

1873. FALL TRADE. 1873

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NOTIFY THEIR

CUSTOMERS

And the TRADE GENERALLY, that their

Stock in all Departments

IS NOW

FULLY ASSORTED.

Early inspection invited.

Toronto, 22nd August, 1873.

**THE MONETARY TIMES,
AND TRADE REVIEW.**

TORONTO, CAN. FRIDAY, AUG. 29, 1873

LIFE INSURANCE REPORT.

One of the most interesting reports on life insurance in the United States—and a dozen or so are issued by as many State Commissioners, annually—is that of Superintendent Chapman of the State of New York, a copy of which has been received from the State printers. It is comprehensive, deals with facts in a practical way, and suggests remedies for the various evils which afflict and retard the business. It is mentioned at the outset that in the decade from 1859 to 1870 the growth of life assurance was one of extraordinary rapidity. From a volume of insurance represented by 49,608 policies in 1859 the transactions of the companies had increased in 1870 to 747,807 policies, the amount insured having risen in the same time from \$141,497,977 to \$2,023,884,955. During 1868 and 1869 alarming indications were observed that the tide had turned. The number of companies had increased by fourteen in 1869, while but two entered the field in 1870; in 1871 there was a falling off of three companies, and in 1872 they decreased eight more. Both in the number of policies in force, and in the amount insured each year has shown some increase, though the addition in 1872 over the previous year was but 19,084 in number, and \$13,280,757 in amount of insurance, as against 118,978 policies and \$307,633,133 in amount in 1869 over the figures of 1868. In the net surplus the last two years have shown a falling off amounting to \$481,876

in 1871, and so large a sum as \$1,164,982 in 1872. It is easy to infer from these figures that the business is retrograding. Mr. Chapman takes care that the mistaken inference should not be drawn from these facts that life insurance is falling into disrepute. On the contrary, he maintains that the storm which broke over the companies in 1869 is purifying the atmosphere of life insurance, and that shortly, as the principles upon which it is based, and the objects of its creation come to be more thoroughly understood, its bad features eliminated, the business more compacted and settled together, the speculative element discarded, and the business prosecuted honestly and vigorously but legitimately, it will be seen in its true light, and justly recognized as one of the most beneficent institutions of modern times.

The Superintendent regards it as a settled fact that there are too many companies; and he directs his attention to the means by which their number may be reduced. This must take place in one of three ways—either by voluntary winding up, by the forced withdrawal of the company under the action of the Attorney-General, or by amalgamation. One, the New York Life & Trust, has retired, and is winding up, two have been dissolved, and thirteen have been amalgamated since 1856. Serious difficulties have already begun to arise from these amalgamations, and abuses have attended them, so that in both these respects the experience of England is being repeated. How best to deal with these amalgamations is confessedly a most difficult problem, and is approached with diffidence and doubt. So long as companies have the power to reinsure any risks at all it is assumed that they may reinsure all their risks, and that is amalgamation. The only practical mode seems to be for the superintendent to exercise some control over these arrangements in the interest of policyholders.

In another official report, that of Mr. Church of Ohio, we find this subject discussed. A paragraph is as follows:

“Attention is called to a growing evil in life insurance which naturally affects the interest of the insured, namely, the *amalgamating* or transferring of risks by one company to another, and for reasons not generally known to the public. Immediately after this transaction many of the insured allowed their policies to lapse for want of information in regard to it. Often the usual facilities for renewing are withdrawn, and the policyholder seeks in vain for an agent to receive his premium. Finding none, his policy, of necessity, becomes void. Others, on finding their *trust funds* have been transferred to another company, of which they have no knowledge, perhaps located in a distant city and organized in another State, lose confidence in all companies, and prefer to sacrifice what has been paid to paying any more, subject to so

many contingencies. It has been strongly suspected that the lapsing of policies, resulting from the embarrassments growing out of the transfer, enters largely into the calculations of profit in negotiating the terms of insurance.”

Mr. Church and Mr. Chapman arrive at the conclusion alike that legislation is required making the terms of amalgamation subject to the approval of the superintendent. The interference of some disinterested party to see that justice was done before it was too late would seem to be a valuable safeguard. If no check is imposed there will be, when the affairs of companies grow desperate, the same system of wrecking which has caused so much scandal to life insurance in England.

The inefficiency of medical examiners is another matter to which allusion is made, and which is of vital importance to the companies. In the United States where the restraints of law upon the exercise of the medical profession are extremely lax this difficulty is much more serious than it can ever possibly be in Canada. We suggest that the practice of accepting the certificate of the family physician, as is often done, is a mistake of policy. The “family doctor” feels naturally some hesitancy in telling all he knows about the health of his patron when it involves the unfortunate consequence of a possible rejection; he says “it is all right,” and the matter is allowed to go by default. We know of some cases in Toronto in which bad lives have been foisted upon companies by this means. With honest and competent medical examiners the companies cannot be badly deceived, except by fraud of the insured, which, if detected, vitiates the policy.

It is suggested, and the suggestion is one that applies to Canada, that in appointing attorneys for foreign companies the superintendent or his deputy should be elected. This would facilitate the service of process and remove those obstacles which sometimes arise in carrying out the requirements of law as to a company, from the absence, death, or incapacity of its attorney.

Among the elaborate tables furnished is one showing the kind of policies issued by each company, the number and amount and the average reserve on one dollar. At the close of last year there were 804,444 policies in force in the State, insuring \$2,114,742,591. Of these, 561,154 insuring \$1,557,753,762, or about 70 per cent., were whole life policies; 178,934 were endowment, 9,061 joint-life and survivorship, and the balance, 5,535, short term and irregular.

The ratio of gross expenditure to go as income is shown by another table to be about 66½ per cent.; for expenses only the outlay was a fraction over 15 per cent. of the total income. The average dividend to policyholders was 17 per cent.