

reserve accounts. That obtained on the government roads as well as upon the government business. When the Canadian Northern came over, we found they were insuring the greater portion of their property, especially rolling stock. As it was mortgaged, they were compelled to carry insurance. Then they started an insurance of their own; they set up a reserve account, but it was only book-keeping. Then the Grand Trunk started, and they set up a reserve which was cash, and which was invested. It ran up to something over \$1,000,000. When the present management came in, last January, we went into the whole question of insurance, marine and fire, and it was decided to carry all our own insurance, setting up cash reserves and charging to that all losses. That conclusion was arrived at after carefully analyzing our experience over the last ten years, and the conclusion arrived at was that we could make an enormous saving. Some years, of course, the insurance companies have to pay out more than they receive in premiums, but taking the average over the last ten years I found that the insurance companies, if they had carried the insurance for the whole of the National Railways, at the rates they were charging us, would have had profits of approximately \$1,000,000 a year, and I saw no reason why the Canadian National should not have the benefit of that. That was placed before Sir Henry Thornton and he went very carefully into it and had an insurance expert go over it, and they both agreed to the system. Then it was brought before the Board, and the Board agreed to it. To-day we have a few risks out, I do not think they amount to 5 per cent of our total, and they will lapse in the course of a few months, and we will carry it entirely. This year, as a result, we estimate that we have saved about \$1,250,000, I think it is. We have not reduced our rates, but we probably will later on. At the present time we want to accumulate a fund in case of a catastrophe at any point, such as our elevators and so on. We have in the neighbourhood of \$3,000,000 or \$4,000,000 in that reserve, invested in government bonds.

The CHAIRMAN: This item represents the actual amount of cash in the reserve?

Major BELL: Yes, and against that reserve is charged our losses. Of course, you do not see the Marine Insurance there, which is also a large item. One reason why we decided we should carry our own insurance, and why it was good business, was this: I think the insurance for the Canadian National lines would probably run about nearly \$300,000,000 or \$400,000,000. That is probably the amount that, if you were putting out all your insurance, you would carry. There is no such company in existence in the world, having respect to a fire risk, as the Canadian National Railway System. The risks are very wide-flung, from Halifax to Vancouver, and we have boats on practically every ocean in the world. If an insurance company wanted to build up a business representing insurance of \$300,000,000, they would probably take original risks of about \$1,000,000,000; then they would reinsure so as to divide up their risks, and they would finally bring that down to \$300,000,000. I do not know any insurance company—and I say this after talking to experts—having a business of \$300,000,000 which they are carrying themselves, that has a better risk than the \$300,000,000 that is involved in the far-flung risks of the Canadian National Railways. Therefore, to all intents and purposes, we are an insurance company of our own with a first class lot of risks.

The CHAIRMAN: What do you insure against?

Major BELL: Fire and marine losses.

The CHAIRMAN: Any damage or collision insurance, or anything like that?

Major BELL: No, we have not taken that up yet.

Mr. GAUVREAU: You have covered that ground already.

Major BELL: Yes, but Mr. Harris wanted an explanation of that.