of the society was entitled to participate in that bonus at the rate of £1 per cent. per annum—the ordinary policyholder and also the tontine-policy holder Consequently we are perfectly right now in giving the tontine-policy holders that bonus.

JOSEPHUS HARGREAVES RICHARDSON, Government Insurance Commissioner, examined. (No. 8.)

1 *The Chairman* ] We shall be glad to hear you, Mr Richardson?—I am quite prepared to-day to answer to the best of my ability any questions asked me, but I should like to premise what I have to say by explaining how the matter occurs to me. I have carefully read through the evidence and the exhibits you sent to me, and it seems to me that the position resolves itself into this: whether these estimates—which I understand are admitted by Mr Leslie to have been of a very highly coloured character—are part of the contract. I understand the Courts here have held that estimates of the kind are not part of the contract, and therefore Mr Larsen has no legal claim. Indeed, in this particular policy it is provided that the decision of the Court shall be acted on by the Colonial Mutual Society Mr Larsen has appealed to the Court, and the Court has held that these estimates are not part of the contract. There are numbers of decisions on very similar lines in America, especially in connection with the Equitable Office, and I believe there are some in England. As Mr Larsen has no legal claim, I do not see that the Committee can give him any

2. What we are trying to do is to find out, if we can, what is the equitable position We know what the legal position is, because we have been informed already that the matter has been dealt with by the Courts. The man appeals to Parliament upon the equitable aspect of the matter, as to whether he is entitled to any redress?—I understand, Mr Chairman, that you want to know, probably, something about the history of the tontine system, and I have prepared some rough notes here which I might read to you :—

The tontine system of life assurance appears to havê been introduced in the United States by the Equitable Life Assurance Society about 1871, and the scheme was soon adopted by other leading American companies.

The first tontine plan was what is known as a full or absolute tontine. Under this system policyholders who could not pay their premiums, or omitted to do so, on the due date were not allowed any surrender value, or to pay the premiums subsequently, but the insurance was absolutely forfeited; while the sum assured only, without bonuses, was paid to the representatives of those who kept their premiums paid up but who died during the tontine period. No profits were to be divided until the end of the tontine period, and when this expired it was anticipated that large extra benefits would accrue to the survivors from the bonuses of those who died, and the forfeited surrender values of those who failed to keep their premiums paid up during the tontine period.

Extravagant estimates of the probable profits to be distributed were issued by the various companies undertaking this class of business. The estimates issued by the Equitable were based on the assumptions that 6 per cent. interest would be realized by the society on its investments during the next twenty years, and that the expenses of management would only amount to 12½ per cent. of the premium income, but the actual expenses increased steadily from 17·3 per cent. in 1871, when the calculation was made, to 25 per cent. in 1890, and in 1908 stood at 19·8 per cent.

The results, therefore, although larger than the usual bonuses, were considerably less than the estimates—*e.g.*, at age 37, whole-life assurance, tontined for 20 years—estimated cash value of £1,000 and bonuses, £1,135, actual result, £751 and these results were still further reduced in subsequent tontines by the reduction in the rate of interest earned.

The hardships occasioned by the whole insurance being declared void if the premiums were not paid on the due date led to the introduction of the modified tontine system. Under this system paid-up policies or surrender values were allowed, and the tontine related more to the bonuses than to the sums assured.

The profits under the modified plan would therefore be less than under the original system; but, notwithstanding this, the bonuses under the full tontine system were put forward by various companies as estimates of the probable results under the modified system. Actions by disappointed policyholders under both systems of tontine have been fairly numerous, but, so far as I am aware, have all resulted in favour of the companies, and the Courts have considered them not bound by their estimates, notwithstanding the gross exaggeration.

The Equitable Life Insurance Society extended its business to New Zealand in 1884, and the New York Life Insurance Company commenced business here about 1886, and both companies made a great feature of tontine policies.

The Colonial Mutual commenced tontine insurance about 1884 under both systems, "absolute tontine" and "modified tontine." The estimates of the probable profits used for canvassing purposes were extremely exaggerated, and the circular handed in by Mr Larsen is very misleading, as the example relates to a whole-life policy with premiums payable *for ten years only*—viz., at the end of ten years the policy is free of premiums. This form of policy under the American system of distribution has a very high rate of bonus, and yet, according to the circular, ordinary tontine policies (viz., with premiums payable through the whole of life) at the end of fifteen or twenty years are led to expect *even larger results*.

In the case on which W T. Larsen's petition is based, he was thirty-nine at time of insuring, the reversionary bonus on £500 for fifteen years was £24, cash value of bonus £15 17s., while the estimate at age of forty for a whole-life policy for £500 after fifteen years was £128 4s. 7d.