

LAPSES AND "NOT TAKENS" IN CANADIAN LIFE INSURANCE

A considerable reduction in the waste resulting from lapses and "not taken" policies is again recorded in the 1917 records of Canadian life insurance. For all the companies transacting ordinary business in the Dominion last year, the percentage of lapses and "not taken" policies to policies issued, was 26.7 compared with 35.4 per cent in 1916 and 42.4 per cent in 1915. Similarly, for the industrial business, the all-over average of lapses was 46.7 per cent compared with 50.4 per cent and 76.4 per cent in the years 1916 and 1915 respectively. As the annexed table shows, however the main part of the improvement revealed in these ratios, is in connection with lapses, the fluctuations of which reflect to a considerable extent the ups and downs in the financial well-being of the great bulk of the Dominion's population. "Not taken", which depend upon this factor less closely, and are more frequently the result of poor salesmanship, if slightly reduced in proportion to new policies issued, show little diminution in actual volume, and it is evident that the expense ratios of the companies are still suffering considerably as a result of the weak spot in their organization indicated by those "not takens".

One interesting feature of the 1917 record is that the lapse ratio in the ordinary business shows a much greater improvement over that of 1916 than does the corresponding ratio in the industrial business, which last year was only slightly better than that of the period preceding. The explanation of this is probably to be found in the fact that while the industrial lapse ratio, in a country like Canada, must necessarily always be high, even in times of active employment at high wages, owing to frequent migration, and the lack in large sections of the industrial companies' clientele of any habits of steady saving. On the other hand, a large proportion of ordinary policyholders, notably the agricultural community and the higher ratings of mechanics and artisans, have been in much better position during the last year or two than ever before to keep their policies

going. If it were possible to get exact details, it would probably be found that among the farmers particularly, the proportion of lapses to life insurance policies held, has greatly decreased as a result of the high prices of all farm products. It is to be remembered also that the companies in recent years have sold a quite respectable volume of "business insurance", and insurance to be used for other special purposes, the lapse ratio of which business is exceedingly low, and this would have some effect in keeping down the general lapse ratio of ordinary business.

Revivals

Within recent years, more attention has been given by some of the companies to the matter of the revival of old policies. While the 1917 record in this connection is fairly satisfactory in comparison with that of the year preceding, it is evident that much better results could be shown, were the companies generally to set about the business of reviving old policies with something like real energy. Last year, the Canadian companies revived old policies of \$5,224,904 compared with \$4,732,733 in the preceding twelve months. Again, however, the remarkable showing occurs of 25 per cent of the total being contributed by one company. The American companies revived \$7,891,122 of old policies last year, compared with \$7,781,787 in 1916, and the British companies, \$137,048 against \$196,825.

The subject of lapses and revivals has been much in evidence in recent years as a topic of discussion at insurance conventions, and a number of the companies are developing special organisations to look after lagging policyholders. It is evident, however, that much remains to be done in this connection. While industrial activity continues at a high level in Canada, the lapse ratio of the companies may be expected to keep within moderate bounds. The real test of what is now being done in the conservation of business on the companies' books will come when, in one way or another, industrial activity receives a decided check.

LAPSE AND "NOT TAKEN" WASTE IN CANADIAN LIFE INSURANCE.

(Compiled by The Chronicle).

	1917					1916					
	1	2	3	4	5	1	2	3	4	5	6
	New Policies Issued	Lapses	Not Taken	Total Lapses and Not Taken	Proportion of col. 4 to col. 1	New Policies Issued	Lapses	Not Taken	Total Lapses and Not Taken	Proportion of col. 4 to col. 1	Proportion in 1915
	\$	\$	\$	\$	p.c.	\$	\$	\$	\$	p.c.	p.c.
Canadian Companies Ordinary	180,073,547	35,906,637	13,669,263	49,575,900	27.5	151,699,600	43,441,756	13,335,112	56,776,868	37.4	43.5
Canadian Companies, Industrial	6,587,550	3,699,389	1,453	3,700,842	56.2	6,705,100	3,721,816	2,388	3,724,204	55.5	68.3
British and Colonial Companies, Ordinary	5,044,555	2,027,749	362,258	2,390,007	47.4	5,282,808	2,027,408	338,771	2,366,179	44.8	72.6
British and Colonial Companies, Industrial	739,508	391,350		391,350	53.0	617,987	434,520		434,520	70.3	103.2
American Companies, Ordinary	66,436,583	10,978,194	4,493,381	15,471,575	23.4	52,691,093	10,803,319	4,207,368	15,010,687	28.5	34.5
American Companies, Industrial	36,091,100	16,151,197		16,151,197	44.7	33,228,811	16,281,957		16,281,957	49.0	77.2
Totals and Averages Ordinary	251,554,685	48,712,580	18,524,902	67,237,482	26.7	209,673,501	56,272,483	17,881,251	74,153,734	35.4	42.4
Totals and Averages Industrial	43,418,248	20,241,936	1,453	20,243,389	46.7	40,551,898	20,438,293	2,388	20,440,681	50.4	76.4

NOTE:—Canadian companies include the Ancient Order of Foresters and Royal Guardians, and their 1916 figures include \$4,153,195 re-insurance of the Prudential Life of Winnipeg by the Sun Life.