

A COMPARISON IN COST OF LIFE INSURANCE.

The main argument relied upon by the advocate of assessment insurance to advance his cause is that of cost. He has a variety of minor ones which he uses as occasion demands, but for real effective work his chief weapon is comparative cost. The representative of the small association is generally the most insistent upon the point of excessive cost of indemnity in level premium companies. The assessment companies, which are really substantial and have by ability of management reached an assured position, are not referred to in this article, but rather the small, though numerous, associations which are not widely known, but in a narrow sphere work upon local pride and comparative cost to secure business without much regard to value of indemnity sold. We know that these organizations are usually short-lived, but nevertheless, they gather a considerable following. The life insurance agent is continually meeting with this sort of competition, which often is so intense as to prejudice the solicited against all kinds of life insurance. It is urged by the level premium agent that the indemnity is not really cheap, but the facts to back up the assertion are not always at hand. Let us examine and see how results affect the claim of cheapness. In doing so we shall argue from the standpoint that the assessment certificates are paid in full when paid at all. Our data is taken from the New York insurance report covering the business of 1893.

The whole number of assessment or co-operative associations reporting to the New York insurance department in the year mentioned was 74. Of this number 43, or more than one-half, had less than 2,500 certificates or policies in force, and it might be remarked, in passing, that some of them had fewer certificates in force at the close than at the beginning of the year. These 43 associations being more than one-half the entire number, will give fair average results by which to judge the cost of insurance so much relied on by their solicitors.

These 43 associations had in force, December 31, 1893, 37,197 certificates, or an average of 865 certificates for each association. The average size of certificate was a few dollars over \$1,000, but for ease in computation we will put it at even \$1,000. The expenses were \$241,278, or an average of \$6.48 for each thousand of insurance. Taking the losses paid in 1893 as a basis for computing mortality experience, we find the losses amounted to \$823,355, which gives a mortality charge of \$24.80 against each certificate. Add the expense and mortality items together, and we have as the insurance cost on each certificate for '93, \$31.28.

Now let us compare this result with what the level premium companies offer to furnish insurance for. We will make the comparison with term insurance as being the most equitable to the assessment associations. In doing this we must assume an age. We think that 40 is a fair age as representing the average of men insured in assessment and level premium companies. The rates for term insurance vary somewhat, but from an examination of the published rates and knowledge of the companies' experience, we think that \$22 per thousand is a sufficiently high rate, so that it can be kept level through a period of thirty years, which is in excess of the expectation of life at 40. We know of one company, at least, that has done as well as this by its policy-holders in actual experience, for the period named.

Now let us compare the results of the two plans. The cheap insurance cost the holders \$31.28, while the level premiums cost \$22, or \$9 in favor of the level premiums. These figures are most significant. The robber level premium companies which were abused by these cross-road insurance Solomons for charging a rate that would enable them to carry out their contracts without extra charge, had the impertinence to furnish insurance for nearly one-third less than these friends of the poor oppressed people! Again, the level premium fellows thought it wise not to depend entirely on new blood, but to base their premiums on mortality tables. The assessment fellows may have known something of mortality tables, but if they did their experience is evidence of poor selection, for the death rate of these 43 associations was almost double the table rate.

This is not all, for a large proportion of these associations only about held their own in membership in 1893, while several of them

retrograded, thus the cost of those who remain will in all probability be increased during this present year. The plain simple truth is that the holders of the 37,197 certificates referred to above will have to pay an increasingly heavy price for protection, or let go what they have paid in. They listened to the guileless talk about cheap insurance and now they are learning how to define the word "cheap." It takes a good many people a long while to learn that cheap indemnity is very likely to be expensive. The people who purchase insurance ought to remember that the cost argument of the assessment philosopher is not absolutely reliable, for as Lowell well observes:

"Earth gets its price for what Earth gives us."

—The Argus.

PROFIT SHARING.

Messrs. Carroll D. Wright, Washington, president; Frs. A. Walker, Boston, and N. O. Nelson, St. Louis, vice-presidents; N. P. Gilman, Boston, secretary; and R. Fulton Cutting, Alfred Dolge, R. R. Bowker, New York; Henry R. Towne, Stamford, Conn.; George A. Chace, Fall River, Mass., directors of the Association for the Promotion of Profit Sharing, have issued the following open letter to employers and employed. The address of the secretary is 25 Beacon St., Boston.

In anticipation of a revival of business, and the consequent re-opening of many mills and factories, which now seems probable, we would invite your attention to the importance of introducing some form of profit sharing as a feature of your industrial relationships. The method of paying a dividend to the workman out of profits as they are realized annually has been approved by most of the economists of Europe and America as thoroughly practical, and advantageous to both the employer and the employed. We will mention a few characteristics which should commend it to your careful attention.

Profit sharing can be adopted by an employer without risk of loss, inasmuch as he assumes under it no obligations, except such as are to be discharged from profits actually made. His prerogatives as manager and his rights as proprietor are not curtailed. Profit sharing would establish a more friendly relationship of common interest between working people and the employer. This would be the surest pledge of industrial peace and the firmest support in times of commercial distress.

The employee, responding to such an advance by the employer, can increase the quantity and improve the quality of the product under a deeper feeling of personal interest. By his diligence, care and economy he can actually create an additional profit, which is to be used in supplementing regular wages. Profit sharing includes the payment of the best wages current, and promises a bonus beyond this which, experience shows, the interested workman can invariably produce in good times.

Profit sharing, as a principle, may be applied in a large variety of ways; and it can readily be adapted to the great majority of productive and distributive enterprises. We invite applications for full information concerning the history and the results of the system, as it is now in operation in many establishments, small and large, in Europe and the United States.

TWO AMBERGRIS STORIES.

The *Oil, Paint, and Drug Reporter* recalls that a couple of years ago a temporary panic was caused in the ambergris market by the discovery of a lump of the substance, weighing about 174 lbs., in Tasmania. This is an outline of the affair: "Two years ago, one of MacGregor's (Tasmania) whaling captains, having cut the blubber from a whale, was about to cast the rest adrift, when there came alongside two Hobart fishermen—'Portuguese Joe' and his mate, an African negro. The Portuguese begged to be given the carcass, so that they might tow it ashore and make what they could out of it. 'All right,' said the skipper, with the generosity of a man who thought he knew the blubber business to its omega. Joe, having got leviathan's framework on the beach, began to search for ambergris, which drug was quoted at that time at somewhere about £13 per oz. He found 174 lbs. Many people interviewed him, and wanted to give

him from £8,000 to £9,000 for the lot; but the man understood the luck of his find, and got a friendly Hobart resident to place him in direct communication with the best London brokers. Meanwhile, the ambergris was lodged with a bank, which was presently served with an injunction, on behalf of the MacGregor firm, to restrain the sale of the precious prize pending a discussion regarding ownership. But these legal fireworks fizzled out, and the ambergris is still being gradually realized in London, the two fishermen having already received several thousands of pounds apiece."

Referring to an episode which occurred only a month or two ago, the *New Westminster, B.C., Columbian* of last week has the following about "The Lost Ambergris":—"Second Engineer Donald Todd, of the steamer 'Capilano,' and several friends left Vancouver, on Saturday, for the north, to search for the \$200,000 worth of ambergris thrown overboard as worthless from the 'Capilano' a few weeks ago. Todd is confident he can locate the precious stuff. A number of Vancouverites have formed a partnership and are fitting up a sloop for a cruise north in search of the lost ambergris, and Mr. Harry Read and a small party will leave this city in a few days, by steamer, on a similar errand.

"Since the story of the unlucky throwing away of this immensely valuable mass of ambergris, it has been learned that some two or three years ago a Victoria sealing schooner picked up a lump of the same stuff which weighed about 70 lbs. It was cut into pieces, melted down and used to polish the masts, and to this day the captain of the craft does not know that he made a substance much more precious than gold take the place of the commonest kind of grease worth not more than five or six cents per lb."

AMERICAN CREDIT.

In a letter to the *Detroit Free Press*, Mr. Edwin F. Mack says: In an editorial paragraph beginning "Talk about the credit of American cities," you cite the fact that the city of Paris has just placed \$40,000,000 of its bonds at 2½ per cent. as a striking evidence of French credit and thrift. There is no doubt about the credit of the city of Paris, although its indebtedness last year amounted to about \$400,000,000; nor is there any doubt about the thrift of the French people. However, we must not lose sight of the fact that Paris floats its bonds on a regular lottery basis. Bonds bearing certain numbers draw certain prizes. In a particular issue of Paris bonds of the year 1889, one bond drew a prize of \$4,000, two drew \$2,000 each, and ten bonds drew \$200 each. Such prizes naturally stimulate the subscription for bonds. Furthermore, the French savings banks are now paying only 2½ per cent. interest on savings deposits, and most people would prefer a nice, crisp government bond, bearing 2½ per cent. interest, with the chance of winning a large prize, to a savings book at 2½ per cent. With money in the open market seeking investments at 1½ to 2 per cent. in the larger European capitals, where money is always much cheaper than it is here, this Parisian loan at 2½ per cent. is not so remarkable. A more remarkable instance is the fact that the city of New York, in spite of the cheaper money in the European capitals, had over \$14,000,000 of bonds outstanding on December 31st, 1890, bearing 2½ per cent. per annum!

—The matter of club credits these hard times is disturbing other house committees than that of the Union League. The receipts from bar, restaurant, cigar counter, and billiards constitute an important item of income in every large club, not only because of the amount involved, but because it is naturally distributed along from week to week and month to month, so as to tide over the long wait between the periods when dues come in. Many men are in arrears, whatever the condition of business, but when times are hard members are prone to stretch club credits to the utmost, and the posted list of every club includes a considerable percentage of the habits. Credits vary from nothing at all to as much as \$100, with a time limit of from a fortnight to six weeks. Some clubs announce no limit to credits, but individual delinquents in such cases are carefully watched.