

THE C. M. B. A.

REPLY TO DR. RYAN'S REVIEW OF THE RE ADJUSTMENT OF C. M. B. A. RATES AS PROPOSED BY M. BRODERICK, SEAFORTH

Editor CATHOLIC RECORD: Would you kindly publish enclosed letter to Kingston Freeman as an answer to Dr. Ryan's criticism of my previous letter in the RECORD.

M. BRODERICK.

I have received a copy of the Catholic Freeman of Kingston, dated May 19th, containing a communication from the CATHOLIC RECORD over my name, dealing with the re adjustment of rates for the C. M. B. A. I would be thankful if you could grant me space to reply to some of the objections made in your criticism of it. While noting your favourable comment upon the letter dealing with certain set principles of insurance, and thanking you for it, I must review some of your objections to my proposition to the Grand Council of granting a flat rate of \$8 a \$1,000 insurance to members over fifty-three years of age, members under that age paying the rate adopted in 1907.

You state that you have examined it very carefully and must condemn it on account of certain erroneous methods in my system of figuring, and the proposition "must be regarded as unproved on that account," which is a very simple manner to dispose of it I must say.

If you have carefully examined it as you state, you should have been able to quote my deductions correctly, but the comparison of figures you quote in your letter are not fair because in one instance you do not quote my column of figures dealing with the present value of the N. F. C. and in another instance dealing with the N. F. C. rate per \$1,000, insurance you compare a column which has no bearing upon it at all, thereby distorting my proposal and condemning it in its entirety on account of your own errors of comparison, and with a wave of your hand you sweep it to one side on the ground that the figures were not obtained in the same manner as actuaries would use. Had you examined it closely you would have seen that the results obtained by my system were practically the same as the N. F. C. The slight difference being accounted for in another way which I will show later on.

You first criticize my using the term "adequate and sufficient" in support of my proposal on account of having the same meaning as actuarial solvency, stating that actuarial solvency, adequacy and sufficiency is the same applied to insurance and to business. While it is true, nevertheless, a society may have rates which would make them actuarial solvent based on a mortality table, and may become more than sufficient if the death rate dropped lower than what the rates were based upon, thereby making it more than sufficient at the same time being solvent; or vice versa. It was in this sense I used the words and I think it was quite proper to do so. For a concrete application I mention the act of the Grand Council of the C. M. B. A. Mr. Landis in his report to them in 1907 stated that in order to be solvent new members would have to pay the full N. F. C. rate. Notwithstanding, however, the Grand Council adopted a rate 5 per cent. lower than the N. F. C. rate, believing that it would be sufficient for the solvency of the C. M. B. A. In the same manner in my report I said it was not actuarial solvent but believed it to be adequate and sufficient for our society.

And according to your statement their action was justifiable because it has provided a full reserve of \$800,000, which you say is sufficient for their protection. If this is right may we not assume that the full N. F. C. rate, actuarially solvent as it is, provides more than is sufficient for the safety of the society; would it not follow then that the N. F. C. rate is too high? And have you not shown that a "part is as good as the whole." But actuaries say that it is the lowest rate that can be used and be solvent. You say that a rate 5 per cent. less is sufficient, or in other words, you prove the N. F. C. rate to be too high, and there condemn my proposition because I have not used the same system of figuring as applied by the N. F. C. actuaries. Personally I do not think the Grand Council acted right in giving new members a preferred rate of 5 per cent. There is no good reason why they should not pay the full N. F. C. rate. They became, one might say, preferred shareholders of the C. M. B. A. and they obtained all the benefits of our society, and assumed none of the disadvantages. True enough they created no burden, but if it was a mistake in the Grand Council adopting a rate 5 per cent. too low it should not be too late to rectify it. The extra surplus created by the additional 5 per cent. could be used for the benefit of the older members, and would accumulate during the lifetime of the C. M. B. A. an amount which would offset the deficit which a \$8 flat rate for all members over fifty-three years would create, and would be no injustice to the new members.

Now if you belong to the Grand Council and anxious to assist the old members out of their difficulty will you not use your ability and influence with them to reconsider the rate of new members and adopt the full N. F. C. rate as required by Mr. Landis' report? And if you could succeed in doing so and thereby enable them to see that the reserve on hand, and the lapses during the life

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time of the C. M. B. A., a higher rate of interest than 4 per cent on reserve, and the accumulation of the extra 5 per cent. from new members would be sufficient to offset the deficit which a \$8 flat rate would create, you would be doing one of the greatest acts of charity that could fall to a man to perform, and would bring on your head the blessings of several thousand members of the C. M. B. A., and their wives and children.

Mr. Editor, since writing the above part of my letter, I see in the CATHOLIC RECORD a communication from Dr. Ryan, Grand Medical Examiner, which is the same as the one in the Freeman. I had no idea who contributed to your paper until now. In fact, I thought that the Freeman had an Actuary on its staff.

I now have no hesitation in soliciting the assistance of Dr. Ryan on behalf of the old members of the C. M. B. A., being a Grand Councilor for a great many years and desiring the support of the old members to the position. If he would only help me to improve my proposed adjustment of rates, instead of condemning it I am certain it would be made practicable for all purposes.

It is quite a surprise for me to know that he made a distinction between Actuarial Solvency and sufficiency when he countenanced as Grand Councilor the adoption of the 5 per cent. reduction from the N. F. C. rate for new members of 1907; the N. F. C. rate being actuarially solvent and the C. M. B. A. rate being accepted as sufficient by them.

Good reasons could be given for the favoring of old members to the extent of 5 per cent. where censure is justified in the granting of it to new members against the advice of Mr. Landis.

Do you not think, Dr. Ryan (knowing how hard old members will be put to keep their policies) that the N. F. C. rate should be enforced in its entirety for new members, and the extra reserve it would create, according to your statement that new members have now a full reserve, along with the other means I have mentioned, would wipe out all the deficit formed by a flat rate of \$8 a \$1,000 members over fifty-three years. It would not be doing an injustice to ask new members to pay the full rate as recommended by Mr. Landis.

Now as to the grave errors I fell into in dealing with figures in a way not recognized by actuaries, I did feel that I was familiar with most of the errors usually made by inexperienced insurance critics, and also knew the system adopted by actuaries in computing rates, etc. They warn you that the expectation of life does not signify anything and should not be considered in estimates at all, but you never see an actuary's report that does not show expectation of life column put there I suppose as a trap for critics to fall into, and then condemn their figures. It must be somewhat of a surprise to Dr. Ryan to see that my estimate of present worth, etc., worked from a wrong basis as he states, comes so near to the present worth of the N. F. C., in fact much closer than he shows in his comparison of both columns. He did not quote at all my valuation of the present worth of the N. F. C., which was somewhat higher than the amounts they give, making the difference between the present value of contributions and the single premium much less than his showing made it, on account of using the same system on both, thereby increasing the present value of the N. F. C. The columns below show the fair comparisons.

Table with 4 columns: Age, Single Premium N. F. C. 4 1/2% as given by Barnard report, N. F. C. future contribution, Value of future contribution. Rows for ages 20, 25, 30, 35, 40, 45.

You see that column 1 and column 3 are compared by Dr. Ryan whereas column 2 and column 3 are the ones given by me in my estimates. As a matter of fact my dealing with ages up to fifty-three years was not necessary because members all pay a sufficient rate; but having figured them out to find if possible any overplus in the reserve created by the N. F. C. rate which could be used as an offset to the deficit for the members paying a \$8.00 rate over fifty-three years of age, and having done so, included them in my report, stating that while a surplus of \$245,000 was shown—I did not claim it was reliable surplus—so did not misrepresent it to the Grand Council. And because of this difference he condemns my proposition in its entirety; in reality the difference shown in column 1 and column 2 is mostly caused on account of figuring the first year premium in full and compounding it for the period of years at each age, whereas being paid monthly it should have been figured for half a year only.

But it is when he comes to Present Value of Single Premium of the N. F. C. rate for \$1000, as given by him, that he is at a loss to know how I worked it out, but he has compared my value of future contributions for members over fifty-three years paying a \$8.00 flat rate with the Single Premium of the N. F. C. paying the full rate.

Table with 4 columns: Age, Present worth of payments at new rate, Single Premium N. F. C. 4 1/2% as given by Barnard report, P. W. of future contributions at \$3 flat rate. Rows for ages 55, 60, 65, 70.

and by subtracting column 3 from column 1 it shows the deficit created at each age per \$1,000, on a flat rate of \$8.

Thus what Dr. Ryan quotes as my single premium was really column 3, which is the present value of contributions for members paying a rate of \$8, at different ages. No doubt this was an oversight on his part. He states again "That Mr. Broderick assumes that the present value of the payments to be made by members is the same as if each member were certain to pay for a term of years equal to his expectation of life and no longer; and had I used the proper N. F. C. System, I would have found the present value of contribution at age twenty to be \$211.06 as against \$226.00 as shown by him."

It must be admitted that if figures quoted based on the expectation of life are so close to the requirements according to the N. F. C. rate that any excess in years over the expectation of life would be a distinct gain to the Society, and would make a lower rate than the N. F. C. practicable and sufficient. If the N. F. C. knew that the probability of life of members was five years more than experience shows their rate could be made lower than at present and be sound. Again he states that I assume that \$1 invested for two years plus \$1 invested for fifty years would be the same as \$2 invested for twenty six years. I do not assume any such proposition. I know that 2 premiums at forty years of age would not equal a premium of a twenty and sixty although the average is the same.

My report showed a deficit of \$175,000 based on policies being \$1,000. If however, half were \$2,000 policies it would increase the deficit to \$262,000, and Dr. Ryan claims that \$800,000 of the reserve belongs to members since 1907, which is right. This would make a deficit of \$562,000 as against one of nearly \$5,000,000 at present, if new members paid the full N. F. C. rate instead of 5 per cent. along with the lapses during the existence of our society. I am quite sure that the deficit would be entirely wiped away or reduced so materially that members could all retain their policies. The Modern Woodmen of America with a membership of 1,250,000 adopted in 1912 a similar readjustment of its rate, giving a flat rate of \$8 to members over fifty-three years, and it is deserving of a very careful consideration by the Grand Council having the interests of old members at heart, knowing that the proposed rate will force thousands of them to give up their policies at an age when the obtaining of further insurance is impossible, thereby depriving their families of the benefits they looked for. If non-actuarial societies have refused to sacrifice the interests of the old members how much more so should the C. M. B. A.

And the Independent Order of Foresters in their re adjustment of rates would not consent to adopt a rate which would be prohibitive for old members and did not demand the "pound of flesh" for them.

Let us place ourselves in the poor man's position and calmly consider the situation from his standpoint, working in the fields or in the factory for wages hardly sufficient to properly maintain his home and clothe his children, sacrificing every month for the past thirty years some necessity

of life in order to keep his insurance policy paid up, so as to protect his family from absolute want in case of his death, the only legacy he has been able to provide for them, and then to have his hopes, his all, completely wiped out and dashed to pieces forever. On behalf of the old members and to allow all members to consider my proposition let the Grand Council have it published for them to examine, and decide if it should be "considered not proven."

Thanking you for your valuable space.

M. BRODERICK Pres. Br. 23., Seaforth, Ont.

CANADIAN EUCHARISTIC CONGRESS

Foremost among the members of the Canadian Hierarchy who will participate in the Eucharistic Congress of Montreal, in July next, will be His Eminence Cardinal Begin and His Grace Archbishop Brochee. Cardinal Begin is Honorary President of the Convention, and besides addressing the monster meeting of clergy and laity to be held at Notre Dame Church on the opening night, July 13th, His Eminence will attend various gatherings of the Congress. Archbishop Brochee, who is the President and the moving spirit of the demonstration, will follow all the deliberations of the Congress and act in the same capacity as at the Congress of 1910. Ten other prelates will preach or read papers at the Congress gatherings. Auxiliary Bishop Hayes of New York is the only American prelate who has been invited to take an active part in the proceedings. His Lordship will deliver the dedication sermon, on Sunday, July 11th, when Archbishop Brochee will solemnly bless St. Patrick's new Congress Hall, the headquarters of the English speaking Section.

OLD PEACE TRIBUNAL

"The Holy See," says Edwin D. Mead (non-Catholic) in the Boston Advertiser, "at Rome was a continuous peace tribunal; and the sundry Marovingians and Carolingians and Plantagenets were never permitted to forget, amidst their rivalries, that there was a mighty international religious power above them, which reversed which would add bring them sharply to book if they went too far. The 'truce of God' was called with drastic power when turbulence became too menacing."

DIED

REARDON.—At his late residence, 391 Bell street, Ottawa, on Monday, June 7, Mr. John Reardon. May his soul rest in peace!

THE TABLET FUND

Toronto, June 8, 1915.

Editor CATHOLIC RECORD: I thank you for giving space to the Appeal for the Tablet Fund for the Relief of the Belgians. So far I have received because of this appeal: Previously acknowledged.....\$798 81 Little Hugh Doyle, Rathburn, 1 00 Friends, Port Lambton, Ont., 4 00 In Honor of Our Blessed Lady, Cobalt..... 1 00 Belgian Sympathizers, Westport..... 5 00 Mrs. Wm. Jackson, McDonalds' Corners..... 1 00 Mary and Frances Carthy, Kerwood, Ont..... 2 00 A Friend, Kinkora, Ont..... 1 00 Subscriber to the RECORD..... 1 00

If you would be good enough to acknowledge publicly these amounts in the columns of the RECORD I would be very grateful.

Respectfully yours, W. B. BLAKE, 92 Pembroke St.

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Table with 2 columns: LIABILITIES and ASSETS. Rows include Capital Stock paid in, Reserves, Dividends, Current Coin held, Dominion Notes held, etc.

K. W. BLACKWELL, Vice-President. E. F. HEBDEN, General Manager.

Report of the Auditors to the Shareholders of the Merchants Bank of Canada

In accordance with the provisions of Sub-Sections 19 and 20 of Section 56 of the Bank Act we report to the shareholders as follows:— We have examined the above Balance Sheet with the Books, Accounts and other records of the Bank at the Chief Office and with the Branches and Agencies. We have checked the cash and verified the securities of the Bank at the Chief Office against the entries in regard thereto in the books of the Bank as on April 30th, 1915, and at a different time during the year, and found them to agree with such entries. We have also attended at several of the Branches during the year and checked the cash and verified the securities held at the dates of our attendance and found them to agree with the entries in the books of the Bank with regard thereto. We have obtained all the information and explanations we have required. In our opinion the transactions of the Bank which have come under our notice have been within the powers of the Bank, and the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the books of the Bank.

VIVIAN HARCOURT, Deloitte, Plender, Griffiths & Co., Auditors. J. REID HYDE, of Macintosh & Hyde.