THE CONTRACT IS DEFICIENT.

There is considerable misconception in the public mind regarding the nature of the contracts issued by friendly societies and those of old line companies. It should be made clear that under what may be termed the law of contracts, there are open and close contracts. The society issues to its members an open contract called a certificate; the standard insurance companies a close contract called a policy. Under the former, the member holding a certificate is made subject to the by-laws now in force and to those that may hereafter be enacted. Hence the government does not require legal reserves to be set aside for future liabilities as is obligatory with old line companies, but requires the society to print on the member's certificate and on all literature and advertisements the words "assessment system." This is intended as a warning to the public that the certificates are issued on the assessment or call system, and that the members are liable for extra calls or higher rates as may be necessary to meet the society's legal obligations.

The difference, then, between the two classes of insurance is that the old line company having made a fixed or close contract, both as to the amount of premium and insurance payable, is required to set aside the legal reserve on every premium paid by the policyholder, while the society which issues an open contract is not obliged to create any reserve whatever, but can assess the members when the ordinary payments are found insufficient.

ADEQUATE RATES.

The question which naturally arises is, are there any tables extant from among the experience of friendly societies or otherwise that would be practically safe for the assessment orders to adopt. In answer to this query we again quote the report of the Royal Commission:

"Given a reliable mortality table and a rate of interest which may be depended upon, the average cost of insuring a life and what the cost is during each year of protection are matters capable of accurate demonstration."......

"The mortality table to which the name of the National Fraternal Congress has been given has very recently been under review at the instance of that body. The experience of forty-three friendly societies was examined, of which sixteen admitted men only to membership, four admitted women only, and the other twenty-three admitted both men and women."......

"The work of reducing the death rate appears to have been skilfully performed, having been in the hands of Mr. Landis, whose professional experience among friendly societies makes his work of peculiar value. Four per cent. was the rate employed in computing premiums therefrom."......

"The object of this inquiry into friendly society experience was to test the reliability of the N. F. C. table and the adequacy of the rates deduced from it. The conclusion of the committee, in its report to the National Fraternal Congress, was that—the N. F. C. table of mortality is an acceptable and adequate minimum table, which will produce rates of contribution sufficient to cover the cost of death benefits as promised by societies of this Congress, while in a normal condition."

This conclusion, the commission adds, recommends itself to your commissioners.

HUNTER AND N. F. C. TABLES.

What is known as the Hunter table was compiled by the late Howard Hunter, superintendent of insurance for the Province of Ontario, from the experience of the Canada Life, 1847 to 1893, and from the fact that the first five years from date of entrance of its members is excluded from the record, it may be regarded as a fairly safe minimum table for adoption.

It must be borne in mind, however, that the Hunter or National Fraternal Congress tables are compiled for the use of friendly societies when commencing business. If adopted after the society has been in business for a number of years, it necessarily follows that one of four things should be done.

(1) The adoption of the Hunter or N. F. C. tables at ages at entry or ages attained at some past date for old business and the placing of a lien against all old policies or certificates equivalent to the deficiency created by reason of the old members paying theretofore rates much below those applicable to their present attained ages.

(2) In lieu of a lien, the Hunter or N. F. C. rates should be increased to a point sufficient to be an equivalent to the deficiency incurred under the lower rates.

(3) The continuance of the old rates may be maintained, but the payment by the society under the certificate shall be a sum not exceeding the amount named in the face of the policy.

(4) The continuance of the old rates and the levy of extra calls from time to time to meet the cost of the increasing death rate.

To illustrate the present position of the leading societies we herewith submit their rates for five-year age periods so that they may be compared with the Hunter and N. F. C. tables.

Age.	A. O. U. W.	I. O. F.	K. O. T. M.	C. O. O. F.	C. O. F.	Woodmen.	Royal Arcanum.	Chosen Friends.	Can. Home C.	Hunter Table.	N. F. C.
20 ..	.78	.80	.95	.90	.60	.62	.81	.60	.50	.90	.90
25 ..	.94	.94	1.10	1.05	.65	.68	.92	.66	.55	1.05	1.04
30 ..	1.16	1.14	1.25	1.21	.70	.74	1.10	.70	.60	1.21	1.22
35 ..	1.40	1.38	1.50	1.43	.85	.81	1.30	.76	.67	1.43	1.46
40 ..	1.72	1.68	1.80	1.71	1.00	.96	1.61	.86	.85	1.71	1.76
45 ..	2.19	2.16	2.30			1.26	2.00	1.24	1.00	2.09	2.17
50 ..	2.71	2.90	2.80			1.92	2.52	2.00		2.49	2.73
55 ..	3.30	4.20					3.14			3.30	3.49
60 ..	4.28						3.99				
65 ..	5.60						5.36				

So far as the A. O. U. W. is concerned it will be observed that the payment by the old members of the present rates at their attained age, as in the year 1905, is in nearly all cases below the Hunter and N. F. C. tables. If the members were required to pay the rates now in force at their present attained ages, there would still be the deficiency to make good between the society's table and the Hunter and N. F. C. tables besides the loss that would be sustained by reason of the greater death rate among the many thousands of its members who would be unable to pass a satisfactory medical examination.

The *Canadian Woodman* in its issue of July, 1912, quotes the Minneapolis *Tribune* as saying that "fraternal insurance is the cheapest and safest insurance in the world. It rests upon a bond of union among chosen associates and the economic principles of elimination of all unnecessary expense." Such a gross misstatement of facts by a respectable newspaper in view of the history of assessmentism is in-