

HOME CIRCLE LEADER

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TORONTO, SEPTEMBER, 1890.

EDITORIAL.

INSURANCE'S LAPSES

The *Globe* of August 4 contains the following statement regarding a somewhat serious condition of a large number of the Insurance Companies:

"Insurance men can no doubt tell us how it comes that there has occurred such an enormous falling in of lapsed life policies lately. The older companies, like the Canada Life, Confederation, North American, etc., have come out fairly well, but in the case of three others, the net amount of whose insurance was nearly ten millions, the percentage of lapse and surrender last year averaged over 30 per cent. of the whole. Altogether the amount of lapsed policies in 1889 exceeded that of the previous year by the large sum of \$1,700,000. An agent says in an advertising circular that we must fall back on the hypothesis that policy-holders in the weaker concerns have been transferring their policies to the strong companies. That might account for it in part, but one is disposed to think that the hard times and consequent poverty of insurers has been a factor."

The hypothesis may be correct or it may not be. It is possible that in some cases "the policy-holders in the weaker concerns" may "have been transferring their policies to the stronger companies," and thus the "Canada Life," "Confederation" and "North American" are benefited by an increase of business at the expense of their confreres, and by so doing the number of lapses is accounted for, and in a measure, we suppose, atoned for.

Did it ever occur to the gentlemen that possibly some of those in the lapse list preferred to drop their contract and take their straight line life in one of the Beneficiary Societies now doing such a flourishing business in Canada? It would not be unreasonable to suppose that some might prefer to stand with a Brotherhood Society, in which each is a partner to help the rest, and to share in the benefit, rather than stand alone in a Company, one of the principles of which is to make a good profit out of the premium charged.

These lapses, no doubt, have resulted in heavy losses to the policy-holders, inasmuch as they were compelled to pay in premiums sums largely in excess of the cost to the companies for carrying the risks, and so these lapsed ones are the parties who should mourn. If the usually well understood rule be correct that the lapses are a source of income and advantage to the said Companies, there should be no particular dissatisfaction with them. If 10 per cent. of lapses produce a desirable condition to the management, 30 per cent should be even more so, and if 30, why not 50? If the law of insurance lapses is the important consideration in the profits of a Company that the reports would show, then

no one need have any anxiety for "the weaker concerns," for in the course of time their very losses will make them stronger. One cannot help feeling how very absurd it is that patrons of Insurance Companies will continue paying, in premiums, so much more than necessary to carry their risk, as to leave, by their lapses, large sums in the hands of the Company, for which the said Company has no risk at all. For instance, take the case of a Company that charges \$24.00 annually for \$1,000. The actual cost of carrying the risk is say \$7, and at the end of the first year, or within three months after paying said \$24 premium, the insured makes up his mind to pay no more, or in other words, to let it lapse. The cost of that year's risk to the Company has been about \$7, and the amount carried to the credit of the lapse is the difference between the cost, \$7.00 and the \$24 actually received, or \$17, the profit the Company has made in one year from this one lapse. Assuming that the policy-holder carries on his part of the contract for ten years, he has paid \$240.00, and the actual cost to the Company has been \$70.00, leaving the Company in possession of \$170.00, and no further risk on account of said lapsed policy.

If the party had been in a reliable Beneficiary Society, and he had grown tired of the actual cost of his insurance, he could not have saved himself anything by going out, for he could find no cheaper place from which to get such a benefit, and it would not have been any advantage to the Society to have him lapse. There was mutual effort and expense, while the benefit was secure, there is no loss to either party when the obligations are dissolved. We mean there is no financial loss. There is always a loss experienced when a member of good character and respectable standing allows himself to drop from the ranks of a Beneficiary Order. The social and generally helpful stimulus to all parties, arising out of a well regulated Society is valuable, and so far as this is broken there is a loss experienced. We admit it is difficult to estimate its value, and so we are always anxious to keep all our members in their places, in good financial and social standing.

It will not pay anyone in the Canadian Home Circle to drop out of the ranks. The small sacrifices necessary to keep up the membership should always be considered among the necessary expenses of life, and one should as well think of going with less food or less clothing as to think of allowing this provision to drop. The more this matter is considered, perhaps the more it will be found that the Insurance Lapses are going to the Societies above referred to, and so note it be.

OFFENDED!

The July number of the *Independent Forester*, official organ of the Independent Order of Foresters, has come to hand, containing very many unmistakable evidences of great displeasure over our article on the attack of the *Monetary Times* upon them.

We may say, at the outset, that we had no idea of being offensive to our brethren of the I. O. of Foresters, or of saying one disrespectful word regarding them as a Fraternal Society. Our references were entirely to their financial plans; and, assuming the correctness of the *Monetary Times* regarding the eating away of their recently collected surplus to keep assessments down, simply called attention to the awkward position of a Beneficiary Society so situated. In fact we ventured to say that the true Beneficiary assessment plan and that of the insurance financial plan could not be made to work successfully together any more than oil and water could be made to amalgamate to advantage.

The statement which seems to have given special offence, and to have called forth our brother's elegant references to skunks and buzzards, viz.: "we cannot say that we have much sympathy with the I. O. of Foresters," contains only a part of the sentence we used, and is not a correct construction of our words; but in our article, which the *Forester* does us the fairness to publish in full, it will be seen that the reference was wholly to the financial plans of the Order, and not in any sense to their fraternal work.

With the latter we have the truest sympathy, and are always ready with a brother's hand and a brother's good will. Our deep regret, which should have been expressed in our article, at which offence has been taken, was, and is, that the *Monetary Times* should