

**A FEW THOUGHTS ON COMMISSION, DIVISIONS
OF PROFIT, SELECTION OF LIVES, THE
MORTALITY IN INDIA, AND OTHER SUBJECTS
RELATING
TO LIFE ASSURANCE, CONTAINED IN A SERIES
OF LETTERS RECENTLY PUBLISHED IN THE POST
MAGAZINE, UNDER THE SIGNATURE OF "CRITO"**

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A Few Thoughts on Commission, Divisions of Profit, Selection of Lives, the Mortality in India, and Other Subjects Relating to Life Assurance, Contained in a Series of Letters Recently Published in the Post Magazine, Under the Signature of "Crito" by Samuel Brown

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SAMUEL BROWN

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BY SAMUEL BROWN, F.I.A.

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W. S. D. PATEMAN, WINE OFFICE COURT, FLEET STREET,
1849.

C. M. J.



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PREFACE.

THE following letters were originally forwarded to the *Post Magazine*, (a useful periodical, containing the reports of Life Assurance Companies, and other information interesting to assurers), as the different subjects happened to be brought before the mind of the writer by accidental discussion, or in the course of business. He has been induced to revise them for republication, from the conviction that some of the facts and figures will be found useful for future reference, and that it would be more convenient to have them collected together rather than to search for them, as scattered through the pages of a magazine.

The rates of Life Assurance premium for foreign risks are still in a very unsatisfactory condition, and many years must elapse before any information, that can be depended upon, will be available for the different companies. In fact, it is doubtful whether any, which can be considered of real value to the offices, will be gathered except from their own experience, collected from as many as are willing to furnish the facts, and combined for the purpose of affording a sufficient number for classification, according to the different climates. In the meantime, however, what is already known may serve as a foundation for more extensive enquiries, or at any rate for additional means of comparing and correcting the results. The letters respecting the mortality in India, therefore, are intended to bring into one point of view such information as has been already given to the public on this subject, and by a general summary of the facts, reduced to one standard of comparison, direct attention to the deficiencies, which still remain to be supplied. These observations form but a very small division of a most extensive and interesting enquiry, to which the attention of the statiscan scarcely be more usefully and practically directed.

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Another topic, in which a greater portion of the public as well as the offices are interested, is the effect of the Selection of Lives for assurance on the future divisions of profit. The facts examined will probably lead to the conclusion in the mind of the reader, that a much larger reserve should be made for future years than it is usual to set aside for this purpose, even if the premiums were not so closely calculated for the early experience only of the companies, as they will, in many cases, be found. But when, besides the future fulfilment of engagements contracted, we consider the confident anticipation of every assurer that he shall receive at each division of profit at least as large an amount as he obtained before, and the suspicious anxiety with which he regards any falling off in the share allotted to him, we see additional reason for urging caution, where it is so easy to commit an error and so difficult to retrieve it.

These notions may be considered excess of prudence. No doubt amongst the number of Life Assurance companies, which have, within a few years, started into being, there must be many individuals, whose attention is occupied in enquiries similar to those which are touched upon in these pages, and some of whom may be disposed to give themselves with ardour to the newest opinions which are entertained, as being the results of the latest experience, and who would look upon those which are the most popular to be the most correct. Without stopping to enquire into the soundness of this decision, it is fair to assume that they are all actuated by a sincere desire to ascertain the truth, whatever it may be, and that they will not at once throw aside views, which may differ from those which they find generally received, till they have at least soberly reflected whether there may not be some reason even in opinions, at present but little in fashion. This candour and deliberation of judgment are more especially required on subjects, with regard to which so few collections of facts, which can be relied on, have yet been made; and in which so much caution and

experience are necessary to deduce the conclusions to be derived from them. It must not be forgotten that in forming the rates of premium for Life Assurance from insufficient data, or in dividing profits on a presumed great improvement in human life from the experience of a young society, the errors of the original assumption, if there be any, may continue undetected, till in later years there may be no choice between ruin to the shareholders or the insecurity of the assured.

To those readers, therefore, who are disposed to reconsider the conclusions at present arrived at, the writer of these pages ventures to appeal for a candid examination of the few facts, relating to the experience of the societies, which he lays before them. There is too much reason to fear that many of the schemes and modifications of Life Assurance in the present day, have been introduced rather by the ardour or the pressure of competition, than by the sober judgment to choose only what will, in the end, be mutually beneficial to the companies and the assured; that the large amount paid away in commission from the savings of assurers, is an unnecessary waste to themselves, and a loss to their families, which they will some day discover and regret; that the opinion which prevails of the great diminution in the rate of mortality, supposed to be found throughout all the ages of assured lives, arises from the want of due reflection on what will probably be the results, when tables deduced from the experience of a few years only, or, as in the case of the Equitable Society, from that of an office carrying on an extensive business at a time when a large proportion of assurances were made for short periods, and under circumstances very different from those now existing, come to be tested by more complete series of observations hereafter; that a great proportion of the profits, which were formerly gained by Life Assurance companies, have now ceased to be realised, either from a reduction in the rate of interest, or less frequent forfeiture of policies, or too great diminution

of premiums, or from more expensive modes of obtaining business; and, lastly, that considering the great prevalence of the Proprietary over the Mutual system, the public have not reflected sufficiently on the cost at which they are buying the advantages, which the former are presumed to hold out to them over the latter.

Of these topics some are interesting to parties who are engaged in the management of companies, and others are of importance to the public generally, who are already beginning to understand that their interests are concerned in their becoming better acquainted with the data, essential to the safety and prosperity of enterprises, in which so large a portion of their savings is invested. These several particulars, it is true, could be but slightly touched upon in so small a space, but the reflection of the reader may fill up the sketch, and the opinions expressed, being contrary to those now so generally in favour, may, perhaps, on that account alone, secure the attention of some who would otherwise pass them over as undeserving of notice.

The author believes that it is no less important to the companies themselves, that the public should moderate their expectations of receiving the large profits, to which they have been so led or have so habituated themselves to look, as the necessary result of joining a society for the assurance of life. If even one great instance of failure in the accomplishment of these promises or in the fulfilment of these expectations should occur, the consequences might be disastrous in the extreme, and should the perusal of these letters induce a single actuary to re-examine the collections of facts, on which the great reduction in the rate of premiums is now so generally recommended; or a single assurer to form a more sober and correct estimate of the future advantages, on which he is unfortunately too ready to speculate, these humble efforts to add a trifle to the general stock of information on a subject so engrossing, will not be unproductive of good.

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