LET WELL ENOUGH ALONE.

LIFE ASSURANCE RESERVES.

It is well known that among actuaries and managers of companies, there is a division of opinion as to whether the present legal standard of reserves required to be maintained by the life companies in the United States is high enough. A four per cent. interest rate and the Actuaries' table of mortality is and for some years has been the legal standard. It will be remembered that at the annual meeting of the Insurance Superintendents of the several States about a year ago the reserve question came up for consideration, as noted in our columns soon afterward. The result was a majority report from a special committee recommending, after 1896, a three per cent. standard and the adoption of the old Farr tables of mortality, a strong minority report contending that the present standard was adequate. Beyond the hearing and wide publication of these reports no action was taken. however. Very naturally, therefore, there arises a general inquiry in life assurance circles as to what action, if any, may be taken at the State Superintendents' annual meeting which occurs next week, September 5th, at Alexandria Bay.

As belonging to the history of the movement looking toward the adoption by State authority of a higher reserve standard, it should be stated that in response to a note of inquiry sent out last year to all the life companies and several actuaries by the *Weekly Underwriter* of New York, after the reports of the committees above referred to were published, replies were received and printed by that journal from officials representing most of the companies giving their opinions on the proposed change of standard. The companies with few exceptions, and most of the actuaries, including Mr. T. B. Macaulay of the Sun Life, and Mr. Wm. Hendry of the Ontario Life, expressed general dissent from the views of the majority report of the committee. Most of the insurance journals also are on record as disapproving of the proposed action. While some company officials were in favor of the adoption of a somewhat higher standard at no very distant day, nobody, we believe, was willing to commit himself to an endorsement of the antiquated mortality tables of Dr. Farr.

The argument adduced in favor of a higher reserve standard rests of course mainly on the ground, that for several years past the rate of interest ruling in the United States has gradually diminished and that it is likely to still further diminish. That the average rate has gone down everybody must concede, but the assumption that it will continue in its downward course is only an assumption. Some of the best financiers and political economists are very strongly of the opinion that a bottom rate has been reached, and that further decline, if any, will be trifling. Most certainly the decline during the past two years has been but little as compared with that of the preceding years. It will aid in the better understanding of this question at least to present here the experience of the life companies of the United States during the past fifteen years, by periods of five years each. Taking the principal companies, and we find that the rate of interest realized for each of the years named below on the mean amount of *total admitted assets* was as below. In the last column of the table we also give the rate realized in 1893 on the *reserve* held at the beginning of the year, plus one-half the net premiums of 1892 and 1893, as figured out in the Connecticut Insurance Report. The table shows the following results:—

Company.	Interest rate on total assets.				Int. on Reserve
	1879	1884	1889	1893	1893
Aetna Life	7.20	5.11	5. 8	5.06	5.94
Berkshire Life	5.87	4.93	4.71	4.92	5.18
Connecticut General	5.20	5.35	5.53	4.67	6.15
Connecticut Mutual	6.72	5.24	4.98	4.95	5.56
Equitable Life	5.41	5.40	4.86	3.95	4.65
Germania Life	5.45	4.94	4.91	4.69	4.91
Home Life	5.88	4.74	4.51	4.01	4.63
Manhattan Life	5.46	5.01	4.14	4.73	4.93
Massachusetts Mut	5.08	5.56	5.32	4.26	4.46
Metropolitan Life	6.57	4.64	5.09	4.25	5.19
Mutual Benefit	5.47	4.66	5.22	5.05	5.28
Mutual, N.Y	5.64	5.13	4.69	4.67	4.88
National, Vt	5.24	5. 3	5.40	4.31	4.83
New England Mut	5.63	4.92	4.90	4.71	5.04
New York Life	5.35	5.03	4.66	4.26	4.75
Northwestern Mut	7.34	5.85	5.83	5.07	5.96
Penn Mutual	5.36	5.19	5.42	5.12	5.59
Phœnix Mutual	6.10	5.66	6.03	5.68	5.91
Provident Life and Trust	3.96	4.45	4.42	4.73	5.33
State Mutual	5.06	4.75	4.52	4.68	5.10
Travelers (Life)	5.50	5.73	4.99	5.13	5.59
Union Central	7.10	6.23	5.35	6.13	6.53
Union Mutual	4.88	4.26	4.28	3.69	3.75
United States Life	5.58	4.94	4.53	4.69	4.88
Washington Life	5.20	4.78	4.76	4.47	4.41
General Average	5.84	5.13	4.91	4.57	5.05

This table is a very instructive one, and throws a clear light on the question as to the ability of the companies to realize a rate of interest abundantly ample to meet the requirements of the present legal standard with a large margin to spare. In 1893, a year of general depression and financial disturbance, it will be seen by the above record that the compautes actually realized for interest more than five per cent. on the reserve held at the beginning of the year, plus one-half the net premiums of 1892 and 1893, or over one per cent. more than they are required by the present four per cent. standard to realize. Taking total assets, and still they averaged more than one-half of one per cent. thereon above; the requirement. It will be remembered that during the first five-year period above given the reserve standard of New York and many other States was four and a half per cent., the present four per cent. standard having been adopted in New York in 1887. In 1889, as shown, the excess rate over that required was somewhat less than one per cent. on *total assets*, and more than one and a quarter per cent. on reserves, and in 1893 the rate had decreased only about a third of one per cent. from 1889, leaving still a large margin beyond the four per cent. requirement. The Canadian Companies have had an interest-getting experience very similar to that of the American companies, excepting that the average rate of the former has been somewhat higher, and was kept above the legal four and a half per cent. standard by about the same proportion of excess that has been maintained over the border. For instance, in 1889 the average rate of the Canadian com-