

ORONHYATEKHA DESCRIBES  
POSITION OF THE I. O. F.Methods Upon Which the Order  
Are Conducted Are Explained  
to Royal Commission.

The examination of Dr. Oronhyatekha, the chief of the Independent Order of Foresters, was resumed yesterday before the insurance commission.

Mr. Shepley, Dominion examiner, led the witness thru the various acts of incorporation and the establishment of the order in foreign countries. The powers of the witness and the patriotism of the membership, as described, will be continued to-day at 10.30.

The supreme chief ranted faced the commission bright and early with a supplementary statement in regard to certain answers he had given on Saturday on the important subject of rates.

"It was almost too tired," said the S. C. R., "to take in the importance of the subjects."

The witness then read a statement presenting the work of the old line companies and the fraternal societies in the United States, clearly defining the fact that the companies can be conducted on a much lower premium rate and still have enough to pay claims.

Reasons why the fraternal orders should not be required to pay the government standard rates exacted of old line companies Dr. Oronhyatekha declared to be:

(1) Because in the latest British table the rates are materially lower than the government standard rates, as shown by the following: giving the net annual government table necessary to be paid on a whole life policy of \$1000.

Age	The Government Standard Table (Male)	On Table and in the Government Standard Table (Male)	On Table and in the Government Standard Table (Male)
20	12.45	11.77	1.08
30	16.82	15.71	1.02
40	23.52	22.11	1.41
50	35.42	32.52	2.90
60	42.30	39.17	3.13

Average difference \$1.78. With the I.O.F. this difference at the present time would amount to \$485.07 annually, sufficient to lower the rate materially the premium rates required to meet its obligations—to pay nearly 25 per cent. of its insurance obligations.

(2) Because the old line companies pay 5 to 7 per cent. each year during the life of their policies as "renewal charges" and pay dividends to their shareholders, while the Foresters never spend one penny on either of these accounts. The difference between the Management Expenses in the two systems, viz., the old line companies and the fraternal orders is very enormous in favor of the fraternal orders.

In the minutes of the National Fraternal Congress Session of 1902, there will be found on page 115, the following comparative figures relative to four of the largest American insurance companies and the 51 fraternal orders associated at that time, with the congress.

Comparative Figures.

	By the 4 Grand Divisions	By the 51 Fraternal Orders
Policies written during 1901	331,647	628,000
Amount written during 1901	775,982,280	736,941,771
Policies in force at end of year	174,885	3,296,091
Amount in force at end of year	4,981,009,454	4,922,425,027
Expenses for the year	42,806,207	5,788,922
Management expenses per policy	24.38	1.87
Expenses per \$1000	30.38	1.21

"Notwithstanding the fact that the work done by the fraternal orders, as shown by the foregoing table, was very much greater than that done by the old line companies, the former having secured \$27,443 more members, who carried \$651,000,000 more insurance than the latter, yet the fraternal orders' expenses of the four old line companies were over 7-14 times more than the expenses of the fifty-one fraternal orders.

"Let me further illustrate my point by comparing the work of one of the oldest and best Canadian old line insurance companies with the I. O. F. Comparative Table.

"Relating to the I. O. F. and to a leading Canadian insurance company, as at 31st December, 1905:

Name	No. of Policies Issued	Amount of Insurance Secured	Total Insurance at Year	Total Insurance at Year	Amount of Management Expenses
I. O. F.	29,091	\$23,861,750	\$24,801,000	\$2,191,413	\$29,872
Leading company	6,026	\$13,014,146	\$10,822,900	1,701,784	1,086,783

"It is needless to point out that where there is such a difference in the management expenses in the two systems—the business of the one can be successfully carried on for great deal less money, and therefore, would require a much less premium rate.

"In this connection, The Insurance Observer, a leading old line insurance journal, published in London, England, in an article on 'Fraternal Insurance,' said of the I. O. F.:

"Rightly or wrongly, the order gives no bonuses, and pays no surpluses; there are no commissions to be paid to agents, and no dividends to shareholders, and when due account is taken of these facts, we cannot see that the net premium available for accumulation are substantially different from the amount available for this purpose, in old line companies."

"Because the gains due to medical selection are used by the old line companies to pay dividends and other expenses, while the fraternal orders use these gains to help pay the claims of the widows and orphans, thus directly reducing the amount of premiums required to meet their obligations. As already pointed out to the commission, we can approximately estimate such gains by the table of rates formulated by Mr. Hunter, the registrar of Friendly Societies of Ontario, and Mr. Blackadar, the actuary of the

Insurance Department of Canada. "Mr. Hunter eliminated from his table the effects of medical selection during the first five years, while Mr. Blackadar took into consideration the effects of medical selection from the first. It is obvious if Mr. Hunter had taken into the effects of medical selection for seven instead of five years during which actuaries say the medical selection affects the mortality rates among the insured, the difference between the two tables of rates would be greater than it appears in the following:

Age	In Hunter's Table	In Blackadar's Table
20	10.81	10.82
30	14.31	13.94
40	20.18	19.72
50	27.45	26.70

"Average of the difference between the foregoing tables of rates is about 6c, which would amount in the aggregate, in the I. O. F., to a considerable sum.

"4. Because the gains due to lapses are used by the old line companies to help pay dividends and other expenses, while the fraternal orders use them to help pay their benefits. The I. O. F. used the profits on lapses for a time during 1902, during four months, but the fraternal orders computed for us what these gains were and were found to be an average of about \$13,000 a month, or \$156,000 per year. This amount, if used to pay the insurance claims, would materially reduce the premium rates required for any order. The gains are largest when used by the old line companies to swell their dividends to their shareholders and other expenses, while the fraternal orders use them to help pay the claims of the widows and orphans.

The Giving of Rebates.

"5. Because the old line companies give rebates to their policyholders, which, I am informed, is as large as the whole of the first year's premium. The I. O. F. has never given a rebate of a penny or of any other sum, but has always collected every cent of its premiums.

"The I. O. F. does not pay suicide cases in full. During 1896 to 1905 the amount of insurance carried by the suicides was \$232,000, while we only paid \$49,671. The amount saved was left in our treasury, and would help to reduce the amount of premiums required.

"7. The old line companies accept impaired risks, and thereby increase their mortality rate, while the I. O. F. accepts none but healthy lives. This policy is reflected in the following table, representing the expected and the actual mortality in the I. O. F.:

Year	Expected Mortality (I.O.F.)	Actual Mortality (I.O.F.)
1901	1271	743
1902	2068	1293
1903	2224	1284
1904	2532	1936
1905	2491	1687
Total	10,945	7241

"It is needless to say that with 3704 deaths in the order during the foregoing five years than was expected by the government standard, the I. O. F. has never given a rebate of a penny or of any other sum, but has always collected every cent of its premiums.

"(8) Lastly, I present the experience of the I. O. F. with a quarter of a century of successful work. With one-half of our members paying the lower premium rates of 1881, after paying all expenses and all accrued benefits, we added to our surplus in the twenty-third year since reorganization of the order the eighth million of dollars. In ten months, the ninth million in ten months, and in the twenty-fifth year of our history we added to the surplus the tenth million of dollars. In ten months, thus demonstrating that the present premium rates of the I. O. F. are absolutely ample for all the purposes of the order, and when we consider the added strength which is given by the 'safety' section of legislation and laws, it makes the I. O. F. absolutely impregnable with its present rates of premiums.

"In order to bring to the notice of the commissioners the inaccuracies of actuaries when writing about the I. O. F., I beg to submit without comment the following table made by Mr. Geo. King of London, England, one of the most eminent of our British actuaries, which was intended to represent the career of the I. O. F. Mr. King begins his illustration by taking our surplus in 1881, and shows the growth of the actual amount on hand by the I. O. F. during each year given by Mr. King. To make the comparison fair I have selected the whole of the surplus on hand on Dec. 31, 1905, being \$1,569,373. Permit me just to call the attention of the commissioners to the fact that Mr. King prophesied that in 1906 the I. O. F. would have no surplus whatever, whereas as a matter of fact we have for the purposes of the table \$8,741,736.

"Table showing the progress of a fund formed by the contributions of

the tenth million of dollars in nine months, thus demonstrating that the present premium rates of the I.O.F. are absolutely ample for all the purposes of the order, and when we consider the added strength which is given by the 'safety' section of our constitution and laws it makes the I.O.F. absolutely impregnable with its present rates of premiums.