

LIFE INSURANCE STOCK AS AN INVESTMENT

Average Present Return is Over 14 Per Cent.—Analysis of Recent Figures

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In *The Monetary Times* of September 20th, 1913, the writer drew attention to the value of life insurance stock as an investment, as proved by government records. In the few years that have passed since the article appeared there has been considerable progress both in appreciation of capital stock values from profits, and in actual increases of dividends declared. The younger companies have shared the improvement with their older competitors and this bears out the writer's conclusion in the article that whether in the initial stage or at maturity, life insurance stock goes far to meet the ideal of an investor.

For the purpose of comparing the companies' progress in this connection, is appended the following table which appeared in the previous article, and which was compiled from the then last report of the superintendent of insurance issued in 1912 in respect of the year ended December, 1911, and which referred to such companies as were then paying dividends on their capital stock:—

	Paid-up capital.	Amount of dividends paid.	% of paid-up capital.
Canada	\$1,000,000	\$ 80,000	8
Confederation	100,000	20,000	20
Continental	200,000	11,467	6
Crown	100,055	11,173	11
Dominion	100,000	11,000	11
Excelsior	75,000	5,990	8
Federal	130,000	13,000	10
Great-West	548,500	76,618	14
Imperial	450,000	45,000	10
London	50,000	4,000	8
Manufacturers'	300,000	24,000	8
National	225,000	20,250	9
North American	60,000	6,000	10
Northern	459,781	30,140	6
Sovereign	209,995	12,600	6
Sun	250,000	37,500	15
	\$4,198,331	\$408,738 (Average)	9.7

Value of Stock.

Many investors are probably unaware of the great inherent value of life insurance stock as an investment and the excellent return to the present as well as the original investor. The inherent value is due to the uncalled capital which enables the companies to declare capital increases from their profits by way of bonuses, thus giving the shareholders a much greater percentage return on the original investment

than appears on the surface. Owing to capital increases being paid out of profits or bonus the return to the original investor really represents in some cases more than 100 per cent. per annum whilst forty or fifty per cent is quite a usual return in the case of the older companies.

All companies have not pursued this policy. Some companies instead of giving their shareholders a capital increase in addition to the usual dividend, give their shareholders a cash bonus. For example, the Imperial Life in 1914 distributed a cash bonus dividend of \$125,000 in this way in addition to the regular dividend of 10 per cent. Other companies are content with the present return. For example, the Confederation Life having doubled its capital from profits in the early eighties has for many years been satisfied with 20 per cent. per annum. One year it made a present to its policyholders of \$38,148 from its shareholders' surplus account, which is equal to 76 per cent. of its original capital. Nevertheless it is now paying the original investor 42 per cent. per annum.

Value in Uncalled Capital.

But the company that pursues the policy of declaring increases of stock capital from profits makes for its shareholders a great inherent value in its uncalled capital. It can be seen from the undermentioned table what has been done just in the past four years in this way. During the years 1912-1915 inclusive the Great-West Life increased its capital by bonus profits from \$548,500 to \$933,803. In these few years it thus increased its capital from profits by no less a sum than \$385,303 whilst in addition it distributed dividends in cash of \$130,722 to the shareholders. To-day (1917) the capital is \$1,000,000 fully paid up, and its regular 14 per cent. per annum nets 56 per cent. per annum to the original investors. In the same period from bonus profits the Dominion Life increased its capital 25 per cent., and the Sun Life a round hundred thousand dollars.

Altogether during the period 1912-15 fourteen companies who were on a dividend basis in 1912 and whose capital was not fully paid, declared in addition to regular dividends special bonuses or capital increases amounting to \$698,314 on their 1912 capital of \$3,198,371, whilst the fifteenth whose capital was fully paid, increased its dividend from 8 per cent. to 20 per cent. In four years the total dividends distributed amongst the fifteen companies were \$2,205,912 on a capital which stood in 1912 at \$4,198,331.

At the foot of the page, the companies' progress during the four years under review is presented in tabular form:—

Synopsis of Reports.

The following is a synopsis of the above-mentioned blue book reports regarding certain companies: Canada Life—1916 report. Dividend raised to 20 per cent. on present capital. The dividend of \$200,000. is but a fraction of its total income of \$0,307,000. yet it pays exactly 120 per cent. on the 1866-1900 capital, of which one-half was paid out of profits according to the Royal Commission

Dominion Life—1914 report. Capital increased \$25,000, or 25 per cent. out of bonus or profits. The last blue books

Company.	Paid-up capital, 1915.	% paid-up capital, 1915.	Amount of dividends paid, 1915.	Amount of dividends paid, 1912-1915, inclusive.	Capital increases or special bonus from profits, 1912-1915.	Shareholders' surplus in addition to capital, Dec. 31st, 1915.
Canada	\$1,000,000	20	\$200,000	\$ 440,000		\$ 223,186
Confederation	100,000	21	21,000	82,000		52,689
Continental	200,000	7	14,000	53,997		36,874
Crown	101,720	7	7,094	30,290	\$ 1,665	17,706
Dominion	125,000	12	14,998	84,246	25,000	53,704
Excelsior	90,000	13.5	12,200	41,400	15,000	17,630
Great West	933,803	14	130,722	493,500	385,303	153,415
Imperial	450,000	10	45,000	305,000	125,000	131,404
London	50,000	8	4,000	16,000		10,008
Manufacturers'	300,000	8	24,000	96,000		132,095
National	250,000	9	20,000	103,000	25,000	55,448
North American	60,000	10	6,000	24,000		(Guarantee Co.)
Northern	481,127	6	31,321	122,282	21,346	1,607
Sovereign	209,995	7	14,699	56,697		1,500
Sun	350,000	41	145,000	257,500	100,000	38,188
	\$4,701,645	(Average) 14.5%	\$690,034	\$2,205,912	\$698,314	\$1,084,754

It will be seen that in four years over 53 per cent. has been paid out in cash dividends on the 1911 capital, whilst the total annual dividend payments increased from \$408,378 to \$690,034.