

LIFE INSURANCE & FIELDS FOR INVESTMENT

Compulsory Investment Legislation—Trial Test Under a Texas Insurance Law

Most people who urge compulsory investment laws seem to assume that conditions which make it possible to write a large volume of life insurance likewise make it possible to loan a corresponding amount of money to the advantage of the lender, said Mr. Robert Lynn Cox in an address at Dallas, Texas, recently. Nothing could be further from the truth. Life insurance must be written among people who have incomes large enough to enable them to pay the premiums required. Certain kinds of insurance afford means of investing surplus funds and are used for this purpose by policyholders. It may, therefore, be said that a large volume of life insurance can be written only in a prosperous community. We can even go further and say that the more prosperous the community the more life insurance can be written in it.

Reverse Is True Regarding Loans.

The exact reverse of this is true with reference to the making of loans in a community after it has passed the point where its lands are settled and its resources fairly well developed. Then the greater its prosperity the fewer the loans that can be made in it. So we have in the United States today certain places in which loans can be made with difficulty because the community is not what may be termed a borrowing community, yet in which the volume of outstanding life insurance is enormous. Likewise we have communities where comparatively little life insurance has yet been written, but whose resources and prospects are such as to make it a desirable investment field for life insurance funds.

By way of illustration let us compare the states of Massachusetts and Texas. The reserves held by foreign life insurance companies doing business in Massachusetts amount to about \$147,500,000. The reserves held by foreign companies now doing business in Texas amount to about \$8,200,000.

In Massachusetts farms which can be tilled are under cultivation, water powers are in use, roads are macadamized, railroads are built, trolley lines are in operation; in short, there is little, if any, need of outside capital, and its own state institutions are looking for outside investments in order to invest the capital in their hands at satisfactory interest rates.

Not One-Tenth of Resources Developed.

As to conditions in Texas, I do not need to describe them, since what I should say would be merely to repeat what I have been told by citizens of your own state, showing that not one-tenth of your resources have been developed and that not a hundredth part of the capital you need has yet been supplied. Can there be any doubt but that the interests of policyholders require that companies should collect life insurance premiums in Massachusetts and invest them largely in Texas or in states like it. Yet if we come to compulsory investment laws intended to give citizens who are not policyholders the advantage of borrowing money at the lowest possible rate, what could Texas say in opposition if Massachusetts should follow its lead and compel Massachusetts reserves to be invested in Massachusetts in order that interest rates in that state might be still further reduced. We should be there pleading for the interests of policyholders which would likewise be in the interests of states needing capital worse than Massachusetts needs it, and the chief obstacle in the way of our success would be the example which had been set by Texas.

If reserves are to be kept at home by force of statutes rather than by opportunity for satisfactory investment of them, it will be policyholders in such states as Massachusetts and citizens of such states as Texas who will be the losers.

Foreign Companies Doing Business.

Before leaving the Massachusetts comparison it might be well to call attention to the fact that, should we add to the reserves held by foreign companies now doing business in Texas (\$8,200,000), the reserves held by foreign companies not now doing business in Texas (about \$40,000,000), and the reserves of Texas companies (perhaps \$5,000,000), the total Texas reserves (\$53,200,000) would be only a little over one-third of the total reserves of foreign companies doing business in the state of Massachusetts. Surely these figures show that even one hundred per cent. of the Texas reserves are hopelessly inadequate to meet the present needs of Texas or for a generation to come, so it would seem to me that the problem is really not so much that of keeping reserves at home, but of finding a way in which to attract the reserves of states whose capital is in excess of local requirements.

Security Lies Primarily in Property.

The flow of capital has often been likened to the flow of water. There is a constant tendency to seek a level. To attract it to a given spot you must have regard for the natural

laws by which it is controlled. Ignorance and prejudice may afford slight restraints for a time and artificial obstructions may defer its course temporarily, but it cannot long be impounded against the operation of the laws of supply and demand.

A locality whose future wealth and prosperity is reasonably assured, can get the capital if it is willing to pay good interest rates and has adequate security to offer. Investments such as life insurance companies are compelled to make involve loans in which the element of personal integrity of the borrower is largely eliminated. Their security lies primarily in the property behind them. Such loans are very different from those made by banks and by individuals to personal acquaintances. There the reputation of the borrower is a most important element and perhaps the only security required. In life insurance investments the question is as to the value of the property offered as security and to the lender's ability to realize upon it in case of necessity.

INDUSTRIAL INSURANCE

In the year 1854 the Prudential Insurance Company, of England, issued the first industrial insurance policy. In January, 1875, there were two million policies in force, stated Mr. Joseph Vivian, in a paper read at a recent meeting of the London, Ontario, Life Underwriters' Association, and to give an idea how the movement was taking with the public the records show that there were in 1874 16,000 policies sold on a weekly average.

In 1875 the Prudential Insurance Company, of America, started to sell industrial insurance, and five years later, in 1880, there were 44,000 policies on the company's books.

In January, 1891, there were with nine companies 3,875,102 policies, and ten years later, January 1, 1901, there were 11,219,296. The remarkable growth of industrial insurance since then is apparent to all, and it now occupies one of the foremost positions in the financial world to-day.

With the growth of industrial insurance and the gradual education of the public to its merits the health of the people has been showing improvement. Pauper funerals, so common in the close of the 18th century, have through the aid of the industrial policy almost ceased to be, and if for that reason alone the taxpayers have cause to be thankful for the advent of the industrial policy. In bringing this paper before you to-day, those who are engaged in ordinary insurance alone may perhaps be interested, as few ordinary agents know much of the industrial policy, or how much they owe to the industrial agent, the desire created by the agent who is calling at the house every week, and each call he makes, there is some seed sown for more insurance, and in the course of time the husband, and the sons who are growing up to be young men are interested in ordinary insurance, and while the ordinary agent does not come into contact with these people in their homes, at the shop and store or office they frequently reap the harvest that was planted by the industrial agent. We who are solicitors know from experience how beneficent our calling is; the large number of people who are daily receiving the insurance from the industrial companies come before our notice, and one may truly say, almost hourly. In fact, one large company has it on record that they pay a claim every sixty-three seconds of an 8-hour day, or \$140 per minute. Think of the vast amount of relief afforded to families who by the small deposit of five or ten cents per week has been enabled to meet the expense of the undertaker and the doctor. It falls to the lot of every man to see the results of some of his own work, and there is nothing that can make a man's heart rejoice so much as to see the good that has been done to his fellowman by his own instrumentality. Small amounts which seem nothing at the time can be directed to good use, and to great saving by applying the same to the purchase of industrial insurance. Again it is not essential that a person must die to gain this saving as the 20-year endowment is one of the best means of making a child thrifty and careful, and oft-times forms a habit that lasts a lifetime. We are engaged in a high calling, and we owe it to ourselves to give the best that is in us, to be honest with ourselves, with our clients, with our competitors, and to be loyal to our respective companies.

At a meeting of the Moose Jaw city council, it was unanimously decided that plans be advertised for under the regulations of the Royal Architectural Association for a city hall to cost \$250,000. It was decided to offer \$3,000 for the most suitable plans, the first prize being \$1,500.

The freight traffic through Sault canals for a single month passed the 10,000,000 ton mark last month for the first time, the total for the month being 10,747,159 tons. The next largest month was July, 1910, when the traffic totalled 8,975,173 tons. Last month's total equalled that for the entire season of 1893.