Review of Life Insurance Results in 1919

Large Proportion of the Population Involved in Life Insurance Policies—Every Policyholder is an Investor and Directly Concerned with Stability of the Nation—Remarkable Growth of the Past Year and Developments.....

We are indebted to the Guaranty Trust Company, New York, for the following thoughtful summary of the life insurance results for 1919. The facts that are deduced from the records reviewed apply with equal force to Canada as to the United States, and wherever the latter is mentioned the former could be used with full applicability and force.

The interest of the life insurance companies—or even more of policyholders of life insurance companies, in the case of mutual companies—in the general prosperity of the country and of its economic institutions, railroads, industries and farms, is direct and vital. There are today not far from fifteen million individual life insurance policies in existence in the various companies of the United States, including not merely those operating in New York, but all others. Even allowing for duplication, it is a conservative estimate to say that fully half of the population of the United States is more or less directly concerned with ordinary life insurance policies. Every holder of life insurance is indirectly an investor, and there are, therefore, fully ten million of these investors in the United States. Their investments, in the form of payment of premiums, amount to approximately a billion dollars a year. They represent every class of the community, from the richest to the poorest, all of whom, from whatever motive they have taken out insurance, are perforce interested in the stability and prosperity of the institutions of the country, its political and economic organization.

Life insurance companies have ten per cent. or more of their assets invested in Government securities, and it is obvious that they and their policyholders are now directly concerned in everything which affects the price of such securities. Prospects of new issues that might depress the prices of those already outstanding; income or other taxation affecting the demand for the bonds; individual extravagance that keeps up the volume of the public debt; these and all other pertinent factors are of importance to the insurance companies and to the holders of their millions of policies.

It is by no means true, however, that the holders of insurance are keenly interested in government finance, merely because 10 per cent. of the companies' assets are in government bonds. The value of all assets is distinctly affected by fiscal and financial policies of governmental bodies. In current discussions of the seven per cent. gross yields to investors that such substantial railroads as the Pennsylvania and the New York Central are having to pay in recent issues of bonds and equipment trust notes, respectively, the important bearing of the income tax on the net yield must always be emphasized. These roads are paying seven per cent. to investors not because capital of itself needs a seven per cent. attraction to induce it to come forth but because capital, taxed all the way from a few per cents. to two-thirds of its income, must seek a large gross yield if net yield is to be a reasonable amount. The poorest investor whose investment takes the form of an insurance policy, therefore, comes to have equal proportionate interest with the richest in government economics and in a sound economic structure, by very reason of his investment in insurance and his interest in the value of those assets of his insurance company which his own and thousands of other premium payments make possible.

A study of New York State life insurance statistics and results for 1919 reveals among other things, these four striking facts:

(1) The net amount of insurance gained—that is, the increase in policies outstanding after deductions for deaths, lapses, etc.—during the year was greater than the total amount of new insurance written during any previous year.

(2) The average size of the ordinary life insurance policy at the end of the year was about $2,050, compared with $1,980 at the end of 1918, and only $1,886 at the end of 1915.

(3) The amount of ordinary life policies in force with insurance companies operating in New York State was nearly 24 billion dollars.

(4) The total "admitted assets"—virtually gross assets—of these same companies is more than six billion dollars, and fully ten per cent. of these are in the form of securities of the United States Government—Liberty and Victory bonds and notes, etc.

The following table gives the figures, in millions of dollars, of the life insurance in force at the end of each year since 1910 with American companies chartered or operating in New York State, the net gain each year, and the total amount written each year. Industrial business is not included. The figures for 1919 are correct to within one per cent. or less.

End of Year	Amount of Policies in Force	Net Gain for Year	Total Written During Year
1910	11,670	....	....
1911	12,803	1,133	1,578
1912	13,527	724	1,716
1913	14,305	778	1,856
1914	14,933	628	1,827
1915	15,633	700	1,945
1916	16,815	1,182	2,383
1917	18,457	1,642	2,993
1918	20,196	1,739	3,177
1919	23,950	3,754	5,800

The difference between the last four years and the previous four is obvious. In the years 1912-1915 inclusive, the average net annual gain was 707 millions, the average annual amount written was 1,836 millions. The corresponding figures for the next four years are 2,079 and 3,588, nearly three times and twice as large, respectively, as those for the preceding quadrennial period. Those for 1919 alone are respectively 5 1-3 and 3 1-6 as large as those for 1912-1915. These facts show not merely a large growth in insurance written and gained, but, what is equally important, a very considerable increase in the proportion of insurance gained, in other words, a notable decline in the proportion of insurance which ceased to run, through death, maturity, or lapsing.

In 1914, the year the war broke out, a year which witnessed a large amount of unemployment and distress, the net gain was only slightly more than one-third of the total insurance written. In 1918, in spite of the effect of the war and the influenza epidemic, the net gain was more than one-half the amount written. In 1919, finally, the figure was no less than five-eighths. The same factors which have operated to enable more people than ever to buy insurance, have also enabled those who hold it to keep it, namely, prosperity and surplus spending or investing power. How much the showing for 1919 may also be affected by the fact of the low death-rate among the large number of young men, ex-service men or others, in the body of new holders of insurance, can only be conjectured.

The same factor of prosperity and high money incomes shows in the average size of policies. The figures for 1919, given below, are based on results in companies that during