

are referred to in subsection 2. In subsection 1 there are two kinds of liabilities mentioned and in subsection 2 the words "said liabilities" appear. There is a little confusion for that reason. The revision clarifies this point.

Subsection 3 permits an exemption to the general objective of a surplus equal to the company's policy liabilities. It says that if a company has built up a surplus of \$500,000 and has a minimum paid capital of \$1 million, the total of the two being at least \$1,500,000, that it might count the \$1 million of capital as surplus for the purposes of this two to one ratio. The objection to that provision is that it meets only a particular kind of case—a company with a capital of \$1 million or more. The whole basis of the section is surplus, and it is anomalous that a company with a surplus of, say, \$1 million, and a capital of \$500,000, ought not to be exempted just as well as a company with a surplus of \$500,000 and a capital of \$1 million. In fact, the company with the smaller capital and the larger surplus is probably in a stronger position because it has not as large a drain for shareholders' dividends.

The CHAIRMAN: Are there any other questions on section 23?

Carried.

Shall section 24 carry?

Carried.

Mr. HUNTER: In this section 23 with respect to the 25 per cent, which is appropriated towards surplus, I presume that is still undistributed dividends, is it? There is no method of capitalizing?

Mr. MACGREGOR: No, sir.

The CHAIRMAN: Shall section 25 carry?

Carried.

Mr. HELLYER: Did section 24 carry?

The CHAIRMAN: Yes. Had you any questions on No. 24?

Mr. HELLYER: No.

The CHAIRMAN: Shall section 26 carry?

Carried.

Shall section 27 carry?

Carried.

Section 28—one change is made here, Mr. MacGregor?

Mr. MACGREGOR: In the present section 127, which is dealt with in clause 28 of the bill, there are four subsections at present. Subsections 2 and 3 are being eliminated, and subsection 4 is being renumbered subsection 2. The two subsections being omitted, subsections 2 and 3, relate to an exemption granted to British companies many years ago. This section applies only to British companies.

In the past, British companies and foreign companies operating in Canada did so, to a large extent, through general agents. They were required to maintain a Canadian chief agency, but by reason of delays in communications and for other reasons, these subsections permitted the general agents to report directly to their home offices in New York or wherever the officer might have been, without reporting their business through the Canadian chief agency, so long as a summary statement was sent to the chief agent. By reason of improved communications and changed conditions, these general agents now do route their business through the Canadian chief agency, which is certainly to be preferred from the department's point of view, because all of the records are now maintained in the Canadian chief agency. There is no longer any need for this old exemption, and we are glad to see it disappear.