

52 *Mr Allen.*] Then he could have had no doubt that it was a life policy, and not a policy payable on the expiry of the tontine period?—I do not see how he could possibly have had any doubt.

53. Why was it necessary to put that indorsement on?—We had had complaints from people who held whole-life tontine policies, and who thought they were going to draw the amount of the policy at the end of the tontine period, and as an additional safeguard we put that on the back of the proposal, although the proposal is clear.

54. Was the proposal clear in itself?—When you have read it I think you will agree with me that it is quite clear.

55 *Hon. Mr T. Mackenzie* ] Regarding the leaflet that has been produced, the example given there shows that the premium on the £2,000 policy was £109 16s. 8d. Working out the rate that Mr. Larsen paid on the £500, it would make it £89, as against £109 premium?—Yes.

56. But that was for ten years, while Mr. Larsen's was fifteen, so that what was paid by Mr. Larsen was really a higher total premium, was it not—the one running fifteen years as against ten?—Yes, you would naturally expect that his profits would be larger.

57 This one, worked out on the basis of ten years, shows a cash value of £1,131?—Yes.

58. With Mr. Larsen's, even on the £500, it would have worked out at £282?—You must not forget that you are comparing two policies which are not alike. Mr. Larsen's was a different policy altogether. It carried a special provision that in the event of death he got the whole of his premiums returned.

59 Did this other policy not carry that?—No. At least, I should like to see that leaflet. I do not think it is the same policy. (After perusing leaflet:.) No, it is quite clear there would be no return of premiums under that policy in the event of death.

60 *Mr Graham.*] But they would get the face value of the policy?—They would get the face value of the policy only.

61 With reference to this particular kind of policy that Mr. Larsen took out, according to my understanding of what you said, if the assured dies within the tontine period he makes an enormous profit, but if he lives until after the tontine period has expired, and accepts the policy that the society would give him in lieu of the original one, then the society makes the enormous profit?—There is no profit whatever. You cannot cover a man's risk for nothing.

62. There is a profit in this way on each side: If this man had died during the tontine period his representatives would have received the £500 plus all the premiums that he had paid?—That is so.

63. At the end of the tontine period he was entitled to a paid-up policy of £177, instead of the original £500?—That is so.

64. But when you issue that £177 policy he has paid his fifteen years' premiums at £22 5s. a year, amounting to £333 15s.?—That is correct.

65. So that you have in hand, against the £177 which has to be paid out at his death, £333 15s.?—That is so.

66. If his death does not occur for another ten, or fifteen, or twenty years, you have, in addition to the £333 15s., the interest that that sum will earn during that period?—Pardon me. We have not got that in hand. Where do you think we should get the money to pay the claims arising during those fifteen years?

67 You have received from him £333, and have that amount in hand, less whatever may be needed for management expenses?—No, I disagree with you. We have not that amount in hand.

68. You have received it from him?—Yes, but we have paid away a very considerable amount of it in satisfying claims on behalf of members who have died during the fifteen years.

69 That is what I say: that is where you get the moneys to pay those who die before the fifteen-year period has expired?—Yes, exactly.

70. If this occurs within the tontine period it is a loss to the society and an immense gain to the assured; but if he lives until after the tontine period, and accepts what you are prepared to give him at the end of the time, then the profits are considerable to the society. That is how you are able to offer these inducements to people to take up tontine policies. If they all matured within the tontine period you would "go bung" quickly?—No.

71 How would you manage it, then?—The extra premium to secure a return of the premiums covers that. They could all die and it would not make any difference, because we have got the premium to cover that particular risk. If the whole of the members died within the tontine period and we had agreed to return their premiums in addition to the sum assured, we have made provision for that, because we have secured a premium which will cover that risk. It is an actuarial calculation.

72 *Mr Reed.*] What was the basis of arriving at these profits in the tontine? Did the society take into consideration the fact that all those who survived the tontine would have to pay £3 5s. 10d.—I am taking it approximately, but this is the position with Mr. Larsen—in excess of the ordinary amount of premium that would have been paid on an ordinary £500 life policy?—No.

73 Then, do I understand that that £3 5s. 10d. is a complete gain to the society—that from the end of the period it is their gain for taking the risk during the tontine period?—I do not see that you can call it a gain. It is a definite charge for covering the risk.

74. If this were a £500 policy payable at death, Mr. Larsen would only have been paying £19 per annum?—Yes.

74A. He has gone through the tontine period, and he is now paying £3 5s. 10d. in excess of that amount?—Yes.

75. I take it that all those persons who survive the tontine period are paying an amount in excess of what they would have been paying had they had a life policy?—Yes, under a guaranteed mortuary dividend policy.