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WASTE IN CANADIAN LIFE INSURANCE.

It can be said of the lapse and "not taken" waste in Canadian life insurance that it is by no means so bad as it was. Even within the last two years, there has been a very distinct improvement in this connection. A table on another page shows the proportion of lapses and "not taken" policies to new policies issued last year and in 1911, and if comparison of last year's figures be also made with those of 1910, the change which appears as having been made in that period is very satisfactory. In regard to Canadian companies' industrial business, it is true that last year's figures are much worse than those of the two previous years, but these are due to the fact that the Union Life lapsed almost as much industrial business last year as it wrote. Apart from this the percentage of waste last year was on the whole considerably reduced. The ordinary business of Canadian companies shows a marked improvement in this respect, the lapses and "not taken" policies being in a proportion of 30.48 to new policies issued in 1912, against 32.67 in 1911 and 32.90 in 1910. The British companies transacting a life business in Canada have been even more successful proportionately in lowering the waste ratio. In 1910, their ratio was 41.44, but in 1911 this was lowered to 30.21 and last year it was still further reduced to 26.58. The American companies' ordinary business shows a ratio for 1912 a little higher than in 1911, 30.10 against 29.58, but in 1910 it was 37.25, so that there is a good improvement in the two years. The Canadian industrial business of the American companies also shows a change for the better, the 1912 figure of 64.11 comparing with 64.64 in 1911 and 66.09 in 1910.

These figures are satisfactory as far as they go, but there is ample room for further improvement. In regard to industrial insurance, it is, of course, the universal experience that the business cannot be conducted except at the expense of a very high loss ratio, and the difficulty is accentuated in Canada, where labour is nomadic to a greater extent than is common in countries of an older settlement. In the case of ordinary policies, it

is less easy to blame the lapse waste upon social circumstances; the companies themselves by the methods which they follow are largely to blame for it.

The remuneration of business on a brokerage basis, *i.e.*, a flat commission and a large one on the first year's premium is one of the methods which make for hot-house production and in consequence a high lapse ratio. From the agent's point of view, such an arrangement is good enough; from the point of view of the best interests of the Company, it is a distinct drawback to have such an arrangement. If companies were not blinded by the passion for big figures of new business, they could easily see this. It cannot be said, in our view, that any agency system is on a sound basis which does not make for permanency of relationship. A helpful suggestion to this end was made a short time ago by Mr. J. W. Mills, of the North American Life, who pointed out that it is during the second and third years of the policy's life that the greatest number of lapses occur. At the same time, the commission allowed for collection of premiums during this period, with few exceptions, is the same as that paid when a policy has been in force many years. Mr. Mills expressed the opinion that the payment of a higher commission in the earlier years would have the effect of inducing the agent to keep the business from lapsing.

It does not seem probable also that sufficient energy is being devoted by the companies to the business of systematically following up lapses with a view to the re-instatement of the policies. A certain number of the companies have departments engaged in this work, apparently with beneficial results. But while last year lapses in Canada totalled over 85 millions, old policies revived were less than ten millions, more than one-half of these being industrial revivals. These figures suggest that there is considerable scope for a thorough policy of following up lapses with a view to re-instatement.

While there is life insurance there will always be lapses. But we decline to believe that in Canadian life insurance the irreducible minimum has yet been reached. Until that irreducible minimum is reached the waste which goes on through lapsation proclaims the inefficiency of the life insurance machine.

