

## RECIPROCAL EXCHANGE CONFESSES ITS OWN WEAKNESS.

The following comment by "Rough Notes" on the Forest Mills Case, the facts regarding which have previously been published in THE CHRONICLE is printed in view of the great interest aroused by the disclosure of the course of action pursued by an inter-insurance concern in this instance. :-

The Lumbermen's Indemnity Exchange of Seattle, whose treatment of a member, the Forest Mills Timber Company of British Columbia, was recently published at length, is reported to have given the following statement as to its side of the case: "The Exchange's attorneys concluded it best for all concerned to use such legal means as possible to properly discipline these claimants. It is well known to the Canadian members of the Exchange that it is *ultra vires* for a corporation within the Dominion to enter into inter-insurance with it, except as a gentleman's agreement." Sometimes a poor excuse may be better than none, but it is doubtful if such is here the case. To admit so openly one of the seriously defective features of reciprocal exchange insurance is to confess the soundness of one of the leading arguments against this so-called form of insurance. The reciprocal exchange, if it hopes to compete with the authorized form of insurance, must be prepared to face dishonest losses upon the same basis as do the authorized insurance companies. They should so frame their contracts that they may avail themselves of the same legal defenses against dishonest losses as are open to the recognized stock and mutual companies, but no more. It would seem to be the height of folly to put forward as an excuse for the non-payment of any claim the fact that the insurance company is exceeding its legal rights anyway in undertaking to furnish indemnity. Business transactions of the present day are upon an altogether too practical basis to justify the owner of any enterprise in placing the possibility of its continuance upon a form of indemnity which has nothing more substantial back of it than a "gentleman's agreement."

### ATTORNEY'S DISCRETION.

In the case of the Forest Mills Company's fire, which the Exchange charges was incendiary and that the claim was excessive and that the insured refused to allow replacement according to contract, "the Exchange's attorneys concluded it best for all concerned to use such legal means as possible to properly discipline these claimants." The question must arise in the minds of other patrons of this concern as to just how far the judgment of the attorneys might be permitted to govern in deciding whether or not it might be "best for all concerned" to pay future claims as they arise. The reasons given may be well founded in the case in question, but the more important fact is developed that the payment of any claim, according to the opinion of the attorneys as to their own powers, may be successfully repudiated on the ground that the subscribers to the Exchange had no authority to enter into such a contract of insurance and did so at their own risk. Surely insurance of such character is not substantial nor does it begin to satisfy the conditions which

insurance is intended to meet—insurance which may or may not be paid according to the discretion of an attorney whose ideas of expediencies are bound to be humanly undependable. The large purchaser of insurance who appreciates the value of certain indemnity should surely be disposed to hesitate before entrusting the welfare of his business enterprise in anything so self-confessedly weak as the reciprocal exchange scheme.

### ASSESSMENT SOCIETIES' EXPERIENCE.

The Spectator of New York presents its annual elaborate statistics of the lapses, death losses and membership in assessment societies, a compilation that, as usual, includes much interesting information dealing with these organizations. At the end of 1915 these organizations had 4,892,977 certificates in force.

The table is divided into four groups, the first embracing twenty organizations which have been in business thirty-five years or longer. In this group the lapses compared with new writings have been very high, the rate in 1915 having been 120 per cent. Likewise the average death rate has grown rapidly, having jumped from 13.46 per 1000 in 1905 to 17.15 in 1915, while the individual experiences in 1915 ranged from 9.55 to 49.41 per 1000. The second group includes nine orders, including the largest order of the country. This also shows the same tendency toward greatly increased lapse rate and increasing death rate. While the average death rate per 1000 was 6.35 in 1905, it was 9.0 in 1915.

The third group contains organizations ranging from twenty-five to thirty years old. While the average lapse ratio is somewhat more favorable than in the two preceding groups, the number of death losses per 1000 has mounted from 6.70 in 1905 to 8.86 in 1915.

Fourteen orders constitute the fourth group, these having been in business for from twenty to twenty-five years. In this group, also, the lapses have grown in importance as compared with the new members admitted, and the ratio of death losses per 1000 has increased from 6.26 in 1905 to 7.44 in 1915.

As a whole the totals and averages of the four groups show that lapses are now nearly 68 per cent. of the new issues and the death losses per 1000 have grown from 8.19 in 1905 to 9.89 in 1915. A careful study shows, says the Spectator, that many societies are in precarious straits and are in danger of imperilling the protection which their members believe they have been paying for.

### THE LIVERPOOL & LONDON & GLOBE INSURANCE COMPANY.

Mr. J. D. Simpson, who, for the past year, has been on the Canadian staff of the Liverpool & London & Globe, has been appointed Deputy Assistant Manager of that Company for Canada. Prior to his coming to the Dominion, Mr. Simpson was in the Company's service for eleven years at their Glasgow and Belfast branches, and later at the Head Office in Liverpool. He has had a very thorough training and is well qualified for the important position to which he has now been appointed. Mr. Simpson recently joined the army of benedicts.