

that the effect of lapses among members is adverse to the companies, and that the death rate and cost of insurance among the persistent members is increased thereby. The causes of this are :—

1st. The lapses, as a rule, occur among the more healthy lives.

2nd. The great majority of lapses occur during the first two or three years of the policy, before the disappearance of the effect of medical selection.

Mr. George D. Eldridge, of the National Life Maturity Insurance Company, of Washington, D. C., in a paper read before the convention of the National Mutual Life and Accident Underwriters (Assessment) of Chicago, in 1890, has furnished tables constructed from the experience of a large number of insurance companies during the last fifty years. The following are extracted from his figures, showing the mortality rate during the first ten years of insurance among (a) the total number entering the companies, (b) the members remaining insured, (c) the lapsed members :—

MORTALITY RATE—YEARS 0 TO 10 OF INSURANCE.

AGE AT ENTRY.	RATE PER 1,000.		
	(a) Total Entrants.	(b) Persistent mem- bers.	(c) Lapsed members
20	4·227	5·230	4·048
25	4·447	5·466	4·234
30	4·793	5·839	4·528
35	5·345	6·429	4·995
40	6·221	7·365	5·734
45	7·615	8·844	6·906
50	9·834	11·201	8·763
55	13·291	14·928	11·706
60	18·813	26·835	16·370
65	27·565	30·197	23·733
70	41·611	45·035	35·480
74	58·432	62·945	49·586

According to this table it will be seen that the mortality or death rate is increased by over one-sixth by reason of the lapse of members, and in assessment companies the mortuary calls will be increased in the same ratio.

In companies which provide for the creation of a reserve fund the lapse of membership will undoubtedly prove of advantage to the reserve element, by the accumulations of the lapsed members being left behind in the fund. But this advantage is to a far less extent than is claimed in the literature of Endowment Assessment Societies.

Mr. L. G. Fouse, of the Fidelity Mutual Life Association (assessment), in an article showing the advantages derived from lapses (Life Insurance Manual, page 34) quotes the following figures, taken from the experience of his company during its first seven years' experience :

"The entire membership contributed for death losses during seven years \$234,300, and out of this amount only 85 per cent., or \$199,071.88, was contributed by existing members, and 15 per cent., or \$35,228.12, was contributed by members who have lapsed."

And with regard to the reserve element, Mr. Fouse states (page 39) that "over 16 per cent. of the net accumulations were contributed by lapsed policies."

This may be looked upon as a most favourable case, and goes to show that not more than one-sixth of the reserve fund of a company has been contributed by lapsed members.

Of the societies now applying for Acts of incorporation, viz. : The Order of Canadian Home Circles and the Septennial Benevolent Society, the former makes no provision for a reserve fund, but makes assessments for death claims as they occur, for total disability claims, and for endowment claims when the period of expectancy shall have arrived. The effect of lapses in this case will be to increase the number of mortuary calls. The increase, however, will be small in comparison with that which will take place when the payments of the endowments at the age of expectancy begin. It appears to me to be morally certain that should the Order exist on its present lines for fifteen or twenty years the assessment calls will be so great that the members will drop out and a collapse will follow. And should the growth of the Order be interrupted during the next few years the collapse will come more speedily.

The Septennial Benevolent Society provides for a reserve fund of at least 50 per cent. of the assessments. In the consideration of the plans of this Society the death element may be set aside, for even if a member should die after one year from the date of joining the beneficiary may continue the payment of all dues and receive the sum payable thereunder when the certificate matures.

The payment of a certain sum at the end of seven years is the one main feature.

It has been shown that the Society's estimate of 14 assessments a year during seven years will amount, under the most favourable circumstances, to less than \$290 on a thousand dollar certificate.

Allowing the lapse rate to be equal to that of an ordinary assessment company (it should in all probability be much less) the proportion of the reserve fund applicable to each member who has remained in the Society during the seven years would be, say \$348, of which one-sixth, or \$58, has been contributed by lapsed members, and the remaining \$290 by the persistent member's assessments and interest accumulations.