

the Society in that its earnings on its other invested assets show a large excess over 4 per cent. The proportion of assets to be so invested had been repeatedly curtailed by the Society, and resulting, in part at least, from the suggestions of the examiners, active steps were taken by the Society toward fully relieving it from this contract. There is now being invested by the Union Trust Company under this contract, over \$5,000,000.00 on which the Society gets a return of 4 per cent., while upon the remaining \$12,000,000 of the Society's invested assets it receives a net return of over 5 per cent. As indicated by the correspondence incorporated into the report, the examiners at the request of the Supreme Chief Ranger of the Society, made a computation of a basis of settlement of this contract with the Union Trust Company, and notices for the termination of the contract on May 1st, 1916, were served by the Supreme Chief Ranger upon the trust company.

UNION TRUST COMPANY CONTRACT TO BE TERMINATED.

We are advised by the Supreme Chief Ranger of the Society, that negotiations have reached a point through which an agreement will be immediately executed between the Society and the Union Trust Company, that no additional funds shall be advanced to the trust company for investment under the contract, but that the funds now held shall continue to be handled by the Union Trust Company until May 1st, 1916, upon a net interest payment to the Society of 4 per cent., and that this contract shall then be extended for five years until the first day of May, 1921 upon a net interest payment of 5 per cent.; and that the sum of \$75,000.00 shall be paid to the Union Trust Company as liquidated damages for the failure of the Society to advance to the trust company the full amounts required under its contract; and the additional sum of \$20,000.00 shall be paid to the Union Trust Company as compensation for handling the "rejected assets;" and that on the first day of May, 1921, all relationship between the Union Trust Company and the Society shall cease without any further payment or obligation.

LIEN FOR SPECIAL ASSESSMENT VOID.

The annexed brief shows that any attempt by a Society to reduce the benefit certificates to the members by a lien for a special assessment and interest, is void, and that this conclusion has been reached in all the states where the question has been passed upon by the highest courts. The Society concedes that this would be the fact were it located in the United States, but makes the claim that because it is organized and located in Canada, where there is no written constitution regarding the obligations of contracts, it can, under the sanction of an Act of the Dominion Parliament procured by it, enforce the provisions of such Act, in the United States, regardless of the laws of the various states.

DISREGARDS OBLIGATIONS OF CONTRACT AS CONSTRUED BY U. S. COURTS.

It is thus claimed that notwithstanding the Society has come into the several states under licenses similar to those granted to societies from other states of the United States, it can deliberately violate the obligations of its contracts, as construed by U. S. courts, though such act would be absolutely void on the part of a society located in such state or in any other state of the United States.

DISCRIMINATION ASKED FOR SOCIETY.

Apart from the discrimination which is thus asked in favor of this Canadian society against all societies located within the United States, it should be noted that if, in principle, a \$260.00 reduction in a death benefit of \$1,000.00, or in an old age benefit of \$700.00, can be sanctioned as to this society, the same principle would require approval of other reductions, even to the extent of wiping out the entire benefit.

QUESTION ULTIMATELY FOR COURTS.

The question is one which can only be decided finally by the courts, but is one of vital and immediate importance to the members, on which they are entitled to have all possible information in order to protect their inter-

ests, not alone in the courts, but by withholding the payment of demands which, in our opinion, are absolutely contrary to law.

MEMBERS SHOULD PAY OLD RATES.

Under the plan of readjustment adopted, the members may maintain their certificates in force by paying the rates in force prior to the attempted readjustment, and should refuse to recognize the attempted levy of the lien or any interest charges thereon. In the event of the maturity of a contract, the insured, or his beneficiaries, may, in our opinion, insist upon payment of the full amount without the deduction of lien or interest. If an action or suit becomes necessary, the same may be brought by service upon the commissioner of insurance or other attorney for service of process, as provided by the laws of the respective states, and the rights of members in this respect will not be changed by the fact that the Society has withdrawn from the state.

ATTITUDE OF DEPARTMENTS TOWARD READJUSTMENT.

There has been no misapprehension on the part of the chief executive and other officers of the Society as to the position of the courts and the insurance departments of the United States upon this question, as they were fully informed prior to the proposal and adoption of the Canadian Act that any such act on its part was contrary to the law in the different states of the United States.

At the time of the meeting of the Supreme Court of the Society on the 26th day of August, 1913 in Toronto, Canada, the commissioners making this examination presented to the Supreme Chief Ranger of the Society, their protest against misrepresentations as to the attitude of the departments with regard to the proposed readjustment, which had been made in a published report signed and circulated by him, and no opportunity was afforded said commissioners to appear before said Supreme Court.

INTERESTS OF MEMBERS.

Even should there exist a possibility of a final decision by the courts in favor of the plan proposed, the wisdom of defying the generally accepted rules of law throughout the United States, and plunging the Society into expensive and protracted litigation in practically every state, as well as of inviting the hostility of a large body of its own members, may well be questioned.

LIEN PLAN CONDEMNED BY COURTS.

The plan of readjustment adopted is the one particular plan to which general objection has been made in the past, and which has been uniformly condemned by the courts in the United States. There are any number of other plans of readjustment which might have been adopted upon which the question of a violation of the contract rights of the members would not arise. On the whole, the condition of the Society is such that, notwithstanding the deficiency shown by valuation, it could very properly comply with both the statutes and the decisions of the courts in such readjustment as to place itself upon a sound and permanent basis.

ACTUARIAL REPORT ON ADEQUACY.

The question in regard to the adequacy of the attempted readjustment, is fully discussed in the actuarial part of the report, which condemns the use of a lapse factor, involving the forfeiture for all time of the overpayment of unfortunate members who terminate their contracts. It directs attention to the fact that the laws enacted in many states following the Mobile bill, make no mention of a lapse factor, and that since these laws specifically refer to mortality and disability, the use of any such lapse factor is necessarily excluded.

FRANK RECOGNITION OF CONDITIONS AND NEEDS REQUIRED.

The real need of this Society is a full and accurate knowledge of its condition from a frank and open statement by its executive officers of the mistakes of the past, of the requirements of existing law, and of the needs of the Society for the adequate fulfillment of its outstanding contracts and a willingness to take the steps which are made necessary by the existing conditions.