There continues a disinclination in some quarters to make the change to three per cent. on all new business. This arises, not from lack of conviction that the course is dictated by prudence and is desirable, but from a reluctance to make the increase in premiums necessarily involved if the change is to be made on a sound basis, and thus to remove one of the alluring features which help the agent to sell his wares. Here competition enters to blind the eyes of wisdom. At least, this is my opinion.

Why is three per cent. as high a rate as should be assumed by conservative companies? It would seem that the proposition needed no argument. It is patent. The standard of Massachusetts, the pioneer in careful insurance supervision, was four per cent., when seven per cent. was readily obtainable on the best real estate mortgages and the best railroad bonds. New York followed suit in 1887, and made the standard four per cent. at a time when six per cent. was easily obtainable on high-class securities. The margin was not considered any too wide. Errors in investment had to be provided for. Idle money and money temporarily held at minimum rates had to be provided for. It was never regarded as prudent to assume a rate which might *probably* be obtained on the average, but which was not by any means certain. An examination of the rates actually obtained by the six largest companies reporting to the State of New York in the year 1897 shows that they averaged 4.74 per cent., while the ruling rate at the same time for good mortgages on real estate was 4.80 per cent., and yet this margin was far greater than can be expected now. Money is freely loaned on first-class real estate in New York, Boston, Philadelphia, Pittsburg, Chicago, St. Louis and other cities at four per cent., and even lower rates are accepted in particular cases. United States Government bonds are selling at prices which will yield the holders only 2.20 per cent. to 2.45 per cent. upon their investment. The better class of railroad securities are selling on a three to three and one-half per cent. basis. Quite a large number of the railroad companies in the country have been engaged in refunding their bonds as they mature by the issue of three and one-half per cent. bonds, and, in the case of the Chicago & Alton and others, are issuing three per cent. bonds. The three and one-half per cent. bonds so issued are selling at a premium of from six per cent. to ten per cent. Municipal bonds of some of the largest of our cities are selling on a basis of 2.90 per cent. to 3.15 per cent., and even bonds of smaller cities well located sell readily upon a basis of 3.05 per cent. to 3.25 per cent. Savings banks throughout the country have quite generally been obliged to cut down the rate paid to depositors to correspond with the recognized decline in the rates obtainable on good investments. This rate, which, a few years ago comparatively, stood at five per cent., has been reduced to an average of three and one-half per cent., although there are many of the savings banks still paying four per cent. on small deposits, they being able to do so owing to the great advance in the price of securities held by them as investments. One of our largest life assurance companies in the East, which had steadily adhered to a demand of five per cent. on real estate mortgage bonds, has recently announced its intention to loan freely at four per cent. We also find that one of the large companies in the West, which has been loaning money at high rates and has deservedly claimed the credit for earning high rates of interest, has, within a year, loaned millions of dollars on Chicago and St. Louis property at four per cent.

Desiring to learn the opinion of the best instructed minds in the country on the probabilities of the future as to the rate of interest on which a life insurance company could absolutely count, without peradventure, I addressed a letter to each of over two hundred financiers and economists, asking his opinion. Out of one hundred and fifteen replies, sixty-five say three per cent. or less, seven going as low as two and one-half per cent.; thirty-six say from three per cent. to three and one-half per cent.; seven say from three and one-half per cent. to four per cent.; one says from three per cent. to four per cent.; two say what may be regarded as four per cent. qualified in some way, and only four say four per cent. unqualifiedly. According to the concensus of opinion of these experts, therefore, it would not be safe to assume more than three per cent. as a guarantee for the future.

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So much for interest. The next principle is that which is involved in excessive surrender values, especially in the early years, and in the contract-features which stimulate disintegration rather than encourage persistence. In old times, surrender values were unknown. Afterwards they came into vogue on a moderate scale. Now they threaten the healthy continuance of policies. Formerly when a man was financially embarrassed he had to sell, whatever his health might be. Now, he *sells* if in good health, *borrows* if in poor health, and if seriously deteriorated *he takes extended term assurance, stops the payment of premiums,* and *the claim is collected.* To begin with, it is a fallacy to assume that because for convenience of calculation the reserve on each policy is computed as appurtenant to that policy, the amount of the reserve in each case is in equity the property of the particular policy-holder before his policy matures, as distinguished from being the property of the mass of policy-holders, of which he, of course, is one. It is not. The equity of the transaction is that the policy-holder should continue his contract to the end. If he does not, he just so far does all that in him lies to break up the combination upon the continuance of which as a whole the safe operation of the laws of mortality and finance depends. This man has no inherent right to draw out the proportionate amount of the combined security fund that on the average may be back of his contract. The erroneous idea that he has this right is at the root of the competition which has led to excess in this direction. One man cannot be a company all by himself. It requires great numbers to secure the averages. And whoever, after being one of the number banding together to secure beneficial results for the whole, backs out and repudiates his share in the enterprise, ought to be subjected to a proper penalty. History will show that a rigid practice in this particular has a salutary effect. Besides, the object and aim of assurance companies is not to take care of the living people who become tired of paying, or for other reasons (even in cases of hardship) abandon their contracts. The objects of our solicitude are the widows and orphans who are deserted by these improvident people, and for their sakes we ought to make it less easy for their husbands and fathers to leave them in the lurch.

Nowadays, it seems as if the ingenuity of man was almost exhausted in devising ways and means to neutralize the beneficial work of life assurance. We take great pains to obtain a new policy-holder, and spend