COST OF LIFE ASSURANCE.

The initial cost of writing life assurance in Canada is undoubtedly higher than in Great Britain, and this fact has given rise to hasty conclusions by some who have not examined the question in the light of local conditions. In Canada there is at present a population not greatly exceeding that of the city of London spread over a continent as large as Europe; a new country, with its great natural wealth only just discovered, and still undeveloped. These conditions necessarily make the initial cost of obtaining business heavier—a fact overlooked by many British and Canadian critics.

In Great Britain there are over 40 millions of people in a territory covering less than the area of our Lake Superior. In the old land, it is to be remembered also, there are stable conditions of population and trade, long established companies and facilities for obtaining business easily. The increased initial cost necessary on this side of the Atlantic was doubtless a consideration leading to the introduction of the deferred dividend policy. Over nine-tenths of the Canadian business is written on this plan, and—the Royal Commission to the contrary notwithstanding—apparently the public are as well suited as the offices. At any rate, modification rather than abandonment of the system would seem the rational procedure to follow. The use of the deferred bonus contract has been the great distinction between the business of Canadian and American companies and that of British offices at home. By the majority of British companies it has apparently been assumed if business cannot be done fully in accord with home methods, that it cannot be done at all. With a disregard of the utter dissimilarity of conditions, they point to the higher expense ratio, convinced that if the cost ratio in Great Britain is 80 per cent. of the first premium, it should be obtained in Canada for the same price, and further, that if it cannot, then it should be left alone as not worth having. This apparently has been the general British attitude.

As practical evidence, a glance at the Canadian Blue Book Abstract for 1906 shows that the total business in force in Canada at 31st December was distributed as follows:

Canadian Companies	\$421,581,978
American Companies	189,740,102
British Companies	45,658,843

It is interesting to note the comparative figures in the above connection for a period of years, and to note the transference of patronage which has been taking place. An article in the London Times stated "that the British Companies had the best article in the world to sell, but were the poorest sellers of it." Should not the conditions give British managers cause for examination? The great majority of the companies controlling the above business are dividend payers; all in fact except perhaps two or three of the younger Canadian Companies are out of danger and have turned the corner. There is no doubt that if British Companies had taken full advantage of Canadian conditions in offsetting a slightly greater expense ratio, they would have done a much larger business. Gleaning from the Blue Book we find that comparative increases over 1905 are as follows:

Canadian Companies	6	per cent.
British Companies	4.5	" "
American Companies	0.6	" "

As to whether or not a larger business would be worth the doing for the British companies, it is to be borne in mind that there is a marked difference in the rate of interest earned in Canada over that in Great Britain. The average rate on the best securities is about 5 per cent. as against 4 per cent, so that a British company which comes here, and has to pay the price of the country for its business, would need to be in a position to avail itself to the full of any advantages in this respect. This higher rate of interest is to be expected for several years, as the enormous development which is taking place will create demands and absorb all the money available for investment purposes. The question of expense ratio has always loomed large in all British views of life assurance, due to apparent lack of consideration given to that very powerful modifying factor, the rate of interest earned. The expense ratio cannot be legitimately used as a factor for comparison by itself, for it is possible that a company, with a larger expense ratio than another, may be in a far better position because it earns an appreciably higher rate of interest on its funds, and it is this fact that some of our British critics appear to lose sight of. A Canadian actuary showed in a contemporary article recently, that, taking the British average cost to be 80 per cent. for new business, and 8 per cent. on renewals, and taking premium of \$30. at an average age for say a Deferred Dividend policy, with a period of 20 years, and further assuming two such policies, one to be written by a company confining its operations to Great Britain, and a company operating in Canada, the former earning 4 per cent. on its funds and the latter 5 per cent.; then the latter company can furnish the same accumulation on its policy as the former, and yet pay 125 per cent. for its new business and 11 per cent. on renewals. The policy-holder reaps the same reward in either case. The proportion which companies operating in Canada can afford to pay for business, and still give their shareholders and policy-holders good returns, should be actuarially definable; and it would seem that British companies operating in the Dominion are as fully justified in counting upon such cost (even though it be apparently greater than for home business) as are the leading and successful Canadian companies.