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Industry, Thrift, Banking, Insurance, Investments

"Life Insurance and How to Buy It"

Address Given Before the Ford Literary Club, at Ford City, Friday Evening, 20th Inst., by T. B. PARKINSON, London, Past Honorary President, Life Underwriters' Association of Canada.

It is a real pleasure for me tonight to be with you as a member of the executive of the L. U. A. C., and, as past Honorary President of that organization, to tell you in a few words the objects and aims of our association, and then for a short time speak to you on "Life Insurance and How to Buy It."

During the troublous times of the investigation of life insurance companies, both in the United States and Canada, a real need for organization among the field men presented itself. The seed once dropped, quickly developed, and eleven years ago the L. U. A. C. was organized, taking for its motto: "To advance the best interests of true life insurance."

The small plant of 1908 is now a giant tree, spreading itself from ocean to ocean. In almost every city in Canada we have a local association; these are banded together into a Dominion Association, and united we are doing a work that, previous to the inception of our organization, it was impossible to do. A code of ethics has been established; twisting and rebating is being abolished, and all companies recognize the improvement made in conditions.

We are trying to inculcate into the lives of our members the principle that the time has arrived when the insuring public should expect and receive as much practical advice about life insurance from them as it now gets from a doctor, lawyer or dentist, when their offices are visited for professional service.

The representative of life insurance company has a threefold duty to perform in the rendering of service. First, a duty to his client; second, to his company; and third, to himself. But in the truest sense, only one, and that the recognition and practice of the law of mutual benefit. This is the spirit in which I wish to talk to you tonight.

LIFE INSURANCE AND HOW TO BUY IT.

In order to fully understand the modern life insurance problem, it will be to our advantage to look back over the past forty years. It will be interesting to note the changes made in the amount of insurance written, in the amount of premiums collected, and in the amount distributed to policyholders or their heirs.

It will also be of special advantage to note the changes made in the security given by the companies, through changes made in insurance policies through both competition and legislative enactment.

Referring to the changes made for the better protection of policyholders, we note that in the early days almost any reserve basis was used; 4½ per cent being the most common. Today all companies working under a Dominion charter are required to set aside the reserve on a 3½ per cent basis, which means about Eight Dollars extra on each One Hundred Dollars paid in premiums.

Not only has the insurance law passed by the Dominion Government changed the reserve, but it has changed the policy conditions, so that every company doing business in Canada today is compelled to place in their life insurance contracts; cash and loan values extended, and paid-up insurance values, beginning at the end of the third year.

A better understanding of the evolution of life insurance and of some of the old Tontine policies will be reached if we spend a moment or two in explaining that contract.

The word Tontine is a term derived from the name of Lorenzo Tonti, a Neapolitan, who settled in Paris in Cardinal Mazarin's time, and proposed in 1663 to raise a sum of \$125,000,000 for the relief of the national exchequer by means of a financial association, of which the great prize should ultimately accrue to the longest liver. There were to be shares of \$1,500. The subscribers were to be divided into ten classes, according to age; and for each class a fixed sum was annually to be divided equally among members of the class. In this way while each member should get fair interest from the first on his capital, the profit falling to the survivors would increase as years went on, and the last survivor would receive the whole of the interest due to the class he belonged to.

Mazarin and Tonti were both Italians, and regarded in Paris with suspicion, and, in spite of the Cardinal's support, the scheme fell through. In 1689-1692, Louis XIV., sorely in need of money, reverted to the plan of the Italian adventurer, and raised a sum of \$70,000,000 by a Tontine of forty years' duration. The sole survivor was in 1728 drawing an annuity of \$267,500 on his original share of \$1,500. The lottery of annuities—or compound of lottery and annuity—was frequently had recourse to in France in the eighteenth century, with Government sanction.

The Tontine principle was first introduced into life insurance policies in the United States by the Equitable Life of New York in 1868 and discontinued about 1872. This policy was issued in 1881 by the North American Life, and this Company commenced to issue the Semi-Tontine in 1883. Shephard Homans, was the Actuary for both of these Companies.

The Tontine policies partook of the Tontine principle to the fullest extent. Each person who bought one, either on the 10, 15 or year plan, had to continue to the end of the period in order to share in the benefits, and any policyholder who failed to pay a premium on the day it was due, forfeited every dollar he had paid.

Larger experience, public opinion and legislation, have done away with this class of insurance, which was followed by what is known as the Semi-Tontine policy. The semi-part of it exists in the fact that any person who buys a Deferred or Reserved Dividend policy, and drops out before the completion of the dividend period, forfeits his share of profits earned. Therefore, the only policies issued today that in any way belong to this class, are the with-profit policies on the Deferred Dividend plan.

Life insurance is a stupendous subject; it is as broad as humanity, as high as the dome of blue above us, and as far-reaching in its benefits as time itself.

Let us for a moment look at the figures of 1915, found in the last issue of the blue book. The life insurance companies doing business in Canada, paid out to the insured or their beneficiaries \$36,427,607.57. Who can estimate the amount of good this money will do?

Think of the girls this may save from crime.
Think of the girls this may save from distress.
Think of the widows whose hearts this will release from care.
Think of the aged whose last days this will make happy and joyous.

And then ask yourself, is there any other profession, any other calling, any other business in the world, that so combines the ideal with the material, as does this beneficent institution of Life Insurance?

The figures we quoted a moment ago, show the wonderful growth, and reflect anew the confidence the insuring public has in Life Insurance, and are a reinforcement of its aims, its achievements and its service.

Life insurance is sold on two systems: The natural premium, known as fraternal, and the scientific premium, which is known as the old-line or level premium.

In the old-line companies, two general plans are recognized: Life and Endowment policies. Both of these plans are sold under a great variety of names, but on close inspection every policy belongs to one or the other class. Then again these policies are sold under two different systems, known as participating and non-participating.

The former you pay a higher premium for the privilege of sharing in the profits earned by the company, and the latter you pay a smaller premium, choosing to keep the difference of the rates in your pocket, and allowing the company to have any further profits that may be earned.

We now come to the part that I believe you are all anxious to know: "How To Buy It." First, let me remind you that there are two things to consider. The security and the contract.

Let me say as regards the first item, security; that the Dominion Government Insurance Department looks after this, and every Company licensed by the insurance department at Ottawa is safe to insure in. Beware of the agent who represents the only safe Company, and who knows the others; all virtues are not monopolized by one name, person or company.

The contract is what will tax your judgment. The right one is the one that best suits your circumstances and needs. Don't buy a seven-passenger Cadillac on a \$1,500 salary, when you can get a Ford for \$450 that will give you good service and not cost you half as much for gasoline. Don't buy it like the Irishman who went into a drug store to buy some pills, and when asked what kind, answered: "Anything will do; they are for the old woman." But you should buy from a representative of an old-line Company, a member of the L. U. A. C., who you know is capable of giving you best service, because he is efficient. Efficient because he knows his business and has taken the pains to study your case.

This is of first importance, not alone in the selection of the policy, but in the filling out of the application for it. The application is a legal document, and done right will avoid future trouble.

This may bring to your mind: "What Company shall I buy from?" There are about forty good companies doing business in Ontario. There is a large variety of automobiles sold in this Province; many of them good, but the one car would not be the best for every man. So in buying life insurance the one Company might not be the best for every man in this audience.

Most Companies have some special plan of insurance, or some feature or condition in their policy contracts, that will be to the advantage of some person. At the present time, the war conditions should be carefully looked into. The total disability provision should be analyzed; the extended insurance feature is important; in fact, anything that appeals to you as best for you, should command your most careful consideration.

What kind shall I buy? I hear someone ask. As mentioned a moment ago. The right one to buy is the one that best suits your circumstances and needs. There are about five popular plans, and while there may be about five hundred varieties, in the last analysis there are only two, Life or Endowment.

Each plan has its place, and is the right policy for some person. I think it will be conceded that the most valuable asset of each person in this audience is his earning power. The only way this can be protected is through Life Insurance. Therefore the necessity for Life Insurance is absolute, although I regret to say not so generally appreciated as it should be.

No man in this room would think of going to bed tonight and leave his buildings uninsured, notwithstanding the fact that the chances may not be more than one in one hundred that the building will ever burn. The reasons for Life Insurance are even greater, because if the man lived and had the benefit of his earning power, he could perhaps replace the building if it did burn, while the chances are just one hundred out of one hundred that he will die; and the value of his earning power to his family and estate, based upon his living out his expectancy, can only be made secure through Life Insurance.

The average man, in buying Life Insurance, wishes to accomplish two things: First, protection to his family and estate in the event of his early death. Second, protection to himself and his family in old age.

Gentlemen, get busy and buy Life Insurance, relieve your mind of worry and assure yourself of a contented mind.

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The Duty of Making a Will

Few intelligent men or women question that it is their duty to make a Will. The tendency, however, is to postpone performing this duty. If you die without a well the law arbitrarily provides for the distribution of your property, possibly in such a way as to work hardship to those of your heirs whom you wish most to protect.

A Will carefully prepared by your lawyer, with this Company appointed Executor and Trustee to carry out its provisions, will form the best protection you can give to your heirs and their heritage.

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