

distinctive feature is to be found in the half note system.

Taking first the simpler case of no dividends, we see that on the all cash policy the insured pays \$200 in each year throughout, and receives \$3,000 at death. In regard to the half note policy, however, it now happens that none of the notes are cancelled, and that they consequently increase at the rate of one per year, being one in the first, two in the second, three in the third, and so on, up to thirty in the thirtieth year. On each note \$6 have to be paid annually in advance. The cash premium will therefore increase in arithmetical progression by an increment of \$6 in each year; accordingly, in the tenth year it will be \$160, in the twentieth year \$220, and in the thirtieth year \$280. Supposing death to happen then, there will be 30 notes outstanding, amounting to \$3,000, which, being deducted from the policy there remains \$5,000, which will be all the Company will have to pay. The sum of an arithmetical series of 30 numbers, increasing 6 each time from 106 to 280 is 5,970. The result then is that on the all cash policy the insured will have paid \$6,000, for which he will get \$3,000, while on the half note one he will have paid \$5,970, for which he will get \$5,000, losing \$970 in actual cash, besides all interest on \$5,970, and this, be it remembered, not on a long but an average life.

A similar but of course not so extreme a result happens in the case of the 40 per cent dividends. If our readers will take the trouble to go over the calculations they will find that, on the half note policy, the insured will have paid \$3,841.20 and will receive \$7,400, and, on the all cash one, \$3,760 and \$8,160 respectively, in short on the all cash policy more will have been received and less paid. Even after making all due allowance for interest on the extra cash paid in the earlier years on the all cash policy, it will be found that there will be a large preponderance in its favor.

The figures are based upon the supposition that the policy will be continued till death. We have seen it stated, however, that the average duration of a life policy is about 8½ years, which shows that a considerable proportion must be allowed to lapse in the early years, probably in the first or second, and in this view of the matter the half note system does undoubtedly effect much good in mitigating the loss consequent upon forfeiture. This advantage would of course disappear if holders of all cash policies were in all cases treated with justice in the matter of forfeiture. We must further observe that the good effected by the half note system in this manner, is altogether accidental, that it was not contemplated in introducing the system, and that it is indirect and unintentional. Such being the case, it is as might be expected, a fact that the benefit conferred is effected in a clumsy and

unscientific manner. We pointed out in a former article one method which Companies might adopt in order to act fairly in the matter of lapsed policies; another method would be to introduce a description of policies in which the annual premium should increase from the beginning by fair gradations, the amount (to be fixed as nicely as possible beforehand) being just sufficient in each year to cover insurance for that year, with ordinary expenses. The extra-ordinary expenses at the commencement for medical fees, policy, &c., should be paid separately, and not made a part of the premium. Such a system would effect the same objects as the half note system does, in a much better manner, and without being liable to any of its defects. Under the half note system the insured cannot allow his policy to lapse without some loss, whereas under the one proposed he could do this at any time without any loss whatever, as the amount paid will have been as nearly as possible, only what was necessary to cover the risk up to the time of forfeiture; in the event also of an early death less will have been paid by the insured under the proposed system than under the half note one. And this brings us to another feature peculiar to the phase of the half note system under discussion. It will be seen, especially in the case of no dividends, that in the event of an early death say in the first eight years, the insured will obtain, under the half note system, the same amount of insurance at a considerably less expenditure of money than in the all cash one; the supposition of so early a death is an improbable one, so that the gain is in practice not very often experienced.

To sum up our remarks we find, in the cases where the dividends are sufficient to cancel the notes as they arise, that there is no practical difference worth speaking about except in the case of the forfeiture of policy, when there is some advantage in the half note system, especially in the earlier years of the policy, the advantage becoming less as the policy becomes older, and disappearing together in the case of non-forfeiture policies. In other respects the question on the average of cases amounts to whether a person will gain or lose in the investing of a sum of \$120 or rather less (being the average amount of one premium, deducting interest) for which he pays 6 4-10 per cent interest; it cannot be more than a few dollars a year either way, we have said that we should rather anticipate a slight loss than a gain. Where, however, the dividends are not sufficient to cancel the notes the advantage under the half note system by death or forfeiture in the earlier years is much greater, the gain decreasing as the policy becomes older, and disappearing altogether at about the eleventh year in the case of no dividends, after which the half note system becomes a disadvantage, increasing constantly till death, so that the

holder is either compelled to forfeit, always losing something thereby, or to keep up the policy at a loss, which, in the case of no dividends becomes enormous at the end of the average expectation of life, the premium constantly increasing while the amount payable at death is as constantly decreasing, thus eating into the very principle of Life Assurance, viz., the guaranteeing of a specified and ascertained sum at death.

The majority of cases are of the former description, viz., where the dividends suffice to cancel the notes, that being the end to which Companies strive to attain, and which they mostly reach; when success attends their efforts they imagine that they have done wonders towards the perfection of their system; we, however, think we have shown that with the one exception of forfeiture, they only succeed in doing away with all practical distinction between the two systems.

Next week we hope to consider some of the minor aspects of the question.

WESTERN INS. CO., OF ENGLAND.

The following despatch, by the Atlantic Cable, was received on the morning of the 23rd by Mr. Scott, the agent in Canada of the Western Insurance Company of England:

LONDON, Feb. 24, 1868.

Mr. Hugh Scott, Ontario Hall, Toronto:

Advertise the following immediately, and send a printed copy to every policy holder. The letter of the 15th is revoked:

WESTERN INSURANCE COMPANY.
(Limited.)

The liquidators hereby give notice that all claims must be sent direct to them as below. In cases of dispute the Court of Chancery in England is the only court to bind the liquidators or the funds of the Company.

GEORGE HARRIS,
W. B. ROW,
P. W. SPENCE,
ROBERT WHITAKER.

8 Finch Lane, London, 24th Feb., 1868.
ROW, London.

From the above it will be seen that parties having claims against the Company, should avoid entailing on themselves costs in useless legal proceedings here. We are convinced that the General Managers in Canada will do their utmost to expedite the payment of claims and to further the interests of the policy-holders.

SNOWED UP.

We have to apologize to our readers for the absence of a great deal of information which correspondents, exchanges, &c., usually furnish; but our excuse is the snow storm. No railway trains have come through from Montreal since Sunday night.

We deeply regret to have to record the death of Hon. ROBERT SPENCE, for several years the Collector of Customs of the port of Toronto.