

New York, aside altogether from the question of stocks, which restrictions were distasteful to that company, who in their own judgment decided not to attempt to invade that field. I do not understand for a moment, however, that the decision of the company not to attempt to take out registration there had any reference to or reflection upon their securities in any shape or form.

Mr. CAYLEY: I agree with the minister that perhaps the government have taken the only course they could to save the companies in the predicament in which they find themselves. He has spoken of common stocks that are perhaps as good an investment as bonds, and he has also implied that there are some mighty poor common stocks. The question that occurs to me is this: What precaution will the department take to satisfy itself that the companies are investing in good and not in questionable common stocks?

Mr. RHODES: The conditions are laid down by statute. We could never expect to take out of the hands of the companies the management of their own business and to place it in the hands of an official of government, unless we were prepared to go the length of taking over the insurance business, which is another matter.

Mr. CAYLEY: But surely there is some provision that these common stocks must have proved their value.

Mr. RHODES: That is prescribed in the act, and it was in the old act. The provision was that they had to pay not less than four per cent dividend for a period of seven years. In other words, the stocks had to be reasonably matured and seasoned stocks before the companies could invest in them.

Mr. CAYLEY: Do these same provisions apply to surpluses held by fire insurance companies?

Mr. RHODES: Yes.

Mr. NICHOLSON: With regard to investments in stocks by insurance companies, these investments are made only after the exercise of their best judgment by the directors and investment managers of the companies. The whole discussion has centred around a particular company which is reputed to hold a large block of common stock, but no discussion whatever has taken place with regard to other insurance companies that have invested in securities which are listed here as legitimate investments for insurance companies, and if you eliminate

them you leave very few securities in which an insurance company can invest, the book value of whose investments has been reduced just as much as the book value of the company that has common stocks. Take one or two items: Bonds and debentures of municipalities and school sections. I know many municipalities whose bonds and debentures would be reduced, if you took their market value to-day, just as greatly as the common stocks in which a number of insurance companies have invested. Then again, we have ground rents, and mortgages on real estate in Canada and elsewhere, I personally know insurance companies who have followed what is known as the conservative line and invested, not in common stocks, but in high class real estate mortgages. What would these insurance companies do to-day if they were called upon to realize upon these mortgages? It will be found that certain classes of bonds and debentures, of preference and common stocks of reliable companies are below their normal value. I know of one company paying and earning seven per cent on its preference stock, and that stock is selling to-day at a price barely equal to three years' dividends—it is worth about one-fifth of its ordinary market value. Why is that? Simply because it is not the seller or holder of real estate who fixes the price; it is the purchaser, and the same applies to bonds, school debentures and so on. This whole discussion has been centred about one company which is known to hold large blocks of common stocks, selected upon the best judgment of its directors. Anyone who has faith in Canada will admit that those stocks are as intrinsically sound as the best real estate or bonds to be purchased in Canada. They will come back just as surely as any other investment. I look upon this discussion, centred as it is against one company, as unfair and unwise in the interests of Canada and the policyholders of that company.

Mr. IRVINE: So far as I am concerned, I centred my remarks upon no single company. If anything I said applied to any company, that company itself is entirely to blame. My hon. friend appears to have an excellent knowledge of business and investments; I ask him if he considers common stock investments to be as safe as bonds?

Mr. NICHOLSON: If the investments of insurance companies are to be limited to the bonds of Canada, then there is nothing to be said. The bonds of Canada are the best