The Mutual Life, however, were doubtful as to the merit of this form of insurance and no effort was made to press it with the public. In fact, only 382 policies all told were written from beginning to end, and their issue was discontinued in 1872 by order of the trustees.

In 1884 the deferred distribution plan was adopted under which dividends were to be apportioned every five years, either in cash or in paid-up additions. The plan was extended soon after to provide also for policies with a first dividend at the end of 10, 15 or 20 years, according to the period selected by the insured, with *annual* dividends thereafter. Under this system, only such policies as continued in force until the end of the distribution period shared in the surplus, but surrender values were allowed to withdrawing policyholders. The deferred distribution plan was discarded January 1, 1907, since which date annual dividend policies only have been issued. Annual dividend policies were issued also, when desired, during the time the deferred distribution system was in vogue.



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