

EXPENDITURES OF YOUNG CANADIAN LIFE COMPANIES.

There is printed below a short summary of the position of five young Canadian Dominion-licensed life companies. All of these, with the single exception of La Sauvegarde, are companies which have begun writing business within the last four or five years and particular attention has been paid in compiling these summaries to the closely related matters of expenditure and consequent impairment of shareholders' funds. All of these companies sold their stock at a high premium. All, without exception, have eaten largely into this premium, and in more than one case a considerable slice of the paid-up capital has also disappeared. Including the Security Life, a summary of whose position was published in a recent issue, these companies at December 31st, 1915, had thrown away over \$650,000 of their shareholders' money in the effort to establish themselves.

How wisely or advantageously this large sum has been expended only the future can determine. But it is certain that it will be long years before the shareholders can be recouped to any reasonable extent, even with the most sagacious management, which is not always forthcoming, and under the most favorable conditions, the outlook for which is distinctly problematical. Under modern conditions, of course, a premium upon capital stock is essential, if a new life company is to have even a fighting chance for existence. If this premium were always expended economically and wisely, there would be something to be said in favor of it. But in the great majority of cases, necessary heavy expenditures in starting a new life company are added to by extravagant and unnecessary ones. What can be said, for instance, in defence of head office salaries equal to 30 or 40 per cent. of the net premiums? If those starting a new company have not faith enough in its future to be contented with a very modest remuneration at the outset, they had better leave the company alone. Again, what is the sense of writing business when agency expenses alone equal or exceed the premium income and there is very possibly a 80 or 100 per cent. lapse ratio? This sort of thing is merely milking the shareholders. Under conditions as they have developed in some cases, the practise of charging a premium on stock in a new life insurance company has become merely a device for getting more money out of the unfortunate shareholders than would be otherwise possible.

Some—if not all—of the young Canadian life companies look like surviving and growing in time into respectable organisations. We hope so, sincerely. But even those in the best position have got a long row to hoe. Under the present-day conditions of Canadian life insurance, it is a desperately hard job for any new company to get on its feet. It is a job that, frankly, is not worth an investor's while to finance. The gilt-edged and remunerative character of the stock of well-established life insurance companies is always a bait to the inexperienced investor, who forgets, or more often does not know, that these companies were started under conditions infinitely more favorable than those of the present day, that the field was then comparatively unoccupied whereas now it is amply filled, that these companies frequently had a very long period of hard struggling before reaching

success and that the big fellows of to-day represent the survival of the fittest. The only possible advice to those who are asked to invest in the stock of new Canadian life insurance companies is "Don't."

THE ALBERTA-SASKATCHEWAN LIFE.

This Company, with head office at Edmonton, Alta., received its Dominion license in October, 1913, at a time when re-action had begun to get well under way in the Western field. In 1915 it began to run behind on its capital and at December 31st, 1915, was \$10,000 behind on a paid-up capital of \$65,787. The shareholders paid to the same date \$69,284 premium on their stock and this has of course gone in addition to \$10,000 of the capital. So that up to the end of last year about \$80,000 has been dropped in the attempt to establish the business. Last year's net premium income was only \$4,495, a drop of nearly 50 per cent. from its 1914 level, and the amount of insurance in force was reduced, practically wholly through lapses and not takens, from \$245,000 at December, 1914, to \$127,000 at the close of 1915. A successful effort was made last year to cut expenses, but still total expenses were \$9,118 against a total income of \$7,276. An expenditure of \$80,000 to acquire business in force of \$127,000 and premium income of \$4,495 is pretty stiff. It remains to be seen whether the Company will be able to benefit from the recent revival in the prosperity of the agricultural West.

THE BRITISH COLUMBIA LIFE.

The British Columbia Life of Vancouver started business in 1911, and at the end of 1915 had business in force of \$3,503,677 and in that year a premium income of \$90,283. Considering conditions on the Coast since the bursting of the boom, the Company has probably done fairly well in maintaining its capital up to the end of 1915 with only a very slight impairment of just over \$3,000 out of \$100,000 paid-up. The premium paid on the capital stock by shareholders was, however, as much as \$168,190.

(Continued on p. 1083)

THE MOLSONS BANK REPORT.

(Continued from page 1079)

detailed above, the largely increased balance at credit of profit and loss account of \$127,620 is carried forward.

THE BUSINESS OUTLOOK.

At Monday's annual meeting of shareholders, an interesting review of the economic situation was given by Mr. W. Molson Macpherson (the Bank's president). He aptly pointed out that with plenty of employment at good wages, and our exports of all kinds fetching the highest prices, it is quite within the power of the Canadian people to save a large amount of money for investment in war securities and as a reserve against the time when our existing favorable trade balance is decreased through the cessation of the export of munitions and the fall in prices of our standard products, upon which products we must subsequent to the war rely both to pay for our imports and to meet the interest we owe abroad. Mr. Pratt, the general manager, added the opinion that Canada will come through the present crisis better than any of the other countries at war.