

added: "We have no one to blame for our troubles in connection with readjustment of rates but ourselves. We were shortsighted, perhaps cowardly in handling the situation. I think we are all satisfied now the laws of mortality are inexorable, and that any institution which attempts to defy them is only sowing the wind and will read the whirlwind."

The Dominion enactment has this broad, general characteristic. It approaches the solution from a knowledge of the history and genius of the friendly society. It avoids the rigidity of old-line statutory valuation requirements—it is flexible in operation without being vague and loose in conception. It leaves a large degree of responsibility for the society's financial position to the society's actuary, who must, however, be qualified.

For provincial requirements this law would, of course, have to be adapted to local requirements, and possibly provision made for embarrassing circumstances that are not provided for in 1925 when all societies licensed under the Dominion Act are expected to have been brought to 100 per cent. solvency.

There is one practical consideration that should commend itself to provincial legislators and superintendents of insurance. This is that the main principles and requirements of the Dominion Act have been the subject of much interchange of view between the Dominion officials and fraternal officials. The debatable ground has been gone over and a workable legislative program agreed upon. This is saying a great deal. As evidence, I have already quoted the head of a leading foreign society. I add an extract from the annual report a year ago of the counsellor of the Canadian Fraternal Association:—

"An agreement was arrived at as a compromise between the views of the committee (of the societies) and those of the superintendent. Representatives of the societies interested in the bill attended before the banking and commerce committee, when all of this amending bill was adopted by said committee without opposition." (The counsellor refers to one minor excepted point which, it is understood, was afterwards arranged.)

Another practical consideration is the fact that several societies which are under provincial jurisdiction have in recent years made readjustments which are claimed to be adequate. They would, therefore, not probably be affected. Others would, it is believed, welcome the advantages which a 100 per cent. solvent condition would open up to them. With the depressing effects of actuarial insolvency out of the way, a new era would open for friendly societies.

What Dominion Act Requires

What then are the broad principles and requirements of the recent Dominion Act? The following is a digest and analysis of the principal provisions of the Dominion Act, especially those dealing with solvency:—

1. Fraternal societies not required to comply with the same actuarial test, nor to make the same amount of deposit as regular insurance companies.

2. A large degree of responsibility and liberty is left to the society's own selected but qualified actuary.

3. A government deposit of \$10,000 is required.

4. Before receiving Dominion license a fraternal society shall file, among other statements, an actuarial valuation by a qualified actuary appointed by the society, who shall certify as to the solvency of the society.

5. A foreign fraternal society hitherto transacting business in Canada, and at present unable to furnish an actuary's certificate of 100 per cent. solvency, may, if its premium rates for new members be considered adequate, and it is otherwise eligible, receive a provisional license annually until 1st March, 1925, after which the society must comply with section (4) above (i.e., be 100 per cent. solvent), in order to renew its license.

6. A provisionally incorporated fraternal society desiring a Dominion license and unable to furnish an actuary's certificate of 100 per cent. solvency on an officially approved

basis may, subject to the other provisions of the act, obtain a license either by depositing with the government adequate reserves on new certificates after date of license, or, by placing new members on adequate rates, and in a separate class, with their funds held exclusively for such class. Such license may be renewed annually until 1st March, 1925, after which the society may comply with section (4) above (i.e., be 100 per cent. solvent), in order to renew license.

7. Special provision is made for dealing with a society falling below 100 per cent. solvency. On request (preceded by full investigation), the society must make good the ascertained deficiency within four years, otherwise its license may be withdrawn.

8. Every licensed society shall annually mail to each certificate holder in Canada a copy of the valuation balance sheet on the basis used in the filed annual statement and an explanation of the facts concerning the society's condition thereby disclosed. (The basis of valuing mortuary benefits is the National Fraternal Congress Table and interest at 4 per cent., subject to certain permissible variations.)

9. Copies of policy forms must be filed with the superintendent and shall contain certain standard provisions.

What of the Future?

In the evolution of the fraternal societies to their present position the duty of the legislature may be summed up in these broad but sane official words of an important Royal Commission:—

"The stability of these useful bodies ought to be legislatively assured, and the only method of securing and maintaining that stability known to the science of insurance is to forbid the making of contracts below the actual cost. With regard to their present members, it is not equitable that members hereafter joining and paying rates just equal to actual cost should have their rates affected and their protection imperilled by the needs of those whose provision (rates) may prove inadequate."

This statement recognizes the two sides of the problem requiring legislative solution—the adequate and inadequate rated members. The majority of Canadian fraternal societies being provincially incorporated and under provincial laws, the provinces are now face to face with the imperative obligation to improve the law and not to fall behind the Dominion and the United States in the effort to protect the public and give permanent stability to these societies, which can fill many useful functions if assured of their future. Adequate rates and proper reserves are an absolute essential to stability. There is no excuse for a society not adopting adequate rates for new members at this late hour. The view of fraternal leaders may be stated in two sentences addressed to fraternal members:—

"It is a crime to issue certificates upon inadequate rates." (Executive Com. Report, Nat. Frat. Congress.)

"I declare that any person who issues a certificate on inadequate rates is committing a deliberate fraud. Ignorance is no excuse to-day." (The President of an American Fraternal Society.)

Thus adequate rates for new members is a first step.

Segregation of Funds

Another step is then necessary. The most reliable fraternal judgment has recently declared that "the laws should distinctly provide for the segregation of funds accumulated by the payment of those paying adequate rates." (Exec. Com. report, N.F.C.)

The crux of the fraternal problem is of course the readjustment of rates or benefits upon the present inadequate-rate membership, as to which I might say much from actual experience. The New York Conference Bill, now generally enacted in the United States, and the Ontario law, both fail to properly protect the new adequate-rate member. These laws leave the solution of the inadequate-rate class to a slow dying pace that jeopardizes the future of a society that will not take effective action. This keeps the whole question of fraternal insurance in uncertainty. So much is this realized both by Insurance Commissioners and the