

INSURANCE STOCKS AS AN INVESTMENT

Babson Discusses Inflation

By Roger W. Babson

Babson Park, Mass., Oct. 27.—Those who follow the market closely know that the insurance stocks are about the only group that has not gone up in price during the past six months. The industrials are strong based upon postwar prospects; the railroads are strong based upon huge temporary earnings; the public utilities are strong based upon the hopes that Dewey will be elected; while other groups are more or less following the leaders with the exception of the insurance stocks. These have been dull since the Supreme Court decision of a few months ago. This decision may not hurt the larger direct writing fire companies nor the well-operated re-insurance companies, but it could knock the present agency system galley-west. Up to the present time, the insurance agents of most states have controlled the insurance business. Their honeymoon is apparently over.

DIFFERENT KINDS OF INSURANCE COMPARED
All kinds of insurance companies are more or less fearful of government interference in this country. In foreign countries the insurance industry has been one of the first to be taken over by the socialistic governments. So many people are affected by insurance that it has been a popular industry for politicians to seek lower rates. Some economists claim that the cost of selling insurance could materially be reduced under government ownership.

In the case of fire companies this might be done by adding the insurance premium to the tax bill, based upon the amount that the property is assessed. In the case of accident insurance, the premium could be deducted from the wage envelope; while life insurance will come more and more under social security. Personally, I believe that these changes may come some day but need not be taken seriously at this time. Besides, there always will be an opportunity for private companies to sell "excess insurance"—excess fire, burglar, accident, life and certainly casualty.

Insurance companies to those of life companies and health companies. Some other week I will discuss casualty companies; but this is a subject by itself.

INSURANCE AND INFLATION
It is not Supreme Court decisions or government operations which I fear,—but rather inflation. Inflation could materially hurt life insurance companies. It is true that they can pay out the same dollars that they take in, but they have contracted to make these payments based upon certain operating expenses. In the case of non-participating insurance companies, these operating expenses could gradually increase, due to inflation, without the direct writing companies having any means of increasing their income.

When a life insurance company took a contract forty years ago on a young man at twenty years of age the company assumed that conditions would remain the same until the man finally died. Up to the present time, better health methods have been reducing death rates. These have offset, temporarily, these increased expenses and decreased interest rates. If inflation does not come and interest rates soon again increase, these life insurance companies have little to fear; but otherwise, look out.

FIRE COMPANY STOCKS BEST
Fire insurance companies are not subject to these handicaps as their rates can be re-adjusted every one, three or five years according to the length of the outstanding policies. This is also true of most accident and health policies. Frankly, I prefer the stocks of good fire and accident

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This degree was given these boys in recognition of their unusual success in F. F. A. projects, the article states.
George W. Sledge, Spring Hope, who was awarded \$100 for being one of North Carolina's 13 most outstanding F. F. A. boys for 1944, is the subject of an article in recognition of his achievement, which appears in the current October-November issue of "The Furrow," national farm publication.

Five million pounds of butter, previously set aside for Government war agencies, will be released to hospitals at frequent intervals.

The Carolina Farmer Degree was given to 67 members of Future Farmers of America in North Carolina, including Sledge, for unusual success in F. F. A. projects, the article stated.

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