

course of time this will be all consumed. These societies will then have a high death rate, and no surplus. Need I draw the conclusion?

The whole question comes to this: No insurance company or society can continue in existence without a Reserve. This statement cannot be controverted. This being the case, the point to determine is, what is the proper Reserve? The answer to this is twofold. First, there is the Legal Reserve of chartered companies. This Reserve is constructed on the assumption that all who become insured will continue on until they die, or live their endowment periods, and are paid their claims. This reserve is higher than is actually required in practice, but affords the advantages of surrender values, paid up insurance, extended insurance, the power to borrow on a policy, and the distribution of profits. In other words, although more is taken from the policy-holder than is absolutely necessary, after working expenses, the extra comes back to him again. And then the policy-holder is in a company that is absolutely stable, under the laws of Canada as they now exist. Secondly, there is the Reserve that is founded on the assumption that many of those who insure will lapse. This has been determined, as has the death rate, and advantage is taken of it in advance. The Reserve in this plan is less than in the first, and, consequently, the policy-holder has a smaller premium to pay. But, for this one advantage, he must offset the following disadvantages: He is liable to an extra call at any time; any surplus to his credit is forfeited to the benefit of others, if he lapses; there are no profits on his policy; there is no surrender value; there is no paid up insurance; and there is no extended insurance. In other words, the Legal Reserve companies charge too much, and give the surplus back; while the Lapse Reserve company or society charges so close to the margin that extra calls may be necessary at any time. As one able writer has put it, "a small surplus is better than a deficit." To give profits begets confidence; to make special calls creates mistrust.

The above are the only two ways in which the business of life insurance can be managed. Either can be made permanent by careful watching and frequent valuation. At these valuations, the Legal Reserve company gives profits; whereas, at the valuation periods, the Lapse or Decrement Reserve company may have to make an extra levy in excess of the regular premium.

Fraternity is a grand thing; but why not have the fraternity conducted on a sound basis? It is just as easy to carry on the work of an association on such a financial plan as will work out equitably to all the members, as it is on one that will not so end. A man joining a society at 20, has an expectancy of 45 years; while one joining at 40,

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