[Continued from page 1269]

whole of the premium. As a general rule, each employee is insured, so long as he remains in the service of his employer, for one, two, or three years' salary, with say a minimum of $500 and a maximum of $3,000, which may in some cases be increased, subject to medical examination. Occasionally the insurance is for a flat amount, which may or may not increase with length of service. Sometimes past service is also taken into account. A group insurance policy does not necessarily cover employees who remain in the firm's service after having passed the general age for retirement; but the system is very elastic, and members who are above the usual ages for ordinary life insurance are often included. New employees are admitted to the scheme, though there is usually a probationary period of three to twelve months' active and continuous employment, which is considered sufficient to protect the insurance company against errors of judgment on the part of the employer in engaging unfit workers. This regulation also excludes casual employees who only remain with the firm for a short time. Unless precautions are taken, there is a risk of bad lives exercising adverse selection by obtaining employment with a firm which has adopted the group insurance system. Some companies, therefore reserve the right to require medical examination of new entrants to existing groups, but may be prepared to waive this right if they are satisfied that the methods adopted by the firm in selecting new employees are sufficiently stringent.

As the insurance is on a yearly renewable term basis, the premium in individual cases naturally increases from year to year. But this is not necessarily a disadvantage, as the employer has only to consider the total premium payable, which in all average group remains fairly constant, owing to the fact that the increased cost of insuring continuing members of the staff is more or less counterbalanced by the lower cost of the young lives who replace retiring members. In a progressive business the average premium may decrease for some years.

The payment of premiums by the employer avoids the main danger of assessmentism, which arises from the free choice possessed by individual members as to whether they will remain in the society or not and the assumption that a sufficient influx of new lives will be maintained. When the supply fails, the premium charges rapidly increase, with the result that the good lives withdraw and the company becomes insolvent. Under the group system, however, the opportunity for individual selection does not exist, as the insurance must either continue as a whole or lapse as a whole. But the financial position of the employer is a factor which may affect both the insurance company and the employees; for in the event of the firm tending towards insolvency the first lives to leave its service would in the ordinary course be the young and healthy. The loss of the young lives would not necessarily have any serious effect on the insurance company, as the policy would lapse unless the firm were able to meet the increased premium charge. If, however, owing to the withdrawal of healthy members, the firm were left with an excessive proportion of impaired lives, the group would no longer be eligible for insurance, although there might be no direct selection against the office. But as it is the practice of most American companies to guarantee the renewal of group policies for a term of years varying from five to twenty on the original premium basis, it is possible that the insurance company might be compelled to renew the policy, in which case it would probably incur a loss on the particular group until the expiry of the guaranteed term or until the firm in financial difficulties could no longer pay the premium. As, however, the unit of insurance under this system is the group, and not the individual life, any loss on one group would be averaged with the profit and loss on others: for it is not contemplated that every group must necessarily show a profit. Moreover, insolvency, or a tendency thereto, would be unlikely to occur in more than a small proportion of the insured firms, and the special circumstances mentioned would therefore seldom arise. But this possibility should serve as a warning against undue latitude in granting the option of renewal for a long term, especially in the case of companies whose group insurance business is on a small scale. The term for which rates are guaranteed has become a competitive feature with some American companies, but this is evidently an unfortunate development.—By P. H. McCormack, A.I.A., read before the Institute of Actuaries, London, Eng.

"Say," cried the 'longshoreman, "ain't ye got more sinse than be smokin' when we're handlin' these kegs of powder? Don't ye know there was an explosion last week that blowed up a dozen men?"

"Faith," replied Cassidy, "that culdn't never happin here."

"Why not, I should like to know?"

"Bekase, there be but two av us workin' here."