# SOME LESSONS IN THE LIFE INSURANCE WORLD

## Story of Recent Failures—Unfortunate Experience of the Assessment Companies—The Question of Proof of Age.

(Written for *The Monetary Times* by WILLIAM H. ORR).

My article discusses, not lessons in the art of canvassing for life insurance or how best to approach people with the view of getting them to make application for a policy, but lessons for the insuring public and for those who contemplate taking an interest in life insurance, either as stockholders, or as policyholders, or as members of assessment societies—especially those societies designed, originally, to let the certificate-holders keep the funds in their own pockets, until called for by death claims. As the preliminary report of the Superintendent of Insurance at Ottawa, relative to life, fire, accident, guarantee, sickness and miscellaneous insurance has come to hand, let us first take a brief look at what it reveals.

This report is a pamphlet of nearly two hundred pages of figures in tabular form. The pages numbered 163 last year and 183 this year. They show that in every branch of the business there has been correspondingly very good progress made during the year ending December 31st, 1912. Briefly, it is noted that 1912 was a somewhat prosperous year, in general business and that the life insurance business also prospered. (Figures appear in several other parts of this issue.—Ed., *The Monetary Times.*)

### Some Blots on the Escutcheon.

Notwithstanding the rosy color of the life insurance results in Canada as a whole, during the past year, some companies did not fare so well. There have been dark blots in 1912 and 1913, as there have been in almost every other year of late, in the matter of young companies "going to the wall." There are those who would persuade blind people that life insurance companies do not fail, and that a policy in one company is as good as in another. The happenings of the past few years along that line must be opening many eyes. The worst of it is that every new failure appears to be a bigger and more disastrous one than its predecessors. The Stadacona, of Quebec, the Citizens and the Victoria Mutual, of Montreal, the Mutual or Life Association, of Hamilton, and the Toronto, and the York Loan and the People's Life of Toronto, were all of small import compared with the more recent performances in connection with the late lamented Canadian Guardian, the Union Life and Home Life. These last three are still on the gridiron. With them in that respect, might be classed several of the prominent assessment societies, which see ruin staring them in the face, unless some drastic effort is made, and that speedily, to keep them afloat.

### British Investors Lost.

The way the British investors in the capital stock of the Union Life have lost money by the mismanagement on the part of the president and directors of that unfortunate concerncern, is outrageous. They appear to have good cause to blame the insurance department at Ottawa, for neglect in seeing whether the Union had well-invested assets equal to its liabilities. If a strenuous effort is not now made by both Ottawa and Toronto authorities to bring the guilty perpetrators to well-merited punishment, it will stand against Canada, in the British share market, as a lasting disgrace. More than half a million dollars were obtained from Great Britain for shares of capital stock, at a premium, that proved, in a few months, to be worth less than nothing. Where did that good money go?

Then again, the Home Life Association, has fallen under the blighting hand of the same president. Apparently, with the assets rightfully belonging to the Union, he acquired a controlling amount of stock in the Home, and in September, 1911, got himself elected as its president, while at the same time continuing to act as president of the Union Life. The natural supposition was that the two companies were to be amalgamated into one, saving the double expense, with the hope of regaining the public confidence. Evidently, if that were the intention, it failed to operate, and both companies are now in process of being taken over by two strong companies, so that the policyholders, who choose to continue, may not suffer much loss. The Metropolitan of New York, is to care for those who remain in the Union, and the Sun, of Montreal, is likely to do a similar service for those of the Home Life. The $1,000,000 of subscribed capital of the Home, with its $219,300 paid in cash, is probably all lost, but there is no double liability, as in the case of bank stock. It may be that no effort will be made to collect the unpaid balance, provided sufficient good assets are found in the vaults, to accomplish the re-insurance of the policies.

These happenings during the past few months should be a warning to the public against putting any more cash into new life insurance enterprises than they are quite willing to see "go up salt river." Life insurance is a risky business. It is only by conducting the business on a tolerably large scale that the greatest economy can be obtained, and the best results secured, in profits to the insured and the insurer.

While such have been the events of the past year, good and bad, among what are known as the regular companies, decidedly startling lessons have been taught to a large number of people connected with fraternal insurance. The officers of these societies have long been convinced that something would have to be done soon. What they have been calling their "surplus" has been found disastrously insufficient to maintain itself against the increasing demands of "old mortality," and the decreasing income from influx of new members.

Recognizing that the increase of membership has been their strong support in the past, they have all been pulling harder on that string than formerly. The public have been getting wise, and are not open to such wholesale blandishments as during Dr. Oronhyatekha's time. Lieutenant-governors and prime ministers and even insurance superintendents were then frequently found among the big fish on the string. Such could not now be induced to lend their influence in favor of the assessment system of "pocket reserves." Lieut-Governor Gibson, having arrived at seventy years of age, and thus entitled to take $700 and go out, or continue insured for $1,000, promptly accepted the cash, while scores of others, in view of the impaired state of their health, have held on a few months and enabled their families to collect the whole certificate.

### Lesson Has Been Learned.

The lesson of this occurrence is that it was a mistake on the part of the Independent Order of Foresters, to undertake to pay members $700 in cash, or to give them surcease from assessments, at so early an age as seventy. Equally foolish was it for the Ancient Order of United Workmen to have offered all septuagenarians one half of all their past contributions, cash down, to surrender their certificates, and cease to contribute. Life insurance companies have never so much as thought of doing any such foolish thing with their life-rate members. They expect every man of them to be contributors until they have at least attained the age of ninety-six, or else accept only the equivalent of their contracts in cash or paid-up insurance, based upon final termination at that age or beyond it.

The officers of the Workmen have seen the error, and have put a stop to that leak. They cannot put a stop to death's demands, which are eating into their all too small accumulated fund every month. Sometimes it is $50,000, or a little less, but quite steadily, month by month, the assessments are proving more and more insufficient to meet the claims. Consequently, their boasted surplus of $1,595,110 of January 1st, 1911, has dwindled during the past eighteen months to not much more than half that amount. And this in the face of the heavy increase in the rates recently called for from the older members. Something more must soon be done to save the ship.

### Cleaning the House.

As for the Independent Foresters, they have an accumulated fund of nearly $21,000,000, which is about twice as much per member as the Workmen ever had. But they are taking warning from the smaller society's sad experience, and from their own inability to add to the funds any more millions per annum, as in former years. Fortunately, they have recently had a man at their head as Supreme Chief Ranger who has been unable to shut his eyes to the fact that the older members have not been contributing their share of the assessments and that by their increased age, an undue share of the losses are coming from that section of the membership. Long years after it should have been done, the advice so often urged by *The Monetary Times*, has at length been taken. Actuaries have been employed to ascertained what amount should be in the treasury, in well invested funds, to make sure work of meeting the liabilities which have been, and will surely be incurred. The result is, as