

WASTE IN CANADIAN LIFE INSURANCE.

Probably the financial stringency can be blamed in same measure for the considerable proportionate increase of waste in Canadian life insurance last year through lapses and "not taken" policies. Prior to 1913, for several years there had been a steady if slow improvement in this direction. In 1912, the ordinary business of Canadian companies showed a marked improvement in this respect, the lapses and "not taken" policies being in a proportion of 30.5 to new policies issued in 1912, against 32.7 in 1911 and 32.9 in 1910. The British companies transacting a life business in Canada were even more successful proportionately in lowering the waste ratio. In 1910, their ratio was 41.4, but in 1911 this was lowered to 30.2, and in 1912 it was still further reduced to 26.6. The American companies' ordinary business showed a ratio for 1912 a little higher than in 1911, 30.1 against 29.6, but in 1910 it was 37.2, so that there was a good improvement in the two years. But last year, the Canadian companies' ordinary business slid back to a waste ratio of 39.1, the British companies to 30.3, and the American companies to 37.2. The only cheerful feature of last year's figures is that the industrial business has continued to show the improvement noted in recent years. The lapse ratio in this business in Canada is still very heavy, but it is not quite so bad as it was. The improvement in this connection in the American companies' business is particularly marked. As regards Canadian companies' industrial business the figures look better than they really are, since in 1912 the now defunct Union Life lapsed almost as much industrial business as it wrote. The lapse ratio of this business in 1911 was 69.7, so that in two years the improvement in the waste ratio of the industrial business of the Canadian companies has

been under five per cent. compared with a 16 per cent. improvement by the American companies in the same period. It is easy enough to understand, however, that many wage earners in the Canadian cities found it exceedingly difficult, even with the best will in the world, to keep up their insurance payments during the hard winter; possibly next year's figures will reflect this to a greater extent than do those now published owing to the severity of the opening months of the present year.

However, it is apparent to any student of the life insurance situation that even when the utmost allowance has been made for the monetary stringency of last year, that this cannot be held wholly responsible for a lapse ratio on ordinary life business of between 30 and 40 per cent. Neither can the "temperamental hazard" of policyholders who carelessly buy insurance and let it go just as carelessly be held to be an entire explanation of this waste.

The companies themselves are largely to blame for this high ratio, 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. If companies were not so eager after big figures of new business, they could easily see this. It cannot be said that any agency system is on a sound basis which does not make for permanency of relationship, and perhaps the best encouragement to this permanency of relationship is to make such arrangements for agents' remuneration as will ensure their having a tangible interest in the persistence of policyholders.

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

(Compiled by *The Chronicle*.)

	1913.					1912.				
	1	2	3	4	5	1	2	3	4	5
	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.
	\$	\$	\$	\$	p.e.	\$	\$	\$	\$	p.e.
Canadian Companies, Ordinary	147,434,182	41,348,886	16,319,542	57,668,428	39.1	135,764,202	29,255,657	12,127,435	41,383,092	30
Canadian Companies, Industrial	4,711,755	3,055,218	None	3,055,218	65.0	26,264,118	25,208,650	None	25,208,650	96.0
British and Colonial Companies, Ordinary	5,827,679	1,294,723	469,836	1,764,559	30.3	8,265,268	1,444,292	752,237	2,196,529	26.6
British and Colonial Companies, Industrial	269,970	40,074	None	40,074	15.0					
American Companies, Ordinary	48,977,930	13,559,446	4,654,986	18,214,432	37.2	42,699,713	9,580,767	3,870,236	13,451,003	30.1
American Companies, Industrial	45,185,583	21,942,726	None	21,942,726	48.5	30,772,142	19,728,107	None	19,728,107	64.1

NOTE:—Canadian ordinary business includes that of the Ancient Order of Foresters and of the Royal Guardians.