

POSITION OF THE UNION LIFE

Much of the New Business Obtained Was Term Insurance—Impairment of Capital—Investments of the Company

From a sense of duty towards the community and the good name of Canadian life insurance, we feel impelled to furnish some information as to the position of the Union Life Assurance Company of Canada, and the Home Life Insurance Company of Canada, especially as considerable interest attaches to the possible future of these companies since Mr. Pollman Evans, president of the Union Life, secured control of the Home Life a couple of years ago and was appointed president thereof. We believe it will be found to be in the best interests of the companies themselves that an impartial statement be made at the present time, when a good deal is being said among life insurance officials, agents and others as to the course these companies are likely to follow in the near future.

As is generally known, the Union Life is a Canadian industrial life insurance company, started in 1902, through the instrumentality of Mr. H. Pollman Evans, then an agent of the North American Life Insurance Company and he has continued to be its guide since its origin.

National Agency Corporation.

To overcome the well known difficulties of securing financial success in an industrial company in its earliest years, Mr. Evans organized the National Agency Corporation to act as financial buffer in the organization and the securing of business for the new industrial enterprise. The story of this agency company was laid bare before the Royal Insurance Commission and makes interesting reading, but we do not dwell upon that now, except to remark that it would be interesting to know the views of the National stockholders as to the present value of their stock and their prospects of future dividends.

President Evans has however shown no little enterprise and courage in rolling up a large volume of new business, and also in securing additional capital for the hungry business that industrial insurance is known to be.

The following table shows the new business written in each of the last five years 1907 to 1911 and also the lapses and business in force:—

Year.	New Business Paid for.	Business Lapsed.	Business in Force 31 Dec.
1907	\$ 7,980,841	\$ 6,136,463	\$11,234,956
1908	9,166,567	6,967,410	13,295,478
1909	9,645,985	7,343,549	15,367,426
1910	10,777,565	8,210,179	18,015,302
1911	19,333,496	12,875,475	25,116,959

Much Term Insurance Sold.

The new business is certainly large and is almost entirely "industrial," but the business lapsed is also surprisingly large and it is to be accounted for probably by the fact that in order to show large figures of new business and to lessen the reserve liability the management appear to have resorted to the cheap and easy method of selling term insurance in place of the usual life and endowment policies as in other industrial companies, for out of some seventeen millions' dollars of industrial business written in 1911 over thirteen millions was nothing more than term business. Industrial business even on the level premium plan is notoriously non-persistent but when term insurance is resorted to it is evident the elements of stability and profit-making are largely absent.

Mr. Pollman Evans with prophetic vision evidently gazed with longing heart upon entering the industrial promised land, as such commanding geniuses as President John R. Hegeman, of the Metropolitan and President John F. Dryden, of the Prudential had done years ago in America. If only the financial provider would hold out while President Evans was guiding the enterprise through the early desert days "until the corner had been turned" and the promised land entered, then ease and glory and large financial reward lay just ahead. Whether Canada was not ripe for such an enterprise or whether President Evans was not another Hegeman or Dryden the fact remains that the Union Life does not at present after twelve years' experience seem to be drawing much nearer to the land of promise.

Company's Financial Position.

Turning now to the financial position of the company, an examination of the Government blue books shows that up to 1909 the paid-up capital was \$100,000 of which about 98 per cent. was held by the National Agency Corporation. Evidently the drain upon the resources of the company became so great it became necessary in 1910 to enlist more capital in the enterprise as the following table will show:—

year.	Paid-up Capital.	Assets less Liabilities.	Impairment of Capital.	Premium Income.	Expenses.
	\$	\$	\$	\$	\$
1907 ..	100,000	29,422	70,578	301,182	260,477
1908 ..	100,000	15,349	84,651	356,002	287,200
1909 ..	100,000	27,597	72,403	439,583	336,845
1910 ..	628,515	420,923	207,592	530,419	532,806
1911 ..	741,232	337,430	403,802	631,485	631,426

Stock Was Sold Abroad.

The method resorted to in order to enable the company to secure more capital and so to continue in business was ingenious. President Evans resolved to tap the pockets of English and Scotch investors in whose mind Canadian securities were becoming so rosy about 1909. To the metropolis of the British Empire accordingly sailed the president of the Union Life and succeeded in launching a stock proposition at which British investors appear to have bitten eagerly. It is necessary only to examine the list of stockholders in the Government blue book to see that President Evans swept Great Britain from Land's End to John O' Groats and succeeded in bringing back to Canada over half a million additional capital for his company. Just what were the representations on which this money was secured, we do not know.

The year 1911 shows still further paid-up capital was secured to the extent of over \$100,000, presumably from the same source, this bringing the paid-up capital up to \$741,232. The column in the foregoing table entitled "Impairment of Capital," is instructive. It shows that between 1907 and 1911 the impairment of capital has grown from \$70,000 to over \$400,000. To be sure the business of the company has also increased and if the business were regular level premium business in place of being largely term business, the result would be less disquieting. An examination of the expenses of management shows the extraordinary result that during the last two years these expenses have used up practically the whole premium income, so that during 1911 the impairment of capital increased about \$200,000.

Capital Secured at a Premium.

An interesting sidelight on the faith of the British investor is shown by the fact revealed by the Government returns, that the new capital was secured at a premium of about 20 per cent., for of the \$641,232 new capital secured in Great Britain in 1910 and 1911 the large additional sum of \$122,815 was paid as premium on capital. On the other hand the still larger sum of \$145,420 was spent in the effort to secure this new British capital.

Were the interests of the British investor properly safeguarded when this money was secured?

Before leaving the question of the present capital of the Union Life, it may be pointed out that on page 363 of the company's returns as published in the blue book for 1911, the paid-up capital is stated as \$722,800 and on page 365 it is stated as \$741,232.95, while on page 510 it is given as \$745,200. As only one of these can be correct, an explanation seems in order from some one.

If now we turn for a moment, to the latest blue book, we are rather struck with the character of the company's loans and investments. The loans on collateral securities amount to \$374,000 and this is made up almost entirely by one loan to the Canada Provident Insurance and Investment Company on the security of \$485,000 of the Imperial Loan and Investment Company stock. It would be interesting to know the whole story of this transaction and to be more assured of the wisdom of placing so many eggs in one basket—and that made of common stock.

How the Investments Look.

Turning to the investments, we are not a little surprised to see so much money invested in the stock of building societies, as the following indicates:—

Canadian Birkbeck Loan and Savings Company	\$ 6,900
Colonial Investment and Loan Company	86,238
Peoples Building and Loan Company	1,800
Reliance Loan and Savings Company	13,700
Standard Loan Company	15,165
Sun and Hastings Loan and Savings Company	21,700
Total	\$145,503

When so many excellent bonds and debentures can be now secured at good rates of interest and when it is so easy to loan money at high rates of interest on safe mortgages it seems somewhat perplexing to discover the reason why the management of the Union Life should have departed so far from the beaten track of approved life insurance investing. We venture to think President Evans would have increased the public confidence in his company and besides made better returns in the long run by following the practice set

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