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COMPANY MEETINGS

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**NATIONAL MUTUAL LIFE
ASSURANCE SOCIETY**

REVIEW OF THE HUNDREDTH
YEAR

SPECIAL CENTENARY
BONUS

THE DECLINE IN INVESTMENT
VALUES

INCREASED TRADING
PROFITS

MR. J. M. KEYNES ON THE
OUTLOOK

The 100TH ANNUAL GENERAL MEETING of the National Mutual Life Assurance Society was held yesterday at the Society's House, 39, King-street, Cheapside, London, E.C.

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

The ACTUARY and SECRETARY (Mr. G. H. Recknell, F.I.A., F.F.A.) read the notice convening the meeting, the minutes of the last annual general meeting, and the report of the auditors.

The CHAIRMAN said:—Gentlemen,—We are celebrating to-day the completion of the 100th year of the business life of our society. I will therefore deal somewhat briefly with the figures of last year, so as to leave myself time for some more general remarks.

Our net new business for the year has fallen a little short of last year's record figures, though it exceeds all years previous to that. The small decline is due, however, only to our having given out during the year more re-assurance than we have received back. The new insurance business obtained direct by this office is, in fact, the largest in our history. The new with-profit policies which I described to you last year have made an

important contribution to these record figures. I have no doubt that, as time goes on, and as their advantages to certain classes of policy-holders become fully appreciated, they will represent a steadily increasing proportion of our total business.

Our expense ratio as shown in our annual report differs very little from last year's. The corrected figure, adjusted so as to exclude the effect of single premiums, is slightly reduced. Our total trading profits for the year, exclusive of appreciation or depreciation on investments, have amounted to £149,403, as compared with £131,890 last year, made up as follows:—

| | |
|--|----------|
| Net miscellaneous profits from mortality, &c. | £33,850 |
| Interest earnings in excess of 3 per cent. on mean fund, excluding carry-forward | £73,317 |
| Interest earned on the surplus carried forward from the previous year | £42,236 |
| | <hr/> |
| | £149,403 |

LARGER INTEREST EARNED

This improvement has been partly due to the fact that the average gross rate of interest earned on our funds, excluding reversions, is no less than 5s. per cent. higher than last year and has reached the high figure of 5½ per cent. The increase as compared with previous years results in part from our having carried out the policy, which I have announced at previous annual meetings, of a substantial changeover of investments in British Government securities to other investments, mainly higher yielding fixed-interest securities. But it is also in large degree attributable to the depreciation in the capital value of our securities which we have suffered during the past year in common with all other investment bodies. To this I shall return in detail in a moment. The full effect of this depreciation on the rate of interest has been only partly felt in the year 1929, and it is possible, therefore, that there may be a further increase in the rate to report next year.

On the other hand, any future capital gains which we may obtain as the result of the appreciation of our investments will, of course, operate to reduce the rate of interest. Nor is it wise, in my judgment, to be too much influenced in pursuing an investment policy by the desire to obtain as high a current yield as possible, since those investments which are most satisfactory in the long run are often those which yield a comparatively low run-

ning income at the moment. It must not, therefore, be considered necessarily a sign of retrogression if the rise in the rate of interest earned, which I have now reported to you for a number of years in succession, is ultimately reversed. It should also be borne in mind, when our results are being compared with those of other offices which do not write the value of their investments up and down in accordance with their market value, that the fluctuations in interest earnings will appear in our results more obviously than in theirs, though the underlying facts may be the same.

FALL IN INVESTMENT VALUES

The most important event of the year, however, on the investment side has, of course, been the serious fall in the general level of investment values—the most important movement, indeed, which has taken place since 1921. For a considerable number of years we have shown an unbroken series of gains through the appreciation in the capital value of our Stock Exchange securities. I have repeatedly stated in my annual speeches that this source of profit could not be regarded as a reliable one year by year, and I have warned you that the time was sure to come when a general movement of investment values in a downward direction would wipe out some part of our previous gains. For this reason we have hitherto distributed to our members no part whatever of our profits from capital appreciation, holding the view that any distributions made out of this source of profit should be carefully averaged over a period of time. We have in fact now decided to make a special distribution to with-profit policyholders in respect of our profits through capital appreciation over the last decade, partly because we think that the time has come for such a distribution, and partly as a suitable celebration of our centenary year.

It is, I think, in some respects fortunate that the setback in the investment market which was bound to come some day should have materialized before we had actually made our distribution of capital profits, for it enables us to do so while taking into account one bad year along with many good ones, and so to obtain an average which is more likely to be typical of what can be achieved in the long run than a distribution would have been which was based on an unbroken succession of upward movements.

"EVERY REASON FOR MODERATE SATISFACTION"

Turning to the actual amount of the depreciation we have suffered, I think that we have, on the whole, every reason for moderate satisfaction that our losses are not much larger. The capital value of our fund has depreciated by a sum of £317,420, or approximately 6 per cent. of its mean value during the year. Taken by itself this is a substantial loss but viewed in relation to our previous capital gains it leaves us in a position of immense financial strength; for after writing down our securities to their value on December 31 last we are still strong enough to divide out of the remaining balance of capital appreciation the large centennial bonus to which I shall come in a moment, and to carry forward against future contingencies the sum of £386,000. (Hear, hear.) But the main test

in judging the success or otherwise of our investment policy during the past year must be made on the basis of a comparison with the decline of investment values generally.

The indexes compiled by the financial Press and other authorities indicate that practically every class of investment securities has suffered a severe setback during 1929. For example, if the whole of our funds had been invested in long-dated British Government securities, we should have suffered a depreciation of 5 to 6 per cent., as compared with an actual figure of 6 per cent. on our funds as a whole and 8 per cent. on our Stock Exchange securities. I should estimate that non-gilt-edged fixed-interest securities must have fallen on the average by something like 10 per cent., while investments in industrial Ordinary shares have fallen from 20 to 30 per cent. in value according to the particular selection made by different authorities.

HOLDINGS OF ORDINARY SHARES

In spite, therefore, of our well-known policy of investing in Ordinary shares to a greater extent than the majority of insurance offices, we have, in a year in which Ordinary shares have suffered a quite exceptional depreciation, managed to get through with a percentage of loss which is not only far below the fall in Ordinary shares generally, but is much less than the amount of depreciation of non-gilt-edged fixed-interest securities, and is only a little greater than has been suffered by long-dated British Government securities. I am not sure that, rightly viewed, this does not represent a greater measure of success for the long-run prospects of our general policy than the results of some former years which have looked much better. I may add that we have actually increased our holding of Ordinary shares during the year 1929 from £729,792 to £1,090,959. We stand, therefore, in a strong position to obtain important advantages as soon as the tide turns. In fact, the date at which our valuation was taken—namely, December 31 last—came almost at the bottom of the decline, and in the brief period that has since elapsed we have already recovered an important proportion of last year's depreciation. (Hear, hear.)

The moral is that no body which is responsible for the investment of large sums of money can hope to be immune from the major movements of the market as a whole, whether upwards or downwards, and we shall be very content if in the long run we can earn more appreciation than the average on the up-swings and lose less on the down-swings—which we have undoubtedly succeeded in doing in the past year. After writing off the whole of last year's depreciation we have earned annually a total return on our assets—from interest and capital appreciation—of nearly 6½ per cent., free of income-tax, on the average of the past nine years. (Cheers.)

PROFIT-SHARING SCHEME

Among other occurrences of the past year which deserve some remark is the institution of a profit-sharing scheme for the management and staff of the society. I believe that we are the first among mutual offices to introduce such a scheme. We had some little difficulty in arriving at an appropriate formula applicable to the profits of a mutual life office.

It may be, therefore, of some general interest for me to say that the profit-sharing system is based on a percentage of the total salaries of the staff in proportion to the excess of the trading profits above what is necessary to provide a standard rate of compound reversionary bonus, together with a further small percentage similarly calculated in respect of the capital profits in excess of a datum line. Apart from this, we have thought it appropriate to mark our centennial year by an additional distribution to members of the staff, in the division of which we are paying much regard to length of service as well as to the level of salary.

The new Companies Act has involved very few changes in our established form of accounts, the only material additions being the mention of the amount of the directors' fees and of the basis of valuation of the assets other than Stock Exchange securities.

For the past year we are repeating, as you have already been informed, the same rate of bonus as in the two previous years for the Old Series of policies, and giving a bonus of 15s. per cent. compound to the New Series. The trading profits of the year are £21,512 in excess of the cost of this bonus. There are, however, certain other provisions which we have made, partly out of the surplus of the year's trading profits and partly out of our general carry-forward. These are shown in detail in the actuary's report, which has been circulated, the most important being the sums required to meet the staff profit-sharing scheme for 1928 and 1929, the special centenary bonus to the staff which I have already mentioned, and a contribution of £18,417 to the staff pension fund.

THE CENTENARY BONUS

I now turn to our special centenary bonus, of which the details have already been communicated to you in the actuary's report. We are proposing to take this opportunity of distributing to with-profit policyholders an important portion of that part of the accumulated profits from the appreciation of our investments which have arisen during the past decade and have not been distributed in the annual bonuses declared during this period. It is obviously right that these profits should not be permanently retained by the society in excess of the sum which it is prudent to reserve in our carry-forward against contingencies. On the other hand, it is undesirable that an irregular and uncertain source of income should be looked on as a normal source of annual bonus, or should be dealt with except over a sufficiently long period to allow of the averaging of results.

For this reason a special occasion like the present one offers an appropriate opportunity for dealing with that part of our accumulated surplus which we can prudently spare, without creating a precedent which might be dangerous, or arousing expectations which it might not be possible to fulfil in future. Our idea is, however, that if circumstances warrant it the general policy of a special distribution should be considered from time to time in future, and in the future we shall review the state of our aggregate surplus from this point of view at intervals of not less than five years.

BENEFITS FOR OLDER MEMBERS

The actual details of the bonus which we are declaring show that we have employed a

method which has been specially devised to protect the interests of the older members. We have felt that it was essential to do this inasmuch as the accumulated profits which we are now distributing, while earned entirely in the post-War period, accrued to quite an important extent a few years ago, so that it is those members, the reserves against whose policies have stood at a relatively high figure in proportion to the sum assured over the last 10 years, who are primarily entitled to what we are distributing. In accordance with my declaration last year, members who have entered the society since 1928 are excluded from participation, and other members are to share on a sliding scale according to the date at which they took out their policies. For example, policies taken out in 1920 will receive a special reversionary bonus at the rate of 70s. per £100 sum assured, policies taken out in 1910 will receive a bonus of 145s. per cent., and policies dating from 1900 or previously will receive the handsome addition of 200s. per £100 sum assured. (Cheers.)

The total cost of this special bonus will be £162,421, and it will leave us with an undivided surplus of more than double this sum, namely, £386,019, to be carried forward. The ordinary annual bonus notices will be sent out forthwith, but there will be a little delay, owing to the time occupied in their preparation, before members will receive their individual bonus notices relating to this special distribution.

HISTORY OF 100 YEARS

We have prepared an exceedingly interesting history of the course of our affairs during the past hundred years, of which copies have been already sent to the large policyholders. We shall be happy to send a copy to any other policyholder who would be interested to have one and will send a post-card to the secretary. It is wonderful how vast a fund can be accumulated over a period of years from small beginnings. In the light of the principles and practices of caution which we can afford to-day, the risks taken by our predecessors, particularly in their inadequate basis for reliable averaging, seem rather terrifying. Yet it was by them, largely in the period 1820-1850, that the foundations of British Mutual Life Assurance as it exists to-day were well and truly laid. I attribute the success with which they surmounted their early difficulties mainly to the absolute honesty of the promoters and to the public spirit which prompted them to give thought and trouble without a prospect of any appreciable financial profit to themselves.

TRIBUTE TO THE SOCIETY'S FOUNDERS

Two personal references are suggested by a review of the long years behind us. The old "Mutual" largely depended for 50 years on the staunchness of James and William Burchell, founders of the society, whose portraits hang on these walls and whose grandson and great-nephew is our deputy-chairman to-day. (Cheers.) Mr. Geoffrey Marks, our present chief officer, has been in the service of our society for 45 years out of the century of its existence—(cheers)—and has been our chief officer for 37 years of that period. (Hear, hear.) Mr. Marks entered

our service one year after the death of James Burchell and three years before that of William Burchell, so that he and they between them span the whole period of the old "Mutual," which is four years less than that of the old "National," from the amalgamation of which by Mr. Marks the present office springs. It is fair to say that the National Mutual, as it exists to-day, is mainly the creation of James and William Burchell and of Geoffrey Marks. (Hear, hear.)

THE FUTURE

It has been my custom at these annual meetings to cast an inquiring eye on the future, but to-day there has been so much to say about the past that I must be brief. I pointed out last year that the disparity of movement between prices and wages since 1924 had faced employers with the task of increasing efficiency by 16 per cent. if they were to hold their own. I ventured to guess that efficiency was perhaps increasing at the rate of $1\frac{1}{2}$ per cent. per annum, with the result that they might have reduced their relative disadvantage from 16 per cent. to 10 per cent. in the four years ended in 1928. Unfortunately the course of events during 1929 has further aggravated their problem instead of mitigating it; for prices have fallen by a further 4 to 5 per cent., while wages are unchanged.

Moreover, while the difficulties in which the return to gold involved our own industries in the period after 1924 were mainly local to this country, the fall in the wholesale prices of raw materials has now taken on the character of a world-wide disaster. The storm centres are to be found to-day, in my judgment, neither in Great Britain nor in the United States, but in the great producers of raw materials overseas. For significant signs of recovery or of further deterioration it may not be so important to-day to consider London or New York as to watch Australia, South America, and Asia, and also Central Europe, for these areas are being reduced to very grievous distress by the combined circumstances of the fall in the prices of their chief products and the difficulty of obtaining funds on the International Loan Market.

CONSEQUENCES OF FALL IN WHOLESALE PRICES

Between 1921 and 1924 the reaction from the great post-War inflation was practically completed, but since 1924 our wholesale index number has fallen by a further 20 per cent. This rate of fall, lasting over a period of four or five years, otherwise than as a reaction from an immediately preceding inflation, is, I believe, unparalleled in modern economic history. The consequences have already reached

the dimensions of a first-class disaster. Nor is it by any means certain that a further movement in the same direction is going to be avoided.

I believe that these events, so inimical to the wealth and happiness of the whole world, are avoidable and remediable. But they are to be attributed to the want of collective wisdom on the part of the central banking authorities of the world taken together, and are not now wholly remediable by the isolated action of any single country. The internecine struggle for gold stocks must cease and the market rates for money in the leading financial centres of the world must be reduced to a really low figure—which presents no difficulties if they all move together—in the neighbourhood of, say, 3 per cent., and must remain there for some time, before it is reasonable to expect a recovery of enterprise and confidence throughout the world and the general enjoyment of that measure of prosperity which the ever-increasing achievements of scientific and business technique would make possible, if only the government, or want of government, in international monetary affairs would at last permit. (Cheers.)

The Chairman concluded by moving the adoption of the report and accounts.

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

THE DIRECTORATE

The CHAIRMAN next moved the confirmation of the appointment of Mr. Sidney Russell Cooke as a director.

This resolution was also seconded by the DEPUTY CHAIRMAN and unanimously approved.

Mr. WILFRED H. LINDLEY proposed the re-election of the retiring directors, Mr. Charles T. Dyne Burchell, the Hon. Francis N. Curzon, and Mr. Oswald Toynbee Falk, C.B.E.

Mr. A. M. REX seconded the resolution and it was passed unanimously.

On the motion of Mr. T. C. R. ANSTAY, seconded by Mr. A. W. BURCHELL, the auditors, Mr. G. S. Pitt, F.S.A.A., and Messrs. Ball, Baker, Ash, and Co., were reappointed.

Mr. G. S. PITT proposed a cordial vote of thanks to the chairman, directors, and staff.

This was seconded by Mr. C. C. BAKER and unanimously accorded, and a brief acknowledgment by the CHAIRMAN concluded the proceedings.