

Guard against the error of supposing that a company is strong simply because it is *big*. Mere "bigness" counts for nothing. It is just as likely to be a source of weakness as of strength. You have often seen an overgrown, weak-kneed giant whose languid carriage and shambling gait showed unmistakably that his growth had outstripped his strength. In the same way, some insurance companies, in their eagerness to attain colossal dimensions, have disregarded other considerations of far greater importance. They may be bigger than their competitors, but nevertheless inferior in financial strength and profit-earning power.

For instance, if there be two business concerns; one with 10,000 shareholders, \$12,000,000 assets and \$10,000,000 liabilities; the other with 1,000 shareholders, \$1,500,000 assets, and \$1,000,000 liabilities; it is not difficult to see that the second company is in a stronger and more prosperous condition than the first, although the first is larger.

The largest company, therefore, is not always the strongest. On the other hand, it is usually wisest not to insure in a very small company. A very small company is more apt to be adversely affected by sudden fluctuations of mortality, losses on investments, etc., than its larger rivals. Moreover, if a company is very small, it usually points to obtuseness, lack of energy, or some other fault on the part of its managers. The question naturally arises, then, what are the best tests of strength in a life insurance company? We shall endeavour to suggest several:

(1) In Canada and the United States, where government supervision is the rule, all companies must maintain the standard reserve or else be declared insolvent. Actuaries differ regarding the suitability of the standards selected and the wisdom of requiring