

the criticisms originally made by this department upon the plan of operations." In less than a year after these official utterances, the courts are being called upon right and left to stand between these gambling schemes and their victims. We cannot do better than to give in this connection the following from the *Chicago Tribune*, one of the leading and most influential daily newspapers in the entire country. It says.

Several of the swindling endowment orders have completely collapsed in Massachusetts, and the insurance commissioner of that State has made an estimate of the harvest reaped by their officials. They had high sounding names, offered glittering allurements, and one after the other have gone the usual way of these swindling concerns. They were, for instance, the Golden Grail, the Royal Ark, the Friendly Aid, which now are in the hands of receivers; the Red Cross, Annual Friend, and the Wonder of the World, which have been closed up, the Homestead, the Citizens, and the Mutual, which have disbanded with utter loss to the bondholders, and all the assets in the pockets of the officials. The average life of these concerns has been about six months, and in that time about all that has been put in by the subscribers has been taken out by the officers in salaries. The insurance commissioner estimates that 50,000 persons have lost an aggregate of \$3,000,000 in this short time.

And yet, in the face of these facts, duplicated in other States, we are told of men right here in Montreal, of average intelligence and who are presumed to sometimes read the newspapers, who are induced to go into these assessment endowment orders. It is said that one of the Massachusetts brood, the "Order of the World," one of the seven-year variety, and organized about two years ago, is operating here with considerable success. It may interest these confiding people to know that, according to the official report of these orders for June 30, 1891, by Insurance Commissioner Merrill, the "Order of the World" had on that date, all told, cash resources amounting to only \$16,794 and prospective liabilities under certificates then in force amounting to \$3,513,000, and that it had paid for "expenses" during the six months covered by the report \$16,677. If the invasion of this country by these various concerns from over the border, where their occupation is going on, continues, we hope that the public will find some kind of protection from the authorities. There is no reason why Canada should be made a prey to schemes which are fast being outlawed in the United States.

### BONUS ADDITIONS.

Most life assurance companies, both mixed and mutual, which allow their policyholders to participate in their profits, are in the habit of permitting the benefits thus distributed to take the form of a cash reduction of premiums or a reversionary addition to the sum assured, at the option of the member. The wisdom of this course has been frequently questioned, and some companies, among them a prominent Canadian one, do not give the choice of a bonus at all, but pay their profits in cash only. It can easily be seen that a reversionary addition is nothing more than a small single payment policy, the premium for which is the amount which would otherwise be paid over to the policyholder in the shape of cash profit. The weak point

in the scheme is the fact that by this means the company practically issues a large number of small policies without fresh medical examination. Moreover, the average quality of the lives thus assured will not even be up to that of the company as a whole, for the great majority of those who choose the cash option will be good lives, while nearly all those who are bad lives will select the reversionary addition. We say "nearly all," for we ourselves know of at least one man who subsequently died of consumption, requiring a company to make a special matter of his policy, and grant the equivalent permanent reduction of his premiums which extended over the whole of life. The officers even at that time could see that the poor fellow was marked for a very early grave but he apparently did not realize it, or perhaps tried to cheat himself into the idea that he would live long. Such cases, however, are very rare, and the broad fact unquestionably remains that few but superior lives will select the cash, while most of the poor ones will take the bonus. In the mortality experience of the Washington Life, some interesting facts are set forth, showing the result of this self-selection.

#### Rate of Mortality for each \$1,000 assured.

	Policies alone.	Bonus additions.	Per 1.
Washington Life.....	\$12.97	\$20.52	\$17.19
Three other large Cos. for years 1885-86-87.....	12.95	20.60	13.50

The rate of mortality here shown to prevail among bonus additions is startling, but on a little reflection it will be seen that this is not exactly a fair comparison, for the bonuses will of necessity be largest on old policies, which will be on the lives of persons of comparatively advanced age. The additions on new policies will be but small. A true test can only be made by means of the ratios of the actual to the probable mortality, which are as follows:—

#### RATIO OF ACTUAL TO PROBABLE CLAIMS BY AMERICAN TABLE

##### Washington Life.

	Probable claims.	Actual claims.	Ratio.
Life Policies.....	\$2,032,235	\$2,515,533	.91
" Bonuses.....	135,479	139,604	1.03
Endowment Policies...	\$84,987	\$83,873	.60
" Bonuses.....	18,596	10,905	.59
Total Policies.....	\$3,588,222	\$3,069,466	.86
" Bonuses.....	154,085	150,569	.97

##### Another American Co. (years 1885-6-7).

	Probable claims.	Actual claims.	Ratio.
Life Policies.....	\$8,956,000	\$7,765,995	.87
" Bonuses.....	197,205	204,622	1.03
Endowment Policies.....	2,870,000	1,913,567	.67
" Bonuses.....	38,764	37,514	.96
Total Policies.....	\$11,826,000	\$9,679,562	.82
" Bonuses.....	235,969	242,136	1.02

It will be noticed that in both of these companies the ratio of actual to expected claims was much higher among the bonus additions than in the company as a whole. We have here conclusive evidence of the necessity for safeguards to prevent loss arising to the company by means of their system of dividing profits. Most of our actuaries are, however, quite aware of this danger, and have provided against it more or less perfectly by one device or another. One method is to