

WASTE IN CANADIAN LIFE INSURANCE.

Under present circumstances and those which have ruled, say, during the last eighteen months there is some excuse for an increase in the waste ratio in Canadian life insurance. Circumstances, however, useful as they may be for scapegoat purposes, do not entirely and sufficiently account for an all-round lapse and "not taken" ratio to new business last year of something like 50 per cent. This is for ordinary business only; in industrial business, as might be expected, the showing is actually considerably worse. Relatively, however, it is not worse than that of the ordinary business; in fact it may be doubted whether there are as good excuses for a 50 per cent. waste ratio on ordinary business as there are for a 70 to 80 per cent. waste ratio on industrial business. The patrons of industrial insurance in Canada are, even under the best of circumstances free migrants in their habits, and this tendency has probably been intensified considerably during the last two years. Co-incidentally, many wage earners in the Canadian cities have undoubtedly found it exceedingly difficult to keep up their payments in recent times, even with the best will in the world.

AN UNHEALTHY CONDITION.

As regards ordinary business it cannot be said that all is well with it, when, for instance the Canadian companies last year lapsed policies representing \$54,000,000. The companies cannot console themselves with the reflection that sooner or later this business will come back. Last year, the Canadian companies revived only \$3,500,000 of old policies, an amount that cuts a very poor figure beside \$54,000,000 of lapses. Doubtless a good many people last year found themselves in the position of having loaded themselves up in good times with more expensive insurance than they were able to carry

in bad times, and so had to throw some away. But the reasons which have been detailed do not entirely account for such waste ratios as are seen in the appended table. The companies themselves are largely to blame through their patronage of hot-house methods of production, and failure to follow up lapses with a view to the re-instatement of the policies. The remuneration of agents on a brokerage basis, *i.e.*, a large flat commission 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. When agents generally have a tangible interest in policyholders persistence, policyholders will persist—at all events better than they do now.

MORE ENERGY WANTED.

A good many life insurance executives still seem to have no idea that big figures of new business, which they trumpet forth loudly every year, are *per se* worthless as an indication of the real progress of their company. The real value of these figures can only appear through comparison with the business in force. If these two are not in proportionate ratios, the figures of new business of which company heads are apparently so proud are merely their own condemnation of poor and extravagant management.

If some of the energy which is at present so profusely devoted to alternately goading and coaxing agents to bring along more new business were devoted, as some companies at present devote it, to departments which systematically follow up lapses with a view to the re-instatement of the policies, the effect would soon be seen in a more healthy condition of business. The business that stays is the business that pays.

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

1914

(Compiled by The Chronicle).

1913

	1	2	3	4	5	1	2	3	4	5
	New Policies Issued	Lapses	Not Taken	Total of Lapses and Not Taken	Proportion of col. 4 to col. 1	New Policies Issued	Lapses	Not Taken	Total of Lapses and Not Taken	Proportion of col. 4 to col. 1
	\$	\$	\$	\$	p.c.	\$	\$	\$	\$	p.c.
Canadian Companies, Ordinary	142,377,438	53,992,623	18,961,015	72,953,138	51.2	147,434,182	41,348,886	16,319,654	57,668,530	39.1
Canadian Companies, Industrial	5,912,927	4,213,517		4,213,517	71.3	4,711,755	3,055,218	None	3,055,218	65.0
British and Colonial Companies, Ordinary	6,356,246	2,550,684	605,302	3,155,986	49.7	7,867,612	1,832,671	935,888	2,768,559	35.2
British and Colonial Companies, Industrial	1,394,552	1,019,294		1,019,294	73.1	269,970	40,074	None	40,074	15.0
American Companies, Ordinary	47,922,061	16,375,232	4,161,664	20,536,896	42.8	48,977,930	13,559,446	4,654,986	18,214,432	37.2
American Companies, Industrial	32,334,745	25,935,324		25,935,324	80.2	45,185,583	21,942,726	None	21,942,726	48.5

NOTE:—Canadian ordinary business includes that of the Ancient Order of Foresters and of the Royal Guardians. The figures of the British and Colonial Companies for 1914 are not quite complete.