

companies, however, have paid as premium on this capital \$1,213,634.62, the total investment being \$2,156,528.50, which, added to the corresponding figure for the dividend paying companies, makes a total of \$7,417,075.49, from which it will be seen that of the total capital invested in the business of life insurance in Canada, approximately 30 per cent. is yielding no return to the shareholders who have contributed it.

"If we apply the total dividends paid by the dividend paying companies to the total capital and premium invested in all the companies, we find that the rate of dividend is 6.9 per cent., while if we add to this total investment the balance of the shareholders' accounts, we have a total capital of \$8,396,500.12, of which the total dividends declared amount to 6.1 per cent.

Dividends and Capital.

"The foregoing figures will, I think, serve to show that in the aggregate the dividends paid are not an excessive percentage of the capital invested, taking into account the uncertainty of early returns on the invested capital. In individual cases the question as to whether the capital stock imposes a tax upon the participating policyholders can be best answered by considering whether the dividends paid provide a reasonable return on the capital actually invested for the purpose of building up the company. Capital paid into a life insurance company after the company has been firmly established is certain to impose a tax upon the policyholders of the company unless the dividend paid is restricted to the amount of interest earned on the additional capital.

"It must be noted that while the Insurance Act permits 10 per cent. of the participating profits to be transferred to the shareholders' account, it is not necessary in many cases that the full 10 per cent. should be transferred. In some cases at the present time a lesser percentage is thus used, and as the companies grow and their profits increase it will be possible for the shareholders of the companies to relieve their policyholders from a substantial measure of tax by reducing the percentage of profits transferred to the shareholders' account.

Taxation and Agents.

"The third form of taxation is that imposed by the agents of the company, and I touch on this in order that I may present it in a light which has probably not occurred to a great many of you. The item does not appear in the financial statement of the company, but it is nevertheless there, and is in a very real sense a tax upon the policyholders of the company. I refer to the cost to the company of the lapsing of business. As is well known, a large proportion of lapsing occurs in the early years of the policy, a very large proportion lapsing from non-payment of the second premium. It is well known that a policy on which the first renewal premium is not paid is, in most cases, a loss to the company, as the cost of acquisition is in excess of 100 per cent. of the annual premium. Taking Canadian companies only during the year 1916, insurance to the amount of \$47,163,572 was terminated through lapse, and if we assume an average premium of \$30 per \$1,000, we have an annual premium on this lapsed business of \$1,414,907.

"If we assume that the percentage cost of new business is ten times the renewal cost, the total average cost of obtaining new premiums in 1916 was 121 per cent. of the new premiums, and if we assume that of the insurance lapsed one-half lapsed at the end of the first year, it will be seen that the cost to the company is 21 per cent. of \$707,504, or \$147,565, or practically one-half of 1 per cent. of the total premium income. This, it will be seen, forms an important item of tax, and it is possible for every insurance field man to lessen this burden of taxation by not only using his best efforts to prevent policies already on the books from lapsing, but to avoid placing on the books of his company in the future policies which are liable to lapse before the company has been reimbursed for the initial cost. The field thus opened up for the insurance agent is a very large one, and in times like the present, when the conservation of resources of all kinds is being urged upon our people, there is surely no more laudable effort in which the life underwriters of Canada can engage than in reducing this burden of waste, which now falls so heavily upon the persisting policyholders of the company.

"Another feature of the business which is attracting considerable attention at the present time is that of social insurance. Whether this campaign which is being waged will in the near future greatly affect Canadian life insurance

remains to be seen, but of this I am sure, that the future is going to demand of the life companies, and particularly of the life underwriters a larger measure of real social service than it has in the past. I think that in grappling with new problems we often disregard the value of existing organizations. A new problem arises, and immediately there is a demand for a new organization to deal with it, while the fact may be that there is already created available for immediate service an organization ideally fitted for the work in hand. I believe this is the case in the movement which is evident at the present time in the direction of the improvement of conditions of living among our people. There are many pressing problems, including the problems of health and the prevention of epidemics, with which the life underwriting organizations are well fitted to deal. It appears to me that we can with reason look to the life insurance companies of this country to play a most important part in the eradication of disease, particularly infectious diseases. Experiments along this line have been made by individual companies, in some cases with conspicuous success. I think the future will see some well-planned organization among the companies for dealing with this question, and it is probable that the public apathy in matters relating to the public health may be removed by the efforts of the insurance fraternity.

Sickness Insurance.

"I have always been interested in a provision in the sickness section of the National Insurance Act of Great Britain. The provision I refer to is that regarding excessive sickness, and, in brief, it is that where it is alleged by the insurance commissioners or any society that sickness which has taken place among insured persons is excessive, an enquiry may be held by the commissioners, and if it is found that the excessive sickness is due to the conditions or nature of the employment, or to any neglect on the part of any employer to observe the health regulations, the cost of such excess sickness is to be made good by the employer, and that where the cause is due to bad housing or insanitary conditions in the locality, or to any neglect on the part of any local authority to observe the health regulations, the cost of the excess sickness is to be made good by the local authority.

"The section deals particularly with the question of contaminated water supply, and provides that in such cases the cost of excess sickness shall be made good by the local authority, company or person by whom the water is supplied unless it can be proven that the insufficiency or contamination was not due to any fault on the part of such authority, company or person, but arose from circumstances over which they had no control. A provision such as this may not be applicable to conditions in Canada, but something of the same principle might have a good effect in awakening the individual and corporate conscience to the importance of taking proper precautions for the preservation of the health and the lives of the citizens of our country."

ALL CAN CONTRIBUTE, SAYS LAURIER

Sir Wilfrid Laurier has addressed the following letter to Sir Thomas White, in regard to the Victory Loan: "I will gladly join my voice to your own in commending to the Canadian people the loan which you are now placing on the market.

"You are appealing not only to the business sense, but also to the patriotism of the community, and I hope that the response may be instantaneous, universal and enthusiastic, since from every consideration of business and of patriotism it is preferable that we should borrow in the country than outside.

"I commend especially your intention of making an appeal to that class of the public which does not generally invest in public securities. All can contribute, even to the humblest. Their contribution, whilst not like the mite of the widow of old, deposited in the trunk of the temple, will find its place on the altar of a grateful country."

Back our boys in the trenches.

Owing to the authorities having made a number of changes in the names of the streets, the Dundas and Queen Streets (Toronto) branch of the Dominion Bank will in future be known as Queen Street and Ossington Avenue branch.