

of the insured. There is also included in the liabilities the proportion of assessment No. 20 which will go to the Reserve Fund. The assets are \$558,402.19, and the liabilities are \$520,375, the surplus being the amount estimated to be realized on assessment No. 20 in excess of the amount required to pay the claims for which said assessment was made.

The condition of the Reserve Fund on June 1, 1885, is shown by schedule. The report says:

"The total amount of net receipts from death assessments up to June 1, 1885, was \$1,407,515.40, of which \$351,825.97 has been transferred to the Reserve Fund, the remainder having been applied to the payment of death losses. From this it is evident that the requirement of the constitution, that twenty-five per cent of the net receipts from assessments shall be carried to the Reserve Fund, has been faithfully complied with. Section 2 of article 10 of the Constitution prescribes that the Reserve Fund "shall be deposited with a trust company, or companies, or departments constituted by Government or legal authority." This prescription has been recently disregarded by the deposit with a national bank of nearly \$60,000 of moneys belonging to the Reserve Fund. Out of this deposit there was drawn \$61,375 for the purchase of \$50,000 United States bonds, for deposit in Canada. If this deposit with a national bank be legal, it would be equally so if deposited in any other bank or place. The circulars and advertisements of the Association convey the impression that the Central Trust Company of New York is the sole trustee of the Reserve Fund. If it is the intention of the Association to make the Central Trust Company the sole trustee of the Reserve Fund, it will be necessary, in order to carry such intention into effect, that the present deed of trust be amended, as it does not now provide that all moneys belonging to the Reserve Fund shall be deposited with said Trust Company."

From remarks made in our hearing, we gather that an erroneous impression prevails concerning the deposits of the above-named trust company, which amount to 24 millions of dollars. This misapprehension arises from the rather equivocal manner in which it is mentioned. We need doubtless only refer to this circumstance in order to induce the managers of the Mutual Reserve Association to render the meaning more clear, and show to the public that these enormous deposits appertain to the Central Trust Co. of New York, and not to our new visitor from the same city.

Referring to the Canadian deposit, the examiners say:

"In this connection we desire to call your attention to the deposit of \$50,000 United States bonds made in Canada. We are informed that a Bill, was recently

passed by the Canadian Parliament which requires assessment associations to make a deposit of \$50,000 with the Canadian Government as a prerequisite to their transaction of business in Canada. We understand that this Bill has not yet been signed. The following letter will explain the circumstances connected with the deposit above referred to: "

"NEW YORK, March 27, 1885.

Sir LEONARD TILLEY, Minister of Finance,  
Ottawa, Canada:

DEAR SIR,—We send you this day, per U. S. Express, five (5) ten thousand dollars (\$10,000) U. S. registered bonds, three per cent loan of 1882, original numbers 13,573 to 13,577 inclusive; substitute numbers 8,291 to 8,295 inclusive, which we place in your hands awaiting the result of the Bill now pending in the Canadian Parliament, and beg to request that as soon as the Bill has passed that you consider the same as a deposit made by the Mutual Reserve Fund Life Association, in compliance with the law. Will you be kind enough to acknowledge the receipt of the same?

E. B. HARRIS, President.

"P. S.—Duplicate letter accompanies the bonds."

"The present insurance laws of Canada provide that deposits made with the Canadian Government shall be held for the benefit of Canadian policyholders. The President of the Mutual Reserve Fund Life Association informs us that the Bill awaiting signature directs that all deposits made in pursuance thereof, shall be held for the benefit of all policyholders. We have endeavored to obtain a copy of said Bill, but have been unable to do so, and therefore cannot state exactly what it contains. If it provides that the deposit shall be held for the exclusive benefit of Canadian policyholders, it is manifestly unjust that the funds contributed by American policyholders should be used for that purpose. If, however, said deposit is to be held for the benefit of all policyholders, it would not be open to much objection, although the manner of creating the deposit may be open to criticism. We may add that the receipt of said bonds has not yet been acknowledged by Sir Leonard Tilley, but the United States Express Company's receipt for them is held by the Association."

The Medical Bureau of the association, appears to have been examined by a physician of New York whose report is included. It would appear from this report "that the medical examinations in the earlier years of the association were rather lax and insufficient," but this has much improved latterly, and is now not inferior to that in general use. Under this heading the report says:

"It appears that, in the summer of 1881, the Association reinsured the Lawyers' Mutual Aid Association of New York, numbering 106 members. None of these members have ever been subjected to a medical examination by either of these associations. In December, 1882, this Association added to its number 1,430 members of the Mutual Endowment Assessment Association of Baltimore, Md., without the usual medical examinations, relying on the medical examinations made when such members were

received into the Baltimore association. These reinsurances, without proper medical examination, were mistakes that have proved very expensive."

Under the caption of "Dues and Fees" the report says that it was found impossible to verify the receipts for dues from the dues' registers within reasonable time. "We therefore," it says,

"Depended for a verification upon the accuracy of the general book-keeper's books, which are very well kept, and we believe the dues received have been accounted for. It would be more satisfactory, however, if the amount of dues paid on each certificate were carried out in its proper column of the register, instead of being simply marked paid, and the cash account debited with the gross amount of dues, and credited with the commissions retained by the agents. This would make the verification of the cash book from the register, which is the only proper method, an easy matter."

Out of the gross amount of death assessments, \$1,486,172, collected to June 1, 1885, there was paid \$78,657 for expenses of collection, salaries, taxes, legal and other expenses. Concerning these expenses the report says:

"The constitution of the association permits the payment of such expenses out of the assessment moneys; in fact it permits the payment out of such funds of any expense that may be deemed chargeable to the mortuary department. Although the percentage of assessment moneys used by this association for expenses has not been very large as compared with the amount thus used by some other associations, there is nothing to prevent a very large proportion of such funds being diverted to this purpose. Our opinion, expressed in reports on other examinations, and to which we still adhere, is that not a dollar of the assessment moneys should be used for any purpose other than the payment of death claims, and the augmentation of the Reserve Fund; but that if the fees and dues are insufficient to meet the expenses of the association, an assessment should be made to meet the deficiency, and we think the State laws should be amended in this respect."

"The association has always paid its approved death claims in full. All claims are very strictly investigated, and many that have not been deemed valid have been either compromised or rejected. The members have been assessed double the usual rates on assessment No. 20, which is the latest one made. This is the first time a double assessment has been levied on the members, and it was done for the purpose of paying all claims that had been approved up to the time of making the assessment, and for which a single assessment would be insufficient. The number of members liable on said assessment was about 24,500. Although mistakes have been made, as indicated herein, we do not feel they were due to dishonesty on the part of the managers."

The general examiners' report concludes with a complimentary reference to