

ESTIMATES OF THE LIABILITIES OF LIFE ASSURANCE COMPANIES.

To the Editor of the Assurance Magazine.

SIR,—In the *Assurance Magazine*, vol. v., page 52, you inserted a table with a few explanatory observations, the object of which was to enable some idea to be formed of the amount of reserve made by some of the Life Assurance Societies for their liabilities. The recent papers on this subject by Mr. Tucker and Mr. Sprague, and the discussions to which those papers gave rise, have brought prominently into notice the great differences that prevail, both of opinion and practice, in the methods of estimating these liabilities. Now, as there is good reason for believing that the extent and effect of these differences are very little understood even by the Directors of the Offices, and still less by the general public, you may, perhaps, think it worth while to insert the annexed extension of your former table, as a practical commentary on the two papers to which I have referred.

In looking at the table, the principle to be kept in mind is, that, to use your own words, “the liability of Companies will generally be in direct proportion to the amount assured and the duration of the assurances; and hence the reserves made by them should exhibit some such proportions.” Similar views were expressed by some of the witnesses before the Parliamentary Committee in 1853; in particular, Mr. Samuel Ingall gave it as his opinion, that 1 per cent. per annum on the amount of the existing assurances would be a fair estimate of the liabilities of an Office whose standing did not exceed twenty years. Judging by the examples in the present table this test seems to be rather severe.

To your principle, as to other rough estimates, exception may be taken in particular cases; for instance, a disturbing element is no doubt to be found in the many amalgamations that have been carried out in recent years, so that the age of the Office is not always a trustworthy index to the average duration of the assurances. But generally speaking the measure is, I think, a fair one, and it is not easy to suggest a better. To prevent misunderstanding, it should also be stated, that neither the amount of assets, nor the mode in which the surplus is appropriated, affects any of the columns of the table. The statements published by the Offices are in very different forms, and the object has been to reduce to one common standard the results of their own valuations of their liabilities.

Some of the results in the table are rather startling, and throw some light on the causes of the different amounts of the returns made to policy-holders in different Companies.

I had hoped to have succeeded in making the table more extensive; but the accounts of some of the Offices are altogether inaccessible, and those of several others which I have examined for this purpose, I have been disappointed to find do not afford the required information.

I am, Sir,

Your obedient servant,

*London Assurance Corporation,
7, Royal Exchange,
11th June, 1863.*

ARTHUR H. BAILEY.

Name of Office.	When estab-lished.	Date of Valuation.	Years in operation.	Sum assured, including Bonus Additions.	Estimated Liability	Per-cent- age.
Gresham	1848	31 July, 1860	12	2,962,591	164,454	5·6
Royal	1845	31 Dec., 1859	14	1,982,504	159,409	8·0
Equity and Law	1844	31 Dec., 1859	15	1,430,342	160,498	11·2
London and Provincial Law	1845	31 Dec., 1860	15	1,183,857	114,793	9·7
Star	1843	31 Dec., 1858	15	2,056,545	208,899	10·2
Victoria	1838	31 Dec., 1858	20	1,494,964	225,298	15·1
Reliance	1840	31 Dec., 1862	22	1,064,666	107,933	10·1
Scottish Provident	1837	31 Dec., 1859	22	3,453,459	496,588	14·4
Albert	1838	31 Dec., 1861	23	7,249,924	446,992	6·2
Legal and General	1836	31 Dec., 1861	25	3,720,274	894,493	24·0
Minerva	1836	31 Dec., 1861	25	1,987,312	349,973	17·6
Metropolitan	1835	4 Apr., 1863	28	3,375,224	315,979	9·4
Mutual	1834	31 Dec., 1862	28	1,695,875	230,814	13·6
Universal	1834	31 Dec., 1862	28	2,263,639	489,730	21·6
Scottish Equitable	1831	1 Mar., 1862	31	5,718,006	1,196,801	20·9
Scottish Amicable	1826	31 Dec., 1860	34	3,815,461	555,884	14·6
Crown	1825	25 Mar., 1860	35	2,692,531	628,617	23·4
Economic	1823	31 Dec., 1858	35	6,608,406	*1,517,998	23·0
Clerical	1824	30 June, 1861	37	4,537,914	1,100,984	24·3
Guardian	1821	31 Dec., 1859	38	4,586,123	1,519,372	33·1
Scottish Widows' Fund	1815	31 Dec., 1859	44	9,958,166	2,439,672	24·5
London Life	1808	30 June, 1862	54	6,526,853	775,002	11·9
Eagle	1807	30 June, 1862	55	†8,356,222	1,604,052	19·2
Rock	1806	20 Aug., 1861	55	4,458,479	1,483,692	33·3
Equitable	1762	31 Dec., 1859	97	8,355,791	4,092,078	†49·0