

We sincerely hope that the uncompromising tone of Mr. Merrill's paper will so impress his hearers that this subject will not again be allowed to become one of complaint or the part of the Convention, but that it will become compulsory on State officials to procure uniformity on all subjects that they in their capacity of scrutineers on behalf of the public deem necessary for the protection of those whom they serve.

#### THE MUTUAL OBLIGATIONS OF INSURER AND INSURED IN LIFE INSURANCE CONTRACTS.

In our analysis of the importance of the various items of information conveyed to the company by the applicant for Life Insurance through the means of his written application, we have now covered all those questions concerning which the Medical Examiner does not generally or necessarily have any knowledge. We now come to the series of questions usually put to the applicant by the Medical Examiner himself before making his physical examination of the applicant.

As the application blanks of the various companies differ more or less materially from one another, and as some contain inquiries that are not contained in others, and as also, some require certain inquiries to be made by the Medical Examiner, while others do not, it is difficult to draw an exact line as between these two forms or parts of the application. This, however, does not necessarily make very much difference, and we shall go by a standard to which most of the companies approximate very closely.

Several inquiries are made in order to draw out the desired information upon certain points; and while the wording of the applications of different companies differs somewhat, the intent of these queries is the same in each case. They cover the question of whether the person applying is then insured in the company, and if so, for what sum; also whether his life is then insured in any other company or companies, and if so, for what sum, and in what companies. Also whether any other negotiation for any other amount of insurance is either contemplated by the applicant at that time, or is pending and undetermined.

These inquiries are designed to draw out such facts as will enable the company to determine whether the applicant is proposing to carry an amount of insurance on his life that is fairly within his means and resources, because, of course, nothing is so important in the determination of the moral hazard of any particular case as the amount of insurance placed upon a particular life. If an applicant be loaded by an insurance out of all proportion to his means or income, there will be very good room for the company to suspect his integrity of purpose, and reason to investigate his motives and intents very closely.

It should not be assumed from this that a company dislikes to see a man apply for a large amount of insurance. On the contrary, the companies are extremely glad to have evidence that a man appreciates the general system and benefits of life insurance so thoroughly as to be willing to carry a large amount of insurance;

but it stands to reason that the suspicion of some illegitimate intent would be engendered by any indication that an amount of insurance was being applied for and carried which was manifestly in excess of the ability of the applicant to carry. Of course in most cases the ability can be only approximately assumed by considerations of the occupation and the probable resources that would naturally flow from such occupation, and such other considerations as might be developed from the application in general.

If the applicant suppresses the fact that he is insured, or, while admitting that he is insured elsewhere, fails to give the details of a large line of insurance that he is carrying, this suppression would not only be a gross breach of good faith, but might be an injury to himself personally, because it is very reasonable to suppose that the fact that other companies have taken the risk upon his life would have a favorable influence upon the company to which he was then applying.

#### IS MUTUAL LIFE INSURANCE "MUTUAL"?

It is a well known fact that for some years past the great bulk of life insurance in the United States—and to a large extent the same is true in Canada—has been issued ostensibly on the mutual plan. Many companies in the States are purely mutual in their organic form—while in the main those companies which were organized as stock companies issue participating policies on standard mutual rates, and profess to do for their policyholders exactly the same things which are done by the purely mutual companies. For the purposes of this article, therefore, most of the companies may be regarded as mutuals. Business is solicited on practically the same terms, and policies are issued with essentially the same conditions. And this especially applies to the various modifications of the tontine policy, by whatsoever kind of company it may be issued. A life insurance company conducted on the mutual principle is simply composed of an associated membership, each member or policyholder having exactly the same rights and privileges which belong to every other member assuming the same obligations. The executive officers are simply the custodians of the funds and the managers of the details of the business in behalf of the policyholders. They are the trustees of the membership, charged with the administration of an important trust, neither more nor less, and amenable to that membership.

The logical and necessary conclusion is, that not only the funds belong to the policyholders and to no one else, but that a perfect knowledge of the management and application of these funds belongs to the members. The home office officials are not in the position of the officials in a close banking corporation owned by stockholders, to whom alone they are responsible and not to the general public. This fact is recognized, in theory, when annually the executive officers of a life insurance company make a professedly detailed "statement" to the members, voluntarily; while, expressly for the protection of the interests of the members, and further for the information of the general