

HODGINS, MASTER IN ORDINARY.

APRIL 30TH, 1901.

MASTER'S OFFICE.

RE MERCHANTS' LIFE ASSOCIATION.

VERNONS' CLAIMS.

Life Insurance — Unmatured Policy — Mode of Calculating Present Value of Reversion.

Claims made under life insurance policies upon the winding-up of a friendly society.

THE MASTER:—The claimants under the policies of life insurance in this matter contend that by the payment of a yearly premium of \$13.10 for 4 years, in all \$52.40 for an insurance of \$1,000 on the life of P. C. Vernon, the present value of the policy is \$221.12, and that by the payment of a yearly premium of \$12.76 for 4 years, in all \$51.04 for an insurance of \$1,000 on the life of J. R. Vernon, the present value of the policy is \$212.50; in other words, that payments to a life insurance company aggregating \$103.44 have in 4 years gained or have entitled the insured to \$433.62. The contention, if correct, is rather startling to all interested in life insurance, and especially to all interested in friendly society insurance, the company in this litigation being a friendly society, and one whose very low rates of premium compelled me, on the evidence of actuaries, to find that its low rates had contributed nothing towards the formation of a reserve fund, which is essential and a financial necessity in ordinary insurance companies.

The order of reference directs me to calculate the present value in the sum assured by each of the above policies at the decease of the life assured, and also the present value of a life annuity equal to the future premium which would become payable during the probable duration of the life assured, and to allow the difference.

In ascertaining the respective amounts so directed, reference has been had to the tables of the Institute of Actuaries of Great Britain, recognized by the Insurance Act, R. S. O. 1897 ch. 203, sec. 149, sub-sec. 2, in so far as the said tables are applicable.