

sents a very complete financial history of the Canadian companies for the year 1905.

The commission then deals in detail with the solution of this question of the cost of new business. It points out that the loading which theoretically provide for a large initial expenditure and a subsequent series of smaller expenditures, is not collected at the time of the large expenditure itself, but is spread over the whole life of the policy. Thus, even if the initial expenditure is entirely normal, there must still be anticipation to the extent of the difference between the large initial expenditure and the uniform level loading. First year cost, therefore, cannot be confined within first year loadings.

Might it not be feasible, asks the report, to put the whole life insurance business on a new footing, so that the agent should be remunerated according to results, spreading his total remuneration over the entire term of the policy. The commissioners believed that with the co-operation of the companies this might be accomplished. Agents who have been debauched by large commissions, bonus and prizes, and have found it possible to make grants out of themselves in the shape of rebates, may then leave the field. Those who remain may not find it profitable to force policies upon persons who do not want them except at a discount. There may not be so large a volume of non-persistent business, and it may require fewer agents to handle that which is wholesome and persistent. The commissioners see no objection to methods which will produce these results or any of them. The companies, say the commissioners, can put an end to rebating if they will, and if it is made to their advantage to spread their initial expenditure over such a term as will ensure the persistence of business. The commissioners believe this also can be done.

INVESTMENTS.

The commissioners have no doubt that accumulated insurance funds are in every essential particular trust funds. They belong to the policyholders and not the shareholders. The directors are not in possession of them as trading capital in any sense. They are not subject to trading risk. The function of the directors is that of a trustee. On this basis the criterion for determining the propriety of any particular dealing with these funds becomes simple.

It is urged that it is not only expedient but necessary to place all life insurance companies upon a uniform and common basis with regard to power of investment. All companies ought to have precisely the same powers, and the powers of all ought to be prescribed in a general act relating to all. Speculative investments ought to be excluded, and the trustee directors charged with the duty of investment should never be permitted to embarrass themselves by considerations arising out of any personal relation on their part to the subject matter of investment. The commissioners note that the enquiry has frequently shown wide capacity of trust and strongly emphasized the danger which is inseparable therefrom. The powers which are at present conferred by the general insurance act are, in the opinion of the commission, sufficiently comprehensive to cover every species of investment which should be permitted.

POLICY LIABILITIES.

In making valuations of policy liabilities, it is necessary to assume a rate of interest at which funds will be accumulated and also a rate of mortality. The commissioners are of opinion that $3\frac{1}{2}$ p.c. is not too low a rate, and voluntary adjustment to even a lower rate is not necessarily over cautious. In this regard the present law does not require amendment. They call attention to the statutory provision which enables that rate to be reached gradually.

LAPSE AND SURRENDER VALUES.

The commissioners state that every policy should set out upon its face in tabulated form what the company will do by way of loan value cash, surrender value, paid-up insurance value, or continued insurance value, after any number of premium payments, and the lapsing policy-holder should be entitled to elect as to which he will take.

STANDARD POLICY FORMS.

The commission notes the confusion arising out of the multiplicity of policy forms in use, and urges a return to more simple and intelligible methods. All policies should be made incontestable, save for discontinuance of payment of premiums after a reasonable period of time. The commissioners recommend excluding from all policies issued by foreign companies to persons residing in Canada any provision intended to deprive the insured of his resort to the Canadian courts to enforce his policy rights.

SURPLUS DISTRIBUTION.

The commissioners note that insurance managers are earnestly opposed to any amendment of the law looking towards curtailing the value of deferred dividend business, and appear to view the suggestion of a compulsory distribution at more frequent intervals than quinquennially as revolutionary and destructive.

RETURNS AND PUBLICITY.

The commissioners agree that there should be a marked advance in the degree of publicity to which insurance business is exposed. A larger measure of public information with regard to the affairs of the companies would tend towards more efficient and greater economy.

DOMINION INSURANCE DEPARTMENT.

The report deals with the Dominion Insurance Department, and its powers and duties. The most important function of the superintendent is the valuation of policies. His proper performance of this duty may be followed by consequences of the most serious character to the insurance companies, and, on the other hand, its negligent or perfunctory performance may be disastrous to the insuring public. He stands between the public and the companies in a more intimate fashion than the minister. The present superintendent, Mr. Fitzgerald, has occupied the position since 1885. His work has been conducted rather as a check than as an audit. It has frequently been effective, though many improprieties have remained undiscovered.