CONFEDERATION LIFE ASSOCIATION AND "SUSPENDED MORTALITY."

Our Position Fully Vindicated.

In the February number of the *Insurance Times* the editor stated that he had addressed a circular on the subject of "suspended mortality" to a number of leading actuaries, and would publish their replies in his next issue. He also promised to insert our first article on the matter at the same time. This he has, however, not done, perhaps because our remarks, even as they stood, would have refuted most of the statements made in the criticism of them. We call upon the *Times* to fulfil its promise and to publish the defence as well as the attack. This would be an act of simple justice.

That our readers may be able to examine both sides of the question we have decided to reprint the greater portion of our remarks as they appeared in our February issue, and to place by their side the article from the *Insurance Times*. But few explanations by us are needed. It is, however, necessary that we should notice the statement that the American table "is the severer test, and calls for the higher reserves." This is not correct. We understand the facts of the case, and we now repeat that the Hm. table provides on the whole larger reserves than the American table, and that the Confederation Life has consequently set aside considerably over what is required by the legal standard of the State of New York. No well informed actuary would, we think, venture for one moment to dispute this position.

The figures by which the *Times* attempts to prove us wrong are simply incomprehensible. We have examined them carefully, and have no idea of what they are intended to represent. There has evidently been a blunder somewhere, for it is of course impossible that by any table in existence the reserve on a $1,000 life policy should, at the end of five years, exceed the whole sum assured by $300, and that this reserve should go on increasing until it amounts to nearly six times the sum assured. Still the charge is made that we "stopped at the point making against our position." In our reply we have much pleasure in extending, in the way proposed by the *Times*, the value by the two tables of a $1,000 life policy taken out at, say, age 30.

TABLE.	at end of 5 years.	10 years.	15 years.	20 years.	25 years.	30 years.
Hm. 4½......	$47 7	101.81	166.27	238.56	318.83	405.11
Amer. 4½....	41 9	92.67	154.24	227.05	309.63	399.22

The excess of the Hm. reserves continues right on, but is greatest in the earlier years of the policies, and the bulk of the Confederation's business consists of such.

The fact that the average duration of the policies in the companies named by us is short is of no importance whatever. We have shown that not even among policies which are twenty years old, does the mortality in properly managed Canadian or American Companies come up to that predicted by the table. We may state, however, that the average duration of the policies in the statistics on which the American table is based was only 4.44 years, while that of the Australian Provident, to which exception is taken, is 5.04 years, that of the Mutual Life 5.64 years, and that of the Mutual Benefit 6.53 years.

If the context had been given with the extract from Mr. Black's report, the sentence just preceding the quotation would have shown that he is referring to the opinion he expressed that he does not consider the experience of his Company sufficient to warrant that "it should, without confirmation, be employed as the basis of the Society's business transactions." He is objecting to the creation of the new table of mortality for use in valuing the liabilities of the Company, and is not referring in particular to the suspended mortality question at all.

As we have pointed out, the "suspended mortality" theory, so far as it is true at all, applies to certain British offices only, and the fact that a few of these act on it is therefore of no practical value in this discussion. The instancing of the Scottish Widow's Fund, however, as sustaining the theory is rather unfortunate. This Company sets aside no such reserve as that stated. What it does do is to reserve five per cent of its liabilities. It is a Mutual Company and wisely thinks that something is needed to take the place of capital. The best proof that this reserve is not held to guard against any increase of mortality is that the proportion belonging to each policy is paid away as soon as death happens. At the very time when the *Times* supposes it to be needed, it is returned to the policy holder as no longer wanted. We have not yet been able to look into the practice of the other companies quoted, but may perhaps give our readers some information on this point at another time. The fact remains that the practice, of the great majority at any rate, of the large British offices is against the application of the theory even in England.

Another point to be borne in mind in any such reference to British companies is that most of them value their liabilities by a comparatively less stringent standard than Canadian companies. Thus if even a special reserve of this kind be nominally set aside, it is often neutralized by deficiency in the ordinary reserves. Three per cent in the case of an English Company leaves only about the same margin as four and a half per cent. in Canada. Most British companies either assume a higher rate of interest than this or take a more favorable mortality table than the Hm.

But why need we go further? The question has been passed on by the actuaries named by the *Insurance Times*, and our opinions have been endorsed more or less strongly by all of them. Even in reply to a decidedly *ex parte* circular, all three actuaries gave answers favorable to us. We have much pleasure in reproducing them in full, and we trust that, as our position has now been triumphantly vindicated, it will not be necessary for us to refer at length to the matter again.