

LIFE INSURANCE AND BUSINESS

By J. A. JOHNSON

Policies Taken Out With Firms as Beneficiaries
Prove Reserve Fund in Times of Panic and
Depression.

WHEN a firm is burned out, the invariable question is "Were they covered by fire insurance?" or "How much insurance did they have?" They are all right, they are fully covered; their credit is not affected; they remove the debris and build larger.

It is customary now when a man dies to enquire "How much life insurance did he carry?" He may be the head of a firm or largely interested in some important industry which probably has large credits from a bank, and the reply is: "Oh, that business is all right—he had \$100,000 insurance on his life, made payable to the firm, which provided for this very contingency." \$100,000 will pay the bank off, and allow the remaining partners to continue the business without any trouble. Their credit is enhanced, because their bankers know that they also have policies on their lives. This is business insurance.

Many a business depends almost altogether on the ability and brains of one individual, and that ability and brains should be insured, so that if they be removed the equivalent in cash takes their place. Another reply might be—"Oh, he did not require any life insurance, he was a rich man." But when his securities came to be realized on, they discovered that it was almost impossible to dispose of them; and while he appeared rich to the public, his family had to vacate the magnificent home they had on Shaughnessy Heights, sell their auto, do away with sundry servants, and undergo what would be considered privations by them, in order to live within their means.

Here's a bright young fellow who is in a good position, large salary, liberal spender, having a good time, and thinking not of the morrow, who makes fun of the life insurance agent who tells him that he should carry sufficient insurance, so that if it be invested it would at least pay the rent on the house that he occupies. But he turns a deaf ear—thinks he is going to live to be an old man, but he steps on one of the trap doors of life, probably pneumonia, and disappears in the great beyond.

Life insurance of today is altogether different from what it was a few years ago. Formerly a life policy had no conditions except that it was payable at death. Now it has cash, loan, and extended insurance values definitely quoted in the contract. Formerly there were many vexatious conditions in the policies. They were limited as to occupation, residence, etc. Now there are no restrictions as to these points.

In the recent panics of 1893 and 1907 many a business was saved by the fact that the owners of that business had large amounts of insurance. Almost the only source of securing money was by borrowing from the life insurance companies on their policies.

There is more ignorance respecting life insurance than probably any other business, and as a rule there is less investigation made than in any other investment. Often the first agent who comes along gets the insurance. If a man starts out to buy an automobile he investigates the merits of the various makes. If he would do the same respecting his life insurance there would not be so many claims made that policies were misrepresented.

Many people cannot understand why the companies must have hundreds of millions of money accumulated. If Vancouver wishes to borrow a million dollars for twenty years, she has to begin to accumulate a sinking fund, so that at the end of twenty years there will be an amount there sufficient to pay off the loan. So likewise there is a sinking fund created on every policy. If it is a twenty year endowment, the reserve must equal the face of the policy at the end of the endowment period; hence the necessity for companies to accumulate a sufficient amount of money to meet the liability under each policy. This is regulated by law, and the companies are compelled by law to have this money. The amount of their assets will depend largely on the amount of insurance they have in force. If at the end of any year it is demonstrated that they

have not the proper sinking funds available, they are not allowed to transact business any longer—they become bankrupt.

Profits in life insurance is simply a return of an overcharge. The company that earns the highest rate of interest on its investments, has the lowest mortality, and is carefully managed, is the company which will return the largest profits.

According to the mortality table, if one thousand young men were lined up at age 30, almost as sure as the sun will rise and set before twelve months roll round, eight of these young men will be dead. Suppose one thousand other men faced these with rifles, and they were told that there were 992 blank cartridges and eight real cartridges distributed, and when they were fired there would be eight dead men (but before doing so they gave a life insurance agent a chance to insure their lives), it is fully believed that the insurance agent would have one thousand applications before he got through, and the agent would make a good day's work, as the commissions would amount to considerable.

STARTLING FIRE LOSSES

SOME of the figures compiled by the Fire Prevention Association, covering the first three months of this year, are rather startling. They find that in Canada during the first three months of the year 71 deaths occurred through fires, 42 of these being in the Province of Ontario and 10 in Toronto. There was a fire loss of \$10,000 or more for each working day, with one death per day during March. It is found also from the records of the years 1912 and 1913 that the percentage of fires had nearly doubled in the latter year. Some of the figures are: Dwellings, 602 in 1912, against 1,002 in 1913; stores, 241 against 350; factories, 105 against 128; business block, 56 against 109; churches, 19 against 29; apartments, 4 against 8. The causes of the fires show about the same increase. In the last five years 1,200 lives have been lost in Canada as the result of fires, and in the past four years 173 were owing to clothes catching fire, and 453 owing to burning buildings.

The recent Act of the Ontario Legislature for the appointment of a Fire Marshal, which will shortly be put into operation, is expected to have a marked effect in diminishing the number of fires. It was stated by Mr. William Walker, secretary of the Ontario Fire Prevention Association, that this bill will now be the model for other countries to follow, as it is unusually thorough and far-reaching, the Ontario Government having gone further than even the Association and others interested had thought it wise to ask. One most important provision will provide the machinery to force persons who maintain conditions that are dangerous to remove them, or submit to a serious fine. The Fire Marshal will be permitted to call upon the Crown Attorney to issue an order against offenders, and, failing action on the part of these, a fine of \$100 a day will be incurred. A further point of value requires that the insurance companies notify the fire marshal as to the amount at which all fires are adjusted.

The National Fire Protection Association met in Chicago on Tuesday, Wednesday and Thursday of last week, and a feature of this year's meeting was a paper from the fire commissioner of New York on the subject of fire prevention. This subject has only come into prominence within the past few years, but it has been considered so important that its effects are seen in the appointment of fire marshals in some forty of the states. The Ontario Association was represented at the meeting by Mr. William Walker, its secretary.

Recent Fire Losses

Recent fire losses reported to Superintendent of Insurance, Victoria:

Nanaimo—Victoria Crescent; owner, Mrs. Aikenhead; occupant, Jas. Georges & Co. store; wood, two story; value of building, (Continued on page 14)