WHOLE-LIFE vs. ENDOWMENT ASSURANCE.

(By W. H. Somerville, A.I.A., A.A.S., Associate Secretary, Mutual Life of Canada.)

Mr. W. W. Smith has an article in the July number of Moody's Magazine and a second article in the August number recommending whole-life rather than endowment assurances. The title "Systematic Bank Deposits with Life Insurance Protection" explains his idea which is that insurance companies should not undertake an investment business as this can be better attended to by a bank or trust company operated to handle savings and make investments of trust funds. He would have the insurance company provide life insurance only, eliminating endowments. If, however, a particular individual wished to accumulate $1,000 by the end of 20 years and also have insurance of $1,000, Mr. Smith would suggest dividing the endowment premium into two parts, the one equal to the ordinary life premium and the other the difference between the ordinary life and the 20 year endowment premiums. The individual would then apply for a whole-life policy and if accepted, would pay the premium. He would then go to the loan or trust company and deposit the balance. He continues making his deposits and paying his premiums until the end of 20 years when, if he wishes to surrender the life policy, he may have $1,000, the cash value and accumulated bank deposits making up the amount. The great advantage claimed for the plan is that if the man who takes the life policy dies at the end of the fifteenth year, for example, his heirs not only get $1,000 from the life insurance company but they also receive the accumulated deposits from the savings bank; whereas the man who has the endowment policy gets merely $1,000.

RESULTS NOT SO GOOD AS INSURANCE.

Considering in the first place results at the end of 20 years only, an examination of our policies does not indicate that whole life insurance with bank deposits at 4 per cent. would give as good a result as one of our 20 year endowment policies. This of course involves the consideration of dividends but in order that there may be no question of dividends or premium loading, net premiums may be used. Mr. P. C. H. Papps, actuary of the Mutual Benefit, prepared the following table on the basis of the American Experience table of mortality with 4 per cent. interest. He says in explanation "The net premiums for 20 year endowment and ordinary life policies are shown, together with the difference. The sum to which this difference would accumulate if deposited each year at 4 per cent. interest for 20 years is then shown. To this is added the reserve on the ordinary life policy at the end of 20 years and the total is the amount of the reserve and the supposed bank account at the end of 20 years. The amount by which this falls short of $1,000 is shown in the last column.

Age	PREMIUM End't. 20	Ord. Life	Diff.	Amount of diff. per annum, accumulated for 20 yrs.	Ord. Life reserve end of 20 years	Total	Deficiency
(1)	(2)	(3)	(4=(2)-(3)	(5)	(6)	(7)=(5)+(6)	(8)=$1000 -(7)
25	$37.36	$14.21	$23.15	$716.94	$196.87	$913.81	$ 86.19
35	38.35	18.84	19.51	604.21	294.75	898.96	101.04
45	41.35	27.12	14.23	440.69	412.91	853.60	146.40
55	50.56	42.79	7.77	240.63	529.23	769.86	230.14
60	60.07	55.45	4.62	143.08	588.70	731.78	268.22

The deficiency in the last column shows how much a man must forfeit who is unwilling to take the chance of not living for 20 years." Thus, the man of thirty-five who takes a life policy and deposits the differences each year, on surrender of the life policy at the end of 20 years will not have as much by $101.04 as the man who takes the endowment policy and the deficiency increases with advancing age at entry.

THE DIFFERENCE BETWEEN THEORY AND PRACTICE.

As for results at death prior to the end of 20 years, it is true that if the deposits have been regularly made and the life insurance kept up the heirs will realize a greater sum than they would under an endowment policy only; but when it is remembered what pressure it is so often necessary to bring to bear upon policyholders in order to induce them to remit premiums when due, it seems improbable that the differences would be regularly deposited as the making of these deposits would not be regarded as so urgent as the payment of the life premium. While therefore the plan would be all right in theory, it is very unlikely it would work out in practice, especially in this country where the opportunities of investment are so many and varied. The deposit itself would be so readily available to meet pressing demands that it is not likely it would be kept intact to carry out the original purpose of accumulating a substantial amount at the end of a given period of years.

The man who wishes "the greatest amount of assurance for the least possible outlay" takes the ordinary life policy and it is a mistake to suppose that the insurance company does not welcome this class of business; but it is not to every man that a whole-life policy will be issued so that even if Mr. Smith's contention were to be generally accepted, there would still be a field for endowment assurances among sub-standard risks. The endowment policy fits the case with certain hazards which are not liable to arise until after a certain number of years. The insurance terminates before the critical period of life arrives but furnishes protection in the meantime. Using Mr. Smith's arguments in these cases, the endowment policy is the half loaf which is better than no bread.

A general summing up leads to the conclusion that in deciding upon the plan it is a matter of fitting the policy to the policyholder. An improvident young man might never save anything unless he were induced to take an endowment policy so that the inference in this case, as in others which might be cited, is plain. Nevertheless, credit is due Mr. Smith for placing in an interesting manner an idea which cannot fail to be a benefit to life insurance in general.

BRITISH LIFE COMPANIES' BUSINESS.

It is stated that the British life offices are doing well enough just now in regard to new business. Policies which partake of an investment character appear to be chiefly in demand and single payment assurances are also proving more attractive than usual. This kind of policy appeals to the alarmed investor as being "safe as Consols," and, while providing a sum assured which is liable to no shrinkage, is readily employable for any needs that may arise by means of loan or part-surrender. Immediate annuities, too, are selling well, and some companies which hitherto have not been keen on the business are now showing activity in this department.