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# The Times

## COMPANY MEETINGS

Thursday, January 31, 1929.

### NATIONAL MUTUAL LIFE ASSURANCE SOCIETY.

REVIEW OF THE YEAR'S OPERATIONS.

INCREASED PROFIT.

PROPOSED SPECIAL CENTENNIAL BONUS.

NEW SERIES OF POLICIES.

MR. J. M. KEYNES'S SPEECH.

The 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 company), presided.

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

The CHAIRMAN said:—Gentlemen,—Our profit of 1927 has been exceeded in 1928 by a comfortable margin, a small reduction in trading profits being more than balanced by increased capital profits. Our gross profits amount to £249,445, made up as follows:—Net miscellaneous profits from mortality, &c., £26,280; interest earnings in excess of 3 per cent. on mean fund, excluding carry-forward, £70,955; capital gains on securities sold or revalued, £117,555; interest earned on the surplus carried forward from the previous year, £34,655, making a total of £249,445.

The corresponding total was £226,481 in 1927 and £150,465 in 1926. After paying the same reversionary bonus as last year—namely, 45s. per cent. compound on endowment assurance policies and 51s. per cent. compound on whole-life policies—and allowing for sundry outgoings specified in the actuary's valuation report, we are adding £126,278 to our undistributed surplus carried forward, bringing this up to a total of £877,524, which is 20.7 per cent. of our liabilities as compared with 17.8 per cent. at the end of 1927. This valuation report has been signed for the first time by Mr. G. H. Recknell, previously assistant actuary, whom the board have had the pleasure to promote to the position of actuary, Mr. Geoffrey Marks retaining the position of general manager.

The abnormal volume of maturities of endowment assurance policies, as shown in the annual report, is due to £266,071 falling due in respect of special non-profit war bond policies issued ten years ago. This has had the effect of decreasing the increment of our total funds below its normal figure.

The year has not been an easy one for investment. Your board has pursued a somewhat hesitant policy, and has slightly reduced the society's holding of Ordinary shares, but in the result our capital gains have turned out the highest for several years past. Our total assets have yielded over the year, in interest and appreciation, approximately 7 per cent. per annum free of income-tax, which means that the yield on our Stock Exchange securities has been somewhat better than this. We have now earned annually a total return on our assets of not less than 7 per cent. free of income-tax on the average of the last eight years. (Cheers.)

COMPARISON WITH PREVIOUS QUINQUENNIAL.

The year 1928 completes a quinquennium of annual distributions since the declaration of the last of our quinquennial distributions—in respect of 1919-1923. It is interesting,

therefore, to compare the aggregated results of the five years, 1924-28, with those of the previous five years. Our efforts to diminish the cost of new business by increasing the average amount of our policies have been markedly successful, the average policy for the past five years being about £1,200, compared with £650 in the previous quinquennium, with the result that we have written 25 per cent. fewer policies for an aggregate amount which is nearly 40 per cent. higher. The other principal comparisons are as follows:—

	Five years ending	
	Dec. 31, 1923.	Dec. 31, 1928.
Amount of funds at the end of the period .. ..	£3,940,268	£5,231,907
Average net rate of interest earned ..	£4 8 6%	£4 13 0%
Expense ratio ..	17.0	13.7
Trading profit ..	£365,932	£611,174
Balance of profit on securities realized and re-valued .. ..	£361,760	£384,983
Amount distributed in bonuses ..	£301,570	£498,248
Rate of bonus earned ..	101/6d.	91/6d.

#### THE APPROACHING CENTENARY.

It follows that over a period of no less than ten consecutive years we have earned an average annual bonus in excess of 95s. per cent., whereas the amount which we have actually distributed to with-profit policyholders has been about half this sum. Each year we have hesitated to regard our good success as other than abnormal, and, in particular, we have reserved the whole of our capital gains so that they should be available to meet a possible depreciation of our securities. It is obvious, however, that this piling up of reserves cannot go on indefinitely, and that it would be unfair to the existing generation of policyholders—and, indeed, contrary to the principles of mutual life assurance—not to divide the excess beyond the reserves—actuarial and otherwise—which are properly required to secure the society's financial stability. I am, therefore, authorized by the board to make to you a preliminary announcement as to our intentions.

We are now entering our 100th year. At the conclusion of this year we propose to distribute a large special centennial bonus in addition to the ordinary bonus of the year. This bonus will not be at a uniform rate, but will be distributed with due regard to all the equities, and I hasten to add that new policies taken out in 1929 will not participate in the special bonus, unless it be in respect of profits earned during 1929. The details of this ex-

ceptional distribution have not yet been determined by the board, and will not be announced until the occasion of our centennial meeting next year.

#### PROPOSED NEW POLICIES.

We are also celebrating our entry into the 100th year of our activities by initiating a new series of policies—in addition to our existing series, which will be continued for the present unchanged—on lines which will, I think, be of high interest to intending policyholders, and to the life assurance world generally. We have not revised our rates of premium for with-profit whole-life policies for over 30 years, while the only changes in the rates for with-profit endowment assurance policies have been in an upward direction so as to bring them more into line with the whole-life terms. Yet the diminished rates of mortality, the better initial selection of lives as a result of the progress of medical science, and increased opportunities for employing advantageously the fund represented by the accumulated premiums, have combined to reduce materially the rates of premium which it is necessary to charge to secure a given initial sum assured.

The result is that we, in common with other life offices, have drifted into a situation in which too much of the benefit of a given rate of premium is given in the shape of bonuses which will accumulate only in the course of years and too little in the shape of the initial sum assured—too much and too little, that is to say, from the point of view of those whose primary object is protection against the risk of premature decease. In short, life offices have not revised their terms proportionately to the change of conditions, with the result that the margin between the amount of the policy which they contract at the outset to pay for a given premium, and the amount for which they could afford to contract, has become much greater than is required by considerations of caution. This does not matter in the end to the policyholder who lives a long time, for he gets the excessive margin back again in the form of reversionary bonuses. But it matters very much in the beginning to a policyholder—even though he does in fact live to a ripe old age—who wants security in the years immediately after he takes the policy out.

#### PROFESSIONAL MAN'S NEEDS.

Take the case of a professional man not yet middle-aged who has a good earned income but not, as yet, much invested savings. What he wants, when he assures his life, is the certainty of leaving behind him in the event of his dying in early or middle life a sum sufficient to provide for his family. He is much more interested in this than he is in his heirs receiving a large sum in the event of his sur-

viving to the age of 80, for, if he lives to be 80, his family will not need so much provision, and what provision they do need will be more probably covered by his other savings.

The type of policy which we and most other offices have been issuing hitherto is, indeed, ideal for those who live to be 80. A policyholder who survives to old age may get more than twice the amount which the office contracted to pay him when he first assured. But it is very far from ideal for the man who wants to be assured against risks, who wants to be certain of leaving a proper provision behind him if he does not survive to old age. In fact, the object of providing against a married man's premature death, which ought to be one of the principal tasks of life assurance, has been falling a little into the background in favour of a kind of policy which provides plums for the heirs of octogenarians. (Hear, hear, and laughter.)

#### NEW WITH-PROFIT POLICIES.

We propose, therefore, to institute a new series of with-profit policies, the rates of premium on which are calculated with reference to modern life assurance experience. Bonuses on this series will be paid over a period of years in accordance with what the series is able to earn, the rate of bonus for the first year being guaranteed at the rate of 15s. per cent. compound. This enables us to offer a whole-life with-profit policy on which the initial sum assured for a given premium is from 30 per cent. to 20 per cent. greater than for a corresponding policy in the old series. In effect we are offering with-profit policies at rates of premium practically equal to those which were quoted until recently for non-profit policies. To give a single example, the annual premium in the old series for a man aged 30 next birthday to secure a with-profit whole-life insurance of £1,000 is £21 15s., after allowing for income-tax rebate. The same premium will provide a similar assurance in the new series for £1,247. Such figures should, I think, impress the young married man with the solid advantages in the shape of security for his family which can be obtained in return for a very modest outlay.

#### "CHEAPER LIFE ASSURANCE."

Public opinion has shown of late some slight signs of restiveness about the reluctance of life offices to modify their terms in accordance with changed conditions. With these new policies the National Mutual will be doing something to meet the popular demand for "Cheaper Life Assurance." But it must not be supposed that we do not at the same time adhere to views which I have previously expressed as to the great and growing part which life assurance should be able to play as a

medium for the investment of savings as well as for protection against risk. The point is that different would-be assurers properly attach different degrees of importance to the element of investment and to the element of protection, in accordance with their different circumstances and needs, with the result that a single type of policy, even when it is differentiated into whole-life and endowment assurance, cannot provide every one with just what he wants. The trend in recent years has been towards offering investment facilities rather than protection. With the National Mutual new series of "Reinforced" or "Married Men's" policies, offered concurrently with policies of the former type, we are able to meet both types of requirement.

#### GENERAL ECONOMIC CONDITIONS.

The business of life assurance is so sensitive to economic and industrial conditions that it will not be out of place for me to say a little, as in former years, about the general economic prospects. In 1923 I said: "Those who are employed are probably producing on the average about 10 per cent. less than formerly for approximately the same real wage. Without great improvements in the technique and intelligence of trade and industry, it looks doubtful whether, on these terms, we shall be able to employ the whole employable population except at the very top of the periodic booms." In 1926 I pointed out that almost no progress at all had been made towards the adjustment of gold-costs of production which the return to the gold standard had rendered necessary. The question of the relationship of wages to the efficiency of production still seems to me to lie at the heart of our problem.

Recent calculations by Professor Bowley have made possible some very interesting generalizations. Between 1914 and 1924 average real wages for the normal week (full employment) rose by more than 8 per cent. During the same period the weekly hours of work were reduced by more than 10 per cent. The result was that employers were set the task, if they were to maintain their pre-War position, of increasing efficiency by nearly 20 per cent. The Census of Production of 1924 indicates that the increase of efficiency up to that date was just about sufficient to balance the shortened hours, but was not able to make, in addition, any contribution towards meeting the increased weekly wage. Thus already in 1924 employers, in those industries in which the increase of efficiency had not been above the average, were making heavy weather. Between 1924 and 1928 money wages have remained practically unchanged, whilst the return to the gold standard at the pre-War parity has had the effect of increasing real wages by a further 8 per cent.

#### THE EMPLOYERS' TASK.

It follows that employers have been faced with the task of improving efficiency by 16 per cent., as compared with 1924, before they can recover their pre-War position. Now it is not over-optimistic, I think, to suppose that efficiency is, in fact, being increased at the rate of, say, 1½ per cent. per annum over the average of the whole field of industry, which, if it is the case, is a considerable achievement. This means that to-day, in 1929, the deficiency has been reduced from 16 per cent. to about 10 per cent. But the depressing feature of the situation is the fact that at this rate it may be another five or six years before we are quite straight. The change in the value of our money in 1924-25, coming on the backs of industrialists, already weakened by the course of events since 1914, has naturally contributed to prolonged unemployment in all those industries of which the strength is not above the average.

Since it is impracticable and unwise to reduce wages, the only solution is to be found in accelerating the increase of efficiency and in

so conducting our international monetary diplomacy as to avoid a further fall in the level of world prices. But we might also mitigate unemployment if we were to endeavour—for a time—so to conduct our national investment policy as to direct our savings into those channels which are likely to provide immediate employment at home, rather than into those which are likely, in the first instance, to embarrass the reserve position of the Bank of England by the burden which they throw on the foreign exchange.

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

Mr. CHARLES T. D. BURCHELL (deputy chairman) seconded the motion, and it was carried unanimously.

The retiring directors, Mr. Gordon Leith, C.B., C.B.E., Sir William McLintock, K.B.E., C.V.O., and Mr. Geoffrey Marks, C.B.E., F.I.A., were re-elected; the auditors, Mr. G. S. Pitt, F.S.A.A., and Messrs. Ball, Baker, Ash and Co., were reappointed, and a vote of thanks to the chairman, directors, officials, and staff concluded the proceedings.

[REPORTS OF PROCEEDINGS UNDER THE HEADING "COMPANY MEETINGS" ARE INSERTED AS ADVERTISEMENTS.  
BUT CARE IS TAKEN TO ENSURE THAT THEY BE TRUSTWORTHY.]