

PROSPECTS OF NEW LIFE COMPANIES

The life insurance promoter has been very busy in Canada during recent years. Ambitious fieldmen have sought in the establishment of new companies an outlet for their energies in this direction, and local pride, sometimes in the disguise of alleged local necessity, has also been an actuating cause of promotions. Those responsible for these promotions have been able to cite the great growth of the country, the large increase in population from year to year, and, broadly speaking, the ability of that population to hold considerable amounts of insurance, as reasons why their promotions were justified. Likewise, they have not been slow to quote the value of the stock in some old and well-established companies and the rate of dividend paid by them as evidence of their prospects. The first argument is legitimate; the other most certainly is not, since the conditions under which the business of these old companies was established were widely different from the circumstances of the present day. What, in sober truth, are the prospects of new life insurance companies starting out in business in Canada to-day?

It is obvious in the first instance, particularly after the Union Life smash, that a new company's prospects depend largely upon the manner in which it is organised, not only whether it is organised honestly but whether it is organised with ability and care. A new company whose resources are wasted at the outset of its career in extravagant organization expenses, has no prospects, and is doomed to drag out a miserable existence until a merger or liquidation brings its career to a close, or a drastic re-organisation finally places it on its feet. However, assuming that a new company has been honestly and carefully promoted, its prospects in the Canadian field at the present time depend mainly upon two things, first, ability of management, secondly, but of equal importance, sufficiency of resources.

Probably the new life company most likely to make a fairly rapid and enduring success in the Canadian field, is one which has in addition to ability of management, a strong financial backing and large resources—say \$1,000,000 in paid-up capital and a reserve of from 25 to 50 per cent. of its paid-up capital. A new company started on a smaller scale than this may make a moderate success in time, but its early years will be anxious ones.

In spite of the superficial attractions of the Canadian field as a theatre of operations for a new insurance company, there are in fact many circumstances militating against a new company with only moderate means. Competition between the companies already in the field is intense. Many of the companies have very large funds; the resources of some of them are immense and their fame worldwide. The services of qualified agents are in strong demand, and in order to secure their services, new

companies must offer especially attractive terms, thus further swelling the expense account, which under all circumstances is inevitably higher in a new company than in an older one. Moreover, a new company is not able to present to the prospective policyholder, solid advantages which many of the well-established undertakings can freely offer, nor can it point back to a record of service accomplished. While these disadvantages are to some extent compensated for, from the new company's point of view, by the profound ignorance of the average prospect regarding both insurance and insurance companies, yet their lack means the loss of valuable "talking-points." A sectional appeal may probably be made in different parts of Canada by a small new company with some success. But whether this sectional appeal will be strong enough to offset the adverse factors to be encountered, can only be learned by experience. Doubtless also there is a field for a company doing business with only a certain type of risks which the other companies do not touch. But for a new company to plunge into direct competition with the old established companies already competing keenly against one another in the Canadian field, is to start on a career of effort and anxiety, which will very probably never secure an adequate return.

PRUDENTIAL INSURANCE COMPANY OF AMERICA.

Chancellor Walker announced this week that he would approve the appointment of appraisers of the stock of the Prudential Insurance Company of America, which concern will be changed from a stock to a mutual company. The Chancellor heard the argument on their report of appraisers which fixed the value of stock at \$455 a share.

Representing the minority stockholders, Robert H. McCarter opposed the confirmation of the report on the ground that the value of the stock was placed at too low a figure. Richard V. Lindabury asked that the report be approved, and he was supported by former Governor John W. Griggs, who appeared for policyholders.

The matter of compensation for the appraisers was taken under advisement by the Chancellor, as was the matter of compensation to counsel. The appraisers were former Governor J. Franklin Fort, former United States Senator James Smith, Jr., and former Assistant Postmaster General W. A. Johnson.

PERSONALS.

Mr. W. Ferrand, manager for Canada Union Insurance Company of Paris, has returned from an extended business trip to the Coast.

Mr. Bertram E. Hards, assistant manager Guardian Assurance Co., who has been spending three months holidays in England is expected to arrive in the city to-morrow.