$250,000 will be credited to the capital account and the remaining $250,000 will be credited to the capital surplus account of the company.

This company, the Mercantile and General Reinsurance Company of Canada Limited, like the majority of fire and casualty companies doing business in Canada, experienced very heavy losses during the year 1957. Furthermore, it is anticipated that losses will continue during the current year, and possibly part of 1959.

Hon. Mr. Roebuck: Why did they lose money?

Hon. Mr. Brunt: The companies have found that the rates were too low for the amount of protection that they were giving. That is why all companies in Canada lost considerable money during 1957. I think the total losses of all insurance companies doing business in Canada during last year amounted to something like $70 million.

Hon. Mr. Macdonald: Are most of those losses attributable to policies covering motor vehicle accident cases?

Hon. Mr. Brunt: Every type of coverage. The companies have even lost money on the insurance of dwellings, which has always been considered the cream of the insurance business.

Hon. Mr. Macdonald: That is fire insurance, is it?

Hon. Mr. Brunt: That's right. Actually very few fire policies are now written. They write a composite policy, which, in addition to protecting the insured from loss by fire, protects him from loss by windstorm, tornadoes, water escape, and so forth.

Hon. Mr. Reid: And aircraft.

Hon. Mr. Brunt: Yes, and riots. Almost everything imaginable is covered. These companies have really lost money and it is only of late that they have started to increase their rates.

Hon. Mr. Macdonald: Were the losses mostly caused as a result of automobile accidents?

Hon. Mr. Brunt: I cannot answer that, but I do know that the losses came from all classes of business. There is no doubt that they have had terrific losses in the automobile insurance business. All you have to do to realize this is to look at what has happened to the rates in the past year.

Hon. Mr. Reid: We know that.

Hon. Mr. Brunt: The rates have increased materially and they will have to go even higher if the trend of present losses continues. As a result of losses the Mercantile and General Reinsurance Company finds that it is in need of additional working capital, and provision has to be made to make this available. They feel they need available capital in addition to the $500,000 which will be provided to the company by the issuance of the remaining 2,500 shares that are in the company's treasury.

Hon. Mr. Barbour: Have they increased their premiums any?

Hon. Mr. Brunt: Yes, but this increase in premiums has not directly affected the Canadian public, although it has indirectly. I will cover this a little later. In addition to having more capital to cover losses, the company finds that it should increase its capital stock so that as the business of the company grows in future years it will be able to issue additional shares to provide more working capital.

The business of this company has grown very rapidly since the company was first incorporated in Canada in 1951, with the result that during the year 1957 the company had a premium income of slightly over $7,300,000, the entire premium income being derived from reinsurance. As the name of the company implies, it is a reinsuring company. It does not write direct business of any kind. It has no policyholders, so to speak, but its business consists solely of reinsuring risks for companies which do write business on a direct basis. The company feels that the insurance rates in this country will be readjusted to a satisfactory level within the next two years and that it will be able to operate on a profitable basis.

Hon. Mr. Roebuck: Where is the head office of the company?

Hon. Mr. Brunt: The head office of the company is in Canada.

In view of the fact that all the additional capital of the company will be provided by the parent company in England, this act will allow additional English capital to be invested in Canada, with the result that eventually Canadian dollars will flow back to England as the company commences and continues to operate on a profitable basis.

According to the present intention of both the parent company and the Canadian subsidiary company, none of the additional capital stock will be offered for sale to the general public. It is the intention that the parent company in England will take up any additional stock that is offered from time to time.

Hon. Mr. Macdonald: Are there Canadian directors?

Hon. Mr. Brunt: Oh, yes; I can give you a list of the directors if you wish.