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## What Sort of Life Insurance?

*ANALYSIS of the respective merits of the participating and non-participating plans written by an actuary, so that the prospective investor in life insurance may not, in his perplexity, fail in his duty to take some kind of insurance*

By M. P. LANGSTAFF, A.I.A., F.A.S.

THE government blue book of life insurance now gives the amounts of insurance held by Canadian life companies, as distributed between participating and non-participating contracts. Following is a table showing the respective amounts held by the various companies, and the ratios of the non-participating business to the participating at the end of the year 1912:

	Participating.	Non-participating.	Per-centage.
Canada .....	\$128,271,132	\$ 16,606,839	12.95
Confederation ...	52,826,677	10,937,634	20.70
Dominion .....	12,841,914	1,094,441	8.52
Great West .....	72,527,875	11,450,864	15.79
Imperial .....	33,791,883	4,942,803	14.63
Mutual .....	70,728,232	7,192,912	10.17
Sun .....	164,966,767	18,180,653	11.02
British Columbia.	2,133,588	126,282	5.92
Capital .....	1,014,660	181,500	17.89
Continental .....	7,006,050	1,517,534	21.66
Crown .....	7,793,300	2,222,579	28.52
Excelsior .....	14,205,937	2,376,075	16.73
Federal .....	20,343,341	5,211,925	25.62
Home .....	4,744,958	791,663	16.68
London .....	11,151,001	12,184,320	109.27
Manufacturers ..	65,285,860	8,603,459	13.18
Monarch .....	4,417,688	1,091,660	24.71
National .....	11,935,504	6,461,404	54.14
North American..	42,698,842	6,760,580	15.83
Northern .....	8,013,032	994,150.50	12.41
La Sauvegarde ..	4,572,688	1,090,030	23.84
Security .....	125,000	839,000	671.2
Sovereign .....	2,542,706	1,306,893	51.40
Travellers .....	1,439,500	2,247,473	156.13
Totals .....	\$745,378,135	\$124,412,673	16.69

But quite frequently factors other than that of right or suitability operate to make the majority, and the question cannot be determined so easily. To participate or not to participate is a problem that every investor in life insurance has to solve, and is, moreover, one which he frequently finds difficult of solution. He is told on presumably reliable authority that the participating policy is the policy par excellence. By some one else, whom he thinks equally reliable, he is ardently assured that non-participating insurance is the only sure and certain investment. Is it any wonder that he sometimes ends up by taking the unwise step of all—that of neglecting insurance altogether, and leaving his family to bear the risk of his death.

It is our intention here to discuss the pros and cons of participating and non-participating insurance, and, if possible, place the investor in a position to grasp the fundamental differences between these two methods, so that he may apply his own unbiased judgment to the solution of the problem in his own individual case.

### Reasons for Price Difference.

To get down, at the outset, to bed-rock principles, let us consider the reasons for the difference in the price of the participating and non-participating contract. Mortality, interest, and expense are the main elements upon which premiums are based. To protect the company against future insolvency and to ensure its continuance as a permanent institution, the first and fixed requirement is that the premium be adequate to meet the obligations assumed by the company. That is, in estimating these elements—future mortality, interest, and expense—great care must be used that the mortality assumed is not lighter than that to be expected; that the estimated interest rate falls below that which may with certainty be counted upon; and that full allowances be made for all items of expenditure. All three estimates, therefore, must be very conservative, provision being made for all possible adverse fluctuations.

If the majority were always in the right, we would have no hesitation whatever in saying which was the better form of insurance, participating or non-participating, for we see that the ratio of total non-participating business to total participating business is only 16.69 per cent.

From what has been said, it will be readily seen that a company charging a premium based on these ultra-