favor The company is as anxious as you are to increase the volume of its business, and, you may be sure, will take all the business you send that its experience indicates should be profitable, but that experience must be the guide. What is the net income of your agency? If large, you are probably in a populous and well-built city where large lines are held: if small, you are a country, village or town agent, where lines are much smaller; but the relation your income bears to the limits you may write is approximately the same in both places Do not run the chance of destroying that income by putting *only one* bad or doubtful risk on your books. Have you only one or half a dozen or more such risks, that when you look at the matter squarely you feel mean only a matter of time before they burn? If you have, you are a gambler, not an insurance agent, and you are not gambling with your own money. It is a poor excuse that you have given the company an application and survey, and it must use its own judgment. There is an indefinable something you feel about the risk which, perhaps, you might find rather difficult to express on paper, but which will make you look at the sky in that direction, when the fire-bells ring out at night. Granted, this is putting the standard very high, at times a trifle out of reach. Yet there are placid days for you when you are sending forward good risks, unsullied by the suspicion of combustion. The adjuster is often more than surprised to find that it has long been a common opinion in the neighborhood that a well insured fire would be the best thing for the owners of the risk on which he is adjusting the loss—in fact, that there has been an uneasy expectation of such a catastrophe. There is no reasonable excuse for an agent who insures such property. Where, as in small towns, the agent must almost of necessity represent a number of companies, each one urging him to greater efforts on its behalf, the highest standard in underwriting is difficult to maintain. Nor is it on the agent alone that the responsibility rests for disaster. Managers and inspectors must bear their share of the burden; but that, as Mr. Kipling remarks, is another story.

## THE MUTUAL OBLIGATIONS OF INSURER AND INSURED IN LIFE INSURANCE CONTRACTS.

We have now reached a very important question—indeed, one of the *most* important of all the many questions—asked in an application for a policy of life insurance. This question embraces the present and past "occupation" of the applicant. The application blank of every life insurance company contains this question, and no company will issue a policy unless it is answered correctly and satisfactorily. This conclusively proves the serious importance that all the companies attach to the consideration of the past and present occupation of those whom they are asked to insure.

Those who are engaged in the vast majority of businesses, professions, trades or callings are usually regarded as safely insurable. There are, however, a number of occupations that are believed to be somewhat hazardous, and those engaged in them are only offered endowment or limited payment life policies, because those plans call for high premium rates, and involve, in a considerable degree, the element of what is generally termed "self-insurance." This phrase needs some passing explanation, to indicate clearly what is its technical meaning. The higher premium policies carry a larger accumulated or reserve value per thousand dollars of insurance than do the lower premium or cheaper plans. Thus, on a term insurance policy it may be said that the premium is only sufficient to cover the current mortality cost—to meet the policy's legitimate annual contribution to death losses—and this form of policy practically carries no reserve value. Therefore, if death occurs, the company has to pay the entire amount of the policy, and there is no reserve value to mitigate the loss. This conclusively shows that on such a plan the company runs the maximum risk, and has received the minimum premium consideration.

On a policy calling for a higher premium rate, there may be a reserve value of, say, $200,—for each thousand dollars of insurance at the time the policy matures by the death of the insured. In such a case the risk of the company is only $800,—for each thousand dollars of insurance. The reserve is the "self-insurance," something that has resulted from the excess of the premium payments over and above the amounts that would have been needed to pay for only a "pure insurance."

As for a certain given "age," it may generally be stated that the larger the premium rate per thousand dollars of insurance the greater is the element of "self-insurance," and the less will be the *actual risk* of the company from year to year. Thus, on an endowment policy the loss that the company will actually sustain in the event of the death of the insured becomes less and still less year by year, until, during the last year of the term of the endowment, the company's risk practically ceases, and if a death occurs, the reserve value of the policy will be within a few dollars of the amount of the company's liability. The measure of the reserve value is therefore the measure of the "self-insurance" element, and the higher the premium rate per thousand dollars of insurance the larger becomes the contribution of the insured to the payment of a death claim under his policy—the company's risk growing correspondingly smaller each year. It therefore becomes evident that in cases of occupation involving a doubtful hazard, the companies can partially protect themselves by throwing a greater burden of "self-insurance" upon the applicants, because this course lessens, to an appreciable extent, the measure of their own risk and liability, in case their fear of an unfavorable effect of the occupation proves well founded. As various plans of insurance and endowment are offered, this consideration offers an effectual remedy to the companies, because they can offset the amount of the "self-insurance" against their own estimate of the enhanced risk involved in a doubtful occupation. This same consideration often comes up in cases where the physical condition of the applicant, or his family history, is not up to the usual standard, but this is a matter that we shall examine into more closely in a future article. There are also several occupations which constitute a bar to life insur-