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# The Times

## COMPANY MEETINGS

Thursday, January 29, 1931

### NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

RECORD NEW LIFE BUSINESS

RATES OF BONUS MAINTAINED

SELECTION OF INVESTMENTS

SUCCESS OF BOARD'S POLICY

MR. J. M. KEYNES ON WORLD ECONOMIC PROBLEMS

The ONE HUNDRED AND FIRST 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 and the minutes of the last annual general meeting and the report of the auditors.

The CHAIRMAN said:—Gentlemen,—Before proceeding to our ordinary business I have to record with the deepest personal sorrow the death during the year of our youngest director, Mr. Sidney Russell Cooke. Mr. Russell Cooke was fast making for himself a position

of great esteem in the City. The premature loss of his brilliant and engaging personality will be a source of lasting regret to those who knew him well.

#### THE YEAR'S BUSINESS

The new life assurance business which we obtained in 1930 was the greatest in the history of the society, and the number of new policies written was substantially greater than last year. But as the result of our having reassured a little more than before, in pursuance of our policy of carefully limiting our risk on any one life, the net business shows a slight reduction. Our expenses remained at almost exactly the same figure as in each of the previous two years, though their proportion to premium income was somewhat increased by the decrease of single premium business (from £63,000 to £18,000) as a result of the new legislation—business, however, which we have never welcomed and which has never played an important part in our activities. Our rates of bonus on the various classes of policies have been maintained at the same high level as in the previous year.

Our total trading profits for the year, exclusive of appreciation or depreciation on investments, have amounted to £141,487, made up as follows:—

Net miscellaneous profits from mortality, &c.	£39,323
Interest earnings in excess of 3 per cent. on mean fund, excluding carry-forward	83,577
Interest earned on the surplus carried forward from the previous year	18,587
	<hr/>
	£141,487

The first two items in the above statement are larger than last year, and the reduction in

the last item is partly due to the effect of the centenary bonus on the carry-forward.

#### GROSS RATE OF INTEREST

The gross rate of interest earned has—as I forecast in my speech of last year—again increased substantially—from £5 15s. 11d. per cent. to £5 19s. 10d. per cent.—and is now no less than 10s. per cent. higher than it was three years ago. The gain on the year has, however, been required to offset the increase in the rate of income-tax. There may be yet a further increase in the gross rate of interest during the current year, partly as a result of our having written down our securities to a lower figure. But looking further ahead I should be disposed to predict, with great confidence, the beginning of a substantial downward movement, which may, in course of time, exert a considerable influence on the policy of life offices and set them a new problem of a kind which events have enabled them to forget for some years past.

One of the main preoccupations of the past year has naturally been the question of investment policy. We have suffered a depreciation on the year in respect of securities realized or revalued of £179,733, which represents about 3½ per cent. on our mean fund. Having regard to the fact that we have been passing through one of the greatest slumps in economic history, I think that even the critics of our well-known investment policy will agree that we have no occasion for serious disappointment. The indexes of the prices of securities, now currently compiled by various authorities, including the Institute of Actuaries, show conclusively that we have been a great deal more successful than we should have been with an average sample of the leading securities similarly distributed between the different categories. Nor has anything occurred, even in the present exceptional circumstances, to upset the principles of our policy over the period during which it has been operating. For, after writing off the whole of the depreciation of 1929 and 1930, we have earned over the last 10 years an average annual return on our assets—from interest and capital appreciation together—of nearly 6 per cent., free of income-tax. (Hear, hear.)

#### HOLDINGS OF SECURITIES

It will be seen on reference to our balance-sheet that our holdings of Ordinary shares stand at £254,000 less than a year ago, and there has been a further reduction since the close of the year; while at the same time our holdings of British Government securities have increased by £220,000. This movement reflects an opinion on the part of your board that it would not be safe to assume that the end of the slump is yet in sight—a matter to which I will refer in a few minutes. Our view is that we are still in the phase of the invest-

ment cycle at which it is prudent to exercise extreme caution, and we have repeatedly overhauled our list of securities from this point of view, retaining only those where we feel the price fully discounts the prospects. We have taken particular precautions to avoid risk on foreign Government securities.

It may be interesting to mention that we have now reduced our holding of European Government securities to very small dimensions, and that for many years past we have held no securities of the Australian Government or States. It is a striking testimony to the society's strength that, in spite of a period of two years of unprecedented difficulties, we start the year 1931 with a carry-forward of over £200,000, after writing off all our depreciation, and declaring not only the usual high rate of annual bonus, but also the special centenary bonus of £162,000. In addition, although the society's basis of valuation is that which is conventionally known as the "Om 3 per cent. net premium valuation," in reality the reserves include in a number of ways a considerable sum in excess of what is strictly required to satisfy the conditions of that basis, which is in itself extremely strong.

#### NEW BUSINESS DEVELOPMENTS

Before proceeding to other matters I would like to refer briefly to certain developments in relation to our new business which have taken place during the year. The society is now prepared, within certain limits, to issue policies without the usual medical examination. This has been done for some years by many of the life offices, and we thought the time had come when your society should offer this facility to those who are eligible. We have also during the year brought out a new form of policy—the Reinforced Income policy—an extension of the new series of low-premium policies which I referred to in my speech in 1929.

From our short experience of this new scheme I can say that it appears to supply a want. Most people can make provision for their dependents in the event of untimely death only by means of life assurance, but viewed in the light of the income produced by the capital sum assured the provision is generally quite inadequate. This inadequacy could hardly be avoided under an ordinary policy, as the cost of providing a sufficient capital sum was in many cases prohibitive. This difficulty has now been overcome. Under the Reinforced Income policy a substantial income on death is provided at a low cost, during the years when it will be most needed. For in addition to the payment of the capital sum assured with bonuses immediately on death, there is also payable an income of 12 per cent. of the sum assured until the expiry

of a period of 20 years from the date of the policy. For example, assuming that the capital sum is invested at 5 per cent., a man of 25 for an annual premium of £21 3s. 4d. can, in the event of his premature death, secure for his dependents an annual income of £170 for the period stated, whilst they will still retain the capital sum of £1,000 at the end of that period. This new policy, therefore, carries us a considerable step forward in fulfilling the main function of life assurance—the adequate financial protection of dependents in the event of the premature death of the breadwinner.

With regard to our new business it may interest you to know that quite a substantial proportion of it is derived from introductions by our policyholders, and I take this opportunity of thanking them for the practical interest they thus show in the society's welfare. We have always been particularly fortunate in our policyholders. They appear to realize that they are members of a mutual society, conducted solely in their interests, and to appreciate that the word mutual connotes reciprocity. They, on their part, carry out their mutual obligations not only by effecting any further assurances on their own lives with the society, but also by introducing their relatives and friends. This is a great help to the management, and I hope that the new policyholders will maintain this good tradition.

#### INTERNATIONAL TRADE AND FINANCE

Turning from our own affairs to those of the world at large, I am sorry that my gloomy prognostications of a year ago have been more than fulfilled. I then forecast that the storm centres would be found, not in Great Britain or in the United States, but in the great producers of raw materials overseas, and that we had to watch with anxiety Australia, South America, Asia, and Central Europe. I added that the fall of wholesale prices had "already reached the dimensions of a first-class disaster," and that "it was not by any means certain that a further movement in the same direction was going to be avoided." These warnings, which were widely commented on at the time, have proved to be a serious understatement. Nor do I see much reason for being cheerful about the immediate future. In particular, I would emphasize that the mere lapse of a few more months of time will not by itself bring about a lasting recovery. For one thing, on the basis of our experience of past disturbances relatively little time has yet passed by. But, apart from this, the recovery will only come, in my opinion, after the emergence of some definite new factor.

The worst of it is, moreover, that, while we can still do something to help ourselves out

of the slough of inactivity and negative-mindedness into which we have fallen—I made, a week or two ago, some rash confidences about this to the ether, which staggered, I am told, under the impact—the main root of the problem is international in character. If I were asked to sum up briefly the essence of the present position, I should say that it is to be found in the behaviour of the creditor countries in pursuing a course of action which is calculated to bankrupt the debtor countries.

#### CREDIT OF DEBTOR COUNTRIES

We have always known that the whole course of international trade and finance depends on a steady flow of lending, equal to the amount of their surplus resources, from the creditor countries as a whole to the debtor countries as a whole. If this flow is interrupted, we know that there is no means whatever by which the whole body of debtor countries, unable either to sell their goods or to borrow, can possibly pay in gold the amount of their annual indebtedness. The contraction of credit and purchasing power attendant on their efforts to do so, in combination with the tremendous falling off in the production of capital goods in the United States and a consequent reduction in their demand for goods from the rest of the world, was bound to produce the catastrophic fall of prices which has actually occurred. Besides, a vicious circle is set up. For the fall of prices destroys the credit of the debtor countries and it becomes increasingly unsafe, from the point of view of the individual investor, to lend to them.

I told you a few minutes ago about the ultra-cautious attitude of your own board towards foreign bonds, and from our own individual standpoint it is a wise and necessary precaution. Yet, from another point of view, it is absolutely the opposite of what is needed to put things right. For *someone* must lend to these countries if a catastrophe is to be avoided. Nevertheless our own policy coincides, I think, with the interests of this country. For it is not any holding back on our part which has caused the trouble. Indeed, quite the contrary. London's difficulties have been due to her efforts—experienced and considerate creditor that she is—to save the position by carrying more of the responsibilities of the creditor countries as a whole than properly belongs to her. Now we, too, are feeling that we must sit back until someone else takes up the running. In spite of present appearances to the contrary, it is not very unlikely, I think, that, as a result of London also becoming a reluctant lender, the Bank of England may find herself with more gold at the end of 1931 than at the beginning.

#### NEED FOR JOINT ACTION

It is, therefore, becoming increasingly important that some sort of joint action should be taken to prevent the further deterioration of the credit of the debtor countries. Or, alternatively, the creditor countries must find an outlet in home investment—which, failing an early revival in general confidence, might require a very great fall in the current rate of interest—for the savings which they are no longer lending to debtor countries; for this, also, would bring considerable relief to the debtor countries by increasing the demand for their products at an improved price.

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 retiring directors, Mr. J. M. Keynes, C.B., Sir Walter T. Layton, C.H., C.B.E., and Mr. Gordon Leith, C.B., C.B.E. were re-elected; the auditors, Mr. G. S. Pitt, F.S.A.A., and Messrs. Ball, Baker, Ash and Co., were reappointed, and the proceedings terminated with a vote of thanks to the chairman, directors, officials, and staff.

[REPORTS OF PROCEEDINGS UNDER THE HEADING "COMPANY MEETINGS" ARE INSERTED AS ADVERTISEMENTS.  
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