victims of, than to any culpable extent the accomplices in the frauds, which, as the judge said, "throw a flood of light upon the whole system of the promotion of public companies in the City" of London.

It is noticeable that, although large Canadian interests were involved in these transactions, there was no Canadian bank even named at the trial, nor any English one, in any discreditable manner. The moral is clear: if the victimized persons had consulted some banker, they would have been protected by sound advice and warnings. If persons choose to ignore our banks in matters of finance, they must be left to their own devices, which usually bring trouble and anxiety, and often disaster. The wise man trusts his banker, and so acts that his banker trusts him.

## A SURPRISING STATEMENT.

The address delivered by Mr. Charlton T. Lewis in June last, at the Convention of the National Association of Life Underwriters at Chicago, on State Supervision, with special reference to the net valuation of life policies, has attracted a good deal of attention. Mr. Lewis is connected with the Mutual Life of New York we believe, and his address was a vigorous attack on State supervision in general and of the system of net valuations in particular. Our contemporaries have freely discussed the position taken by Mr. Lewis, some of them indulging in severe criticism of that gentleman, while one or two of prominence have, in whole or in part, signified their agreement with his utterances. Mr. Lewis afterward revised and made important changes in his address, as delivered and reported verbatim by the *Insurance Post* of Chicago, and the revised version appeared in the *Weekly Underwriter*. Since that publication the author has put his paper, as revised, into pamphlet form with an introduction, in which he uses the following language, intended evidently to justify his attack on net valuations:—

> The fundamental fallacy in life insurance, causing endless confusion of thought and errors of practice is the recognition of a reserve as held for an individual policy. The company's reserve is the aggregate sum which it must hold to secure the payment of all its contracts at maturity. A first principle of the science of probabilities is that such an aggregate may be definite and determinable, although all the separate items of which it is composed are indefinite and indeterminable. The science enables us to estimate with approximate accuracy how much a company ought to have on hand when we know what its outstanding assurance contracts are. But there is no science which can divide this reserve into its parts and discover how much the company must hold in order to meet a single policy. Current insurance literature assumes that the system of net valuations does thus divide the reserve. The technical work of the actuary assumes this division into individual reserves as a part of the work of valuation; and the fiction, like many others with which every mathematician is familiar, is an essential aid in his processes. But the meaning and utility of the assumption are wholly lost when this ideal sum, this addition which must be made to the aggregate reserve, because of the existence of the particular policy, is individualized and integrated so as to be made a premise for reasoning apart from the rest. There is a reserve for a company; there may be a reserve for any number of risks large enough to insure a normal average; but the word reserve when applied to a smaller number, is a mere symbol with no reality or practical meaning.

We have quoted liberally, in order that no injustice may be done to Mr. Lewis by the use of disjointed extracts. We submit that this statement as a whole is a somewhat remarkable one. It would be remarkable coming from any source, and doubly so as coming from a gentleman connected with the largest purely mutual life insurance company in the world. To say that "a reserve as held for an individual policy" is a "fundamental fallacy in life insurance" must surely have a novel sound to actuarial ears, and especially so to Actuary McClintock of the Mutual Life. who is confessedly one of the most accomplished actuaries in this country. That this company has been held responsible in some quarters for the above utterances of Mr. Lewis is a manifest injustice, and illustrates how the expression of individual opinions by men not authorized to speak for their superiors is often credited to those superiors. We do not for a moment hold the Mutual Life responsible for the remarks above quoted, especially in view of the historic fact, as stated by Actuary A. F. Harvey of the Missouri Insurance Department, that in 1871, at the first session of the Convention in the United States of State Supervising Officials, the then president of the Mutual Life, Mr. F. S. Winston, was foremost in advocating and influential in securing the adoption of a uniform basis by all the States for "the valuation of policies and computation of reserves" for life companies, the system of net valuation being then in force in several States. Recurring then to the unique statement of Mr. Lewis as belonging to him as an individual we proceed to examine its glaring fallacies.

The position taken by Mr. Lewis is, in brief, that though a life company's reserve is "the aggregate sum which it must hold to secure the payment of all its contracts at maturity," and though this aggregate is made up "because of the existence of the particular policy," it cannot be divided into its parts to "discover how much the company must hold in order to meet a single policy." In other words, the whole is not composed of its parts! We rather think that this line of reasoning will generally be regarded as an innovation by students of mental philosophy. If a company must possess a lump sum—an aggregate reserve—sufficient to pay all its policy contracts at maturity, as confessedly it must, how is that aggregate to be discovered except by ascertaining the amount required under the several policy contracts to pay those contracts at maturity? If Mr. Lewis is correct in his assertion, that "there is no science which can divide this reserve (the aggregate, ED.) into its parts and discover how much the company must hold in order to meet a single policy," then the actuaries have all been wrong for a hundred years or so. The reserve is held to be a component and determinable part of every life insurance premium, and the individual policy contributes its quota to the present aggregate, held in trust, to be used for the payment of the several policies at maturity. Mr. Lewis seems to have forgotten that the individual policy as a contributor for a definite amount to the funds of a company and a sharer in its expense was conspicuously recognized by the Mutual Life many years ago when it adopted "the contribution plan" for the division among policy-holders of the accumulated surplus. We are quite aware that scientific life insur-