

## Correspondence.

## THE HOMANS' PLAN.

To the Editor of the INSURANCE AND FINANCE CHRONICLE.

SIR,—With your permission I will briefly notice some of the statements in your article on the Homans' Plan, in the April number of your Journal, which are not in accord with an impartial opinion.

There are several inaccuracies in your references to and explanations of the Plan which I will pass over, and call attention to the unfairness of the comparisons calculated to mislead as to the probable mortality experience under the Homans' Plan of insurance.

There is no similarity, so far as the class of risk and mortality rate are concerned, between the "Term" insurance which you use for comparison and the "Renewable Term" insurance known as the Homans' Plan. The former covers for a limited term of years a special risk of one kind or another, sometimes an occupation or a place of residence specially hazardous, frequently it is taken upon a life which would not be insured under a whole life policy, owing to a defective family history, or some other reason, and by some companies these risks are taken on the lives of children covering the term of years to age of maturity.

In these cases medical selection is overbalanced by the special hazards.

Insurance under the "Renewable Term" or Homans' Plan is renewable during life, at the option of the assured, the same as under any other whole life policy, differing from the latter only in the manner of dealing with the premium or cost to the assured, hence the greatest care is exercised in selecting the risks.

To prove what I have stated in reference to the Term insurance you quote statistics from we will quote the words of the actuary of the "Connecticut Mutual" (the experience of which you used and applied to the Homans' Plan)—in the published experience of that Company. In referring to the heavy rate of mortality experienced from Term insurance he says: "This is due in great part to the fact that these policies were largely taken to cover special risks; especially on the lives of persons going to California to engage in gold-mining, in 1849" and the years succeeding

"The extra premium required for permits covering risks not covered by the policy contract amounting in the year 1851 to over \$38,000 and in the course of Company's business to over \$500,000, a considerable share of which in the earlier years of the Company's history was received from Term policies would probably more than offset the increased mortality."

A considerable number of the Term policies of the Connecticut Mutual were on the lives of children, under which policies the largest percentage of the Company's mortality was shown in proportion to the number and amount at risk.

The mortality experienced under the Renewable Term policies of the Aetna Life would afford much more suitable and impartial information.

In reference to the statistics adduced to prove a greater percentage of losses you overlook some important factors necessary to an impartial comparison. It is known and admitted that the number of losses is greater from new business than from that of longer standing, hence it is not just to compare the percentage of lapsed policies on the Aetna's Renewable Term plan which has been in use but a few years with the losses under the other plans of that company, thirty years or more in existence, including endowment.

The same objection applies to a comparison of the lapses of policies in the Provident Savings Life Assurance Society with the twenty-nine companies doing business in the State of New York. The former a young company, with a comparatively new business, as against the oldest companies of the country with hundreds of millions of old standing business. In addition to this it is apparent to insurance men that the younger company in competition with those controlling millions of the people's money must naturally suffer to some extent.

The "Provident" increased the amount of its business in force one hundred per cent in each of the years 1883 and 1884, and as the new plan was first offered by that Society in 1883 no doubt many of the cancellations of those years were owing to changes from the old plans

to the new one. In 1884 the 29 companies reporting to the New York State Insurance Department wrote \$321,310,170, of new insurance and lost by cancellations (not including death claims) \$189,440,302—a loss equalling nearly sixty per cent. of new business, while in the same year the "Provident Savings Life" wrote \$8,809,400 of new business and lost by cancellations from all causes (including death claims) an amount only equal to about twenty per cent. of the new business. In 1885 that Society increased the amount of its business in force to over \$25,000,000 showing for that year the largest percentage of new business to amount in force at the beginning of the year, the lowest percentage of expense to amount insured, the lowest percentage of death claims and the large percentage of increase in surplus of any company reporting to the New York State Insurance Department.

The slow progress of that Society previous to the adoption of its present plans of insurance may be attributed in part to the difficulties experienced by every young Company and partly to the retirement of Mr. Homans from the active management of the Society for about two years. Having occupied more space than I intended I will conclude by quoting the following from a letter written by Mr. Homans and recently published:

"The Renewable Term Plan has now been before the public for three years, during which time it has received the endorsements of insurance commissioners, actuaries, officers and agents of the regular companies and, so far as I know, its safety has not been questioned over the signature of any responsible person. The actual cost of the assured has been but one-fourth to one-third the usual level premium rate. We make no war upon the old companies. The level premium system has its advantages and its disadvantages. It is a combination of insurance, which is one thing, and of investments, which is quite another thing.

The Renewable Term Plan is *pure insurance*, except that one-fourth of each monthly premium is laid aside to create a guaranty fund, available in case of necessity, and for the better protection of policyholders, which will be returned to them after ten years.

This Society holds an insurance reserve on each and every policy in force, computed upon precisely the same principles as are adopted in the case of all regular companies. We promise absolutely to pay in full the sum insured in case of death, which promise is backed by the capital, by the full legal reserve, and by the surplus of the Society, which last is larger in proportion to its liabilities than that shown by any other life insurance company in America.

The following is an extract from the recent report of the Insurance Commissioner of Massachusetts:

"Insurance that does not insure is dear at any price. Insurance that costs beyond the needs of safety is an unjust burden. That system is the best that combines safety with the minimum of cost. The old system is, humanly speaking, safe; if it is too expensive, and cannot reform the fault, some other system that can provide safety with less cost will supersede it, but, to rival the old, the new must prove itself safe as well as cheaper."

We claim that the Renewable Term Plan of insurance is the other system which, if it will not supersede the old system, will at least meet the wants of that large class of men who insure for protection, and who desire sound, safe and reliable insurance at the lowest price consistent with absolute security."

DAVID DEXTER.

HAMILTON, April 28th, 1886.

## DEPUTATION TO OTTAWA.

To the Editor of the INSURANCE AND FINANCE CHRONICLE:

SIR.—A "house divided against itself must fall," says the old adage and with what peculiar adaptation to the "Insurance Bill" legislation, it stands, I leave it to those concerned to answer. We in Toronto were asked by a deputation from our Montreal brethren to assist them in obtaining certain badly needed amendments to the Consolidated Insurance Act before the Dominion Parliament. Unanimous as we generally are here, we were led to expect, and did expect, a similar voice from Montreal. But what was our surprise to find, on reaching Ottawa, where the battle was to be fought, that to meet the Toronto full contingent, one earnest Montrealer was present, and upon a second visit to the Legislature where the discussion was to be held with the Committee of Parliament, the same earnest Montrealer was present with the assistance of one other luke-warm representative and one openly avowed opposant!!

Justice to the two promoters of this movement leads me to state, that they were both, most unfortunately, on beds of sickness, so that help from them could not be expected; it was, therefore, all the more