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The Times

COMPANY MEETINGS

Thursday, January 29, 1925.

NATIONAL MUTUAL LIFE ASSURANCE SOCIETY.

“ EXCEPTIONALLY SATISFACTORY RESULTS.”

BONUS OF 42/- PER CENT.

RESTRICTION ON NEW ASSURANCES.

MR. J. M. KEYNES ON SMALL POLICIES.

The ANNUAL GENERAL MEETING of the National Mutual Life Assurance Society was held yesterday at the Society's House, 39, King-street, Cheapside, E.C.

Mr. J. M. KEYNES, C.B., chairman of the society, presided.

The ACTUARY and MANAGER (Mr. Geoffrey Marks, C.B.E., F.I.A.) having read the notice convening the meeting, the minutes of the previous meeting, and the report of the auditors,

The CHAIRMAN said:—Gentlemen,—I am happy to be able to announce exceptionally satisfactory results for this first year of our new policy of annual valuations and declarations of bonus. Our gross profits for the year amount to £215,902, made up as follows:—

	£	£
Net miscellaneous profits from mortality, &c.	28,551	
Interest earnings in excess of 3 per cent. on mean fund, excluding carry-forward	49,508	78,059
Capital appreciation on securities sold or revalued		117,019
Interest earned on the carry-forward from the previous year		20,824
Total		£215,902

THE REVERSIONARY BONUS.

We have declared out of this a reversionary bonus for the year of 42s. per cent., the same as for the quinquennium which ended last year. This bonus will cost, inclusive of interim bonuses at the same rate paid during the current year. £77,786. Thus the payment of a rate of bonus which, relatively, is high will absorb not much more than one-third of the earnings of the year. It is covered by the miscellaneous trading profits and interest earnings, without touching the capital appreciation or the interest earned on the surplus carried forward.

There are, however, certain other deductions to be made before calculating the net addition to our carry-forward. In accordance with my anticipations last year, we have been able to deal with the Class A policyholders. The offer which the board was able to make to this class proved, however, so satisfactory to its members that the settlement has been completed by paying off the policies and thus winding up the class, instead of amalgamating it with the existing with-profit class. The sums paid to the Class A policies in excess of the reserves held amounted to £21,456, which is entirely a charge on the funds of Class A included in the accumulated surplus of previous years, and does not in any way prejudice the policyholders in the other classes. We have also decided to strengthen the basis of valuation of the non-profit policies (Class "C") by raising the provision for expenses from 6½ to 10 per cent. of the office premiums at a cost of £8,401. After deducting these items and the valuation expenses of £1,500, the amount carried forward is increased by £106,759 to £575,290, which is 16½ per cent. of our liabilities.

INTEREST AND APPRECIATION.

As regards the separate items, the net rate of interest earned, after deduction of income-tax on assets other than reversions, has amounted to £4 11s. 3d. per cent., which is a satisfactory increase on last year's figure of £4 6s. 3d. per cent. Our expense ratio has fallen from 16.7 per cent. to 15.3 per cent., which is also satisfactory, but may not be maintained, since it is due to an unusual proportion of single premiums received during the year. New business shows a total of

£672,038, which is considerably the highest figure in the society's history.

There remains the important item of £117,000, which represents capital appreciation—namely, about 3 per cent. of the mean fund of the year. Thus in interest and appreciation together we have earned at the rate of about $7\frac{1}{2}$ per cent. per annum free of income-tax. We cannot hope to maintain so high a rate of earnings year in year out in future. Nevertheless, we have now earned at this rate as an average over a period of no less than six years. We have continued our investment policy on the same general lines as before. Our list of investments shows no material changes from last year's list. The largest increase is under the heading of "Securities not otherwise classified." These consist mainly of high-class notes, carrying a fixed rate of interest and approximating to Debentures in type.

BONUS OUTLOOK.

Since we are bound to have downs, as well as ups, in future, it is worth while to point out that the maintenance of the present rate of bonus is in no way dependent on the recurrence of such good fortune with our investments as we have had lately. It will be observed that, for the past year, it has not been necessary to use any part of our capital appreciation for the payment of bonus. But this has also been the case during the whole period of the past six years during which capital appreciation has been accruing. So far we have not drawn upon this source for the payment of bonuses, but have used all of it for strengthening our general position in various ways, as, for example, by the establishment of a fund for staff pensions, and, mainly, by adding to our carry-forward. I may add, since some people attach importance to the point, that almost the whole of this capital appreciation has been realized.

The result is that the interest alone on our surplus funds carried forward now amounts, calculated at $4\frac{1}{2}$ per cent. net, to nearly £26,000 per annum, which by itself is the equivalent of a bonus of 14s. per cent. per annum on our policies now outstanding. Thus, apart from any future earnings out of capital appreciation, and apart from the safeguard which this carry-forward gives us against the results of any depreciation of capital which we are likely to suffer from time to time in future years, we are in an unusually strong position as regards our capacity to earn bonus.

MINIMUM OF £500 FOR NEW POLICIES.

This position, however, satisfactory as it must be to our members, raises questions of great difficulty and perplexity for the board, of which, in my opinion, we have not yet found the final solution. It is obvious, in the light of the figures which I have just given to you, that we are selling new policies much too

cheap. We are admitting newcomers without charge to the benefits of the large surplus which the society has now accumulated. This is, of course, always so to a moderate extent in the case of the with-profit policies of any prudently conducted office which has built up a sound position. The question is one of degree. But I do not know of any recent precedent for the right solution of this problem in the degree in which it now presents itself to your board. Should we distribute much larger bonuses at irregular intervals? Or close the present series of policies and raise our rates of premium to new members, to which there are many technical objections? Or take steps, in other ways, to limit the amount of new business?

On the present occasion your board have decided to take tentative steps towards the limitation of the amount of new business and to concentrate our efforts on securing larger policies and on obtaining these as cheaply as possible. We shall thus reduce both our initial costs and our running expenses. We propose this course, not only because it will prevent too great an influx of new members coming in to claim a share in past accumulations, but also because, apart from this particular difficulty, it will not be many years, if we go on at our present rate of development, before our aggregate funds reach a total greater than, in the opinion of your board, we can manage to the best advantage.

The cost of new business in the case of small policies is disproportionately heavy, and we have, therefore, decided not to accept new assurances for smaller amounts than £500, although existing policyholders will be privileged to take out further with-profit assurances of not less than £250. Measured by the premium payable and by the income which the sum assured will produce when invested, a policy for even £500 makes but a small provision. In this connexion I do not think it is realized how greatly the people of this country are under-insured in comparison with other progressive countries. It is estimated that the life assurance per head of our population is only £39, whilst in the United States of America it is nearly £109 and in Canada £74. An expansion in the amount of assurance carried by the individual policyholder here is, therefore, much to be desired.

PROPOSED VARIATION IN RISKS.

As regards the upper limit of the risks we accept, we propose to apply to the Court to vary the memorandum of association scheduled to our Act of Parliament to the intent that we shall be authorized to hold at our own risk such a sum as makes the total amount at risk on any one life not more than £20,000 at any one time. We have been inconvenienced for some time by the fact that the memorandum, in strict conformity with

which we have to work, provides that no greater sum than £10,000, exclusive of bonus additions, shall stand at the society's own risk on a single life. This limit of £10,000 was fixed in 1895, when our total funds were only 60 per cent. of their present amount.

Further, we are examining ways and means of keeping down commission costs, and of cutting off sources of business which, though costly, have proved unproductive. Finally, as a further precaution, if the total of new business in any year should reach a figure which the board considers to be the maximum in the interests of the society, we shall reserve a discretion to impose a limit on the total with-profit business to be accepted in that year.

We have also resolved to reduce our rates of premium for non-profit policies, in order to encourage a class of business advantageous to the with-profit members, which has been shrinking in recent years to a low figure.

Before concluding, I should like to explain that, to save time and expense, the amount of previous bonus will no longer be stated on the bonus notices posted to the members. It is hardly necessary for me to say that the new bonus is in addition to any previous bonus which there may be, and I mention the matter only so that the members may not misunderstand the notices which they will receive to-morrow.

GENERAL PROSPECTS.

The prospects for general prosperity appear much more secure than they did a year ago,

but the perturbations which may attend the restoration of the gold standard, and the possibilities of dearer money will give your board plenty to think about in the never-easy but always interesting task of conducting the affairs of the National Mutual Society.

I beg to move the adoption of the report and accounts. (Cheers.)

Mr. CHARLES T. DYNE BURCHELL (deputy-chairman) seconded the resolution, and it was carried unanimously.

Mr. C. R. V. COUTTS proposed the re-election of the retiring directors, the Hon. Francis N. Curzon and Mr. Oswald Toyubee Falk, C.B.E.

This was seconded by Mr. A. W. BURCHELL, and unanimously approved.

The auditors, Mr. Geo. S. Pitt, F.S.A.A., and Messrs. Ball, Baker, Cornish, and Co., C.A., were reappointed, on the proposition of Mr. E. H. WILDE, seconded by Mr. F. W. LORD.

Mr. R. TODD HUNTER proposed a cordial vote of thanks to the chairman for his conduct in the chair, and to the directors and staff for their successful management of the company's affairs.

The vote was seconded by Mr. MAITLAND CHATER, and unanimously accorded.

The CHAIRMAN briefly acknowledged the compliment, and the proceedings then terminated.

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