ness in force in 'old line,' or legal reserve, companies. Regarding the business, Mr. David Parks Fackler, the distinguished actuary, said in December last :

'On examining the annual mortuary payments of the ten-year class, it was found that they considerably exceed the net rates for ten-year term insurance based on standard mortality tables.'

As to the results attained upon this business, the actuary of the association, in his report at the close of 1899, said:

'Considering this form of policy contract as a ten-year renewal term, this class has met its own death losses, provided the full reserve which would have been required had it been subject to valuation as old-line or legal reserve insurance, and accumulated a surplus in addition of $1,264,825.09.'

In dealing with the earlier form of business, the management, under the advice of competent and trained experts, placed it upon equitable and sufficient rates in accordance with the nature of the contract, as that contract gave ample power for doing. It was term insurance, and the management recognized its nature and the requirements of security under such a contract. It acted boldly and honestly in the interests of the holders of this insurance, because it provided for the fulfilment of their contracts, and placed behind them the security necessary to that end.

At the same time, it offered to each of these members the opportunity freely to exchange the contract he held for any other contract issued by the association. President Burnham had cast aside every apparent advantage in the struggle for new business due to low rates of premium, and had attested his confidence in the ability of the institution and its management to compete with the best, by adopting for new business the full rates charged by 'old-line' companies. He offered to all members the opportunity to come under the terms of the newest contracts, with their concomitant advantages of cash and loan values and of extended and paid-up insurance.

Having, however, placed all old business upon substantial and equitable rates, it was not necessary, as some other institutions have felt compelled to do, to drive these members to a change. On the contrary, the policy of the management has been to base changes upon the intelligence and business judgment of the members, and to allow no exchange to be made except where the member has had a full and clear statement of the conditions and knows exactly what he is doing. It is possible that, because of this, exchanges have been somewhat less rapidly made than would otherwise have been the case, but it is certain that a superior degree of persistence has been and will be secured, while almost the entire absence of complaints from exchanged members is in striking contrast to the dissatisfaction that has been created by the methods of some other companies.

The Mutual Reserve did not move as early as some other companies in this matter of exchange of form of policies, in part, because it was relieved from the necessity to do so by the policy of the management in exacting adequate rates of all, and al because the business that called for earliest action bore so small a proportion to its entire business, the vast mass being, as has been shown above, upon a basis where the compliance with the standard requirements of the old-line law was entirely impossible. It was less than a year since exchange was offered, and less than $30,000,000 of the business to which the option of exchange was presented remains to-day unchanged.

Neither did the association adopt in its entirety the plan of any other company in making exchanges. While the loan-note plan for accumulating the reserve was the principal method offered, it also extended other options, so that all members had a choice of methods and each was able to select such as met his individual needs.

In adopting the loan-note, the Mutual Reserve simply adopted a method which has been the general property of legal reserve insurance ever since the business was established and a reserve required by law. The reserve is an obligation of the company, and it is an established principle of finance that no institution can loan on any other security as unquestioned as its own obligations. Loans on reserve and against maturing insurance are always co-existent with life insurance.