PERILS OF ASSESSMENT INSURANCE

Comparison of Position of the Royal Arcanum and the Independent Foresters

(Concluded).

Turning now to the Independent Order of Foresters, whose headquarters are at Toronto, we find that it has not yet taken so much of a plunge as the Royal Arcanum, but there are strong indications that, unless something is done at its next Supreme Court session to strengthen its reserve fund, the position will be about the same. Notice the loss of business during the seven years ending December 31st,, 1911, by both societies.

Royal Arcanum. In Force.	Terminated.	Year.	Independent Order Foresters. In Force.	Terminated.
$550,918,000	$184,859,000	1905	$248,801,000	$17,814,250
514,130,500	54,605,000	1906	258,695,000	19,106,250
504,943,548	26,213,482	1907	264,960,142	22,756,454
497,018,341	27,111,706	1908	246,027,884	38,950,414
493,306,529	29,714,311	1909	239,241,845	26,481,135
489,897,729	24,598,301	1910	240,170,989	20,033,234
487,992,345	23,304,882	1911	242,093,787	22,216,804

The striking feature of the above table is that while the one society is only one-half the size of the other, the loss of business by withdrawal and death, has been greater in the Independent Order of Foresters than in the twice larger society during the past four years, as follows:—

	Total in 1908.	Out in 4 years.	Per cent.
Foresters	$246,027,884	$107,681,587	44
Arcanum	497,018,341	104,729,200	21

An institution or a structure of any sort that is losing substance at a rate of 44 per cent. in four years, can hardly boast of much prospect of long life over one which is losing only at half that rate, and which, to-day, has still more than double the business contributing to its up-keep.

It is fortunate that the Toronto society has an accumulated fund in store of $20,489,929, or say $84.60 per $1,000 of certificate, while the Arcanum has not quite seven millions, or about $14 per $1,000 with which to face the foe, grim death, common to both. Consequently, even if the Foresters had come to the turning point, and, like the Arcanum and the Ancient Order United Workmen are both now doing, were drawing upon its surplus fund with which to complete each month's death claims, it would have this great advantage over either of them, that its reserve fund is three times as large as the Arcanum's, and nearly ten times greater than that of the Workmen.

Danger is Ahead.

Having said that much as to the superiority of the Toronto society's position in comparison with the other two, we feel it a duty incumbent upon us to say that there are breakers ahead, straight for which the Foresters are steering. The breakers and the rocks beneath them, are not yet very visible to the members. But they are there, as our next table clearly shows. The accumulated fund was making a fairly substantial annual growth a few years ago, but not half as much as it should have done. Still it was improving somewhat handsomely during the years 1907 to 1909, inclusive. But for the past two years, 1911 and 1912 inclusive, a perfect blight seems to have fallen upon the contribution made to it in the ordinary operations of the society. No matter what size a reserve fund may be, it should be earning say six per cent. interest upon the balance of the previous year. The following table is made on that basis, so as to show, as it does in the final column, exactly how much the members contribute, year by year, to the building up of the Foresters' reserve fund.

Which Way is the Vessel now Steering?

Dec. 31st.	Total Fund.	Increase.	6%.	Contributed.
	$11,504,200	$ 789,687	$ 579,990	$ 209,697
1907	13,015,182	1,778,598	627,372	1,151,226
1908	14,687,719	2,136,784	734,088	1,402,696
1909	16,755,913	2,384,320	862,290	1,522,030
1910	18,842,767	2,086,754	1,005,354	1,081,400
1911	20,489,929	1,647,162	1,030,565	617,597
1912				

The 6% column, it will be seen, is computed, in each case, upon the assets on December 31st of the previous year. When deducted from the whole Increase, the remainder is what is contributed by the Membership, out of the monthly assessments, over and above the cost of running the machinery of the Order. It can be seen that there must be some powerful influence at work to change an up-grade yearly contribution of from $209,697 up to $1,522,030 into a disastrous down-grade one from that last sum to one of only $617,597. Something must be done immediately to stop that process.

A down-grade rush that has left a loss, or leakage of nearly a whole million of dollars in two short years, instead of an up-grade contribution of $1,192,999 as in the corresponding two years of 1908-9, makes a wonderful difference in the condition of the society at the present time. Not only is this petering out of the contribution to the surplus alarming enough, taken by itself, but when the stand-still in the total membership is given its due weight, the officers must surely see that it would be most advisable to call in an actuary as any alarmingly sick individual calls in a doctor, in order to have expert advice before it is too late. Is the present surplus enough to guarantee solvency, or is it half or quarter enough, to meet the heavy liabilities which the Order has undertaken?

Then and Now.

Another table will show, better than it can be stated otherwise, what is wrong with the Independent Order of Foresters. It compared claims paid in the last two years with those of two years when there was, almost as nearly as possible, the same amount at risk as now, namely; in 1903 and 1904. It is plain to be seen, from this table alone, that any officer of the society who makes the broad statement that "The outlook for the Order was never as bright and encouraging as it is to-day," taking upon himself a serious responsibility.

In Force and Claims Paid.

In 1903 and 1904. In Force.	Claims Paid.	In 1910 and 1911. In Force.	Claims Paid.
$238,124,000	$1,658,109	$240,170,989	$2,489,559
242,896,000	1,848,484	242,093,787	2,689,651
$481,020,000	$3,506,593	$482,264,776	$5,179,210
Deduct the claims paid in 1903-4			3,506,593
Showing an increased mortality of			$1,672,617

This statement reveals the weakness. It shows what is happening, now that all the old members of 1903 and 1904 are seven years older than they were then, if still living, and shows why the outlook is far from being either bright or encouraging. If more evidence of the nature of the rocks ahead is needed, it will surely be revealed in the unfortunate experience of the past twelve months. Instead of $1,753,298, which was the "claims paid" average for 1903-4, or of $2,589,605, which was the average for 1910-11, the corresponding item for the year just closed is no less than $3,080,481. This is nearly double what it was eight years ago upon about the same amount at risk. This accounts very well for the small contribution of $617,597, above what the interest produces, to the reserve fund during 1912, whereas it was more than twice as much ($1,522,030) for the year 1910. If this is "bright and encouraging" what will it be next year and the year after if death claims continue to mount year by year, each greater than the year preceding? Something should be done, and that quickly, to conserve the accumulated fund, and to preserve the Order from catastrophe.

ICE COMPANY'S STOCK ISSUE

An issue of $200,000 cumulative seven per cent. stock of the Ice Manufacturing Company, Limited, is to be offered in Montreal. The stock is to be offered at par but with each two shares will go what is termed a "participating certificate." Holders of these certificates will be entitled to participate in the surplus profits of the company, above dividend requirements, and to this extent the certificates contain the principal feature of an offering of bonus common stock with a preferred stock issue. The similarity, however, ends there. The participating certificates for one thing carry no voting power and for another they create no capital liabilities, two important features of the new plan of financing. The company will have no bonds and the capital will consist only of the seven per cent. cumulative stock of which $500,000 is being issued at the outset, $200,000 to comprise the public offering to be made shortly. Every dollar of capitalization will, therefore, have a dollar in cash back of it, and no nominal or other value is placed on the participating certificates. Another feature of the plan is that in the event of the company passing into other hands, the stock will be redeemable at 120, should the profits arising from the sale permit it, before the participating certificates would be entitled to share in any distribution. The company estimates gross profits of $90,378 from its first year's operations. After deductions of $35,000 for dividend on the seven per cent. stock, a surplus of $55,378 would be available for the participating certificates.

The government owned telephone system of Alberta yielded a surplus of receipts over operation and maintenance expenses during 1912 of $62,283, while the earning capacity of the system on a basis of the capital expenditure amounted to 12.1 per cent. In the six years, 1907-1913, the system has yielded a profit of $407,592.