

INSURANCE ACT AMENDMENTS:

A COMPARISON OF EXISTING AND NEW REGULATIONS FOR LIFE COMPANIES.

The amendments to the Insurance Act of 1910, which were introduced into the House of Commons last week by the Hon. W. T. White, Minister of Finance, arise chiefly, it would appear, from the revelations in the enquiry following the Union Life fiasco. However, the opportunity is also being taken to make the law more strict in other directions. The amendments cover a wide field. Companies' assets, conditional licenses, officers' contracts, investments, group insurance, re-insurance in another company and organisation procedure are all affected by the new legislation, which it will be convenient to describe in sections, as the bill is now printed.

CONDITIONAL LICENSES.

The first important matter dealt with in the new legislation is the issue of modified or conditional licenses as a result of a company getting into low water. Section 41 of the existing Act is so amended as to require the Superintendent of Insurance to make a special report on the company not only if it appears to him that the assets are insufficient to justify its continuance of business or that it is unsafe for the public to effect insurance with it, but also if "its further transaction of business would be hazardous to its policyholders or to its creditors or to the public." As at present, upon the suspension for cause of the regular license of a company, the superintendent may issue a modified or conditional license. "But the issue of such modified or conditional license," says a new addition to this section, "shall not, in the case of a life insurance company, be deemed to be a renewal of the company's license within the meaning of section 161 of the Winding-up Act."

To this section also are added new requirements. At the discretion of the minister, the modified license shall require the company to arrange for re-insurance of its business with a company having a Dominion license in Canada, and on the expiration of the modified license, if no re-insurance has been effected, or the company's condition sufficiently improved, the Company will be deemed insolvent, and the superintendent may institute proceedings for winding-up, it being compulsory for the winding-up to be under the direction of the superintendent.

OFFICERS' CONTRACTS.

In future, the contract of every life insurance company with its directors, officers, agents or trustees is to contain a provision that in the event of winding-up or re-insurance, the contract shall be terminable

at the company's option, but the holder will rank as an ordinary creditor on the assets of the company for the amount he would have received in three months succeeding the date of beginning winding-up proceedings or of reinsurance.

INVESTMENT LIMITATIONS MORE STRINGENT.

Five new subsections in the new legislation tighten up considerably the investment limitations of life insurance companies. Under the Act of 1910, the companies were allowed *inter alia*, to invest in the debentures of a company, which had been doing business three years, provided that default had not been made upon the debentures within the three years. This is now repealed and there is substituted for it a proviso limiting investment in a company's debentures to those cases where regular dividends have been paid on the preferred and common stocks for a term of at least five years immediately preceding the date of investment. This is a common requirement in trustee legislation. By an addition to a subsequent paragraph of the same section of the existing act, the companies are forbidden to loan on the security of bonds, debentures, stocks or other securities in excess of amounts which may be invested therein. This apparently refers to the existing limitations upon investments in common stocks. Under the existing law not more than 30 per cent. of the common stock and not more than 30 per cent. of the total issue of the stocks of any company can be purchased by a life company.

NO PECUNIARY INTEREST.

Section 65 of the existing act states that "securities may be taken or accepted either in the name of the company or in the name of any officer of the company or other person in trust for the company." This section is repealed and in lieu of it is to be placed the following:—"All investments and deposits of the funds of any such company shall be made in its corporate name, and no director or other officer thereof, and no member of a committee having any authority in the investment or disposition of its funds shall accept or be the beneficiary of, either directly or indirectly, any fee, brokerage, commission, gift or other consideration for, or on account of any loan, deposit, purchase, sale, payment or exchange made by or in behalf of such company, or be pecuniarily interested in any such purchase, sale or loan, either as borrower, principal, co-principal, agent or beneficiary except that if a policyholder he shall be entitled to all the benefits accruing under the terms of his contract."