# Investments of Life Insurance Companies*

## Requirements of Insurance Act—Some High Yielding Securities Necessary —Agents Should Not Emphasize Policy Loans

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"TO my mind the question of investments is at the very basis of the success of life insurance, and the nature of the investments of a company is of such importance as to far outweigh any other feature by which the success of a company is generally gauged. To ignore this essential element and to emphasize other elements, however important they may be, such as large profits, liberal policies, attractive premiums, is to my mind as vain as for the man who has built his house upon the shifting sands to pride himself upon the glittering superstructure which, however attractive, cannot give to the edifice permanence and stability."

This extract from a recent address of the superintendent of insurance makes an excellent text for the subject I have chosen. His statement is concise and to the point and will, I am sure, have your hearty endorsation. I presume that the most of this audience is made up of field men, and consequently I have deemed it wise to deal in a general way with the investments of life insurance companies, without going into too much detail.

### Qualifications for Life Insurance Work

All those engaged in life insurance work should, in my opinion, have a general knowledge of all departments of this business, and specialize in the particular branch to which they are attached. Field men should be familiar with their rate books and endeavor to become experts in explaining in a clear and concise manner the different plans of policies the companies they represent have to offer their prospects, and at the same time, while carrying on their canvass, they should be prepared to explain in a general way how the policyholders' premiums are invested, and the nature of the securities which represent the reserves held to provide for death claims and maturing policies.

### Character of Work

Before entering upon an explanation of the nature of these investments, it might not be out of place to call attention to the noble work in which you are engaged. There is no criticism to be made of the canvasser who is ambitious to increase his revenue year by year with a good renewal income, but I think you will agree with me that while thus engaged, he should not lose sight of the fact that he is also doing a great work for his fellow-beings, when persuading them to make provision for their wives and children and beneficiaries. In my own position as treasurer of the Canada Life Assurance Co., I feel that I have a sacred trust imposed upon me in securing and watching the investments for our policyholders, and if, when making purchases of securities, there arises in my mind the question as to the absolute safety of an investment, I am free to admit that the widows and orphans always get the benefit of the doubt, with the result that the dealer does not always make a sale.

### Character of Men Employed

I would like to refer briefly to the requirements of the companies and the public as regards the type of men that are now responsible for the successful carrying on of this business. In years gone by it was a common saying that if a man did not make a success at any work he may have been engaged in, he sought a position in a life insurance company, or the church. While I hold no brief for the church, I certainly do for the life companies, and make the statement without fear of contradiction, that a very high standard has been struck by the life companies as to the qualifications of candidates for their work, and I think you will agree with me that this change is more pronounced in the department you represent. In the past the life insurance canvasser had to resort to all kinds of schemes to secure interviews with his prospects, while now all the introduction he requires is the simple announcement that he is a regularly appointed agent of a reputable life company. It is one of the first essentials to the success of a life company that their agents shall be well chosen and qualified for their work, for if they are not it would be impossible to build up that foundation of investments to which the superintendent of insurance refers.

### Investments Classified

The insurance act, as you know, limits the class of investments we are allowed to make, and wisely so. The largest and most important assets of life companies may be classified as follows: (1) Bonds, debentures and stock; (2) loans on real estate; (3) policy loans; (4) real estate.

In my opinion the most desirable of these assets are bonds and debentures of a high class, and first mortgages on improved properties. Such investments should represent the larger proportion of the securities of a life insurance company. The figures of the Canadian life companies prove this statement, for at the close of business in 1917 they represented about 75 per cent. of their total assets.

### Bonds and Debentures

When I say high-class bonds, I mean federal, provincial and municipal securities. There is little or no risk in connection with the investment in federal and provincial bonds, for if the Dominion and provincial governments failed to meet their obligations there would be no credit left in the country. The only care that should be exercised in making such purchases is to endeavor to secure them at good yield rates, and for long periods. Exceptional facilities have been offered the insurance companies during the war period to purchase these securities at yield rates varying from 5½ to 6½ per cent. Such rates as these have not been obtainable since life insurance companies first started doing busness. Full advantage was taken of this opportunity, and as a result the holdings of these securities, including municipal bonds and stocks, have increased during the past four years by approximately 50 per cent.

### Municipal Bonds

Municipal bonds and debentures may be the securities of cities, towns, villages or rural districts, and the value of these securities are determined by the financial standing of the municipality issuing them. Before making such purchases a careful study should be made of the municipalities' balance sheets, in order to determine whether or not their borrowings are justified by their revenues, which should be sufficient to make provision for current expenditures and provide for the payment of maturing debentures, both as to principal and interest. It is to be said for the credit of our Canadian municipalities that there have been very few defaults covering a long period of years.

### Industrial Bonds and Stocks

There are other bonds and debentures which it is legitimate for insurance companies to invest in, such as industrial and private corporation bonds. Stocks of banks, loan,

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