

THE INSURANCE CHRONICLE

TEN YEARS OF LIFE INSURANCE IN CANADA.

Home Companies Made a New-Business Record in 1908 —Importance of Reducing Wastage and Expenses is Recognized—Prevention and Cure of Lapsation Evil.

The importance of avoiding wastage in life insurance is sometimes under-estimated in the eagerness of business-getting. Even allowing for the storm and stress conditions of the earlier months of 1908, life companies in Canada ought scarcely to have lost three old policies by lapse and surrender for every five new policies effected during the year.

All in all, the year's terminations of practically \$70,000,000 amounted to no less than 70 per cent. of the total new business effected. The \$6,000,000 increase over the 1907 showing of terminations was due entirely to lapses and surrenders.

Terminations in 1908.	Naturally.	By Surrender and Lapse.
Canadian companies	\$5,934,880	\$36,586,338
British companies	1,409,052	2,593,387
American companies	3,703,442	19,748,699
Total	\$11,047,383	\$58,928,424

While it is encouraging to note that a number of companies are now making a specialty of reinstatement work, it is to be remembered that prevention is ever better than cure. And greater discretion in the writing of new business is the real solution of the lapse and surrender difficulty.

The Expenses of Life Companies.

At this point a glance at life company expenses would seem in order. Admittedly, in times past over-expenditure on new business has been the error into which energetic managements have been most liable to fall. During the past year or two, it has been gratifying to find this company and that emphasizing in its annual report a reduction in expense-rate, and in other ways evidencing that the building-up of surplus is recognized as a matter of prime importance.

It is of interest to compare the income and expenditure of Canadian companies in 1908 with the corresponding showing in 1905, the previous high-record year for Canadian new business. In 1905, out of every \$100 of income, the Canadian companies expended \$24.10 in general expenses, \$34.70 to policyholders, \$0.92 in dividends to stockholders, leaving \$40.28 to be carried to policy reserves and surplus. In 1908, out of every \$100 of income, the companies expended \$22.12 in general expenses (including \$0.87 in taxes), \$33.86 to policyholders, \$0.99 in dividends to stockholders, leaving \$43.03 to be carried to reserve and surplus. But this reduction of \$2 in expenses on every \$100 income can scarcely be taken as indicating economies effected—for the simple reason that business written in 1908, while larger in amount than in 1905, did not hold so large a ratio to insurance in force as did the new business of 1905.

Compared with ten years ago, income and expenditure of Canadian companies in 1908 were as follows:—

Income.			
	1898.		1908.
Premiums and annuity sales	\$8,303,650	\$21,951,117	
Interest and dividends	1,897,450	6,384,029	
Sundry	169,448	451,336	
Total	\$10,370,557	\$28,786,482	
Expenditure.			
Paid to policy-holders and annuitants	\$3,542,393	\$ 9,747,877	
General expenses (including investment expenses and taxes).	2,391,527	6,360,112	
Dividends to stockholders	87,885	285,075	
	\$6,021,805	\$16,402,064	

What Shareholders Receive.

From the foregoing it will be seen that while dividends to stock-holders have increased considerably during the past ten years they are still far from indicating that life insurance has been an El Dorado to holders of life company shares in general. In 1908, eight of the twenty-one native stock com-

panies paid no dividends to stock-holders. Some of them can scarcely be classed as new companies, and some are likely to wait a considerable while yet before dividends are declared. The thirteen dividend-paying companies have an aggregate paid-up capital of \$3,134,000, upon which dividends amounting to \$285,075 were paid in 1908, or at the rate of about 9 per cent. It is to be remembered that the capital subscribed by the shareholders of these companies is in many cases four or five times greater than the capital paid up—policyholders having thus additional protection that could be called upon if need arose.

Assets and Liabilities of Canadian Companies.

Company assets and liabilities of Canadian life companies (including foreign business) at the close of 1908, with those of ten years earlier, the following is obtained:—

Assets.		
	1898.	1908.
Real estate	\$4,162,727	\$5,520,962
Loans on Real Estate	16,302,379	39,817,658
Loans on Collateral	3,776,709	1,326,935
Stocks, bonds, etc.	15,228,072	64,881,072
Loans on policies	4,941,795	16,750,846
Cash	1,278,901	3,683,458
Other assets	2,762,753	6,510,447
	\$48,453,336	\$138,491,378
Liabilities.		
	1898.	1908.
Unsettled claims	\$ 273,604	\$1,027,369
Net reinsurance reserve	42,328,314	121,231,238
Sundry	380,480	1,442,866
Total liabilities (excluding capital)	\$42,982,398	\$123,701,473
Surplus over liabilities (excluding capital)	5,470,938	14,789,905
Capital stock, paid-up	1,785,180	4,306,180

Relative Growth in Business of Native Companies.

Ten years ago, of the thirty-three active companies transacting life insurance in the Dominion, fifteen were Canadian, ten American, and eight British. By 1908 the total number of companies had increased to thirty-nine. Of these no less than twenty-three were Canadian—the number of American companies having grown to ten, and the British diminished to six. About 64 per cent. of the total new business written in 1898 was by Canadian companies. By 1908 their share had increased to about 69 per cent. Of the total amount of insurance in force at the close of 1898, about 61 per cent. was with Canadian companies, and by 1908 this proportion had advanced to nearly 67 per cent.

It may be said that these gains, while considerable, seem scarcely commensurate with the increase in the number of Canadian companies during the past decade—but it is to be remembered that life companies in their youth have no easy "row to hoe," and that business growth in initial years is necessarily slow.

The table on top of page 1732 shows that the annual new business of Canadian companies has almost doubled during the ten-year interval, as against a growth of about two-thirds in the new business of American companies, and a bare increase in that of British offices. Total insurance in force considerably more than doubled in the case of Canadian companies, gained something over four-fifths with American companies, and about one-quarter with British.

The total new business effected during 1908 was nearly \$10,000,000 greater than in 1907, thus almost reaching the \$100,000,000 mark that has been passed but once—by the \$106,000,000 record of 1905. Business of Canadian as well as of American companies was affected by the "investigation disturbance" of 1906, while general financial conditions brought a falling off in 1907 also. But gradual trade recovery in 1908, and the salutary lessons of the American panic inclined the public to fuller recognition of the advantages offered by life insurance. That Canadian companies were quick to make the most of the situation is evident from the fact that their new business last year was \$1,500,000 greater than in even the year 1905—though British companies wrote \$500,000 less and American companies \$7,000,000 less than in that record year.

While an aggregate of \$720,000,000 of insurance in force in Canada is an impressive amount, a moment's consideration shows that Canadians are far from being as fully insured