

held, so that your estimate of a withdrawal equal to four-fifths of the circulation only, is probably incorrect.

J. H. P.

MONTREAL, 2nd July 1885.

LIFE INSURANCE.

At a time when life insurance (so-called) by means of assessment associations is receiving so much attention in Parliament and throughout the country, we need offer no apology for reproducing the following letter on the subject from one whose ability to discuss the matter few will deny:

To the Editor of the Mail.

Sir,—I beg to ask space in your columns to correct the erroneous statements of the general manager of the Mutual Reserve Assessment Company of New York city, as made in your issue of the 17th inst., respecting the North American Life Assurance Company and some of its officers.

Neither the Hon. Alex. Mackenzie, M. P., president of the North American Life, nor the other gentlemen named contended, as alleged, before the Committee on Banking and Commerce that the "statutory reserve" was required from companies doing business on the assessment plan. On the contrary, the only statement on that point made in my hearing before that committee was made by myself, and subsequently confirmed by the Superintendent of Insurance, and was that no reserve whatever was required under the assessment plan properly conducted. I also stated that the system of the Mutual Reserve in not requiring the mortuary payments to increase as the age of its policyholder increases was mathematically unsound and must end in collapse.

It must be quite obvious to any one that the risk of dying increases as the age increases, gradually, of course, during the period of early manhood, and more and more rapidly in the advanced years of life. It follows, of course, from this that the cost of insurance increases in the same proportion. The radical defect of the plan of the Mutual Reserve as practised by that Company consists in not requiring this increasing cost; for example—a policyholder entering at age 50 continues to make only the mortuary payment required for that age, although at age 55 the cost of insurance has increased 50 per cent in the short period of five years.

The Commercial Plan of the North American Life, so far from containing valuable features common to the Mutual Reserve differs as widely from the Mutual Reserve as day does from night. In my opinion the Mutual Reserve has no valuable features. Among the vital differences between the two companies may be enumerated the following:

(1) The rates of the North American Life for the cost of insurance increase as the policyholder's age increases, and in strict accordance with the best known experience of what that cost will be.

(2) Its policy contract is a definite and absolute promise to pay in full the sum insured. The certificate issued by the Mutual Reserve sets out in large letters a promise to pay a sum named, followed in smaller letters by the words "from the death fund of the Association at the time of said death," i.e., if perchance there are any moneys in that fund with which to pay it; or, failing there, secondly, "from any moneys that shall be realized to the said fund from the next assessment."

If this assessment yield only one-tenth, or any other less fractional part of the sum named, known only, of course, to the officers of the Company, the claim of the representatives of the policyholder ceases, as there is no other source upon which a claim can be made under such certificate. "No purely assessment society, such as the Mutual Reserve, can guarantee anything, but the payment of such moneys as shall be collected from survivors."

As was well said by the Superintendent of the State of New York, in his report for 1884 regarding Co-operative Societies:—"There is not insurance of any positive sum, nor can there be, from the very nature of the business."

(3) Clause X of the Mutual Reserve Fund certificate provides that "the entire contract contained in this certificate and said application taken together shall be governed by, subject to and construed only according to the constitution, by-laws and regulations of said association."

The by-laws may be changed by a special meeting called on 30 days' notice. This fact, coupled with the uncertainty of the amount promised, is such that no sensible man, understanding the same, would pay money on such a contract.

(4) The commercial policy of the North American Life provides for the payment of the full tabular cost of the Insurance as shown by the best experience, on fixed quarter days named in the policy. The certificate of the Mutual Reserve calls for sums available to pay such cost of Insurance much less than experience has established are absolutely required for that purpose, and already, in consequence of this, and the radical defect hereinbefore named, of not increasing the payments for such cost with the age of the policyholder, this Association has already found it necessary to make an extra double assessment.

(5) The directors of the North American Life Assurance Company, knowing how necessary it is for multitudes of persons to provide for their families by insurance, and that, owing to the cost of insurance by ordinary plans, it is beyond the power of many of them to do so, have prepared their Commercial Plans, which costs so much less than the ordinary plans as to meet the requirements of the public, and that, too, in a thoroughly safe way in accordance with the experience of the oldest insurance companies, and hence gives reliable insurance which none of the ordinary assessment societies do or can do.

(6) The policy of the North American Life is printed in plain, clear type which can be easily read and understood, and is indisputable after being in force three years; that of the Mutual Reserve contains no provision as to its indisputability, requires applicants to warrant their answers, thus rendering it possible to the society to refuse successfully the payment of a claim, however immaterial any error in such answer may be, and also provides in condition X that "elsewhere than in the State of New York no suit or proceeding at law or equity shall be brought or presented, except in the Circuit or District Circuit of the United States."

The possible harshness incident to a warranty, coupled with having to sue in the most expensive courts of a foreign country, should prevent Canadians from supporting any Company having such objectionable features.

(7) Under the Commercial Policy of the North American Life the policyholder comes under no obligation other than making the payments called for by his policy. "The Mutual Reserve and other Co-operatives do not and cannot issue a policy contract of insurance, but merely a certificate of membership, in which the certificate holder becomes a partner, and as a partner incurs personal liability for all the debts of the concern during his membership."

This was fully established by the Supreme Court of the State of New York, in the case of McDonald, Receiver of the Mutual Benefit Associates of Rochester, against Wm. H. Ross-Lewin, in which the court held that "each member is liable for the amount of all assessments previously made, and also for all losses happening prior to the time when he ceased to be a member, although no assessment therefor had then been made."

(8) The North American Life has complied with all the requirements of the Insurance Act, and has the full deposit required by law at Ottawa and holds all the Reserve required by that Act.

The last official list of companies authorized to do business in Canada does not give the name of the Mutual Reserve as there authorized, and hence the General Manager of the Company is quite in error in his endeavor to intimate that his Company is not acting illegally and in violation of law in carrying on business here.

June 19th, 1885.

WILLIAM McCABE, Managing Director,
North American Life Assurance Co.

NORTH AMERICAN LIFE INSURANCE COMPANY

An examination of the reports of the superintendent of insurance for Canada shows that the North American life has been much more successful during the same period of its history than any other Canadian company, and that this young company has already attained a leading position there. This company is one of the approved forms of policies and annuities, and has recently introduced a new form of policy, under the name of "commercial insurance," devised and copyrighted by its managing director, Wm. McCabe, Fellow of the Institutes of Actuaries of Great Britain, whereby the great protection of life insurance is placed within the reach of all. This plan is founded upon the most approved mortality experience, and the same scientific basis as those plans which have stood successfully the test of experience for generations. The reserve part of the ordinary life premium is rendered unnecessary by a gradual increase of the premium for the cost of insurance, as the age of the insured increases and an element of cohesion is introduced by the provision of a contingent fund. The great distinctive feature of the plan whereby it differs from the assessment plan, is the collection of the cost of insurance called for by the mortality table, at convenient fixed dates named in the policy, thus preventing frequent, irregular and harassing calls, and also the possible loss of the policy by the mismanagement of notice. The requirement by this plan of the payment as he goes, at convenient fixed dates, of the actual tabular cost of the protection the insured receives, remedies a grave defect in all assessment plans.

We understand this plan has already been received with great favor, and no doubt the company will do a large business on it.—New York Spectator, June 18, 1885.

FIRE RECORD.

ONTARIO.—Ottawa, June 18th.—Mr. Easton's shingle mills; loss \$1,500. Ottawa, 24.—W. H. G. Garnoit, residence, insurance \$3,500. South Bay, June 24.—The house of Mrs. Codler. Loss \$3,000, insured with contents for \$1,300. Penetanguishene, 30.—Tate's planing mill. Loss about \$3,000; insurance, \$800 in Commercial Union. Arnprior, June 28.—B. N. Stafford's furniture, sash and door factory and Doughty & Houghton's woollen mills. Stafford's loss is \$25,000; insured for \$4,000. Doughty & Houghton's loss is \$15,000; insured for \$1,500. Also \$1,000 worth of tools. Mr. Stafford is insured in the Phoenix and Royal, and Doughty & Houghton in the Royal. Trenton, 29.—A \$75,000 fire here, destroyed the following places:—Lansdowne roller mill, White & Co., insured for \$2,500 in Phoenix; P. Lynch, dwelling, no insurance; P. McCue, harness shop and dwelling, insured for \$1,000 in Lancashire, on dwelling \$500 in Western, on household contents \$245 in Lancashire; W. H. Ireland, grocer, insurance \$500 in Royal Canadian; E. S. Young, grocer, on stock \$3,000, in Guardian, \$1,000 in Royal, \$2,000 in Northern, \$3,000 in British American, \$3,000 in Glasgow and London, on brick block \$4,000 in National; S. B. McClung & Co., tin-smiths, insurance \$1,000 in Western; Morrison & Kenney, undertaking material, insured in Western; Mrs. Vessel's rooms, no insurance; Oddfellows' lodge no insurance. Thomas Evans's dwelling, no insurance; T. H. James, dwelling and cabinet shop, insured for \$1,000 in Royal Canadian; W. W. Higgins, photo-