

policyholder, has a remedy, and prevents selection against it by retaining for the benefit of remaining policyholders a portion of his reserve when a healthy member elects to withdraw by surrender of his policy. Thus the equilibrium is maintained, and the general reserve adequate for the carrying of all policies to maturity, without disturbing the uniform premium charge, is maintained intact. Having no reserve, and its policies having absolutely no surrender value, the assessment association can hold out no inducement whatever for its best members to remain, whenever for any cause they think it for their interest to drop out. At the best, they look upon their assurance as only temporary protection for this month or this year; and when the cost of that protection begins to rapidly increase, or the prospective stability of the association to diminish, they drop out as easily as they dropped in. The members conscious of impaired vitality remain, the mortality grows with that it feeds upon, the cost soon comes to exceed that of the regular level premium company, then mounts rapidly upward, and disintegration is the result. These are simple facts repeatedly registered in the book of insurance experience during the past twenty years, as shown by the dead and dying associations too numerous to mention.

An appeal to the record also shows that among the best and largest of the assessment associations the proportion of lapses is more than double that of the level premium companies. Not only is this true, but while among the latter the great majority of lapses are during the first and second years of the policies, and entail but little actual loss to the company, a much larger proportion of the assessment lapses is among members of several years' standing, and of very great importance to the maintenance of confidence and of the standard of vitality. We have selected from the large number of assessment associations found in the New York insurance report for 1890 twelve of the largest and best known, and, together, confessedly constituting the cream of the assessment business, and herewith append the record of lapses as given in the report:—

Organ- ized.	NAME OF ASSOCIATION.	Ins. in force	Lapsed in	Lapse Ratio.
		Jan. 1, 1890.	1890.	
1881	Bay State Beneficiary Asso. (Mass.)....	\$36,201,000	\$ 3,544,200	9.79
1887	Covenant Mut. Benefit Asso. (Ill.).....	88,712,500	11,322,125	12.76
1879	Fidelity Mut. Life Asso. (Pa.).....	23,796,400	3,895,743	16.37
1882	Home Benefit Association (N. Y.).....	11,510,416	3,995,750	34.71
1884	Knights Templars & Masons (Ill.).....	22,834,700	2,214,500	9.69
1878	Knights Templars & Masonic Aid (Ohio).	18,279,000	2,582,000	14.12
1879	Massachusetts Benefit Association.....	69,441,750	8,246,000	11.87
1883	Mutual Benefit Life Asso. (N. Y.).....	12,868,350	2,513,750	19.53
1881	Mutual Reserve Fund Life (N. Y.).....	181,358,200	19,915,700	10.98
1874	Northwestern Masonic Aid Asso. (Ill.)..	145,554,500	17,324,500	11.90
1886	United States Masonic Ben. Asso. (Iowa).	20,207,500	5,847,500	28.93
1880	Western Union Mut. Life (Mich.).....	28,632,500	7,682,500	26.83
	Totals.....	\$659,396,866	\$89,084,268	13.50

The percentage of lapsed policies experienced in 1890 by the level premium companies of the United States and Canada, combined, was 5.55, against 13.50 per cent. of the above co-operatives. Including with lapses *changed* policies, and the percentage of the regular companies is only about 6 per cent. Besides demonstrating the great preponderance of lapses as shown in the above average of the twelve co-operatives, another important fact is shown, viz., the accelerated tendency to lapse when lack of confidence on the part of the public begins. Thus, the Home Benefit of New York, the Western Union (since retired) and the

Mutual Benefit Association, all of which were sharply criticized and had internal troubles during 1890, show lapses nearly treble the percentage of the three or four which are regarded as the best in the list and which made large gains. Taking the above associations, and the experience of the American life companies reporting to the New York department, combined with the Canadian and British companies in Canada, and we have the following comparison:—

	Ins. in force Jan. 1, 1890.	Lapsed in 1890.	Per- centage.
Assessment associations....	\$ 659,396,866	\$ 89,084,268	13.50
Level premium companies..	3,300,267,802	183,444,859	5.55

Thus it appears that the lapses of the co-operatives, taking the best specimens in the entire business, were two and a-half times greater than those of the level premium companies of all grades. These facts are significant, and bear directly upon the inability of the assessment system to prevent a seriously adverse selection which must inevitably increase the mortality rate abnormally, the increase being in proportion to the degree of distrust among the members. When that becomes general the stampede takes place, and dissolution is inevitable.

MANCHESTER FIRE ASSURANCE COMPANY.

The condensed annual statement of the Manchester Fire for 1891, which we present to our readers on another page, demonstrates the possibility of achieving gratifying results even in an "off year" when a company is in the hands of a first class manager. Such certainly Mr. Moffat has shown himself to be. The results produced since that gentleman took the helm have been increasingly satisfactory. Good as was the record of 1890, that of 1891 has been better, and is certainly good enough to satisfy both policyholders and shareholders. The latter find themselves in receipt of 12½ per cent. in dividends, legitimately earned, which is 2½ per cent. more than was received in 1890. The net premium income has for the past three years been as follows: 1889, \$816,840; 1890, \$1,001,020; 1891, \$1,770,309. This shows that the business has more than doubled in two years. Not only has the premium income thus increased, but the losses have relatively diminished. In 1889 the loss ratio was over 69 per cent., in 1890 about 55 per cent., and in 1891 a little over 50 per cent. of the premiums. The total income in 1891 was \$1,835,355, and the total expenditure (excepting dividends) \$1,453,805, showing a balance of income over expenditure of \$381,550. From this balance, dividends amounting to \$93,750 were paid, leaving to be added to the reserve fund \$287,800, and bringing that fund up to the very gratifying total of \$1,375,060. At the close of 1889 the reserve fund amounted to \$441,900. The paid-up capital is now \$750,000, which added to the reserve fund makes a total of \$2,125,060 representing the invested resources of the Manchester. The total assets aggregate \$2,399,075. Besides these assets there stands behind the company the uncalled capital amounting to \$6,750,000, affording altogether a guarantee of resources such as must inspire unlimited confidence in the minds of the insuring public. The company both in the United States and