

experience acquired thus far does not decide against the possibility of permanence in assessment life insurance, it cannot be claimed that the verdict is wholly in its favour, but that if hope is to "end in fruition" it must be through conservatism and tendency toward old-line methods. Now, if this is true in regard to life insurance it certainly is also to endowment, in which such vastly larger funds are implied. But visionaries imagine that if life insurance may be done on the assessment plan so may endowment, which is often associated with life insurance in the regular companies.

"Just here it is well to revert to the standard of safety and solvency which the State has established for regulating that business. The law says, that for \$1,000 ten-year endowment assurance policy, issued at the age of thirty, the company shall charge and the assured shall pay \$34.54 each year, until maturity; that after deducting the current cost of insurance in each year, the whole balance must be carefully invested and compounded at the standard rate of interest. If the period is seven years, the corresponding net premium shall be \$125.74; if five years, \$181.12. This the law says is the minimum amount for which this business can be safely done, and the experience of the regular companies corroborates and approves the standard. But closing their eyes to all experience and the solemn declaration of the statutes, these visionaries have the effrontery to declare that for \$18, \$30 and \$36 these respective results may be reached. True, they afterwards, in remote and obscure ways, admit a possible greater need, but in presenting their schemes the first-named is alone urged, and virtually is the promise.

"There is only one other known business showing as fruitful results from small investment, and that is usually done with a Jimmy.

"For the protection of the people of this Commonwealth, and to guard as a sacred trust the interests of the widow and the orphan, the law has placed its most careful restrictions upon the business of life insurance; every old-line company must be possessed of sufficient assets to meet in accordance with the experience and mortality tables, every obligation which it assumes, no matter what its number of millions of dollars, it must ever keep its resources fully up to its liabilities. But a corporation organized upon the assessment plan, not to transact a legitimate death or disability business, not merely to promise short-term insurance at cost, not to associate together, as in the fraternal societies, those who are willing to contribute their individual mites for the accumulation of a considerable sum for the benefit of the family of a deceased member, but to promise matured endowments to the member himself at the expiration of a term of years, a purely personal and speculative purpose, such corporation is under the present law permitted to organize upon any basis that suits the sweet will or fancy of the projectors, issue its certificates and assume enormous financial liabilities, with no test of solvency, without reserve, or cash assets, if it chooses, and to send forth its promises and issue broadcast its certificates, sowing to the wind for future reaping of the whirlwind, and all under cover of a statute of the Commonwealth of Massachusetts.

"When disaster comes it at least shall not be said that against this madness there had not been entered the earnest plea and protest of the Insurance Department."

Again, in his Official Report for 1890, the Commissioner of Insurance for Massachusetts under the caption "The Assessment Endowment Corporations," makes the following further observations:—

"The beginning of the end is in sight; the speculative tide which was stimulated by the unfortunate statute of two years ago swept over the Commonwealth in a fantastic flood during the past year, and there have been organized to the present time 46 corporations promising, upon the contribution of a comparatively insignificant amount in assessments, the payment at the end of a term varying from one to ten years of a large endowment. Nine of these had done little or no business up to the close of the last year, and 17 are the growth of the present year: the remaining 20, with the 2 foreign companies of like character, whose operations here were permitted and legalized by the statute, had, at the close of December, an aggregate membership of 80,245, with a total liability upon their certificates of \$59,534,640. The total cash assets at that date of the 20 home companies amounted to \$59,818, and the reserve funds aggregate \$29,648: Six of the Corporations however, have a net indebtedness of \$6,436, leaving a net reserve fund for the entire 20 corporations of \$23,212, or an average of \$1.20 for each then existing member towards the realization of the \$100, or \$500 or \$1,000 promised.

"The experience of two brief years has so abundantly justified the earnest but ineffectual protest of this Department that the door then opened so widely to these concerns is now being closed and barred by legislative enactment, forbidding the organization of any more corporations of this character to play upon the credulity of the public. How the promises of these corporations are to be realized no one of their promoters has undertaken mathematically to demonstrate.

"As this is purely a question of finances, of the proportion of assets, present and prospective, to liabilities, the plan, if one existed, would seem to be easily capable of explanation; but nowhere in the literature of these corporations has this been attempted. Paragraphs are published, claiming that because some other association, organized on an entirely different basis, to meet death claims only, has succeeded in meeting its liabilities at a certain cost, therefore endowments can surely be paid to all living members at a comparatively moderate expense. But there is scorn and contempt for the multiplication table, or any of the known rules which have heretofore made financial transactions easy of computation.

"What other method of payment than by actual assessment do they possess?"

"First, the transfer to the fund for persisting members of amounts paid by those who, remaining a short time, fall out by the way, and forfeit the amount they have paid.

"Second, the financial power of a continual multiplication of membership.

"As to the first, Massachusetts thirty years ago, by statute declared the principle vicious, and made it unlawful in all plans of regular life insurance; the Commonwealth said that the accretions from lapses should not be confiscated to those more fortunate ones who were able to keep up their payments and that, in all Massachusetts level premium life insurance companies, should a policy-holder lapse in payments, practically the amount he had contributed beyond actual insurance and expense cost should inure to the benefit of the contributor, and not be diverted to the pockets of others. That in the transactions of the assessment endowment corporations the statute has legalized the reverse of this practice does not in the least affect its morality and honesty. But the statistics that can be gleaned from the brief history of the older of these corporations show how delusive is even this prospect for large reserve accumulations. The members who do drop out do so almost altogether in the early months of their membership, when they have made but limited payments; those who persist until the middle of the term are pretty certain to hold on till the end, in the hope of realizing the large bonus promised.