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Solvency of Fraternal Benefit Associations*

Review of Legislation Affecting Fraternal—Canadian Provinces Have Been Negligent, but Dominion now has Good Law—Deficiency in Funds Must be Faced by Old Members, and New Members Must be Protected by Segregation of Funds

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THE vital importance of fraternal benefit societies to the home, to the community and to the state has for many years been generally recognized. The state sustains an important relation to these benefit-granting societies and that relation naturally expresses itself in legislation.

The question of legislation in reference to fraternal orders is both difficult and delicate. In dealing with this subject, much strong feeling has been engendered in years gone by in Great Britain, the United States and Canada. The problem is still with us and will not down until properly settled. Recent and prospective legislation in the United States and Canada touching the financial position of these societies is demanding attention on every side. The present magnitude and extent of the operation of fraternal societies in America is seen by these striking facts:—

Annual benefits paid (1919)	\$ 150,000,000
Number of members	10,000,000
Amount of insurance	\$10,000,000,000

A New Method of Approach

It has been my privilege in recent years to devote some time in viewing the situation as to fraternal benefit societies from the inside as well as the outside. I have come into the closest contact with many officials and insured members in their chief legislative meetings when questions as to the solvency and readjustment of rates and benefits were under discussion. I have endeavored to study the human elements as well as the actuarial and financial factors that enter into the solution of the questions that are still live issues both for the societies themselves and for government officials.

May I, therefore, begin by stating a conviction arrived at by close touch with the main issues involved that the time has arrived when a better method of approach than has too often prevailed must be applied to the problem of bringing all such societies to a sound position. Until a comparatively recent time the method of approach in all spheres of investigation was largely the deductive and dogmatic method. That method is now largely set aside by the educated modern mind. The last quarter of the 19th century and the opening years of this century have made it evident that the true way to approach the study of any subject, whether it be science, economics or religion, is the historical method. We have now come to realize that we can never understand anything until we find out how it came to be. "The history of a thing is the thing." To trace the growth of an institution is the only possible way to get at its meaning. So

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the historical approach is characteristic of all intelligent intellectual effort to-day. It traces effects to their causes, reconciles divergences and softens our asperities. Instead of fighting our opponent, we explain how he came to be. Thus tolerance and comprehension take the place of dogmatic argument, invective and denunciation.

Approached from the historical point of view, we enter upon the investigation of fraternal insurance and its problems with a comprehensive and sympathetic appreciation of how things came to be as they are. From an historical review of what has been done in different parts of the world to improve by legislation and otherwise the financial position of these societies, we are in a better position and attitude of mind to point the way for the better protection of both their present and prospective members.

Evolution of Fraternalism

The late Sir George Hardy, ex-president of the Institute of Actuaries, has truly pointed out that friendly societies "were originally purely social in character, subsequently charitable and mutually protective, and only in recent times financial."

Here, then, we have in a sentence the genesis and evolution of friendly societies, or, as they are generally called in America—fraternal societies. Thus by seeing historically how the emphasis changes from the purely social, first to the charitable, then to the mutually protective and then to the financially developed insurance character, we are in a better position to apply appropriate methods and legal enactments to remedy any existing short-comings in this institution which has its roots so deeply imbedded in the human family.

The foregoing states briefly and simply a broad general principle—a method of approach, an attitude of mind but everything turns on a right approach. My subject now requires me to narrow the application of this principle to the question of "Legislation as to the Solvency of Fraternal Societies." In the application of the historical method one naturally asks what steps have been taken in the past to correct by legislation, defects in friendly society finance. From a comprehensive view of past successes and failures in this direction and from an enlightened understanding of present-day requirements, we will the more surely blaze out the safe legislative path for the days to come. I must ask, therefore, that instead of the microscope we use the telescope and take a rapid historical survey of legislation in Great Britain, United States and Canada, looking towards an improvement of the financial condition of these societies. I am convinced that such a survey will satisfy both fraternalist and legislator that on this side of