

# The Chronicle

Banking, Insurance & Finance.

ESTABLISHED JANUARY, 1861

PUBLISHED EVERY TUESDAY



Vol. XXXIV. No. 35

MONTREAL, AUGUST 28, 1914.

Single Copy  
Annual Subscription \$5.00

## CONSERVATISM IN LIFE INSURANCE.

It is a truism that a reasonable and judicious degree of conservatism is always matter for commendation, and perhaps in the business of life insurance more than any other, is it essential that a conservatism of outlook should be preserved. A reasonable and judicious conservatism is not, of course, by any means antagonistic to, or incompatible with, that spirit of genuine business enterprise, which not only forbids any retrogression, and disdains to stand still, but insists upon definite, careful, and judicious progress from month to month and year to year. The necessity for progress in life insurance becomes an active business principle—something without which the existing members of the companies would themselves be injured—and therefore any idea of conservatism as applied to life insurance (in the light that only that could be "conservatism" that judiciously "conserves" the best interest of all) must be closely allied to a prudent system of progress and enterprise that will secure the best results.

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Possibly to life insurance officers the temptation to some degree of recklessness inconsistent with reasonable business principles comes with peculiar force, however, steadfastly and consistently it may be resisted. The rivalry of the various companies for new business, while not perhaps so desperate as in the old days of high-pressure and hot-house methods, is still keen enough in all conscience, and the prudent manager must often, even in these days, bring his conservative instincts into play that there may be no danger of the breaking down of the barriers that separate a profitable and unquestionably safe business from one that contains more elements of risk and is, therefore, not so desirable. The question has been recently raised whether, on the whole, the best class of risks are being secured by the life insurance companies in Canada. It is certain that if an inferior business is persistently preferred, beyond the limits which a reasonable conservatism sets as those within which it may be safely handled, a false step is made for which later on a penalty will have to be paid in some form or other.

Another matter in which it would seem of peculiar importance that life insurance executives should exercise strongly a reasonable and judicious conservatism is in regard to their investments. For several years past, the Canadian life companies have been making a feature of a high rate of interest upon their investments. It is perfectly legitimate that they should do so, and that they should attempt to secure the largest possible yields upon these funds consistent with the safety of the capital they invest. But the movement has gone now so far as to be not without the danger which a reasonable and judicious conservatism would avoid. Agents use these high interest rates as an argument for expecting large so-called dividends, though, in fact, this argument is about as sensible as the one that because a life insurance company does not employ agents, *therefore* its profits to policyholders must be larger than those of an office which employs agents. Many factors, not merely one, go towards the making of a life company's profit-earning capacity, and the executives who allow their agents to use consistently either one or other arguments such as that cited above are going beyond the limits which a reasonable conservatism would set to the use of an argument which is legitimate up to a point. They are coming perilously near a condition of things where there is constant straining after higher and higher rates of interest. The circumstances of the moment may be favorable for securing them. But the prudent investment executive of the insurance company looks beyond these, remembers that there is always a limit beyond which legitimate enterprise merges into indiscretion, and keeps well within that limit—whatever his keenest competitor's agents may be boasting about their company's rate of interest earnings.

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The fulfilment of a life insurance executive's duties necessitates that he should be both progressive and enterprising. But it also necessitates, if his company is to continue safely and soundly on its way, that he should mingle his progressiveness with conservatism and his zeal with discretion. In no other way can the highest degree of permanent success be secured, whatever the "hustlers" may think to the contrary.