

And beyond the injurious effect of the great proportion of lapses upon the business of the company, there follows a result still more deplorable in the eyes of many high-principled advocates of life insurance, to wit, the failure in so many cases of the policy to protect the family. The great argument used by the company managers in favour of a forced growth is the very one of extending the benefits of life insurance to the greatest possible number. Yet we see that unwise methods tend to nullify their efforts in that direction. But I think there is another explanation of their actions, one much nearer the truth, though by no means so flattering to themselves. I think we may blame an unrestrained ambition for the course adopted; the desire to be at the head of the greatest business enterprises in the world, and to pose before the public as Monarchs of Finance; to taste the sweets of satisfied ambition, and incidentally, to reap the increased rewards that would fall to their share.

I do not wish my words construed as an argument against a strong effort to procure new business. I do not commend the policy of those old established British companies that offer no commission and make no effort to enlarge their field. It is true that their expenses are very low as compared with those of the big concerns on this side of the Atlantic; but their business is too confined and they exhibit an ignoble desire to limit the benefits of life insurance, making no effort to reach the mass of the people. A company should grow, but present policy-holders should not be subjected to unnecessary expense in order to change a natural, steady stream of inflowing business into a rushing, tumbling torrent. That such principles are unsound is particularly shown in the effect upon new companies that have no large premium income or surplus funds from old established business to draw upon in order to meet expenses, and are forced seriously to impair their capital. In more than one case a new company has had to give up the struggle, and to echo the words of "valiant Jack Falstaff"—"I can get no remedy against this consumption of the purse; borrowing only lingers and lingers it out, but the disease is incurable."

REMEDIAL AND OTHER MEASURES.

Among the methods of dealing with the evils resulting from a too rapid expansion of business, is one that requires considerable actuarial knowledge, both to conceive and to practice. In order to offset the great inroad into the first year's premiums, the "Preliminary Term" feature was introduced into the contract. By this means is effected a postponement of almost the entire liability in the first year of insurance, as the company need provide no reserve at the end of that year, it being more rapidly

accumulated in succeeding years. If competition were not forced, much might be said in favour of the preliminary term, but under existing conditions it is bound to aggravate the evil of rebating. The company that adopts this method can afford to sacrifice—and is strongly tempted to sacrifice—not only the first year's premium, but also a portion of the second premium, to meet expenses, and still show as good a surplus as those companies that reject this device.

It has been somewhat widely adopted in the United States, where it is declared legal, and has been found to relieve the pressure upon the companies to such an extent that in some quarters a two year preliminary term is being advocated. Now the question at once arises, Should practice determine actuarial methods, or actuarial science determine practice? The Preliminary Term is really a device in adopting which the actuary and the rebating agents join hands. It is an attempt to condone not to remedy, sorry conditions. Commissions continue to be excessive, the attendant abuse of rebating still continues to grow, and its consequent enormous ratio of lapses.

This state of affairs has become so evidently injurious to the business of life insurance, that the supervizing officials of many states are alarmed, and legislation has been introduced bearing heavy penalties for rebating. In some states, Louisiana for instance, the heroic measure was adopted of rendering a policy, on which a rebate could be proved, *ipso facto* null and void. In other States the penalties are less severe as regards the assured, but they bear heavily upon the agent. The Canadian Insurance Department frowned upon the preliminary term idea, but made no attempt at remedial legislation.

Unfortunately, it has proved impossible to enforce the anti-rebate laws, as no agent cares to accuse another of a practice in which he may wish to indulge in his turn. He also argues that such laws are too great an infraction of personal liberty. Their commissions, they say, are theirs to dispose of as they see fit. But they may be answered that the action of all laws is to restrain the individual that the general public may enjoy greater freedom, and if it is proved that rebating is a public injury, the law is justified.

It has been suggested that the payment of stated salaries in place of commissions might do away with rebating, but there is the great objection to this method that the agent is then satisfied to earn his salary, and makes no effort further to extend the business. If the method of salary and an additional bonus for extra business be employed, immediately we find the agent giving away a portion of that bonus in order to earn it. Indeed, the more this matter is investigated, the greater are the ob-