

a jury of 63 British actuaries unanimously condemn the low rates charged in the case referred to.

"In Wednesday's issue there appeared a letter from Dr. Oronhyatekna stating that the Independent Order of Foresters (from whose tables the above case was quoted) had 'in the last ten years paid over \$750,000 in benefits to its members and to the heirs of deceased Foresters, and had also accumulated a cash surplus of \$400,000'—thus leaving our readers to infer that it carried on its business upon a sound financial basis. The facts that we give below are simple, and our readers after considering them will be able to judge for themselves. By the latest Government tables, based upon the death rates from 1870 to 1880, the expectation of life for a man aged 30 is 32 years. With respect to the return upon investments, it is a fact generally known that during the last twenty years the rate of interest on mortgages in Ontario has decreased by two per cent., and it is certain that here as in other countries the rate will diminish still further in the future. At this moment it is doubtful whether on a wide average five per cent. net, clear of taxes etc., can be got upon solid investments. By the last parliamentary return it appears that the British Life offices average only four per cent. upon theirs. Looking forward for 20 years, no sound calculation can be based upon a higher average rate than four and a half per cent. Some of the English assurance companies believe it to be wiser to calculate upon only three per cent. as the average on future investments. There is nothing definite stated in the tables quoted from as to the benefits for disabilities and old age, but if we deduct the low rate of twenty per cent., or one-fifth of the premium receipts, for expenses, disability, and old age benefits, this will reduce the annual payment to \$6.92, which would accumulate for the benefit of the heirs of the man aged 30. Basing our estimate on the Government expectation of life, then in 32 years a net annual payment of \$6.92 would amount at five per cent. compound interest to only \$521, towards payment of the promised \$1,000; but on the safer calculation of four and a half per cent. there would be only \$475 instead of the \$1,000. As the deduction of twenty per cent. is probably far too little, and as towards the end the rate of accumulation would very likely be less than four and a half per cent., it is reasonably certain that at the end of the 32 years instead of \$1,000 there would not be even \$400 in hand.

"From these facts we have no hesitation in saying that in the case quoted the premium charged is totally insufficient to yield the promised benefits, and that if such a system is persisted in, there will ultimately be a great loss. We repeat the advice already given: let our insurance companies appoint a committee of actuaries to actuarially value some of these impossible promises, and then have such calculations printed and distributed. At present the unsound system injures the companies carrying on business upon a sound financial basis, and it also paves the way for future extensive losses which would bear hardest upon the poorer classes."

To the above the Supreme Chief Ranger replied as follows:

To the Editor of the Mail.

I regret very much that you should have done the Independent Order of Foresters the great injustice of assuming that its system of giving certain benefits to its members was not a sound one, as you practically did in the article which appeared in the Mail of the 8th inst.

I am sure if you fully understood the system of the I. O. F. you would have reached a very different conclusion. You say that the verdict of 63 British Actuaries is against the system. In that I think you are in error. No fault can be found with the figures you quote, but surely you are aware that those figures are applicable only to societies or companies among whose membership or policy holders both "lapses" and "new blood" are unknown quantities. In other words, the figures you quote are based upon the assumption that every man who takes out a policy in a company will keep that policy in force until he dies, or until it otherwise matures, and that no "new blood" is ever secured by the Company. The aim of the founders of the Independent Order of Foresters was to secure for the membership of to-day as well as for the membership of 20, 30, 40 or more years hence, certain benefits at the lowest possible cost. They therefore studied well not only the figures you submit, and all similar figures of Actuaries, but they also examined closely the teachings of insurance his-

tory, and they came to the conclusion that the figures of Actuaries were modified by certain conditions which are invariably present in every well regulated company, and that by reason of those modifications insurance benefits could be given by a society like the I. O. F. for a much less sum than is charged by the Old Line Companies. With your permission I will point out some of the reasons that induced the founders of the I. O. F. to depart from the figures to which you refer in your article. As you are aware, every insurance premium is made up of three parts, viz. the mortality, the expense and the reserve element.

At the age of 30 the usual premium charged by Old Line Companies is about \$22.70 divided as follows:

For the Mortality element	\$8 05
" Expense	"	6.49
" Reserve	"	8.18

That the first two elements are necessary for every company or society no one will dispute, but with reference to the "Reserve," that is another matter. I am aware that it is claimed that every company or society will in time need the Reserve. That when the "hand of time is moved forward" 20 or 30 years the Reserve will be required, and therefore any society that does not collect the actuarial Reserve must of necessity be unsound. This might be true of any company in which there were no "lapses" and where there was not a constant infusion of "new blood" fresh from the Medical Examiner's hands. But, as a matter of fact, in every well regulated company there is a constant infusion of new blood and lapses of old members, so that the membership, as a whole may be said to be constantly renewing and ever within speaking distance of the Medical Examiner, and as a result companies go on 10, 20, 30 or 40 years or more collecting their little "Reserves" but are never called upon to use a dollar of it in payment of benefits.

Take as an example the experience of the four Canadian Companies as shown in Table No. 1 during the last five years of their operations, extending for the first two companies from the 15th to the 19th years, both inclusive, and for the third from the 16th to the 20th years, and for the fourth from the 39th to the 43rd years, and we will find that not one of the companies has found it necessary to use any part of the Reserve.

TABLE NO. 1.

NAME OF COMPANY.	NET PREMIUM INCOME.	BENEFITS PAID.
Confederation Life	\$2,705,436	\$807,630
Sun Life	2,316,101	525,194
Ontario Mutual	1,704,295	338,401
Canada Life	6,001,376	2,103,561
Totals	\$12,727,208	\$3,624,876

Certainly none of these companies have been called upon to draw a dollar from their reserve fund chest to pay their liabilities; on the contrary, if these four companies had charged only one-half of their present rates they could have paid all death losses, matured endowments and annuities and still have had \$2,753,728 for management expenses, etc. during these last five years. It might be claimed, however, that the above were exceptional figures, and that such was not the usual experience of Insurance Companies, so we have given in Table No. 2 the experience of four well known American Companies.