

WASTAGE IN LIFE INSURANCE BUSINESS

Lapsation Means Heavy Losses—Causes Dissected and Discussed

Lapses, including many early surrenders, constitute a gigantic evil that should be abated by vigorous effort on the part of Canadian companies and their agents, was the statement of Mr. B. W. N. Grigg, B.A., of the Mutual Life Assurance Company of Canada, when speaking before the Toronto Insurance Institute. Most radical changes, he said, are required to correct the enormous losses to the companies and to the public that result from lapsation. The causes are many. The chief are as follows: 1. Faults in salesmanship leading to (a) misfit contract, (b) over-insurance, (c) misunderstanding of the contract, and (d) failing to "keep in touch." 2. Failure to realize our moral obligation. 3. An insane desire for rapid expansion in the volume of business, resulting in (a) excessive first year commissions, (b) drifting agents, and (c) rebating. 4. Want of money. 5. The abuse of the loan privilege. Dealing with these causes, Mr. Grigg said, in part: The fundamental cause of lapses is the ambition for rapid expansion, the desire to out-class other companies in the amount of business. This leads to the payment of extravagant commissions for first premiums and comparatively meagre remuneration for renewals. Naturally, the average agent makes new business his especial care, and renewals are left to look out for themselves to a large extent.

Commission System Injures Agent.

As a result of the unreasoning chase after new business, extraordinary inducements are offered to agents to secure business on the chance that it will be permanent. Absurd commissions are being paid on first premiums and negligible commissions on renewals. The result is obvious; the reason manifest. Our commission system is contrary to the public interest, and if the companies and their agents will not voluntarily remedy the evil, there should be legislation to compel them to do so. Our present commission system injures the agent, and so hurts the companies. Competition in commission paying causes agents to drift from one company to another for the additional loaves and fishes. This makes them soldiers of fortune and destroys loyalty. Moreover, the agent loses the prospect of a permanent income from renewals, he loses the confidence of the client, who, at his solicitation parted with his good money; last, and worst of all, he loses respect for himself as a professional insurance man.

Rebater Still at Work.

Rebating is an evil that has lain at the root of much deplorable lapsation. It is still responsible for a goodly amount of it. We touch a delicate matter here, but we have the evidence of agents of unimpeachable character that in competition they still meet the rebater, in spite of the laws that exist.

Another source of lapses is the lack of funds. It will occasionally happen that circumstances will deprive a policyholder of a part or the whole of his income, in which case he cannot carry his policy. He may then borrow on it to pay the premium or he may carry a smaller amount on a cheaper plan in place of what he now finds too burdensome. The ingenuity of the agent will often suggest some modification of the contract that will prevent it from wholly lapsing. If the worst comes to the worst, which seldom happens, the policy must be cancelled, and no one is to blame.

Abuse of the loan privilege is another source of lapsation. The privilege of borrowing has appealed strongly to the public, and has won many a policyholder. It is a privilege, but often it has proven to be the lure which has led to lapsing. Borrowing on the security of a policy reduces the amount of protection, thereby increasing the cost of the protection. Naturally the assured finds the contract less attractive. He finds himself paying the same old premium for less protection, and also paying interest on his loan. He is easily persuaded under those conditions to forfeit his policy. The company should issue urgent warnings on this subject, and the warnings should be echoed by the agent. Only a dire extremity should justify a loan. Loans lead straight to lapses or the surrender of the policies.

There is an intimate connection between "not taken" and lapses. One of the biggest not taken records last year has 89 per cent. of its new business offset by lapses and "not taken"—nearly 60 per cent. by lapse alone. This is developing business by a wasteful method, and such salesmanship should not be tolerated, leave alone encouraged. Not taken policies cost about one hundred thousand dollars yearly, the only gainer being the medical examiner. Not taken business does not lapse; nevertheless, tolerating not taken business leads to lapsing. In seeking, by any species of trickery or slimness to get an application, marks a man at once as unworthy of a place among life underwriters. Indeed, the elimination of the lapse evil is almost altogether a question of raising the moral tone of officials and agents. The proportion of not taken policies to new business written in 1914 ranges all the way from 6 per cent. to 38½ per cent. That a policy of rapid expansion does not necessarily involve a large proportion of not taken policies is shown by the fact that the two most aggressive business getters among Canadian companies had only about 12 per cent. of their new business offset by not taken business. The agents should be fined for not taken policies, and the fines should be enforced, not written off, as is evidently the custom in some quarters.

MANITOBA SELLS \$1,000,000 BONDS

The province of Manitoba has sold \$1,000,000 5 per cent. 3-year bonds to a syndicate comprising Messrs. A. E. Ames and Company, the Dominion Securities Corporation, Toronto, and Messrs. Kissel, Kinnicutt and Company, New York.

NOVA SCOTIA'S BOND SALE

A block of \$500,000 5 per cent. 10-year bonds of Nova Scotia has been purchased by Messrs. N. W. Harris and Company, Montreal. The price paid was 97.13, this being on a 5½ per cent. basis.

The following tenders were received for the issue:—

N. W. Harris & Company, Montreal	97.13
Wood, Gundy & Company, Toronto.....	97.08
National City Bank, New York	96.29
Eastern Securities Company, Halifax.....	96.277
W. F. Mahon, Halifax (on behalf of A. E. Ames and Company, Toronto)	96.274
Macneill & Young, Toronto	96.2
Brent, Noxon & Company, Toronto	95.756

Nova Scotia's previous sale of securities was one of \$1,000,000 4½ per cent. one-year treasury notes to the National City Bank, of New York, at a premium of \$5,300.

OVER MILLION CASES OF SALMON

(Staff Correspondence.)

Vancouver, B.C., December 4th.

Salmon packed in British Columbia for 1915 totalled 1,133,000 cases, as compared with 1,111,000 cases in 1914 and 1,353,000 cases in 1913. Between 1912 and 1905 the pack did not exceed a million cases, the lowest amount being in 1908, when the figure was 542,689 cases. This year the northern canneries did well, and while the pack on the Fraser was lower than last year, when it was 328,390 cases, the difference was more than made up by the pack in the north. The pack by districts was: Fraser River, 289,199 cases; Skeena River, 279,161 cases; Rivers Inlet, 146,238 cases; Naas River, 104,289 cases; Outlying, 313,894 cases.

The pack on the Fraser River exceeded that on Puget Sound. Generally there are three or four fish packed on Puget Sound to one on the Fraser, but for the first time in the history of salmon canning on this coast, the tables have been turned. It is accounted for by the action of the purse seiners in the Strait of Fuca. As the schools of salmon came in, these purse seiners, numbering about 400, so harassed the fish that the schools were broken up and they were diverted from their usual course.