

LIFE INSURANCE AND THE WAR

Large Amount of Insurance on Lives Subject to Military or Naval Service

"At the end of 1916," said Mr. William A. Hutcheson, second vice-president and actuary of the Mutual Life, at the eleventh annual meeting of the Association of Life Insurance Presidents held at New York recently, "there was \$16,800,000,000 of ordinary business in force in companies reporting to the New York Insurance Department, and no less than \$1,680,000,000 was on lives subject to military or naval service. There was also about \$4,400,000,000 industrial insurance and about \$90,000,000 fraternal insurance in force as reported to the New York Department, and taking the British and Canadian experiences as a criterion and applying the percentages of casualties to normal American death claims, it would show a death loss to American life companies of at least \$30,000,000 per annum. If the war death claims should amount at any time to any appreciable part of the assumed 10 per cent. of the normal death claims it would be necessary to call upon either the contingency reserves or the dividends, or both, for in very few cases can the companies charge any extra premiums to offset such war claims."

Life Companies and Investments.

In referring to the part the life companies took in floating the two Liberty Loans, Mr. Hutcheson said that he had been able to get information from 182 companies, and he found that these applied for about \$61,500,000 of the First Liberty Bonds and \$109,500,000 of the second. The companies had been allotted \$21,500,000 of the first loan and they applied for \$109,500,000 of the second issue, so that they were prepared, within a period of less than six months, to purchase over \$131,000,000 of bonds. This amount was nearly 80 per cent. of the increase in the invested funds of the companies within the period of six months during which these issues of bonds were made. In addition to this, the agents throughout the country placed somewhere about \$38,000,000 of the first issue and about \$100,000,000 of the second, giving much of their time to the work. Many of the employees also subscribed liberally and many of the companies furnished employees to assist in the clerical work. The companies have also loaned their aid to the army and navy insurance scheme, recruiting, Red Cross work, military census, food conservation, etc. He said that the war would affect the mortality of the companies, the value of their investments and expenses and probably their insurance in force.

War and Future Dividends.

"Whether the war lasts one year or five," said Mr. Hutcheson, "the question which all of us must meet ere long is that of dividends to policyholders. A company is able to pay dividends principally.

"(1) Because its expenses are lower than the provision therefor contained in the premium,

"(2) Because its death losses are lower than provided for,

"(3) Because it earns a higher rate of interest than that at which the reserves accumulate, and

"(4) Because it does not make losses on its investments.

"It is the aggregate surplus, of course, arising from these various sources which enables dividends to be paid. If the aggregate surplus increases, the dividends may be increased without affecting the contingency reserve, and vice versa. Expenses and death losses will increase during the war. At the same time, there has been a very substantial drop in the value of many securities, and there is little prospect of a return to the old values for years to come.

"Everything, in fact, seems to point to lower surplus earnings, which means either lower dividends or a lower contingency reserve, or both. The principle on which we should all act is 'safety first, and dividends second,' and any company which thinks it better in these war times to reduce its dividend scale will receive nothing but commendation from the public and from all wise and thoughtful policyholders."

British Companies and Dividends.

In conclusion Mr. Hutcheson said that "the British companies there do not, as a rule, make annual valuations and distribution of surplus. Some few do, but the rule there is to value and distribute surplus once in five years. Only some of the British companies, therefore, have had to meet the ques-

tion of dividends since the war commenced three years ago, but in the case of those companies which have had to meet it, the following are the facts:—

"15 companies 'passed' their dividends.

"13 companies cut down their scale of annual dividends.

"9 companies made no change in their dividend scales.

"1 company increased its dividend scale.

"The conditions in Great Britain and the United States are, of course, very different, but these facts should be of interest to us all for this question must be met by all if the war lasts for even another year, as most of us think it must. The companies have contributed many men to the front and the depletion which may come to their staffs is one of the questions which must be met." An extract from a letter of a mother who expressed her willingness to sacrifice her son was read, and Mr. Hutcheson added that "the spirit of sacrifice displayed by her is the spirit which will win the war. Business cannot go on 'as usual' if we are to win the war, but a choice must be made between 'business as usual' and 'victory.' This is the nation's and the life insurance companies' problem now."

RAILROAD RATES INCREASED

An important judgment was handed down on Wednesday by the Board of Railway Commissioners, Ottawa, providing for a 15 per cent. increase in passenger rates in all parts of Canada, with the exception of British Columbia, where the maximum rate is now 3 cents per mile. The judgment also permits, subject to the limitations of the Crow's Nest agreement and certain specific limitations, an increase in freight rates of approximately 10 per cent. in the West and 15 per cent. in the East. The Crow's Nest agreement was made by the Canadian Pacific Railway with the government, and by its provisions rates on a large number of commodities are reduced.

The judgment points out that "there can be no question, in view of actual results, that the railways require greater revenues, and must have them if proper efficiency is to be maintained and the demands of the country for transportation at all adequately met." Costs of labor, coal and materials have been increasing, with the result that the expenses of the Canadian roads are mounting at a much swifter rate than earnings. The increased rates allowed, states the judgment, will certainly not equal the increase in costs to which the railways are subject, and which are not in any way attributable to the railway management.

No mention is made in the judgment of the date on which the increased rates will come into effect. This is because the railways will have to file new tariffs based upon the judgment, and these must receive the approval of the board. It is quite probable that several weeks will elapse before the higher scale of freight and passenger rates comes into force.

With regard to the increase in passenger rates, the judgment states: "It is in the public interest, with a view to conserving coal, railway facilities and man-power, that passenger travel should be as light as possible, so as to facilitate efficient freight movement."

NEW YORK BANKER SAYS LONG WAR

Mr. Thos. W. Lamont, of J. P. Morgan and Company, who has just returned to New York from a trip to England and France, has issued the following statement:—

"On the other side there is great satisfaction at the vigor with which America has taken hold. But even so some doubt is expressed whether we yet fully realize the gigantic nature of the task ahead of us. Many here seem to have had the impression that by the mere fact of our coming into the war the early defeat of Germany became assured. One does not have to cross the ocean to realize that that is a delusion. No one can maintain that victory is close at hand. But it will soon be in sight if we realize that now we must prepare, not only for 1918, but for the campaigns of 1919 and 1920. Great Britain and France have had three-and-a-half years of cruel, grinding war. They have welcomed America's entry, not simply because of her great resources in men, food and munitions, but also because of the fresh viewpoint she is likely to bring to bear in the whole continuance of the war."