

PART 6.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Those three remarks about notes being included as income, about the total fees not being reported until 1902, and about the insurance at the end of the year being taken instead of the mean insurance—if the figures were corrected in view of that, would the ratio of expense be changed?—A. Oh, yes, the ratio of expense would be changed necessarily.

By the Hon. Mr. Sullivan:

Q. Did you make out a statement of figures on your basis?—A. No, I have not made the calculation.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. Can you give reasons, if any, why a comparison between fraternal organizations' assets, and business organizations' assets, even on the assessment plan like the Mutual Reserve, has been until recently, not fair?—A. The fraternal organizations operate under special laws in the various states of the union, and are largely exempt from taxes and expenses incident to supervision. They are required to operate through lodges, councils, or bodies of that kind, and in the majority of states they are forbidden by law to employ paid agents to solicit business. The business is obtained through the lodges, the memberships aggregate in the lodges, and the very large proportion of the expense of doing business consists of dues paid to the lodges, which are not reported in the expenses to the Insurance Department, the only expense reported to the Insurance Department being the immediate expenses of the supreme bodies and not of the entire business; so that no basis of comparison with a business organization can be had because of the absence of data as to all the expenses of transacting the business.

By the Chairman:

Q. The dues paid in by members of a fraternal association to the lodges, and which, as you say, do not go into the reports to the Insurance Department, represent value. When I pay \$4 a year into the Independent Order of Foresters, I have my lodge to go to, and I have books; do I not get value for my \$4 besides the insurance?—A. Undoubtedly.

Q. Then the suggestion that this does not go into the annual report would be misleading, would it not?—A. It does not seem so to me. It seems to me the substitute for what is paid to agents to get business. That is what attracts members and brings them in.

By Mr. Geoffrion, Counsel for the Mutual Reserve:

Q. The great distinction is, first they have less taxes to pay, and second, they do not pay commissions to agents, and third, the expenses of their lodges are not reported?—A. Yes.

Q. Do you consider that companies which do not do business on the assessment plan can, nevertheless be compared from the point of view of expenses with the Mutual Reserve?—A. At the present time the Mutual Reserve is doing all its business on the legal reserve basis. I do not think that when an assessment company is simply doing a low cost business in getting business as easily as it is possible at times to get it