

Proposed Act as it Relates to Life Insurance

Summary of the Principal Provisions Contained in the New Government Insurance Bill

DEPOSITS WITH GOVERNMENT.

The amount of Government deposit is to remain at \$50,000, as under the existing Act, but a somewhat wider range of securities is given by providing that the backing of any security, by Government guarantee (United Kingdom, Dominion, Province or United States), shall put it on the same footing, as a security direct. Also it is apparently implied that British securities, as above defined, shall be allowed for deposit by a Canadian company.

TRUST FUNDS OF FOREIGN COMPANIES.

Trustees other than Canadian trust companies are not to be allowed for the invested funds of foreign companies. Such funds are to have their value determined from time to time by the Treasury Board, and it is provided that the accepted value for purposes of the Act shall not be greater than 90 per cent. of the market value, and in no case greater than the par value.

STATEMENTS FROM COMPANIES.

In addition to annual returns in accordance with the Department's fully detailed schedule, sworn quarterly statements are called for, giving full information as to all bonds, stocks, debentures and other securities bought and sold during the three-month period. In the annual statements, there are to be separate returns given as to expenses incurred in the getting of new business.

DUTIES AND POWERS OF SUPERINTENDENT.

Under the proposed bill, the Superintendent is specially given all the powers and privileges of a deputy minister, as regards matters relating to the administration of the Act. As before, he is empowered to address any inquiries to a company's management in relation to its assets, investments, liabilities, doings or conditions, it being the duty of any Company so addressed to promptly reply in writing to such inquiries. But existing regulations to this effect are now to be strengthened by the addition of a clause stating that in the case of any violation of the provisions of this Act (aside altogether from the question of solvency), it shall be the duty of the Superintendent to report the same to the Minister, who may then cancel or suspend the Company's licence. An appraisalment on real estate, or a special audit of accounts can be required by the Superintendent at any time. An appeal from the ruling of the Superintendent as to the admissibility of any asset, or other matters under the Act, may be made to the Exchequer Court of Canada.

VALUATION OF POLICIES.

The new bill provides for a net premium valuation by the superintendent every three years, on the same basis as in the existing bill, with the important exception that it shall be allowable for any Canadian company to deduct from the value of its policies (the net annual premium upon which is not less than the corresponding net annual premium for a whole life insurance with uniform premiums throughout life) the difference between the said first mentioned premium and the corresponding net premium for a one-year term insurance; such difference, how-

Synopsis of: (A) Existing Insurance Act, (B) Life Officers' Memorial to Royal Commission, (C) Commissioners' Draft Bill

DEPOSITS WITH GOVERNMENT.

(A) Under the existing Act, every life insurance company (Canadian or otherwise) before obtaining its license must deposit with the Minister the sum of \$50,000. Such sum may be in securities (reckoned at market value not exceeding par) of the Dominion of Canada or of any Province thereof; and by any company incorporated in the United Kingdom in securities of the United Kingdom; and correspondingly in the case of a United States company. If any securities other than those above mentioned are offered as a deposit, they may be accepted at such valuation and on such conditions, as the Treasury Board directs.

(B) The memorial of the Canadian Life Officers Association suggested no change.

(C) The Royal Commission's draft bill was in this respect similar to existing Act.

TRUST FUNDS OF FOREIGN COMPANIES.

(A) Assets in Canada must cover liabilities to policyholders in Canada, including matured claims and reinsurance reserves—aforsaid assets to consist of all deposits which the company has made with the Minister of Finance, and of such assets as have been vested in trust for the company in two or more approved persons resident in Canada.

(B) The Life Officers suggested that assets of foreign companies be vested in approved individual trustees, or a Canadian trust company.

(C) The Commission's bill provided for such alternative methods.

STATEMENTS FROM COMPANIES.

(A) Annual sworn statements are required exhibiting the assets and liabilities of the company, and its income and expenditure during the year, with such other information as is deemed necessary by the Minister.

(B) The Life Officers asked that greater and more detailed publicity should be secured by a revision of the Government schedule calling for information as to income, expenditure, assets and liabilities; and that statements should be signed by accredited actuaries and accountants.

(C) The Commissioners' recommendations are substantially embodied in the new Government bill.

DUTIES AND POWERS OF SUPERINTENDENT.

(A) The Superintendent of Insurance, acting under the instructions of the Minister, examines and reports to the minister upon all matters connected with insurance, as carried on by companies licensed to do business in Canada. Special examinations, under oath, may be made, where deemed expedient, at the head office of any Canadian or foreign company. Where a company is reported by the Superintendent, as manifestly unsafe or insolvent, and where the Minister concurs in the report, the Governor in Council may cancel or suspend the license.

(C) The Commissioners' recommendations as to this are embodied in new Act.

VALUATION OF POLICIES.

(A) Every five years or oftener the Insurance Department is required to value the policy liabilities of companies. Policies issued on or after the first day of January, one thousand nine hundred, are valued on the mortality table of the Institute of Actuaries of Great Britain, and on a rate of interest of three and one-half per cent. per annum; and policies issued prior to the said date, until the first day of January, one thousand nine hundred and ten, are to be based on a rate of interest of four and one-half per cent. per annum; and on and after the last men-