

## THE ENORMOUS WASTE IN LIFE ASSURANCE.

The careful student of life assurance in these days has occasion not unfrequently to recall the familiar adage that "all is not gold that glitters," and to feel that a slight paraphrase of Shakespeare's lines, declaring that—

"All the world's a stage and men and women only players", might well be taken to express the life assurance situation. Especially is this true of some important phases of the business as for some years past conducted by our enterprising friends in the United States. We are annually treated to a display of brilliant pyrotechnics in the matter of new business, and the figures expressing the amount of "assurance written," as set down in the reports, are truly mammoth in their proportions. For 1893, the companies reporting to the New York Insurance Department present an aggregate of new business amounting to over a thousand million of dollars, embracing nearly four hundred thousand policies, and the preceding year was only about a hundred millions less in amount. Such a record, considered simply as evidence of wonderful enterprise, like the record of several preceding years, may safely be termed magnificent, and shows at least to what extent the life assurance idea has taken hold of the masses of the people. When, however, we examine the actual relation of this business getting to business-keeping, we find less magnificence than at first appears, and that the figures representing the difference between assurance issued and the gain of assurance actually in force at the end of the year are also of the mammoth kind. The amount issued, or "written," in 1893 was exactly \$1,052,403,648, while the amount of "assurance in force" gained was \$309,416,757—a little difference of \$742,986,891. As only \$91,830,802 of the above terminations were for death claims, matured endowments and term policies expired, it will be seen what an immense leakage is to be credited to lapses, "not taken" policies, surrenders, and the like. It was a great achievement, and cost a good deal of money to issue a thousand millions of new assurance, but it was also a great achievement to get rid of \$651,156,089 outside of deaths, endowments and expired term policies. In order to see just what became of the above nearly \$743,000,000 of terminated assurance, we append the following exhibit:—

Cause of termination.	Amount.	Per cent. of Total terminations.
Deaths, endowment and expiry.	\$ 91,830,802	12.35
By lapse.....	290,939,614	39.15
Not taken.....	216,145,940	29.09
By surrender.....	111,351,382	14.98
By change.....	32,719,153	4.43

The years 1891 and 1892 will, on examination, be found to present very similar results. As we have heretofore insisted, of course there is no reason of any kind to justify the appearance of the \$216,145,940 of "not taken" business in the report; for the only sense in which that large amount is "issued" is precisely the sense in which chickens are counted before they are hatched. Like the doughty general, who, with his twenty thousand men, "marched up the hill and then—marched down again," this thirty per cent. of total terminations means nothing except spectacular

display. Like ninepins, set up to be knocked down again, this "not taken" business is in the nature of pure amusement, and pretty expensive amusement at that. Probably not a quarter of the nearly 79,000 policies reported as "not taken" ever had a reasonable prospect of being accepted and paid for, but they cost the medical examiner's fee and the clerical expense at the home office incident to their issuance just the same, to say nothing of the time, which is money, wasted in getting the applications and keeping a record of them at the various department offices. It really seems to be about time for the ridiculous farce of including "not taken" business in the published annual statements to the insurance departments to cease. To report it is boy's play, and the underlying reason for its existence, reported or unreported, is something worse.

In the item of combined lapses and surrenders may be seen an impressive object lesson on the prevailing policy of employing high pressure methods, including rebates and agents' special bonuses and kindred expenditures. This extravagant expense in campaigning is a two-edged sword, cutting both ways into the business actually acquired. On the one hand, men who are induced to take assurance because especially favored with a rebate of half or two-thirds the first year's premium are very likely to take the assurance as a "flyer," covering the risk of dying for a year at small cost, but never seriously intending to pay a renewal premium on that particular policy. On the other hand, old policyholders, seeing how this scheme of discrimination works, and noting the gradual falling off of their former dividends or bonuses, draw out and make the best terms they can for surrender values, perchance going into the leaky boat of assessmentism as, to their warped judgment, preferable. Then, under the opportunity which dissatisfaction among old policyholders affords, and stimulated by big commissions, the "twister" gets hold of a large number and helps to swell the list of lapses, aggregating last year, as shown, nearly three hundred millions of dollars, while surrenders are credited with over a hundred and eleven millions more.

The bad practices which have obtained in life assurance management over the border are not the growth of a year or two, but run back, some of them, for a decade. It is true, however, and here we find cause for serious reflection, that the situation has kept getting worse for the five years past much more rapidly than before that period. Taking the record shown in the New York report, and we find that for the entire ten years, from 1883 to 1893, the ratio of gain in assurance in force to new assurance written was considerably less than for the first half of the ten years, while the difference between the first and the second five-year periods is still more marked. Summarized, the result may be set down as follows:—

	New business Written.	Gain in Assurance in force.	Ratio of gain.
1883 to 1888	\$2,310,941,419	\$997,847,113	43.12
1888 to 1893	4,595,272,293	1,749,459,422	38.07
1883 to 1893	6,906,213,712	2,747,306,535	39.78

The terminations during the five years past have been distributed very much as indicated by the ratios