

different companies to conform to the same standard. These are questions, however, which we may leave to experts to discuss; for our purposes it is sufficient to state that the standards required are not usually very high and a strong company should have no difficulty in maintaining the reserve required by the government.

(2) A strong life insurance company should be able to provide for this government reserve without impairing its capital. There are many companies that are not equal to this test. A young life insurance company can scarcely hope to meet the heavy expenses of the first few years of its existence without impairing its capital to some extent. That is to say, if the business written is not able to pay for itself, the company is obliged to encroach on its paid-up capital.

(3) If a large portion of a company's capital has not been paid up, this adds to the company's strength, for it constitutes a guarantee fund which could be drawn upon if necessity arose. For example, if a company has a subscribed capital of \$1,000,000, of which only \$300,000 is paid up, this leaves \$700,000 additional for which the shareholders are liable, and that amount could be called for in case of emergency. It does not cost the policyholders anything, and at the same time adds considerably to their security.

(4) A strong company should be able to show from year to year, in all departments, not a spasmodic but a steady progress.

(5) A strong company should show signs of careful scrutiny in the selection of risks. This is most important, because laxity in this regard will soon make itself felt in increased death losses. A company that finds difficulty in securing new insurance will often be tempted to accept doubtful risks rather than lose the business. On the other hand, a strong company