distribution of surplus should be laid down. The method should be capable of modification (under actuarial advice) at each valuation, so as to meet altering circumstances. The permanent interests of the assured, collective and individual, will best be consulted by leaving entire discretion to the governing body.

Question III.

18. We have examined the scheme suggested for assurances upon diseased lives.

It is proposed to divide the contributions into shares, for each of which there is to be made a fixed annual payment, graduated according to age; but the sum assured is to be uncertain, and to be dependent upon the mortality actually experienced. No medical examination is to be required; but there is to be a probationary period of two years, during which no amount is to be payable except in the case of death by accident.

19. We think the scheme safe, and the method proposed for its working ingenious. There are existing societies which contract to secure a fixed sum assured for a varying annual-payment; and, regarded merely as a problem of life-assurance finance, the converse of the proposition,—to arrive at an annually-varying sum assured in consideration of a fixed annual payment,—is quite capable of solution.

20. But, before pronouncing an opinion as to its applicability to the particular class of lives referred to in the scheme, it may be desirable to inquire into the past experience of assurances on such lives.

Sixty-three years ago two societies were founded to entertain proposals for assurances on lives which had been declined. Others were subsequently established for a similar purpose. From statistics of one of these societies to which we have had access, extending over a period of about forty years, it appears that the rate of mortality among the diseased lives was 78 per cent. in excess of that among the healthy, and that no material improvement is observable when the early years of assurance are omitted.

21. The cost of assurance on diseased lives is therefore materially greater than on healthy lives. But it is found by experience that, if considerable additions to the ordinary rates of premium are asked, they will seldom be paid, so that, practically, the limit of surcharge is soon reached; and the result is that, while nearly all life-assurance societies now grant policies with moderate additions to the ordinary premium, the lives of those who are subject to serious organic disease, or are of known intemperate habits, or have a very unfavourable family history, remain unassured—not for want of attempts to determine rates of premium for the risks, but because the premiums demanded are not paid.

All the lives included in the experience we have mentioned were subjected to medical examination, and several cases were found to be ineligible altogether. But it is one of the features of the proposed scheme that medical examination is to be dispensed with, and that no one is to be refused. We think therefore that the class of lives coming within the scheme would be composed, for the most part, of the worst, and that the mortality among them would be very heavy during the first two years.

22. We can therefore come to no other conclusion than this: that a scheme of life assurance in which the amount payable at death would be nil for a probationary period of two years, and afterwards altogether uncertain, except that it would be much less than the same annual payment would secure for an ordinary life, would not be accepted by the public; and, further, that for policies effected for business purposes, such as security for loans, the scheme would be useless.

And we do not think that a minimum sum assured can safely be guaranteed in ignorance of the rate of mortality that may prevail. Even if attempted, the amount must be so small as at once to subject the scheme to discredit.

For these reasons we think it undesirable that such a scheme should be put forward.

A. H. Bailey.
Ralph P. Hardy.
George King.

London, 27th December, 1887.