

SHANGHAI  
 Prepared on board ship en route to  
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SUBJECT:

I N S U R A N C E      S T A T I S T I C S

Submitted by:

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BUREAU OF FOREIGN AND  
 DOMESTIC COMMERCE

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SECTION A.                      LIFE INSURANCE.

I. AMOUNT OF LIFE INSURANCE IN FORCE AT END OF 1937 (in millions of yuan)

	<u>Legal Reserve</u>	<u>Assessment, Fraternal, etc.</u>	<u>Total</u>
In companies of China and Hong Kong, including both foreign and domestic business:	148.5	NONE	148.5
On lives of residents in China and Hong Kong, including that covered by both foreign and domestic companies:	318	NONE	318

II. GROSS AMOUNT OF NEW LIFE INSURANCE WRITTEN DURING 1937 (in millions of yuan)

25 In companies of China and Hong Kong, including both foreign and domestic business:	18.25	NONE	18.25
24 On lives of residents in China and Hong Kong, including that covered by both foreign and domestic companies:	26.85	NONE	26.85
23			

I. AMOUNT OF LIFE INSURANCE IN FORCE AT THE END OF 1938 (in millions of yuan)

	<u>Legal Reserve</u>	<u>Assessment, Fraternal, etc.</u>	<u>Total</u>
In companies of China and Hong Kong, including both foreign and domestic business:	151	NONE	151
On lives of residents in China and Hong Kong, including that covered by both foreign and domestic insurance companies:	318	NONE	318

II. GROSS AMOUNT OF NEW LIFE INSURANCE WRITTEN DURING 1938 (in millions of yuan)

In companies of China and Hong Kong, including both foreign and domestic business:	10.55	NONE	10.55
On lives of residents in China and Hong Kong, including that covered by both foreign and domestic insurance companies:	16.9	NONE	16.9

General Comment:

It will be noted that estimates of the required figures on life insurance are given, in the foregoing, for both 1937 and 1938 and the position as at the end of both years.

The figures herein consist of estimates based on a combination of actual information in regard to certain of the companies and educated guesses of contacts with regard to the business done by those who are unwilling to divulge information about their specific business.

Most contacts agree that business in the first 7 months of 1937 was experiencing the normal gains, but that with the commencement of hostilities at Shanghai in August, 1937, when practically all the foreign company put clauses in their policies waiving responsibility to pay death claims resulting from war conditions, progress was arrested. Chinese companies in Shanghai and in other war areas for the most part stopped writing insurance at that time, especially at points where war conditions obtained or were threatening. Naturally the insertion of a war clause in new policies curtailed new business severely. Most of the foreign companies took out the war clause early in 1938 at Shanghai and at other points where hostilities had ceased or fallen to relatively small proportions, thereby making it possible to resume writing some insurance, mostly for foreign (non-Chinese) clients, however.

The Asia Life Insurance Company reports that the mortality rate has not risen, despite war conditions. It would appear that insured persons were of the type which managed to get out of danger zones to places of safety. (Actually however, some death claims, the direct result of war conditions were paid, as indicated in our last year's report on this subject.)

No new life insurance companies entered the China-Hong Kong field during 1937 or 1938.

The relatively fair amount of new business written in 1937 and 1938 by companies of China and Hong Kong was for the most part the result of increased activities in fields outside of China, such as in the Philippine Islands and Straits Settlements, while business at Hong Kong (British Colony) remained fairly normal or increased due to virtually boom trade conditions -- the result of the shifting of much business from Shanghai to Hong Kong because of war conditions at the former port.

Policy loans increased sharply after hostilities began in 1937 and continued to mount throughout 1938 due to the war strain on the financial resources of insured persons. Lapsation (of policies held by foreigners - non Chinese) is estimated by certain of our contacts to have increased at least 20%. For Chinese, lapsation was probably on a larger scale. Normal lapsation for the general run of Chinese and foreign policy holders in China is estimated at about 20% of the first year and 10% of the second year duration of policies.

Life insurance for a special purpose, such as for protection to companies on the lives of key people or of especially qualified business getters in various organizations, has had a greater lapsation rate since the hostilities started in August 1937 than has been the case for ordinary beneficiaries. Depletion of reserves in some companies has made it necessary to cash in such policies as were being carried as security of this sort or as collateral on the outstanding accounts, guarantees, or indebtedness of such persons as compradores of companies etc. etc.

A good deal of insurance has been transferred to the head offices or branches of insurance companies abroad. War conditions have forced many people out of business in China. These have returned to their home countries. People near the retirement age have retired sooner than anticipated as war situations have made this advisable. Key or high priced men in foreign commercial concerns in China have in some cases been transferred to more active fields abroad. In all such cases where people have left China permanently, their insurance is naturally transferred, for servicing, to head offices or agencies or branches at their new locations. Thus, ordinary mortality, increased lapsation, and transfers have prevented growth in the aggregate insurance in force in China and Hong Kong, and have just about offset the new business written, particularly as the latter has been on a limited scale compared with the peaceful prosperous period just

preceding the present war era.

The insurance in force on lives of residents of China and Hong Kong at the end of 1937, in fact, as estimated, shows a drop of yuan 4 million, but this is due in part to "overestimates" of the business of certain companies in the previous year. But the position at the end of 1938 shows no gain over 1937, remaining at yuan 318 million, an insignificant figure compared with statistics for the United States.

The value of the Chinese yuan held fairly firm in foreign exchange throughout 1937, despite the war conditions prevailing in the latter part of the year. For conversion of the 1937 figures into U.S. Dollars, a rate of  $29\frac{1}{2}\%$  U.S. Currency per yuan should be used. For 1938, during which year the Chinese yuan has fallen in value from  $29\frac{1}{2}\%$  U.S. Currency to around 16% (December 1st) it is understood that considerable life insurance in Chinese currency has been transferred to foreign currencies. It is roughly estimated that at least yuan 190 million of the estimated life insurance in force on the lives of residents in China and Hong Kong as of the end of 1938 is in foreign currencies and thus convertible at, say 29%, assuming that as originally figured, this insurance was already in foreign currency, or that transfers were made before rates fell appreciably. To make a conversion into U.S. Dollars of present insurance in force, therefore, we should have to calculate as follows:

yuan 190 million at 29%	equals US\$ 55.1 million
yuan 128 " at 16%	" " 20.48 "
<hr/>	
yuan 318 million	- T O T A L - US\$ 75.58 million.

There is no particular point in making this conversation as no one can forecast what the value of Chinese currency may be at the time policies in force mature. Hence the figures have been left in terms of Chinese yuan without making an adjustment for exchange. If the US\$ 55.1 million were now converted back

into Chinese dollars or yuan, to arrive at present outstanding insurance in foreign currencies in terms of present day value of the yuan, we should arrive at another distortion, as follows:

US\$ 55.1 million at 16¢ equals yuan 344,375,000.

Actual (estimated policies in local currency) 123,000,000.

Total - - - - - yuan 472,375,000.

Hence the figures have been left in terms of Chinese yuan without making an adjustment for exchange and to provide a figure comparable with the statistics submitted with last year's report which covered 5 years, from 1932 to 1936 inclusive for certain of the estimates.

We had hoped to include more general information on life insurance business in this report, and have been awaiting the issuance of the China Insurance Annual for 1937. Mr. Chang, its compiler, however, now informs us that the volume will not be off the press until some time in January, 1939. Following its publication we may be able to make translations of data of interest which may be added to the material submitted in my special report S-51 of November 27, 1937. Such data as is pertinent I shall undertake to forward as supplemental to this report.

Details (or breakdown) of the life insurance figures supplied in the foregoing tables, are given as follows: The information is not for publication as the companies object to having this information made public. Some of the figures are guesses by competitors and are not supplied by the companies themselves.

AMOUNT OF LIFE INSURANCE IN FORCE IN COMPANIES OF CHINA  
AND HONG KONG, INCLUDING BOTH FOREIGN AND DOMESTIC BUSINESS.

<u>Name of Company</u>	<u>At end of 1937</u>	<u>At end of 1938</u>	(Figures are in millions of yuan.)
Asia Life Ins. Co.*	64	68.5	
International Assurance Co.**	12	12.75	
12 Chinese companies	<u>72.5</u>	<u>70.</u>	
Total - - - - -	148.5	151.25	

AMOUNT OF LIFE INSURANCE IN FORCE ON THE LIVES OF  
RESIDENTS IN CHINA AND HONG KONG, INCLUDING THAT COVERED  
BY BOTH FOREIGN AND DOMESTIC COMPANIES.

	<u>At end of 1936</u>	<u>At end of 1937</u>	<u>At end of 1938</u>
Sun Life (Canadian)	50	50	50
Confederation (Can.)	20	25.75	25.75
Crown Life (Can.)	25	25	25
Manufacturers (Can.)	50	50	50
Occidental Life (USA)	12	12	12
West Coast Life (USA)	37***	21.33	20.75****
U.S. Life (USA)	3	5.5	7.50
Asia Life (Delaware)	40	44	47
Royal Ins. (Brit)	8	7.92	6.5
International Assurance (H.K.)	10	11	11
Standard (Brit)	5.	4.95	4.9
12 Chinese companies	<u>61.85</u>	<u>62.54</u>	<u>60.</u>
Total - - - - -	321.85	317.99	318.50

\* American company incorporated in Delaware - head office Shanghai.

\*\* Incorporated in Hong Kong.

\*\*\* The 1936 figure was an "overestimate".

\*\*\*\* This concern reports US\$1.5 million of policies transferred to the United States for servicing. The Shanghai office is a Branch. The US\$1.5 million transferred is not included in the above figure.

GROSS AMOUNT OF NEW LIFE INSURANCE WRITTEN IN 1937 and 1938  
IN COMPANIES OF CHINA AND HONG KONG INCLUDING BOTH FOREIGN  
AND DOMESTIC BUSINESS ( In millions of yuan ).

	<u>1937</u>	<u>1938</u>
Asia Life	9.25	6.4
International Assurance Co.	1.3	2.5
<u>12 Chinese companies</u>		
Central Trust	1.	---
Postal Rem. & Sav. Bk	2.15	---
Tai Ping	.25	---
China Insurance	.25	---
Wing On Life	.6	.55
Sincere Life	.6	.55
Oriental Life	.05	---
Tai Shan	1.25	.55
Luk Hoi Tung Life	.25	---
China United	1.	---
Ning Hsia	.25	---
Oi Kwan	.05	---
Total - - - - -	18.25	10.55

GROSS AMOUNT OF INSURANCE WRITTEN ON LIVES OF RESIDENTS IN CHINA  
AND HONG KONG DURING 1937 and 1938 (In millions of yuan)

	<u>1937</u>	<u>1938</u>
Sun Life	2.	1.
Confederation Life	4.45	5.
Crown Life	1.	.5
Manufacturers Life	2.	1.
Occidental Life	.45	.25
West Coast Life	2.	1.
U.S. Life	2.5	5.
Asia Life	4.5	3.
Royal Insurance Co.	---	---
International Assurance	.50	---
Standard Life	---	---
12 Chinese companies	<u>7.70</u>	<u>1.65</u>
Total - - - - -	26.85	16.90



SECTION B - NON-LIFE INSURANCE & SECTION C - GROSS AMOUNT OF NON-LIFE.

We are in no better position to supply estimates of the desired figures than was the case last year. The China Insurance Annual for 1937 has not yet been published. Its issuance has been delayed, but its compiler states that it is expected that it will be out by January, 1939. Following its issuance, if there are any new or pertinent data additional to or more timely than that supplied in my Special Report S-51 of November 27, 1937, we shall undertake to make translations and to supply the same as supplemental to this report. The Annual is published in the Chinese language.

*A. Bland Calder.*

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