THE CANADIAN MONETARY TIMES AND INSURANCE CHRONICLE *is printed every Thursday evening and distributed to Subscribers on the following morning.*

Publishing office, No. 60 Church-street, 3 doors north of Court-street.

Subscription price—

Canada $2.00 per annum.

England, stg. 10s. per annum.

United States (U.S.Cy.) $3.00 per annum.

Casual advertisements will be charged at the rate of ten cents per line, each insertion.

Address all letters to "THE MONETARY TIMES."

Cheques, money orders, &c. should be made payable to J. M. TROUT, *Business Manager, who alone is authorized to issue receipts for money.*

The Canadian Monetary Times.

FRIDAY, JANUARY 28, 1870.

SECURITY IN LIFE INSURANCE.

According to a late decision in a case before Vice-Chancellor James, the test of the solvency of Life Companies, so far as the Court of Chancery, in England, concerns itself, is the company's ability to pay actual outstanding liabilities at the time the test is applied. Though this may be the true legal test of solvency, it is apparent that a great deal more is needed to satisfy one of the soundness of a company in the sense of security. The losses of to-day may be met with ease by a company which will be utterly unable to pay the losses of the future. At the outset, glowing promises may be made to sway the minds of the ignorant, and those too careless to "inquire within"; but a day of reckoning surely comes when realization of these promises is looked for in vain. It becomes, therefore, a duty which the assured owes to himself and to his family, to examine the structure on which his hopes for the future are built, to see if the foundations are secure and such precautions are taken as are likely to prevent disaster. The prudent man who insures his life should make security his first consideration, not only satisfying his mind at the commencement of his policy, but exercising from time to time a vigilant supervision, to prevent himself from paying his money for nought. Seeing that a thirty years' existence is barely adequate to prove the strength of a company, the future as well as the present must be taken into account.

It may be taken for granted that there is no test easily applied that will show conclusively the soundness or unsoundness of a Life Company; but there are tests which, for all practical purposes, may be accepted as satisfactory by the unskilled, and which may be applied with reliable results. By the intelligent use of these tests, the assured may ascertain for himself, with a reasonable degree of certainty, what the prospects are of the object he has in view being realized. Of course, in assurance as well as in other kinds of business, one has to depend, in a measure, on the honesty and capacity of others, but it cannot be said that this is the case more particularly with assurance than with other matters. Every investment or trust is subject to the like conditions, in so far as the event is concerned. Taking for granted, therefore, that balance-sheets and certificates are prepared with ordinary honesty, what are the tests which are most likely to give the assured a fair idea of his assurer's position. A glance at the theory on which the system of life assurance is based will enable our readers to understand the subject. A company, in consideration of a premium received, contracts to pay a certain sum at, say, the death of the assured. The time of payment by the company is thus, to a certain extent, indefinite; but experience has furnished the data by which the company calculates how much or how little it can safely receive in the way of premium, so that, by investment at a sufficient rate of interest, a sum will be produced which should equal that to be paid at the maturity of the contract. If too little be received as premium, or the margin for expenses be exceeded, or the lives be badly selected, or the investments do not yield according to expectation, the result, of course, will be inability on the part of the company to fulfil its contract, or a process of self-consumption will commence. In order to ascertain how it stands, a company has valuations made from time to time, just as a merchant, in order to satisfy himself that all is going on satisfactorily, takes stock. The policies are valued, and a balance is struck between the valuation and the company's resources. If each policyholder paid an increased premium corresponding to his increased age, the valuations would be unnecessary, because the liability of the company would be measured by the premium paid. But as average premiums are paid, the object of valuation is to determine the value of the depreciation occasioned by effluxion of time—to find the difference between the premiums payable according to the life tables at the present age, and the premim charged.

This valuation is obtained by an actuarial investigation, and as the rules by which it is reached are well understood, the result is, as a general thing, trustworthy. But as the material for such an investigation is not available to outsiders, we must see what can be gathered from the information that is or should be afforded. Such information as the following is necessary:—a statement of the income and expenditure, of the investment of funds, of the amount of the margin of premiums reserved at each valuation for future expenses and bonus, of the rate of mortality by which claims were provided for in the valuation, of the rate of interest at which in the valuation the funds were assumed to accumulate. The failures of life companies are attributed to taking risks at inadequate premiums, too heavy a rate of expenditure, and distributing a surplus shown by adopting an improper method of valuing the assets and liabilities at the periodical investigations. These considerations have suggested the following questions, as likely to furnish proof of solvency:—(1.) Has the death rate experience, on the whole, been as favourable as that provided for by the table used in valuing at the last investigation? (2.) Has the interest received been as great as it was then assumed it would be? (3.) Are the realized assets of the value put upon them? (4.) At the last investigation, was the whole of the "loading" set aside; and if not, was the value of the part reserved, sufficient to cover the future working expenses? (5.) Have the expenses of management of all kinds exceeded the "loading" on the premiums? An Actuary of one of the companies says, "an office may be insolvent with £30 in hand, for every £100 assured, while another, and a younger company, which has £10 in hand, for every £100 may not only be safe, but also able to give a large bonus. The fund in hand may be equal to ten years of the premium income, and yet the office be insolvent, while another office may be safe and prosperous with a comparative small accumulation of premium income." Where there is a reserve laid aside sufficient to reinsure existing risks, a company is safe. The security depends on the existence of a full