

METROPOLITAN LIFE INSURANCE COMPANY.

NEW YORK, April 6, 1909.

The Chairman,
Banking and Commerce Committee,
House of Commons.

Re Section 53, Limitation of Expenses.

DEAR SIR,—We understand that the Life Underwriters Association of Canada have recommended that industrial insurance be exempt from the operation of this section and that the probability is the recommendation will be adopted.

We beg to suggest for your very careful consideration the advisability of also exempting companies from its provisions which transact a non-participating business exclusively.

This company transacts such a business and is working to-day on a commission basis nearer to that which prevailed forty years ago than to any other company. We have made a rough calculation on the ordinary business transacted in Canada during the year 1908, and assume that our margin as per section 42 would amount to \$44,000 and our loadings to \$81,133, making a total of \$125,133 to cover our expenses of \$104,655.

We recently have reduced our loading so that as time goes on the per cent of loadings on the total business would not be as large as it was in 1908. The per cent of the gross premiums used in the above calculation was 12. If we reduced it to 10 per cent, the total credit for expenses would be \$111,611 and if we reduced it to 9 per cent, the total credit would be \$104,850. It is evident from the figures here submitted that in the course of a few years we may exceed the margin allowed for expenses and this result can only be brought about by reducing the loadings, which is the same thing as reducing the cost of insurance. We are now paying lower commissions than any other company, and have perhaps reached the point where no further reduction in commissions can be made, so that the only alternative would seem to be to raise the loading which would increase the cost of insurance, unless as suggested, companies transacting non-participating business exclusively are exempted from the provisions of this section.

Yours truly,

J. M. CRAIG,
Actuary.

METROPOLITAN LIFE INSURANCE COMPANY.

NEW YORK, April 7, 1909.

The Chairman,
Banking and Commerce Committee,
House of Commons.

DEAR SIR,—We regret having to write you another letter for you must be overburdened with communications relating to the Insurance Bill now under consideration, but it occurred to us that on the basis of the figures submitted in our letter of the 6th instant, bearing on limitation of expenses, the inference may be drawn that we were in part sustaining our ordinary department from the proceeds of our industrial department, and it is on this question that we desire no misunderstanding shall exist.

A company transacting non-participating business exclusively is not dependent wholly on its loadings for expenses, for if it did, such business could not be transacted, as the conditions would be prohibitory. All the elements of gain are taken into account which include gains from morality, from interest, and from lapses and surrenders.

These are considered legitimate items to be taken into account in determining success or failures, and the only interest that policy-holders have in such a company is to know that it is so conducted as to be able to meet all its policy obligations.