

statement of the premiums paid to the company and the amount insured and paid by the company.

The following table shows the amounts for the thirteen months ending September 30, 1899:

\$272 Returned for each \$100 Received.					
Month.	Year.	Premiums paid to the Company, less dividends.	Amount insured and paid by the Company.	Amount returned in excess of premiums paid.	Amount returned by the Co. for each \$100 paid by the insured.
Sept.	1898	\$ 245,824 04	\$ 762,590 63	\$ 516,766 39	\$310
Oct.	1898	376,180 06	810,050 87	433,870 81	215
Nov.	1898	316,620 70	808,487 87	561,869 17	266
Dec.	1898	327,381 58	937,911 76	664,560 19	305
Jan.	1899	338,528 58	895,834 80	557,306 22	264
Feb.	1899	374,196 39	1,017,493 61	647,297 22	274
Mar.	1899	384,377 21	1,068,423 15	684,145 91	277
Apr.	1899	352,870 24	1,006,987 37	654,117 13	285
May	1899	367,630 79	1,008,096 87	640,466 08	274
June	1899	336,035 64	873,287 09	537,251 45	259
July	1899	255,546 69	640,665 75	385,119 06	243
Aug.	1899	309,726 35	816,673 02	506,946 67	263
*Sept.	1899	281,515 37	884,911 31	603,395 94	314
Totals		\$4,278,433 64	\$11,671,546 11	\$7,393,112 47	\$272

*The last monthly list published prior to Dec., 1899.

It will be seen from the above table that the amount insured and paid by the New York Life averaged \$272 for each \$100 paid by those whose policies became claims during the thirteen months, the amount returned in excess of premiums being \$7,393,112.

It seems impossible to the average business man that any corporation could make such large returns on the amount received without seriously endangering its very existence. There is, however, no real mystery about it any more than there is connected with fire insurance. In most cases where property is destroyed by fire the owner receives from the company all the way from \$500 to every \$1,000 or more for every \$100 he has paid in premiums, the amount required to pay the losses being made up not simply from the premiums paid by those whose property has been destroyed, but by the contributions of all who are insured. So in life insurance. Thousands and tens of thousands are insured for a number of years and, from lack of means to continue the policy, or for other reasons, the insurance is discontinued otherwise than by death; the premiums paid on such policies to a very large extent provide for the payment of those which become claims by death, and make it possible for any and all companies to advertise every year as the Mutual Life did in 1887, "that for every dollar paid by the insured the company returned \$2.64 to the policy-holders."

In the *News-Letter* for March-April, 1890, published by the New York Life, there appears the following statement:

"It was shown by citations from a report of English actuaries that some of the British companies had paid the whole of their death claims arising after ten or a dozen years by the reserve from lapsed policies within the same period."

And on page 284 of the *Insurance Guide and Hand-Book*, by C. Waiford, F.S.S., F.I.A., there appears the following:

"No office would like to assert that the expenses of management would exhaust the difference, particularly when many of them assert that the profits on lapsed policies more than meet their entire outlay."

The above quotations refer to statements made

before the House of Commons in 1870 when the insurance bill was under consideration.

If the statements made by the eminent authorities referred to are correct, it is evident that the "wise management and admirable investment" has little to do with it so far as the explanation is concerned, and that the state of affairs which existed in life insurance companies prior to 1870 exists now, can be proved from the official reports issued by the various insurance departments, it being a fact, as stated by the late eminent actuary, Elizur Wright, that "in the best of old line companies the lapsed and surrendered policies outnumber those remaining in force, and are about ten times the number of those matured by death or endowment."

We find, for example, that in the three years ending December 31, 1898, the enormous amount of \$1,064,097,102 of insurance lapsed and was surrendered, whereas the total terminations by death, in the same companies, and for the same period, were only \$185,526,740.

The following table gives figures relating to twenty-three of the principal old line companies doing business in the State of New York, and should be studied by all who are interested in life insurance:

INSURANCE LAPSED AND SURRENDERED, ETC., 1896-'98.	
Insurance lapsed and surrendered	\$1,064,097,102
Insurance terminated by death	185,526,740
Reserve released by lapsed and surrendered policies	108,597,291

It is impossible to state the exact amount contributed in premiums by the insurance which was lapsed and surrendered in any other way than by having a statement made by the companies of the amount contributed by each separate policy. It is an easy matter, however, to come very close to the amount without such an accounting, an easy way to do so being to multiply the reserve released by lapsed and surrendered policies by three, it being a fact that the reserve does not average more than one-third of the gross premium. Applying this to the above table, it would appear that the total premium paid on lapsed and surrendered insurance was not less than \$325,000,000 dollars, being at least \$140,000,000 more than the total insurance terminated by death during the three years.

Another way to estimate the total premium paid on lapsed insurance is to multiply the insurance terminated by the average premium, i. e., \$30 per \$1,000, and to assume that the lapsed and surrendered insurance had been in force for an average of at least ten years. According to this calculation the total paid-in premiums on lapsed and surrendered policies, in the three years, was at least \$319,000,000, being \$134,000,000 more than the total terminated by death in the twenty-three companies in the three years ending December 31, 1898. To this \$1,500,000 should be added, being the premium collected on term insurance, which expired in the three years, and on which not a single dollar was paid to policy-holders either in claims or in surrendered values.

This, and not "wise management and admirable investment of funds," accounts for the fact that the representatives of deceased policy-holders receive on an average more than \$250 for every \$100 which insurance companies receive in premiums on policies terminated by the death of the insured.—*The Counselor.*