conservative rates of interest, mortality, and expense should, if managed efficiently, make decided gains from every one of these three basic elements. To illustrate: Assume a company's premiums are based on the assumption that the future rate of interest to be earned is 3 per cent. Assume that the actual net rate earned over a course of 20 years is 5 per cent. A $100 premium accumulated at 3 per cent. compound interest for 20 years amounts to $2,767.60; at 5 per cent. interest to $3,471.90; a difference of $704.30. Similarly, large gains would be made from the mortality of carefully selected lives being much lower than the tabular experience used in the computation of the premiums; and by economical management, substantial savings would accrue from the very adequate "loadings" for expenses.

Slightly Higher Premiums.

The participating policyholder, by paying a slightly higher premium, is enabled to share in these profits. But the non-participating policyholder, although paying a rate on stringently computed factors, receives merely the guaranteed amount of his policy, and all profits derived from his payments are diverted to the general funds of the company.

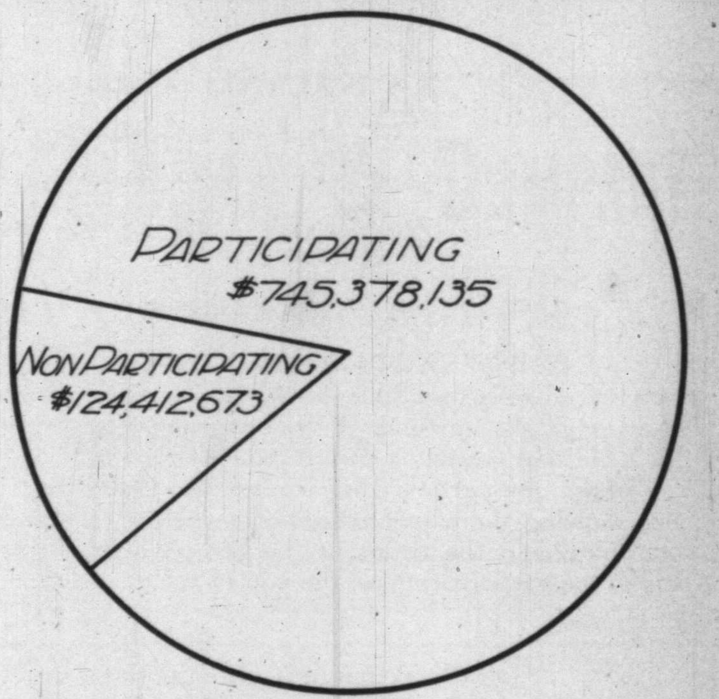
True, the rate of commission paid on participating insurance is usually slightly higher, but if the company is managed efficiently, this increased expense is merely a bagatelle compared to the earnings from the sources enumerated above.

"Managed efficiently." In those two words lies the whole crux of the situation. There are, of course, many degrees of management and mismanagement. Certain companies are so efficiently managed in all departments that "he who runs may read" that a participating policy is easily the better contract for the insured; others are managed efficiently in some respects, but poorly in others, the efficient element, however, having a preponderant influence; and still others, but these are few among Canadian companies, are operated so lackadaisically and loosely that while, owing to governmental regulations and restrictions, either policy, the participating with its potential or impotential earning power or the non-participating with its bare guarantees, may be absolutely safe, yet the participating policy will, in this instance, be the essence of barrenness and sterility and prove the dearer insurance.

Bias Against This Insurance.

Perhaps one of the strongest reasons for the bias which many people have against participating insurance, is the fact that many companies in the past, either through ignorance, overdue optimism, or intentional deception, made surplus estimates impossible of realization. Their actual results may have been good, may have made the net cost of insurance far below that furnished by the non-participating contract, and yet may have fallen far below those roseate estimates of the past. It is, of course, difficult for any company to make very close estimates of future results, as they depend on so many variable and changeable factors, on the uncertainties of the future. Even allowing for this, however, there is no doubt that many companies have grossly erred in issuing estimates impossible of fulfilment.

If conservativeness had always been the keynote in the computation of those estimates, if the figures submitted for probable future results had been worked out with the same degree of caution as that employed in respect to the calculation of premium rates, the companies in question would not now have their long lists of querulous and complaining policyholders. Their results, if good, would have appeared even better, when compared with their conservative estimates in the past; their results, if bad, would not have appeared decidedly worse by contrast to those chimerical figures published years ago. They were too shortsighted to look far enough into the



How the life companies' business is divided.

DIVISION OF THE BUSINESS OF CERTAIN LIFE COMPANIES.