ASSESSMENT LIFE COMPANIES.

As assessment societies still continue to do a large business in the Dominion, it is evident that the public are not yet fully enlightened as to their real nature. Article after article has appeared in both the insurance and the ordinary press, but the supposed cheapness of the plan has so far been sufficient to outweigh all other considerations with a considerable section of the public. This being the case, we think that a short analysis of this plan of so-called assurance will not be out of place. In order that we may proceed methodically let us divide the subject into three heads:

(1). What is the nature of the assurance which assessment societies offer?

(2). How do their charges compare with those of the regular companies?

(3). What are the practical results of the working of the system?

Let us look into the first of these questions, the nature of the assurance which these societies profess to offer. A very brief investigation only is needed to show that in reality they offer no assurance at all. The societies, with hardly an exception, have not a dollar of capital with which to guarantee their contracts, neither have they any reserves or funds of any other kind on which they can draw to pay losses. They have made no government deposit as an evidence of good faith, and, in short, do not offer assurance in any sense of the word. Even their contracts do not promise the full amount assured, but generally read "an amount *not exceeding* one thousand dollars." Assurance implies a guarantee, and if there is no guarantee there is no assurance People who pay their money into these institutions are doing so with the mere hope of getting back some indefinite sum at some indefinite time, *if* the company should last long enough, and *if* a number of other very doubtful things should happen. And now here, at the very start, let us ask if there is any comparison between the certificates of such societies and the policies of regular companies. The one is a mere possibility, and the other an absolute certainty. Which is the cheapest in the end, even though it were to cost twice as much to get the regular assurance? The first consideration with an assurer should be to make sure that what he pays for he will get, and this surety he cannot have from any co-operative society. But it will be urged, what difference does it make whether the societies guarantee to pay the sum nominally assured or not, so long as they actually collect that amount at death, and pay it over. But this is just what they do not do. The average payment at death seems to be only in the neighborhood of three hundred dollars for each thousand dollars of assurance, while in individual cases the rate has come down to $37.50, $21.00, and even less. The well-paid agents of these societies will still talk of the cheapness of their plan of so-called assurance, but they do not say that the premiums charged are only in reality for about $300 of assurance, and even that only during the short term of the society's existence.

Even an honestly managed co-operative society is a thing to be avoided by all wise men, but what guarantee have the public that any of them are honestly managed? They claim to be exempt from government inspection, make no government deposit as a guarantee of good faith, and are almost invariably controlled and managed by a small clique of speculators who have no interest but to make as much money as possible out of them. How many of them are managed in the same way as the "Mutual Benefit Associates," of Rochester, of which we heard so much two or three years ago, but which collapsed so suddenly?

The sole ground on which these companies base their claim for support by the public is their cheapness. Let us now look into this phase of the problem. To have the matter thoroughly understood it is necessary for us to briefly glance at the nature of the premiums charged by the regular companies. It costs a life assurance company a certain amount every year to carry a risk, in precisely the same way as it does a fire insurance company. The difference is, that in fire insurance there is no increase in the yearly cost as time passes on, but in life assurance the cost increases every year, since the life assured is getting older. Life companies, however, charge a uniform premium which does not increase. As a consequence, in the early years of a policy the assured pays more than the real cost of the risk for those years. Later on the annual cost increases until it equals his premium, and then exceeds it. Thus the net whole life premium at age 45 by the American table, with 4½ per cent. interest is $25,99, while the actual cost of carrying the risk for that year is only about $11. The annual cost increases, until at age 60 it equals the all life premium; at age 65 it is about $14 over it, and at age 70 about $36 over it. The companies accumulate the surpluses of the earlier years at compound interest to meet the deficiencies of later years. It is these surpluses, with the interest on them, which constitute the reserve or net value of a policy. Now, as the co-operative societies do not bind themselves to a uniform non-increasing premium, and set aside no reserves, they can afford to take a man for a few years at a lower premium than regular companies charge for all life policies. But is this giving cheaper assurance? It is merely postponing the greater part of his payments until later on in life, with the certainty that they will then become too heavy to be paid, and the society will collapse. If a person does, however, really prefer low premiums for the present without regard to the future, let him take a term policy in a regular company, and he has all the cheapness he wants, with an actual solid guarantee in the way of assurance. When looked into this way, it is found that the much vaunted cheapness of the co-operative societies does not exist, and that they charge as much or more for their counterfeit form of assurance as the regular companies do for the genuine article.

Something cannot be made out of nothing. Assessment societies are not magicians, and it is evident that if all the members are to receive $1,000 at death (supposing the society could exist long enough), they must, on the average, each pay $1,000 in assessments. There is no other source from which the money can come; they have no interest on reserves to help it out as the regular companies have; each, on the average, must pay his thousand dollars and expenses. A man aged twenty has an expectation of forty years. One thousand dollars spread over that time would give an average premium of $25 per annum, which would be increased by expenses to at least $30. A regular com