

of the value of the security afforded. No one ever effects an insurance in the belief that the benefit is to be reaped within a short period; on the contrary, every one, while preparing against the unforeseen, anticipates his becoming a charge upon his insurance company only when the decrepitude of old age carries him to the grave, and it is to the probable resources of the company and its ability to discharge its obligations in the far-off future, that regard must be had, rather than to the competency of the organization to maintain itself for a few years to come. It may, therefore, be laid down as an axiom in life insurance, that, no method of business is worthy of success or should receive the patronage of the public, which does not provide ample safe-guards against the contingencies of the future. The mere fact that a company offers to effect an insurance at an extremely low rate is not a sufficient reason for bestowing patronage upon it; indeed, speaking from general principles, cheap insurance is bad insurance, because in nine cases out of ten, it is no insurance at all. Among companies pursuing the ordinary method of business, there is constantly found a variableness in the rates, but the differences are comparatively small, and are easily and satisfactorily accounted for by such causes as the age of the company, the economy with which it is managed, the proportions of its business, the expenses of conducting which are in a decreasing ratio to its growth, the nature of its investments, and like considerations. Upon the character of these will depend the rate at which the company can afford to effect an insurance. But we repeat that the difference in rates due to such causes, are generally of small consideration, as all the companies follow well-defined and approved principles of business. They make a deposit proportional to their business with the Government, as a guarantee to insurers; they have investments, the extent and character of which are attainable by every one, and they are backed by large actual and subscribed capital. But mutual benefit companies pursue a very different system. They have no capital, make no deposit with the Government, have no invested funds. Not, therefore, being compelled to maintain a large staff of officers to transact the business, to earn such profits as will permit of the payment of dividends to shareholders, having no money locked up with the government, they are in a position to effect insurance at very low rates of premium. But they fail to provide the insurer with what above all things he requires, a guarantee of the payment of the policy when demanded. These mutual benefit companies can offer no security other than the honour and financial standing of their members, and we submit that such a security is not a sufficient one. It is too indefinite, it assumes too great a risk, it imposes on the insurer the obligation of paying, while giving him in return no guarantee of the value of the investment. When these objections are pointed out to the promoters of these mutual companies the answer is based upon a supposititious case. They say that if you take a period of ten years as an example, under the regular system the insurer will pay in the shape of premiums probably \$250, while under the mutual system the premiums will amount to only \$125, a saving of one

half to the insurer, and if it is answered that under the regular system the insurer can obtain at the end of ten years, presuming he is unable longer to pay his premiums, a paid-up policy for a considerably larger amount than he has invested, they will tell you that if you give them the \$125 that has been saved under the mutual system in the ten years they will purchase for you a paid-up policy for a still larger sum. This reasoning, however specious, is wholly unsound for two reasons, first, because within the ten years a disease may have been contracted by the insurer, which will prevent his obtaining a new insurance, and secondly, because no one who is unable to continue the payment of his premiums to a regular company, is in a position to furnish \$125 for a new insurance. The very essence of insurance forbids the adoption of the mutual system, as practised by these American benefit companies, inasmuch as every payment to a regular company is a provision for the future, a provision against all contingencies, the inability of the insurer to continue his premiums, equally with his death in good standing, while the mutual method offers absolutely no security against the former contingency, and only the honor and financial resources of the members against the latter. Nor is it true that the saving on yearly premiums is so great as appears upon the surface, inasmuch as the profits of the regular companies are added to the amount of the policy and accrue just as directly to the insurer as if he were paying a smaller yearly rate of premium. Indeed the regular system is even better than the mutual one since it assists the insurer in the object he is striving for, the making of provision for the future rather than adding in a small way to his income for present expenditure. But there is another objection, and a very potent one, against this mutual system, and it is the absence of control over the management of the company. There are no stockholders whose investments make them vigilant in respect to the administration of the company; there is little or no means of determining the honesty of the assessments, and no check upon the expense account. All that is necessary to the organization of a mutual benefit company, is half a dozen individuals as a board of directors; they may or may not be men of standing in the community; men of honor and integrity; men who will faithfully discharge the duties of their office; but so far as three-fourths of the insurers of the company are concerned it is well-nigh impossible to determine these questions. We are therefore strongly of the opinion that insurers should give a wide berth to the mutual benefit companies, because of the absence of control over the executive, the illusory character of the lower rates of premium offered, and more particularly because of the want of definite, certain security, the determining question of the value of an insurance. It is proper to add that in the category of mutual benefit insurance companies we do not include those benefit society companies whose business is confined to the city or town in which the society is established, the members of which are well known to one another, and which may in a small way discharge their functions to the advantage of the members.

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