

paying the full premiums in cash, a mode of payment which is undoubtedly expedient for a great proportion of the policy holders, provided they are properly secured against loss in case of discontinuance.

"One of the greatest practical drawbacks to the popularity of life insurance has been the disappointment and dissatisfaction of retiring policy holders at the smallness of the surrender value paid, even when the value was really liberal. All this would have been prevented by a distinct statement on the policy, in advance of the sum to be paid."

It may be objected by some officers of companies that the values, which a company can afford to pay, will appear so small, that applicants may decline taking the policies sent them. This, however, has not been found to be the fact in a single case, though several thousand policies have been issued with this feature; and even if it were an occasional result, it would be no valid argument against the plan, for surely no fair minded person would wish people to insure under misapprehension. As for the inconvenience of the plan, it is found that the endorsement of the values per thousand, for the first ten years, gives but little trouble, as a policy-clerk can easily copy them into a policy in a few seconds; and no good thing is attainable without labor.

How the value should be calculated, it is not my present purpose to state. Several able writers—as Wright and Harvey—have treated the subject liberally and scientifically, as the reader may know; and I will only say, that there is one mode of calculation that is entirely unjustifiable, though often practised, viz.: that of crediting the insured with his payments and charging him with the actual rate of expense experienced by the company each year he was insured, and also with the cost of insurance at the table rate, and from the resultant balance deducting a percentage for profit. Though this method may often give equitable results, it is incorrect, because it makes no allowance for the fact that the expenses are in a great measure defrayed by the gains from the forfeiture of policies, that are not kept up long enough to obtain a surrender value.

Some few companies decline to purchase their own policies on what they consider the high moral ground, that a man should not be allowed to give up the "shield of his family." As regards these it may be said, that even granting their policyholders are not fit to decide what is best for themselves, it is certain, that very often when a policy is offered for surrender, there is no dependent family affected thereby; or where there is, it may be in pressing need of immediate rather than future assistance.

Suppose the case of a man that has paid for five years on a \$10,000 ten year endowment, and from recent business reverses, is in pressing need of cash for the support of his family—if the company offers him a paid-up policy of \$5,000 payable five years hence, but refuses a cash equivalent, it would be a poor example of benevolence. The \$3,500 value of the policy might relieve his family, set him up in business again, and also pay the first premium on a new policy; and the want of this money may place some of his family in the grave, where the \$5,000 when paid, cannot benefit them.

Aside from these considerations, it is certainly very poor policy for a company to dishonor its own issues by declining to allow them any cash value, for people will naturally suppose that they have not got any value; just as in the case of a merchant that declines to buy his own notes at any price. The company also loses a legitimate source of moderate profit, and compels itself to maintain a reserve liability that might be partly converted into surplus.

Some Insurance officers seem to think that, if in a single instance they should pay a liberal surrender value, the news would spread like wild-fire, and all their policy-holders would rush in and demand the same treatment. Now this is either ridiculous or a confession that the insured are so

dissatisfied as to be longing to get rid of their policies at any fair price. We have all heard of the old woman who on hearing that her Savings Bank had failed, rushed thither and demanded her money, but handed it back again when the clerk gave it to her, saying that if the Bank was able to pay she did not want it. It will be so with those who are insured in a well managed company—sure of their money, they will not want it. And this brings us to the conclusion that the guaranty of definite equitable values is a pledge that the company believes it will give satisfaction.—*Western Insurance Review.*

#### LIFE ASSURANCE LOSSES.

The following letter from a manager appeared in the *Insurance Record*:

At the present time so many of the provident portion of the community are lamenting over what they say "they have lost" by the collapse of the Albert Assurance Company, that they are tempted to greatly exaggerate the real nature and amount of that loss. I do not say they do so intentionally, but they do it through want of consideration of the real position of their case. There is no commercial, or business, or monetary transaction on which our people are so thoroughly "at sea" as on life assurance. A man insures his stock and pays his premium, and at the end of the year, having had no fire, he does not sit down and say, "he lost the amount." He was insured against the risk of fire, and although not having had a fire, he did not lose the amount of premium. He paid it for the security granted by the company during the year, and, if you will, for the ease of mind as to fires which that security insured to him. Now, no one makes any mistake as to paying his premiums; and no sensible man talks of having "lost all he paid," because he had not a good fire during the year. I admit that life assurance differs materially from fire in this respect, but not so much as those who talk of "losing all they paid" generally suppose. If a man assures his life by the year—that is, from year to year, and only for one year's risk at a time—he stands exactly in the same position as for fire insurance; and if death do not take place in the year he has lost nothing—he paid for a year's risk of his life, and the company had the risk for a year and escaped any loss by death. The case of accidental insurance will illustrate this even more clearly. A man insures against accident for one year and pays the premium to the company who takes the risk. He meets with no accident during the twelve months. Did he lose his money? Not at all. He paid it for a security during the year, and he possessed this value for his cash. Now, suppose a man of 30 years of age insures his life by the year. He will pay at 30, £1 2s. 3d. per year; at 31, £1 2s. 8d.; at 32, £1 3s. 1d.; at 33, £1 3s. 6d.; at 34, £1 4s.; at 35, £1 4s. 6d.; at 36, £1 5s.; at 37, £1 5s. 6d.; at 38, £1 6s.; at 39, £1 6s. 7d.; total during the ten years, £12 3s. 1d. for the insurance of £100 from year to year. This is the rate for a year to year insurance of life, just like fire, with a new medical examination of the life each year, and power each year for the company to decline to renew. The rate increases each year. Suppose the insured died in any one year, the £100 would be paid to his relatives; but at the end of each year the contract is at an end, and if it be continued must be all gone through in the new, and on new terms. No man paying thus says, "he lost all his money" if he did not die in the year. He paid it for the security, and it is often done to secure loans for short periods. The premium of £12 3s. 1d. above shown for £100 for 10 years was, therefore, not lost, although the insurance was not continued for the eleventh year. Now, take the case of the same man, 30 years of age, insuring for £100 for his whole life. He pays, say £2 2s. 2d. a year to insure without profits. In ten years he has paid £21 1s. 8d., and if the office fails he says "he has lost all his £21 1s. 8d."

This is not correct. He was insured from year to year, at least all those ten years, and had he died in that time the £100 would have been paid. Inasmuch as it would have taken £12 3s. 1d. to insure from year to year, the utmost he has lost in the case of whole life assurance and the failure of the office is the difference between year to year premiums and continuous premiums—or, in the case now put, the difference between £12 3s. 1d. and £21 1s. 8d.—namely, £8 18s. 7d., and his total loss is consequently only £8 18s. 7d., not the £21 1s. 8d. But this case can still be seen more clearly by another illustration. Suppose this man at 30 years of age insures in his whole life for £100, he pays £2 2s. 2d. a year premium, and after having paid for ten years the office fails, and he says, "he has lost £21 1s. 8d." Let him re-assure now at forty years of age in another company for his whole life still to run. He will now at his greater age have to pay a premium of £2 17s. a year instead of £2 2s. 2d. Suppose he lives to be 60 years of age and then dies, he will have paid the £2 17s. for 20 years, or a total of £57. But, if the company which he first entered had not failed, he would only have paid in the 20 years £42 3s. 4d. till he was 60 years of age instead of £57. Even in the case of re-assuring at 40, after the failure of one office, he only loses £14 16s. 8d., not £21 1s. 8d. Viewing it in any one light, therefore, it is entirely fallacious to say that all that is paid to an assurance company, is lost.

PRUDENTIAL LIFE.—A meeting of policyholders in this company was lately held in Birmingham. One gentleman stated the position of the company to be as follows:—Its assets were £241,301; liabilities, as valued by the Carlisle 3 per cent. tables, throwing off all loading, £189,322, showing a surplus of £50,000. In 1866, there was a balance divisible, after five years' trading, £22,846. At the end of 1868, after two years' trading, the balance was £50,000, or rather more than double in two years what it was in the previous five years. If the same rate of profit had gone on up to the end of 1868, and for the eleven months of 1869, the surplus at the end of 1871 would certainly be not less than £120,000, or six times what it was at the previous distribution of profits. Mr. Harben then quoted the opinions of Messrs. A. H. Bailey, A. G. Finlaison, A. Day, and Robert Tucker, eminent actuaries, that the reserve of £50,000 was more than sufficient to meet the liabilities in respect of the industrial branch of the business of the Prudential Company. Not satisfied with the opinions of these gentlemen, he requested that an officer of the Court of Chancery should examine their books and see their securities. The officer sent, after full investigation, told him they had charged more to revenue than they ought. He answered the meeting further that the Prudential had never bought any company which would not have stood alone if it had not been bought. The companies did not come to the Prudential because they were rotten or unable to stand of themselves, but simply from a policy of prudence. As to the Hercules and International, those amalgamated companies, after some very ugly disclosures concerning them, were being wound up in Chancery, and the policy holders were left in a state of great uncertainty. The Prudential went to the Court, publicly not privately, and offered to accept the policies upon being paid by the shareholders a sufficient amount to cover every policy they took. There was no compensation to retiring officers. Vice-Chancellor Malins accepted the tender, and ordered it to be carried out. The Prudential was to receive £329,000 to take the liabilities of the company; but they did not make themselves responsible for a single penny until that penny was safe in their coffers. The amalgamated business would yield an income of £36,000, and it could be worked by the Prudential at an extra cost of £100 a year for another clerk.

After considerable discussion, it was moved,—