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The Chronicle

Insurance & Finance.

R. WILSON-SMITH, Proprietor

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

VOL. XXVI. No. 27. MONTREAL, FRIDAY, JULY 6, 1906

SINGLE COPY, - - 10c
ANNUAL SUBSCRIPTION $2.00

ROYAL COMMISSION ON INSURANCE.

The Insurance investigation opened in London, Ont., with the London Life.

Mr. J. G. Richter, managing director, being the first witness, called. Mr. Tilley led the witness through the early history of the company. The company was established in 1874. Prior to 1883 the company issued only non-participating life and accident policies, since 1883 the company has issued participating. Counsel drew from Mr. Richter opinions on theories of insurance. It was, he said, improper for a company to write both participating and non-participating insurance unless a clear division is reserved between the two on the books of the company. The reason for this is that otherwise losses may be charged up to the wrong class. In this connection the non-participating policy-holders cannot suffer, as their contract is definite. If there is a loss, it must be borne by participating policy-holders. Generally the death rate in non-participating policies is higher than in profit-bearing policies. If the profits on non-participating policies were to go to participating policy-holders, it was only necessary to see that premium rates on non-participating policies were adequate. Policy-holders should have representation on the Board of Directors. It was proper that they should know what was being done with their money. On the London Life Board there are three policy-holders' directors, of which two are policy-holders only, and the third both policy and shareholder. Shareholders are eligible for this position. The stock control is vested in the family of the late President Jeffrey, Dr. A. O. Jeffrey is vice-president, and E. Jeffrey is solicitor. A small policy loan was made to Dr. A. O. Jeffrey.

Asked for his opinion on loans to directors, Mr. Richter said the practice was open to abuse. Back in the early days of the company its capital became impaired to the extent of two-thirds of the whole. Then spec[illegible]l legislation was obtained which enabled the company to call a premium on the stock equal to its par value, though the stock was only partially paid up. This was done to remedy the impairment. The London Life does a large volume of industrial insurance. Mr. Richter said that the industrial branch had paid the company since its third year. It had not cost them much to establish their industrial branch. The Province had put a limit on the amount of such insurance on any one risk under ten years of age, and Mr. Richter approved of such reasonable limit. The minimum amount was $20 on infant lives up to $160 on a child of ten. The London Life had about half its business in an industrial branch. The company issues term contracts which terminate unless the assured dies within the term. The practice and plan of operation in the industrial branch was described. Agents are paid at the rate of so many times the increase in the weekly premium. An agent's average weekly premium is from $30 to $40. The average amount an agent can earn is about $10 to $12. Mr. Richter disagreed with the method of valuing the industrial business at so many times the weekly premium. It would have to be an exceedingly choice and well-selected business to be worth 13 times the weekly premium. The London Life had developed its business in a healthy way at an aggregate cost of 65 times. It would not be safe, said Mr. Richter, to ignore the reserve for the first year. The loans of the company are chiefly confined to real estate mortgages in Ontario and Manitoba. No losses have been incurred in Manitoba on such loans and only one for $184 on mortgage in Ontario. Witness said that the company entered its assets rather below than above their market value. The sale of some securities last year resulted in a profit, which was applied to paying for repairs and alterations on the home office. No window-dressing had occurred in the London Life. The company, however, purchased securities from the