

THE RE-INSTATEMENT OF LIFE POLICIES.(W. A. Hines, *Canada Life Assurance Company.*)

Within the last few years the work of re-instating policies has become an important part of the work of a life office. The life insurance companies have realized that to re-instate a lapsed policy is as good business as to secure a new application, and appreciating that fact, many of them have established departments whose business it is to bring about the re-instatement of lapsed policies.

Now there are various reasons for the lapsing of policies. The main one, I think, is financial. The policyholder finds when his premium is due that he has not sufficient finances on hand to meet it and the policy is allowed to go in default. Another reason for lapsing is carelessness on the part of the policyholder. Although reminded more than once of the fact that his premium is due, he overlooks the matter until it is too late to get his renewal receipt without additional trouble and expense. Again, the lapsing of the policy may be intentional; the holder may have become dissatisfied with his contract; perhaps it was misrepresented to him, or at any rate he finds he has a contract different from what he thought he had. The agent may be to blame, but often I think the man himself is largely responsible. He should have read his contract when he received it, and if it was not entirely to his satisfaction had the matter put right. He naturally, however, lays the blame on the company, and while he suffers a loss in so doing, whether he realizes it or not, lets his policy go. There may be reasons other than what I have mentioned, but they can, I think, be traced to these three, and here is the point I want to make, no matter what the reason for lapsing, it is our business to get the policy back on the books of the company.

The matter of re-instating, therefore, resolves itself into one's ability to find out and in fact anticipate the reasons for lapsing and then to overcome those reasons.

METHODS OF WORK.

There are a number of methods that have been and are used in a systematic canvass or re-canvass of a lapsed policyholder. Those who have engaged in this work and have written on the subject do not all agree as to these methods. Some believe in writing the party every two weeks, for a stated period, but I am convinced that a letter once a month is not too often or at too great an interval to follow up the man. This taken as a basic principle I find works to advantage. The nature of the correspondence, of course, rests with the individual writer. There is, I think, a tendency among correspondents to make their letters too long; this is worse than the other extreme; happy is the man who can so size up his client as to make his correspondence exactly fit the case. The first letter sent should be in the form of a personal note, signed by the General Manager or Actuary of the company. This carries more weight than if signed by the head of the department. One may get an immediate reply, explaining the reason for the lapse, and he will then know how to treat the patient. If no reply comes, the case, of course, must be followed up, but to what extent there is also a difference of opinion. Some claim this should continue for two years, others thirteen months, others not so long. Some companies place such a value on the work, that in addition to the correspondence they have a man travelling, who

gives his whole time to the securing of re-instatements. Certainly I think the policyholder should be followed up for at least one year, and if he is not induced to re-instate in that time, it is hardly likely he ever will regain his policy. There should be sent with each letter a piece of advertising literature, and it is important to carefully choose this, so as to make it suit the arguments put forth in the letter, as it should have the same effect as an illustration to an address. There is a system I find works well in this connection and that is the sending of a self-addressed half-size letter head with each letter. Many men dislike writing letters at any time, but when they have paper and envelope laid before them they are more inclined to make some kind of a reply.

REQUIREMENTS FOR RE-INSTATEMENT.

The requirements for re-instatement are very much the same in all companies. The policyholder is obliged first to submit to an examination by the local examiner, but this is not as lengthy as when he applied for his policy. It is interesting sometimes to see some of the answers that are given to questions in the medical report. I had one the other day where in answer to the question, "Since last examination, has any change taken place in your family history, such as death or illness?" the applicant replied: "No, except that I have been married." In addition to the medical examination, for which the applicant must pay the examiner's fee, the overdue premium or premiums with interest must be paid, and it is important that the case be followed until a settlement has been arranged, otherwise the time and trouble taken will have been wasted. It is only on rare occasions, however, that a man will go to the trouble and expense of being examined and then fall down on the payment of the arrears. The companies differ in opinion as to the manner of settlement; some will accept notes at the head office, others require these to be handled by their branch managers or agents. Certainly the taking of notes involves an extra amount of work, and too often results in loss to the company or agent; on the whole it cannot be called an entirely satisfactory system. An all cash or part cash settlement is much more to be desired. If the latter, there is usually a loan available on the policy to cover up the balance.

It might be noted here that it is surprising to find how many men suffer physical impairment between the time they take their policy and when they apply for re-instatement. If policyholders were fully alive to this there would be fewer lapses. Occasionally it is necessary to decline re-instatement and when this occurs the duty of the department becomes a sad one.

THE NECESSITY OF FOLLOWING-UP LAPSES.

Now, the question is sometimes asked, is it necessary, or does it pay to follow up holders of lapsed policies? Consulting the latest Government Blue Book we find that in 1910, out of the fifty-five life companies doing business in Canada, over \$59,000,000 of Canadian business lapsed. Of this amount only \$6,247,543 was revived and I will venture the statement that two-thirds of the latter amount would have been lost entirely, but for the work of the re-instatement departments. Certain it is that in the statement from which I have quoted, the companies showing by far the largest number of policies revived have such departments. This demonstrates, I think, both the necessity for a continuous follow-up system and also the fact that such a system, if properly worked out, will pay from a financial standpoint, for the cost