WAR AND INSURANCE.

(By H. M. Cook, A.I.A., F.A.S., Assistant Secretary Mutual Life of Canada.)

To what extent are life insurance companies affected by a great war? An attempt to answer this question even briefly, may be opportune just now, in view of the great European conflict. The same question is being asked, no doubt, by field men, and by prospective and present policyholders as well.

LEGACIES OF PREVIOUS WARS.

The financial depression and industrial inactivity which we are experiencing at the present time, are not wholly the result of the war now being waged in Europe, as this state of affairs existed before this conflict began. They are, however, even then, in large measure due to war conditions which prevailed in Europe during the several recent Balkan wars.

HIGH INTEREST RATE.

The funds required to finance a modern war at once assume large proportions. Money becomes scarcer and interest rates advance. The immediate effect of a higher rate of interest on insurance companies, is beneficial, as all available funds can then be invested to good advantage. The income from these investments will, in many cases, continue long after the period of depression and scarcity of money has passed. Increased interest earnings mean larger dividends for policyholders.

LOW MARKET VALUES.

The advantage of a high rate of interest is, however, offset by a shrinkage in values and a depreciation of securities in general. On a strict accounting at the end of the business year by writing down investments to their market values, profits from interest earnings, low mortality, etc., might be entirely wiped out, and dividends to policyholders would not be theoretically permissible. The depreciation might even go further and insolvency result. This would not, however, be as serious a matter as at first glance appears. The liabilities of life insurance companies are to a great extent over-estimated, due to the very conservative bases upon which policy reserves are calculated. Moreover these liabilities are not immediate or pressing as they do not have to be met except at intervals in the future, as policies become claims by death, maturity or surrender. In the meantime the company's securities would, no doubt, largely recover their original values, when conditions were again normal. Insolvency would then be temporary only and solely a matter of book-keeping. It is hardly conceivable that a strong life company would be compelled to realize on securities at their depreciated values, to meet the demands of policyholders, but rather would be in possession of new funds to invest at bargain prices.

MORTALITY IN WAR.

To European companies, the mortality factor is also just now of great importance, since the killed in action are already being counted in tens of thousands. Unless the war is unduly prolonged, and repeated contingents sent from Canada, the results to Canadian companies cannot well prove disastrous. In the annual reports of life insurance companies, reference is usually made to the fact that the actual death losses experienced were very much less than the expected or those provided for in the premium and reserve calculations. In some cases the actual losses are less than 50 per cent. of the expected, that is to say, the actual losses by death might be doubled without the company's records showing a real loss from mortality. Dividends would, however, appreciably suffer, as they largely result from mortality profits, under normal conditions.

THE FORTUNATE POLICYHOLDER.

Taking even a most pessimistic view, life insurance will still occupy a unique position when compared with many other forms of investment. In times of acute financial depression the investor finds dividends decreased or passed, his income materially reduced, his capital diminished, and in some cases entirely lost through business failures, his securities so depreciated at a time when he is least able to protect them, or to make re-purchases at very favorable prices. Under these same conditions and due to the co-operation brought about by life insurance, his insurance funds are being invested under most favorable conditions, and are most secure. Claims and other policy settlements would continue to be paid in full while the temporary loss of bonuses, if any, would probably be more than made up, after the depression had passed, by the strengthened position of the company.

CANADIAN FIRE RECORD

(Specially compiled for The Chronicle.)

HAMILTON, ONT.—R. Jobborn's frame house and stable, 2 Rowanwood Avenue, destroyed, October 9. Loss, $400.

AMHERSTBURG, ONT.—J. Fraser's dredge destroyed, October 1. Loss, $15,000, covered by insurance. Origin, unknown.

LISTOWEL, ONT.—Pfeffer Milling Company's cooperage building and stock destroyed with contents, October 15. Los, $2,000, insured.

MONTREAL.—Interior of J. A. Harte's Glasgow drug hall, 216 Notre Dame Street West, damaged, October 16. Supposed origin, burglars.

WINNIPEG.—S. Rittenberg's cottage at Newton Avenue, West Kildonan, destroyed, October 14. Loss, about $1,500, covered by insurance.

WINNIPEG—J. A. Banfield's furniture stock and warehouse, Notre Dame and Young Streets, damaged, October 8. Loss, $40,000. Supposed origin, incendiary.

COBOURG, ONT.—F. Stanton's barn burned with contents, October 14. No insurance. Previously F. H. Lazier's barn with season's crop, John Burn's barn and Mrs. Hewitt's barn at Presqu'il Point, also burned. Incendiary origin supposed in every case.

HEAVY LOSS AT OUTREMONT.

Sash and door factory of R. Nevile, jun., Outremont and Wiseman Avenues, Outremont, destroyed, October 16. Loss with lumber is said by owner to be about $100,000; insurance of building and contents of mill being $55,000 as follows:—Guardian, $5,000; Hartford, $5,000; Yorkshire, $5,000; Rochester German, $2,500; Commercial Union, $2,500; Globe and Rutgers, $2,500; German American, $3,000; Employers' Liability, $4,800; Phœnix of London, $2,200; Sun, $4,500; British America, $3,000; Lumberman's Insurance Co., $15,000. Total, $55,000.