

MAKESHIFT AND REAL LIFE INSURANCE CONTRASTED.

The crookedness of a piece of timber is most effectually demonstrated by the simple application to its surface of the carpenter's try-square. So all fallacies are most effectually exposed by the application of the try-square of truth. We have at various times exposed in these columns the fallacies—fundamental in their nature—of the bargain-counter, alias assessment system of life insurance, and demonstrated that it is not, in any true sense, sound life insurance at all. The inherent weakness of the system has gradually come to be acknowledged of late years by the adoption on the part of several assessment associations of a *reserve fund* feature, and though inadequate and far too short-reaching to cover the inevitably increasing mortality liability, this modern adjunct stands for a concession of the essential soundness of the level premium, reserve basis on which the regular companies rest. In order further to illustrate the absolute and easy fulfilment of the claims set forth by level premium life insurance, we have prepared the following table, comprising the twenty-four principal American companies, showing therein at a glance the ability of the companies to fix a uniform annual premium charge from which, in the cases of the older companies, from seventy-five to ninety-one per cent. of the premiums has been already paid back to the policyholders, and from thirty to fifty-five per cent. of the premiums has been accumulated as a reserve to take care of the future of the policy liabilities assumed. The same state of affairs, substantially, can easily be shown as belonging to the British and Canadian life companies. Following is the table, covering the entire period of existence of the several companies, ranging in age from twenty to over fifty years:

Date of organization.	Company.	Paid by Policyholders from organization to Jan. 1st, 1894.	Pct'g of same paid back to Policyholders to Jan 1st, 1894.	Total Reserve held on Jan. 1, 1894.	Pct'g of Reserve from Policyholders held as Reserve.
1850	Etna Life....	\$107,895,014	80.00	\$32,983,704	30.57
1851	Berkshire.....	18,337,147	70.74	5,343,274	29.14
1846	Conn. Mutual.	178,009,166	91.81	52,905,951	29.72
1859	Equitable Life.	364,479,128	52.84	134,785,846	37.00
1860	Germania Life.	46,001,834	65.18	17,281,283	37.56
1860	Home Life....	22,863,488	68.71	6,928,147	33.02
1850	Manhattan....	44,523,273	79.59	12,377,481	27.80
1851	Massachusetts.	38,386,770	63.95	13,224,940	34.45
1845	Mutual Benefit.	153,519,099	85.48	49,261,483	32.08
1843	Mutual Life....	488,144,334	75.25	168,163,470	34.45
1850	National, Vt...	19,155,375	49.69	8,366,031	43.67
1845	New York Life.	328,286,735	56.15	128,669,672	39.28
1858	Northwestern..	118,374,657	56.80	52,246,111	44.13
1843	New England.	67,864,276	84.02	21,194,974	31.23
1847	Penn. Mutual.	51,237,892	62.70	19,946,931	38.93
1861	Phoenix Mutua.	40,181,882	83.19	9,015,625	22.41
1865	Prov. Life & Trust	38,808,434	45.69	21,615,389	55.69
1875	Provident Savings.....	12,167,391	65.36	587,661	1.83
1845	State Mutual..	17,524,631	59.56	7,764,170	44.30
1866	Travelers Life.	20,826,156	41.67	12,385,621	59.46
1867	Union Central.	22,319,560	37.07	9,755,876	43.70
1849	Union Mutual.	34,230,326	79.21	6,090,957	17.79
1850	United States.	25,614,844	69.19	6,267,744	24.47
1860	Washington Life.....	36,252,952	65.43	12,087,274	33.34
	Totals.	\$2,295,004,314	68.17	\$809,535,597	35.28

It will be noticed that the older companies, like the Connecticut Mutual, New England Mutual and others, of late years doing a very moderate amount of new business, have paid back to policyholders a much larger percentage of the premiums received, and have a correspondingly smaller percentage of total premiums left as a reserve than the younger and more pushing companies in the acquisition of new business. It will be noted, however, that the older companies not noted for excessive management expense, like the Mutual Benefit or New England, when compared with the younger ones of like character, like the Northwestern or Massachusetts Mutual, have paid out to policyholders, or hold as a reserve a larger percentage of total premium payments than the latter. This is in keeping with the fundamental law of level premium life insurance, which, with the increasing age of policies, will have returned more to policyholders, in the aggregate, of the money paid in by them than the companies having a less amount of matured claims, the reserve in either case being ample to take care of existing policy liabilities. Thus the Mutual Benefit and New England show respectively 117.56 and 115.25 per cent. of paid-in premiums, either paid out to policyholders or held for them as a reserve, while the Massachusetts and the Northwestern show respectively like totals of 98.40 and 100.93 per cent. These companies have paid, especially the Mutual Benefit and Northwestern, similar percentages in dividends to policyholders, and all hold reserves measured by exactly the same legal standard.

Now, what happens to the assessment associations when the average age of the membership has steadily advanced for twenty or more years? No provision for the future having been made by requiring an equated premium which shall be ample for the last as well as the first year of the policy, and only the hand-to-mouth plan adopted of "paying as you go," increased mortality involves a constantly increasing cost until, at the end of twenty years, as in the case of the United Brethren Mutual Aid of Pennsylvania and some others, the annual cost per thousand to the average member goes up to from \$50 to \$60 per \$1,000. Then, no reserve having been provided for to draw from, the burden becomes intolerable, the healthy lives drop out, leaving a company of impaired lives with an enormous death rate and with inevitable dissolution in the near future. At the annual convention of the best of the assessment life associations, held in Boston in September last, the statistician reported the total assets of all the associations to have been, on December 31st, 1893, a little over \$50,000,000, the insurance liability carried being over *seven thousand millions*! On the same date, as shown in the above table, the twenty-four level premium companies named held more than \$809,000,000 of reserve alone, built up from premium receipts, while the total assets of the same companies amounted to \$930,444,923. On the same date the record shows that the above twenty-four companies had increased their aggregate reserve by more than \$58,000,000 during the preceding year, an increase larger by more than \$8,000,000 than the entire assets of the assessment associations above referred to! During 1893 the twenty-four level pre-