THE EFFECT OF POSSIBLE SILVER LEGISLATION ON LIFE INSURANCE CONTRACTS.

At the Convention held on 7th inst., in Washington, of the National Association of Life Underwriters, a forcible address on the above topic was delivered by Mr. William T. Standen, Actuary of the United States Life Assurance Company, New York. As the matured judgment of a thoughtful student of economics who speaks from his long experience and observation, he will be recognized in insurance and other circles as one having authority. We therefore give the argument of his able address without any more comment than is required to connect the sections which we quote word for word. The opening portion is an eloquent statement of the magnitude and the sacredness of the responsibilities resting upon the life assurance companies to "maintain the obligations of life insurance undisturbed." These financial obligations to policy holders are stated to be $5,700,000,000 of the old line companies, and about 5 to 6 thousand of millions of the other classes of societies. The former companies have also $1,000,000,000 of assets laid up in anticipation of future claims. Upon this basis of fact Mr. Standen proceeds to build up his argument.

"About $275,000,000 of annual income is sufficient to provide for the United States regular life insurance companies obligations of $5,700,000,000. If the value of each dollar paid to the companies is to be scaled down to an effective purchasing power of about 52 cents, then in order to maintain their obligations at their present value in effective purchasing power, the companies would need to increase their annual income from $275,000,000 to about $550,000,000. Unable to do this by reason of the nature of their contracts, their obligations of about $5,700,000,000 will fall in effective purchasing power to about $2,800,000,000. One or other will be an absolute necessity, if they are to maintain their present proud position of absolute, unquestionable and abundant solvency and still yield the same benefits they now confer on their patrons. Our obligations to others, and the obligations of others to us, are all based upon the value of dollars worth, or having an effective purchasing power of 100 cents each, and not upon the value of dollars worth, or having an effective purchasing power of less than 100 cents each."

Mr. Standen then points out how a dollar subject to a depreciation of 48 per cent. could not reasonably be expected to buy life insurance say of $25,000 for a payment of money having the value of what is the cost of only $13,000 of insurance. He then comes to the gist of his address, which reads as follows:

"The life companies would still pay one legal tender dollar's worth of life insurance for every legal tender dollar paid to them, even if the threatened legislation in favor of the unlimited coinage of silver be an accomplished result. They will still grant a legal tender dollar's worth of life insurance for every legal tender paid to them; and every dollar of life insurance so paid will be nominally a 100 cent dollar, but its effective purchasing power will be impaired. If a $10,000 policy becomes a claim, $10,000 of 100 cents each will still be paid, but it will be in effective purchasing power equivalent to only about 52 per cent. of the effective purchasing power of the same sum to-day. Already it has been sought to be shown that we shall be partially repudiating our obligations. We shall do no such thing. We shall pay in the current 'coin of the realm' as many dollars as our contracts provided for dollars of 100 cents each, but under the threatened new order of things each of these 100 cent dollars would be of an effective purchasing power of only about one half.

"The question of what the life insurance companies will have to do, in the event of their premium and interest income being paid to them in 52 cent dollars, is susceptible of very ready answer. They will pay all claims that accrue, dollar for dollar, but a power outside of themselves will have depreciated the purchasing power of those dollars. The dollars that they will pay to widows and orphans will only buy 52 per cent. of the necessities and luxuries of life as compared with what the dollar can now purchase. No one single obligation will they repudiate. No claim will be scaled down by them. They will pay the number of dollars agreed—100 cent dollars each—but each dollar will buy but about one half of what it would buy to day, and of what it would have bought when present existing contracts were made. A superior power will be responsible for the depreciation in purchasing power, not the life insurance companies. Under the proposed new conditions the life companies will not be able to declare on the payment of each 52 cent dollar of premium paid to them the same amount of dividends which they now are able to give as return premium on the payment of dollars of the present purchasing power, according to present existing tables and premium rates, because under such new conditions those tables of premium rates which are now used by us would be demonstrably inadequate for that purpose." Mr. Standen then shows how depreciating the purchasing value of the dollar would tend to double all fixed charges, and proceeds to comment on the problem of the loading or margin put upon the next premium for the purpose of providing for expense of management. He says: "The actual cost of doing business will remain as high as it is now, while the contributed resources to meet that cost will be cut in half. Or the same percentage of contribution towards expenses that we now receive, turned into silver dollars, will be incapable of liquidating expenses that in the very nature of things will be nearly doubled. In other words, it would operate about the same as though only about 52 cents were available to liquidate each dollar's worth of expense, or, compared with prevailing conditions, our margins would no longer be adequate to cover our legitimate expenses, and we would be compelled to increase our tables of premium rates, or suppress dividends, or both. The logical consequence would be, that under a new condition in which a dollar would only have an effective purchasing power of 52 cents, it would no longer be capable of purchasing the amount of life or endowment insurance that it would buy to-day. As a matter of fact, it would be found that after the necessary adjustment is