COMPULSORY CANADIAN INVESTMENTS FOR LIFE COMPANIES.

Further study of the effect of the legislative provisions made by the Canadian Minister of Finance in connection with his new Budget proposals, for compulsory investment in the securities of the Dominion Government by the life insurance companies transacting business in Canada, confirm a first impression that the requirements are not over-onerous. It is important to note that the requirements are to invest in those Canadian Government securities which are "payable only in the currency of Canada." That is to say, neither sterling issues made in London nor the $45 million issue made in New York last year are eligible investments under the new legislation. The investments must be made either in the existing domestic War Loan or in subsequent domestic loans, which are practically the only Canadian Government securities in existence or contemplated that are "payable only in the currency of Canada." It should be noted further that failure to comply with any of the provisions of the new Act, the short title of which is the Life Insurance Companies Investment Act, 1916, renders a company liable to have its license summarily cancelled.

REQUIREMENTS FOR CANADIAN COMPANIES.

The requirements of the Act for Canadian life companies (*i. e.*, those incorporated in Canada) are as follows:—

"3. On or before the thirty-first day of December, one thousand nine hundred and sixteen, every Canadian company licensed under The Insurance Act, 1910, to transact the business of life insurance, shall invest in, and, on the said thirty-first day of December, shall hold and own, securities of Canada to the amount of not less than fifty per cent. of the increase in the net ledger assets of such company during the year one thousand nine hundred and fifteen after deducting from such increase (*a*) the amount of increase during the said year in the actuarial reserves held by the company in respect of its policies in force outside of Canada, and (*b*) the amount of increase during the said year in loans, liens and premium obligations on its policies in force in Canada."

Section 4 of the Act similarly provides for investments on the same principle during the year 1917.

No complete figures are yet available regarding the companies' net ledger assets, net reserves on policies abroad and policy loans for the year 1915. But it is possible to get a very fair idea of the effect of these new provisions by study of the course of the items named during the last two or three years. The following figures describe themselves.

CANADIAN LIFE COMPANIES' NET LEDGER ASSETS.

1914	$244,216,058
1913	222,451,840
1912	201,271,832

THEIR NET RESERVES ON POLICIES OUTSIDE CANADA.

1914	$54,515,574
1913	48,606,846
1912	41,054,516

THEIR POLICY LOANS.

1914	$36,204,417
1913	30,875,309
1912	25,879,863

1915'S PROBABLE INCREASES.

From this tabulation, it appears that the increase in the companies' net ledger assets during 1914 was $21,764,218 over 1913, which year in turn showed an increase of $21,180,008 over 1912. We think that the companies' increase in net ledger assets for 1915 over 1914 may be estimated at about $22 millions, bringing the net ledger assets up to over $266 millions.

The increase in the net reserves on policies outside Canada was during 1914, $5,908,728, and during 1913, $7,552,330. In view of the worldwide unsettlement, and the fact that in Great Britain, where several of the Canadian companies do quite an important business, conditions have been extremely unfavourable for life insurance during the last twelve months, probably $5 millions will be sufficient to allow for this increase during 1915, making these net reserves $59 1-2 millions.

Policy loans, which increased $5,329,108 in 1914 and $4,995,446 in 1913, seem likely to record for 1915 a smaller advance, less perhaps owing to a decrease in the borrowing habit than to the fact that borrowing powers have been exhausted and surrenders supervened. We do not think that policy loans will be much over $40 millions for 1915, say an increase of $4 millions over 1914.

PROBABLE EXTENT OF COMPULSORY INVESTMENT.

Assuming, then, that the increase in the net ledger assets of the Canadian companies during 1915 will prove to be approximately $22 millions; the increase in net reserves on policies outside Canada, $5 millions, and the increase in policy loans, $4 millions, there will be for 1915 a net increase of $13 millions in net ledger assets, 50 per cent. of which, or $6 1-2 millions, will have to be invested during the current year in securities issued by the Canadian Government.

In the aggregate, the Canadian life companies have already put up this amount, their subscriptions to the domestic War Loan when issued last November, aggregating over $8 millions. The companies whose subscriptions were equal to or above the 50 per cent. net increase in their net ledger assets during 1915 have nothing further to worry about at present as their subscriptions count towards their contributions under the present legislation. In cases where the subscriptions to the War Loan did not equal 50 per cent. of the increase in

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