

You will recall that in the preparation for readjustment the business in force as of December 31st, 1911, was valued as if in force December 31st, 1912, with the readjusted rates as suggested in the report of 1912 and subsequently adopted by your General Convention. Of course it was understood, and in fact set forth, that there would be shrinkage in the business, but with a view to absolute certainty of result, since it could not be known in advance whether such shrinkage would affect favorably or unfavorably the general results, allowance was not made for any decrease in the business. It is interesting now to note, through a valuation on the same basis of the actual business in force on December 31st, 1912, the comparative results. From this we find that the present value of the insurance had decreased from \$9,371,293, at which it would have stood if all business had remained in force, to \$8,547,393, a decrease of \$823,900, or a trifle under 9%. The present value of future premiums had correspondingly decreased from \$7,834,788 to \$7,105,596; a decrease of \$729,192, or a trifle over 9%. Prior to shrinkage, the ratio of the value of future premiums to the value of the insurance was 83.6%. On the actual business remaining in force it was 83.13% showing that the shrinkage was less than one-half of one per cent. I regard this result as extremely favorable.

The valuation of the entire business called for a reserve of \$1,536,505, which sum the Society would actually have in hand in invested resources. The reserve called for by the business actually remaining in force was \$1,441,797, showing that the shrinkage of the year released \$94,708. As this shrinkage was not of such a character as to affect adversely the mortality of the Society, this released reserve actually goes into the surplus of the Society and corresponds in nature to the surrender charge made under ordinary insurance to protect the company against adverse selection. Unfortunately, in the case of beneficiary societies as a rule, the non-existence of the reserve deprives them of any such protection in the case of shrinkage, and exposes them to the adverse effects without any compensa-