

Mutual Life of Canada Insurance in Force Increases \$100,000,000 in 81st Year

Total Insurance in Force Is \$1,168,000,000 SALES OF NEW INSURANCE HIGHEST IN COMPANY'S HISTORY Surplus Distributed to Policyholders Exceeds \$5,000,000

President and General Manager Report on Progress of Company and Matters of National Interest

Waterloo, Ont., Feb. 1, 1951.

"In spite of difficulties and dangers Canadians should and can face the future with hope and courage, and also with confidence that freedom, justice and right will prevail," said Mr. Louis L. Lang, President of the Mutual Life of Canada, when addressing the 81st meeting of policyholders of the Company today. When considering our lives and times we should remember that our lives are much easier than those of our Canadian forebears, he stated. Our ancestors pioneered in the midst of other wars, depressions, periods of expansion and ups and downs of human existence, but they persisted and won, and we must follow their example and carry forward to an extent they did not dream of, the hopes and plans which they entertained and from which we are benefitting.

Mr. Lang called for alertness on the part of the whole nation to present dangers, and for co-operation with the Government in its plans for assuring the security of the country. He stressed particularly the need of an awareness on the part of both government and people of the dangers of inflation to the national economy. There should be a full measure of public understanding and support of the means the government may undertake to curb inflation. Mr. Lang stressed the value of life insurance in retarding inflationary trends, referring to insurance premiums as dollars withdrawn from competitive circulation, directed to future security, and made available for the extension of the productive capacity of the nation.

The General Manager, Mr. A. E. Pequegnat, reported that the Mutual Life of Canada had continued in 1950 its unbroken record of growth, new insurance to the extent of \$120,468,000 was written by the Company in its 81st year, bringing the protection in force to \$1,168,000,000, all on Canadians. These figures represent life insurance only, and do not include annuities or the business of the Sickness and Accident branch. He emphasized particularly the increase in Group Life Insurance and Group Sickness and Accident, which is rapidly expanding, thus providing a real service to our country's increasing population.

\$5,010,000 in Surplus Earnings was distributed to policyholders in 1950, continuing the Company's outstanding record of providing low net cost life insurance. Mr. Pequegnat stated that it was significant that 40% of the new insurance sold during 1950 was additional insurance on the lives of policyholders.

Condensation of the addresses as delivered by Mr. Lang and Mr. Pequegnat follow:



Louis L. Lang, President

CONDENSATION OF ADDRESS BY MR. LANG

The year 1950 in North America appeared to be one of prosperity and economic health; but it was an anxious year. The early months witnessed some slackening of the business activity of the preceding four years; but this proved to be temporary, and late in the year, estimates by the Department of Trade and Commerce forecast the likelihood of the highest level of private and public investment in our history. The stimulus to activity in this engendered was enhanced by political uncertainties in Europe leading to the investment in Canada of capital for the establishment of new industries. We must not, however, judge prosperity entirely by activity, because defence expenditures add little to the total wealth of the country and build up no real resources.

Need For Alertness and Preparation

If, five years ago, Russia had joined other nations in choosing peace, the world would be far advanced on the road to happiness, security, recovery and better standards of living. Instead, Russia embarked on obstruction and aggression. Consequently, the international situation has grown steadily worse. We must continue to arm and to prepare for the worst. There can be no sparing of effort. No country can exist in the futile hope of isolation and expect to escape the universal calamity which would follow the defeat of the free nations.

Increased Immigration Desirable

It is necessary and prudent to survey our resources in order to make the best possible use of them. The greatest asset, of course, is the people. Canadians can feel that they are the equal of any other people in character, courage, ability and skill, proved by the experience of two world wars. Our population since 1910 has doubled to 14 million, but it is not large enough. We need more millions of new Canadians who will be good citizens, who will find and maintain homes in Canada, increase the production and consumption of the country, defend their new land, and help to maintain and improve its economy.

Canada is far ahead of most countries in extent and variety of primary products and natural resources. Our industrial production in June and September of 1950 reached all-time high levels. It is now necessary to double the production of 1950. To considerable degree our economy has achieved

a better balance between agriculture, development of raw materials, and manufacturing. This country, as a result, better prepared than ever to deal with today's complex international problems.

Dangers of Inflation to Country's Economy

Nevertheless, the present situation calls for caution: as John Maynard Keynes has pointed out in "Economic Consequences of the Peace", Lenin declared that the quickest and most effective way to destroy social and economic order in a country is through the process of runaway inflation.

Progressive rapid deterioration in the value of money can produce only economic chaos. Relative stability in the purchasing power of money is essential to the efficient functioning of our democratic free enterprise system.

During 1950 we experienced a resurgence of inflationary forces which have carried wholesale commodity prices and living costs to new peaks. There is no immediate indication of anything but continuation of these pressures, because the imposition of greater defence expenditures on an economy already operating at almost full capacity may be expected to generate new purchasing power applicable to a gradually shrinking supply of goods available for consumption. Adequate control of these forces requires timely and forthright action on the part of Governments, and intelligent and willing co-operation on the part of all citizens. Increased production by each individual worker is of prime importance; for, over such a period, expanding production is one of the most effective weapons in the fight against inflation.

Public Should Support Government's Efforts by Saving

In considerable degree, conditions in this country are influenced by trends in the United States; and it is probable that more rigorous controls may have to be applied here. Fortunately, those in our Government who are responsible for the direction and administration of our economic policies are among the ablest and best qualified in their field. Without, however, a full measure of public understanding and public support, their efforts can be largely nullified; because, in the final analysis, the control of inflation is dependent on the extent of which the over-all program is accepted and carried out by the great mass of people.

We, as a nation, cannot make large outlays for national defence without some adjustments in our standards of living. Now is a time for us to exercise those qualities of self-restraint which have been characteristic of this country in times of stress. The most effective way for individuals, business and governments to combat inflation is to spend for necessities an absolute minimum and maintain — or increase, if possible, to the maximum — their saving scale.

Government Action Needed To Curb Inflation

Governmental action should follow a course which will reduce sharply and without exception all expenditures that are not absolutely essential, and curb waste in all governmental activities. Taxes will have to be increased, fiscal controls imposed, and credit tightened. Reasonable flexibility in interest rates should be permitted to encourage saving and keep money out of the spending stream.

Insurance Premium Dollars Play Vital Anti-Inflation Role

Every dollar our Field Force is able to channel into life insurance helps to retard the inflationary trend. These dollars are not only directed to future security and withdrawn from competitive circulation but, in large measure, are made available for the extension of the productive capacity of the nation: They aid in preserving the value of all insurance contracts, thus providing sound protection to Canadian homes, and at the same time safeguard the national economy. The answer to the inflationary trend is not to sell less life insurance but to sell more and at the same time to do the other things we ought to do to keep the price level from getting out of hand.

Mutual Life Continues Steady Progress

An examination of the Mutual Life cumulative figures from 1870 to 1950 shows a remarkably even progression. There are no spectacular deviations, notwithstanding severe disturbances and dislocations, caused by long war periods, with their equally difficult aftermaths; and the vagaries of trade and the weather.

Growth in Group Insurance and Sickness and Accident Benefits

Included in our assurances in force is a substantial and increasing amount of group life insurance. As well, our Company has become more active in supplying group accident and sickness benefits. In free democratic nations there is evident a distinct movement toward greater security for all the people. I still believe strongly in the main, security to meet adequately the needs of the individual can only be obtained through contracts written on an individual basis. However, group coverage is a practical method of providing a basic layer of security on a mass basis, thus transferring in some measure the burdens of the weak to the shoulders of the strong.

Value of Continuous Services of Trained Life Underwriter

Not so many years ago, the average life insurance salesman was accustomed to sell insurance in a more or less haphazard way in either pushing pet plans, or simply endeavouring to convince prospective policy holders that any form of life insurance was a good buy. It is not only important to own life insurance, but it is important to have the kind of insurance that fits the needs of the individual.

In this modern age, circumstances and needs change quickly; and it is of the greatest advantage to have the continuing services of a conscientious trained life underwriter in reviewing periodically one's life insurance. Our training program is being carried on continuously with a view to giving the ultimate in professional advice on insurance matters.

Life Insurance Keystones in Security Structure of Individual

Abraham Lincoln said: "You can not bring about prosperity by discouraging thrift. You can not help men permanently by doing for them what they could do for themselves." One of the surest ways for an individual to build for his own future is to invest in a life insurance policy. It is indeed the keystone in the security structure of the individual. Through building security for ourselves, our qualities of vigour, self-reliance and initiative will reach their full development; and our nation will continue strong, and proud, and free.

Future Calls for Vision, Courage and Perseverance

Canada has been a land of great areas but small beginnings; in human efforts. Though sometimes we grumble about conditions of today, nevertheless our own lives are very much easier than those of our Canadian forebears. Our pioneer ancestors had the vision, the courage and the perseverance necessary to lay the foundations of this great country. Their tasks were performed in the midst of other wars, depressions, periods of expansion and ups and downs of human existence, but they did not fail. They persisted and won; and we must try, to the best of our ability, to follow their example and carry forward to an extent they did not dream of, the hopes and plans which they entertained and from which we are benefitting. If we do this, our descendants will be grateful to us, as we are to our own ancestors. In spite of difficulties and dangers, we should, and can, face the future with hope and courage, and also with confidence that freedom, justice and right will prevail.

CONDENSATION OF ADDRESS OF THE GENERAL MANAGER A. E. PEQUEGNAT, A.I.A., F.S.A.

It is my privilege at this time to analyze with you the account rendered by the Company during the mid-century year. For many years, in fact since 1926 the interest earning capacity of life insurance assets has been steadily diminishing. From a rate of 6.48% our average interest rate earned declined to a low of 3.80% in 1948. Last year we showed an increase and are gratified to report another almost equal increase, indicating that the period of retrogression may have come to an end. The improvement of the last two years has restored the gross rate to 3.97% which encourages re-

newed faith in the ability of the Company to maintain the liberal basis of surplus distribution for which it has become famous. Several factors have contributed to this improvement in inter-



A. E. Pequegnat, General Manager

est earnings. The slight rise in yields on high grade bonds has had an influence, possibly of greater effect has been the wider diversification of our asset structure. Our holdings of Canadian government bonds, accumulated during the war years, and which a year ago represented 47% of our invested assets, provided the opportunity of exchange to advanced securities. Our Canadian government bonds still represent 40% of invested assets, and when it is recalled that in 1939, prior to the war, this type of security involved but 22% of assets, improved earnings arising from a still wider diversification may be expected.

Residential Mortgage Loans Substantially Increased

The most potent influence toward higher earnings is the largely increased investment in mortgage loans, almost entirely confined to residential construction. Active mortgage operations are being carried on in all parts of Canada. These mortgage loans, for the most part, carry the guarantees associated with National Housing loans and the Company is proud of the important part it has played in the provision of adequate housing for our people. The increase in our mortgage investments during the year amounted to \$13 1/2 Million and these now represent slightly over 20% of invested assets compared with a low of 11.2% in 1945.

New Type of Investment

"Real Estate for the production of income," now permitted by a recent amendment to the federal Income Act, comprises the cost of buildings occupied by commercial and industrial corporations of proven stability under long term leases providing rentals sufficient to amortize the original cost of the property within the lease period. In this way working capital is made available for current needs rather than tied up permanently in new construction. A substantial expansion of this type of investment is expected.

Stock Investments Profitable

Stock investments, preferred and common, increased during the year by \$3,600,000 to \$14,500,000 and on this investment a yield of 6 1/4% was realized. The market value shows an appreciation of \$3,800,000 over book. The book value represents slightly less than 4% of total assets.

Mortality Experience Favorable

The mortality experience during the past year was almost identical with that of the previous year and continues to provide a substantial contribution to the surplus distributed to policyholders. There has been little change in the incidence of causes of death, heart and associated ailments taking their usual large toll; in fact, again an increase over the previous year. Insurance companies are actively encouraging the extensive research now being conducted in many fields of medicine, and we have good reason to hope that such research efforts will result in further improvement in mortality and morbidity.

Surplus Earnings Maintained

The surplus earnings of the Company, \$6,195,000, slightly higher than the previous year, show the effect of higher expenses in all branches of operation. All the factors which enter into the conduct of life insurance business reflect the trend which is all too evident in today's economic picture.

Surplus Distribution to Policyholders Exceeds \$5 Million

Substantial appropriations have again been made to strengthen the several reserve funds maintained by the Company. It has been traditional policy to make provision against abnormal fluctuations in the earning power and value of our investments and in the factors which govern the sufficiency of the statutory reserves maintained to satisfy policy obligations. During the past year surplus distribution amounted to \$5,010,000, exceeding the previous year's distribution by over \$160,000. Our record of surplus distribution to policyholders continues to be the envy of the life insurance industry and maintains for the Company its great popularity with the Canadian public.

War Clause Affects Sales of New Insurance

From the standpoint of production of new business, momentous decisions had to be made. These centered mostly on the serious threat of general war, occasioned by the Korean episode last June. The determining factor in arriving at our decision regarding the use of a war clause was, of course,

the protection of existing policyholders and the grave implications of the war situation as it exists today fully justify the action we have taken. The outcome of the negotiations now being carried on by the Assembly of the United Nations to find an amicable solution to the Far East problem will probably determine whether any modification of the armed services restrictions now in effect is expedient. It is generally agreed that uniformity of practice among competing life companies is highly desirable in respect to restrictive measures of this nature and to this end we have endeavoured to exert most leadership. However, while the status quo perplexing as it is at the moment, unanimity of opinion as to adequate war clause procedure can scarcely be expected.

New Business Totals \$120,468,000

We have every reason to feel gratified that we are able to show production figures for the year of \$120,468,000, slightly in excess of the previous year. This total includes new group insurance cases, involving a total of \$7,450,000. It does not include additions during the year to existing group cases amounting to \$34,600,000, making total accretions to our group insurance during the year of \$42,000,000, as compared with \$31,100,000 the previous year. The net result has been the largest increase in business in force ever shown by the Company. The total in force on December 31, 1950, after reinsurance, amounted to \$1,168,000,000, an increase for the year of almost exactly \$100 Million. The previous largest increase, \$90,400,000, totals represent life insurance only and do not include annuities or the business of our Sickness and Accident branch. Such encouraging results can only be produced by high quality business for which full credit must be given our highly qualified and most efficient field force.

Again the Company can boast a lapse rate unequalled in Canada and very much below the average for the industry.

Large Hospital-Medical Plan For Federal Public Service

The Group Accident and Sickness Branch of the Company continues to expand rapidly. Special mention, however, should be made of our participation, along with three other Canadian life insurance companies, in the largest group coverage of this type ever placed in this country, the Public Service of Canada Hospital-Medical Plan, which already involves over 60,000 lives, and business likely will be expanded to include 30,000 or 40,000 additional civil servants. Our Company has accepted the responsibility of administering this vast program, of hospitalization and surgical fee benefits and has established an office in Ottawa to facilitate its operations. We feel confident that the successful administration of this plan, which will operate on the mutual basis, and which includes civil servants from Newfoundland to British Columbia should prove of real service to this important segment of our country's population.

Responsibility of Life Underwriter in Combating Inflation

In commending our Field Force on their splendid collective production achievement I wish to emphasize the important responsibility the life underwriter bears of not only safeguarding the future welfare of families and individuals but the national economy as well. The increasing portion of personal incomes is devoted to building up savings and security for the uncertain days of the future, the unmet demand will retard the advance in prices and provide real value to increased personal earnings. There is no group so well trained to advise on family income distribution as is the great body of qualified life underwriters.

A large section of the employed population of Canada has graduated into an income class where adequate life insurance not only becomes possible but is an essential if the improved scale of living is to be maintained. Hitherto, moderate amounts of industrial life insurance represented the family protection. Now, life insurance cannot be learned progressively if it fails to acquaint these families with the lasting value and the confidence and satisfaction engendered by an adequate program of permanent protection. Policyholders Increase Insurance

I also wish to thank all policyholders, numbering over 300,000, who comprise our membership, for their continued support of their own Company. Almost forty per cent of our annual new business arises from additional insurance on the lives of existing members and we are sure that satisfaction with the results achieved under their policies, expressed to members of families, friends and business associates, has contributed largely to the outstanding position held by this Company in the realm of Canadian life insurance. This company has but one aim, that is, to still further extend its benefits throughout the domestic and business life of our nation, and feels encouraged to renewed effort and wider horizons by the unquestioned commendation of the great public whom we endeavour to serve.

Outpost in China

By Val Gleigud
Continued

"You did," agreed Sheila cheerfully. "Well above the average." "I suppose it's the morning after — or something — but somehow — well, I don't feel the same way about things this morning," he stammered miserably. "Look here, Sheila, even now, couldn't we?" "No good, Gerry. I'm sorry. I must change."

Gerald found himself alone. He stuffed his pistol into his pocket, refingering cheeks and chin with acute distaste, and slouched across to the sideboard. With a certain air of defiance he mixed himself a stiff drink, swallowed it, coughed violently, then picked up the second can of water which Sheila had left beside his bedroom door, and carried it to the veranda. The distant hills were shrouded in mist. The road was bare and empty. Sheila stood, her hands pressed to her breast, her heart thumping painfully. The sudden appearance, below her of a single walking figure made her gasp. But it was Patrick James, wearing a singularly shabby raincoat, and an expression almost ludicrously anxious.

Sheila put her fingers hurriedly to her lips, and waited for him to climb the steps before she spoke. "I've been worrying about you all night," said James hastily. "Janet sent me over the moment I woke up. What's happened?" "Nothing," said Sheila indifferently. "I told you not to worry."

"I'm immensely relieved to find you all right. Where's Gerald?" Sheila smiled. "Shaving. I devoutly trust," she said. "Has your wife forgiven me?" "I don't think," said Patrick James. "that she has anything to forgive."

"I DON'T BELONG"

Sheila laughed outright. "You know, Mr. James, one of the best excuses for sinners is that good people are so exasperating!" "And vice versa, surely?" suggested the missionary.

"D'you know, I never thought of that!" "Sure there's nothing I can do for you, Mrs. Havelock?" Sheila hesitated. "It's awfully kind of you — Leslie Dale's bound to pass your place on the road back. If you could just warn him of this silly attitude of Gerald's — I mean if you could persuade him to stop with you for the time being —"

"I'll try by all means. But, knowing Leslie, I'm afraid it won't be the least good. He can take care of himself, you know."

"Thanks awfully," said Sheila. "You know, Mr. James, I do appreciate your kindness, really I do. Just as inside me I really like Janet. It's this beastly place! I don't belong. I know that now. So it's brought out all the worst in me, just as it's brought out all the best in you and Janet."

James smiled uneasily. "Janet's always right," he said. "I'd strongly recommend you to take Gerald out of it as soon as ever you can. Au revoir."

He shook hands, and went away again up the road. Sheila was still looking after him when Gerald flung open his door. "Who was that?" he demanded suspiciously. "Only the padre. I think he came to look for the body — but for yours or mine he didn't say."

"He'll keep away, if he's wise," said Gerald Havelock. "The discovery that his hand was so shaky as to make shaving next to impossible had not improved his temper."

"Oh Gerry, do stop this blood and thunder rubbish. I'm so tired! And it's such a foul morning!" "I think," said Gerald, "you'll take me seriously before I've done!"

CHAPTER XXII DOWN FROM THE HILLS

The Havelocks were still completing their respective toilets when Leslie Dale led General Wu in from the veranda. The General's personal guards took post by the french window. Wu himself stood by the table, stroking his moustache. Dale sank exhaustedly into a chair, feeling as if every several limb in his body had been pounded into a jelly.

"What a night, what a ride! A drink, General, while we wait for Mr. Havelock?" Wu accepted a glass of lime juice and soda, and said, "You're quite appreciate what I want done?" Dale pursed. "That is so, Mr. Dale."

"It is to our mutual advantage," Dale continued, "to allow Mr. Havelock to believe that he has settled this matter himself. Then he will take peace with honour back to Shanghai, and be happy to resign in my favour."

The General was observing with a slightly sardonic glance a large photograph of Sheila that stood on the desk. It was an enlargement of a snapshot taken at Ascot. She looked very pretty, very young, and extraordinarily civilized. "We say in China," said Wu, "that one day of wedded life deserves a hundred days of kindness. I shall be pleased to show Mr. Havelock the kindness he deserves."

"I'm afraid you're old-fashioned in your ideas about marriage, General."

You will be delighted with this fragrant tea

"SALADA"

ORANGE PEKOE

Ellen's Diary

Continued from page 2
of that season with the white birch, a young tree then, holding the premature twilight close in its topmost branches. And some of the days were sunny, with glimpses of blue sky, but it was a cold color, and the sun was the distant brittle sun of the Fall. And the nights? Strange how sometimes the nights are so short! In illness they are so long, seemingly endless when a refreshing rest falls to come.

One afternoon we shall ever remember. We were awakened from a doze by a strange noise — a startling unusual sound we tried in vain to place. It seemed as though some calamity had suddenly befallen our world about a comet had touched the earth, or perhaps at last it was the end of the world! So unreal it was, we decided that maybe we had been dreaming. But soon steps on the stairs and a voice we knew unravelled the mystery. It had been the arrival of The Doctor in his new automobile, a rare and magical conveyance, and among the first of these machines to our farm. The old mare of all, in her heyday then, and out about the barnyard at the time never got such a fright! James told us later. Her eyes popped. She snorted wildly, and ran this way and that trying to escape from that queer horseless vehicle, which had suddenly like some terrible apparition, encroached upon her domain.

Our world about has come a long way since then. Year after year, added improvements have bettered in speed and comfort those early models of machines, impressive and amazing conveyances though they were, until now stream-lined successors, speed and ease in every detail of construction, purr along lanes and drive-ways. We recall there were neither trucks nor tractors on any farm about in those days, nor any sign of Radio, now almost a necessity to our living. And what's that? James stops the conversation to listen. "It could be the snow-plow" Mr. C. from the house on the hill offers, "but" he adds lightly "I guess it's only a plane!" Truly, we have come a great distance since that time when a woman and her small son were down with the "Black Flu" in the room above this kitchen of cure!

Until tomorrow — Diary — Good-night...

other — is that it?" "Precisely," agreed Wu. "I will try to explain. You and I, Mr. Dale, understand one another. I have studied English history in Canton and San Francisco, and I believe that I can without inexactitude, class you as a Victorian. You believe in your God, in your Monarch, and in the British Navy."

To be continued

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