

GOVERNMENT INVESTIGATION AND CONTROL OF INSURANCE.

The opening of the Royal Commission on life insurance has brought into prominence the questions as to the proper relation that should be established and maintained between the Government of any country and the companies conducting life insurance business.

In Great Britain there is no systematized inspection of life insurance companies by the Government. They are required, however, to file their annual statements with the Board of Trade by which Department they are published.

In the United States there is a superintendent of insurance for each State who has authority to inspect every company doing life or fire business and has the power to withhold any company's license that fails to meet the requirements of this official.

In Canada there is a Superintendent of Insurance for the Dominion who examines the accounts and affairs of the insurance companies annually. The extent of his authority and the general administration of the Insurance Department are matters now before the Royal Commission.

Life assurance creates a trust of so sacred a character, that no one questions the desirability of the Government undertaking to regulate the companies engaged in this business in order to safeguard the interests and generally protect the savings of policy-holders.

The protective functions of a Government are not to be exercised indiscriminately. In all concerns where the several parties interested have, or could secure, ample opportunities of protecting their own interests there is no need for, or justification of a Government interfering.

But, life insurance involves conditions which render it impracticable for each policy-holder to ascertain, except in a general way, whether his interests are absolutely safeguarded and secure, whether the funds to which he is contributing are prudently invested and whether the particular business in which he is interested is being so managed as to make his assurance doubly sure of being safe.

Such being the conditions, the Government assumes the responsibility of acting for and on behalf of each policy-holder by appointing a skilled official to inspect the several companies' accounts and generally to see that the policy-holder's interests are being carefully watched over and protected.

The very existence of such a Department and its superintendent is a safeguard to all concerned, to the companies' officials themselves as much as to the policy-holders.

The investment of the funds of a life insurance company is a vital factor in its management. On

judicious investing indeed depends the safety of a life insurance company.

The responsibilities attached to this department of a life company's business cannot be too seriously realized, nor too scrupulously discharged. The fact that the funds of a life company are in the strictest and most sacred sense trust funds, should never be lost sight of by those administering the affairs of a life company. The officials managing a life insurance company have no personal interest in the general funds of which they are in charge, nor can they utilize those funds in their personal interest without a distinct breach of trust.

In this connection it must be remembered that, while it is the duty of the management to secure the highest return on their investments when those investments are absolutely safe, yet, in order to avoid speculative securities being acquired, under the temptation of a high rate of interest, the rate of interest in Canada on which the reserve of life assurance companies have to be based, has been reduced. In Great Britain this rate is fixed at 3 per cent. and in the United States, $3\frac{1}{2}$ p.c.

One main point in life assurance is the avoidance of investments of a speculative nature, or investments dependant for their value upon the results of enterprises that, from their very nature, are exposed to serious fluctuations.

It comes well within the function of a Government to see by the superintendent of its insurance department that the companies' investments are of a nature suitable for trust funds, and that speculative operations are not being indulged in.

It is desirable that the companies should publish annual statements in a form so clear and detailed as to enable the public to understand them. To secure absolute uniformity might present some difficulties for a time, but they could be overcome as experience was gained. An effort should be made to have the insurance companies' statements approximate nearer to a uniform standard.

The superintendent of insurance should have ample and very clearly defined powers in securing the strict adherence of the companies to the laws and regulations under which they are authorized to operate.

Neither they, nor any of their representatives, should be allowed to discriminate between one policy-holder and another by granting rebates in any form, or under any pretext.

If the Government investigation and control of insurance is conducted on those main lines, with due observance of subsidiary ones that are their natural supplement, the business of life insurance will be the better enabled to fulfil and develop its beneficent purposes, and its results will be a source of national strength and inexpressible blessing.