USES OF THE INSURANCE "BLUE BOOK"

A Source of Instruction to Agents and Public, as Well as to Companies—Insurance a Co-operative Enterprise, with Capital as Additional Protection

EVEN if it is right and proper for a government to examine periodically the condition of insurance companies, why should they publish the results, in the form of comparative statements? The general opinion now is that government supervision is desirable. C. C. Sinclair, F.A.S., asks the question as to publication in the Great West Life Bulletin for February, and answers it as follows:—

"Not all companies are equal in management and consequently in results to policyholders. The publication of the blue book consequently must not be considered as an opportunity for invidious comparison between companies, but rather as showing the possibilities of the life insurance business when properly conducted. If a company 'A' shows low expenses, high interest rates and low mortality and there is no doubt a reason, and company 'B,' perhaps not so fortunate in these respects, seeks the reason and seeks to emulate its sister company. A healthy rivalry ensues and the whole tone of the business is raised, to the advantage of the policyholders of the Dominion. We like to consider this the advantage to be derived by the officers of insurance companies in their study of the blue book.

Agents Should Examine Returns

"But the reports should also be studied by the agents of the companies. It is unfortunate that every policyholder could not also be persuaded to read them, but we urge our agents to get carefully acquainted with the essential features of the blue book and on every opportunity to educate their policyholders along sane insurance lines. We shall endeavor to point out some features of the 1918 business of the life insurance companies, as we realize it is rather a formidable task for an agent to read the blue book from cover to cover.

"Before considering our own company we shall look at some of the general features as revealed in the introduction. We might make the anomalous statement that 1918 was both a good and a bad year for life insurance companies. It was good in that a great deal of life insurance was written, and it was bad in that a great many extra death claims were incurred. In connection with the new insurance written, Canadian companies show in 1918 an increase of \$6,725,694 over 1917 as compared with an increase in 1917 of \$34,502,340 over 1916, while at the same time American companies had in 1918 an increase of \$23,545,602 as compared with \$16,657,915 in 1917. Inasmuch as Canadian companies can successfully compete in the matter of results to policyholders, does this indicate that we fall down in agency organization or in proper education of the insuring public? It would seem that here is an opportunity to pass along to the public the results as shown in the blue book. The death claims due to war and influenza combined amounted to 53.55 per cent. of the total claims. As the superintendent of insurance says, 'the companies were subjected to a strain which life insurance companies have seldom, if ever, been called upon to bear. That they have survived the strain must be regarded as evidence of the soundness of their position.'

Analysis of Terminations

"An interesting table shows the percentage of terminations from 1913 to 1918 classifying as 'natural' terminations those by 'death,' 'maturity,' 'disability' or 'expiry' and the remaining terminations by 'lapse and surrender' somewhat in the manner that expenditures of municipalities are classified as 'uncontrollable' and 'controllable.' Among Canadian companies the percentage of 'natural' terminations increased from 1.297 per cent. of current risk in 1913, to 1.958 per cent. in 1918 while the lapses and surrenders decreased from 7.609 per cent. to 5.648 per cent. in the same time. The latter is a cause for congratulation but is still much too large. Insurance companies exist to carry out certain contracts to maturity. It is sad to reflect that nearly three times as many of these contracts are terminated by policyholders before maturity as expire in the natural way. Here is another opportunity for the agent to educate the public. Any insurance contract with a reputable company is a profitable transaction if carried to maturity, but cannot be surrendered without some loss. What the total actual monetary loss was, to the insuring public in 1918, when \$62,443,799 of business went off the books as lapsed or surrendered, cannot be estimated, to say nothing of the potential loss to the community by the withdrawal of this large amount of insurance protection.

A Co-operative Scheme

"In discussing the premium income the blue book states that out of every \$100 of premium income during the year there has been paid during the year to policyholders \$60.21 in addition to which \$11.96 was carried to reserve and profits. This might be extended to an analysis of certain disbursements, especially in relation to capital stock. Unthinking persons, or perhaps we should say persons not well informed on insurance matters, sometimes regard insurance companies as wealthy corporations, existing for the aggrandizement and profit of their shareholders. This is an altogether incorrect view. The Insurance Act recognizes the fact that an insurance company is a great co-operative society when it provides that a certain number of the directors shall be elected by the policyholders and a certain number by the shareholders. What then is the advantage of the capital stock of the insurance companies, and at what expense to the policyholders is it maintained? The capital stock—and it amounts to about \$6,000,000 in the case of Canadian companies is an additional protection to the Canadian policyholder. In addition to the statutory reserves a company is obliged to maintain, the capital stock stands between a policyholder and any loss of his insurance protection. The insurance department would not permit a company to allow its capital to be impaired to any large degree before demanding the reassurance of its policy contracts with some other solvent company. For this additional protection how much of a policyholder's premium is required? We find that about one per cent. of the premium income for 1918 paid all the dividends the shareholders of Canadian companies received. At the same time it is interesting to observe that the taxes imposed by various provinces absorbed about twice as much, or nearly two per cent. What the policyholders of Canadian companies received for this latter contribution we are unable to say, but it certainly has this effect, that the dividends received on their policies are reduced by a like amount."

MANITOBA TO PROTECT FINANCES

That the government of Manitoba will open a ledger account to extend over a period of years, in order that a huge deficit will not be shown by the government in any single year, through the adverse exchange rate, is the statement made by Hon. Edward Brown, provincial treasurer. In the \$6,500,000 loan floated last February the government lost approximately \$650,000 on the exchange rate. On the recent loan of \$2,850,000 the government made about \$270,000. The provincial treasurer intends to float another loan of \$1,650,000 shortly to cover the capital expenditures voted at the last session of the house. It is expected that this loan will further tend to reduce the loss through exchange rates. The people of the province will then be able to tell the total loss through the exchange situation when matters become normal.

A progressive western life insurance company is looking for a manager for the city of Winnipeg. Further details of this opportunity will be found on page 47 of this issue.