

small, "had already received an excess of profits."

The variety of the topics handled and the frankness of the replies made by Senator Cox have made the past week's proceedings of the Royal Commission unusually interesting and significant.

The examination of the Canada Life was closed on 6th inst., by the evidence of Mr. Sanderson, the company's actuary. The examiner wished his opinion as to whether too much or too little had been credited to new business, when the following colloquy occurred:

One of the first items was \$26,373 for medical examiners' fees. "Is not that somewhat steep?" Mr. Sanderson did not think so, in view of the number of policies issued. In the division of office expenses, 50 p.c. was credited to branches. Mr. Shepley wished to know how the proportion was arrived at? Did Mr. Sanderson think the money coming into the branches a fair measure of the proportion of expenses? "In some instances," Mr. Sanderson replied, "it was; in others not." He did not think 50 p.c. was very much over the mark at any rate. "But," said Mr. Shepley, "there is no reason for the existence of the branches outside of the new business. If you were not wanting new business you would not open them at all." Mr. Sanderson admitted this was true. For salaries at the head office 45 p.c. was allowed.

"Why 45 p.c.?" asked Mr. Shepley, "when the basis of other expenses is made 50 p.c.?" Mr. Sanderson's explanation was largely technical, and Mr. Shepley remarked that they would assume that 50 p.c. was not excessive as applied to new business. "Then 60 p.c. for advertising," continued Mr. Shepley. "Isn't that rather steep; isn't nearly all the advertising connected with new business?" Mr. Sanderson explained that there were special advertising expenses last year in connection with the old business. Mr. Shepley drew attention to the high proportion which expenses bore to premium income, but Mr. Sanderson said that there were special conditions to account for this. The extension of business to Great Britain and the United States had been costly, and it was not possible to make the same sort of comparison that could be made in case of a company under normal conditions. "Is it a fact," asked Mr. Shepley, "that you and your president do not see eye to eye on the question of branching out into new fields?"

Mr. Sanderson admitted that they differed on this point. He believed the best policy was to consolidate the business they had, while Senator Cox favoured an aggressive policy. This closed the examination of the Canada Life. The affairs of the Imperial Life are now under investigation.

## LIFE INSURANCE PREMIUMS MAY BE INCREASED.

### UNEXPECTED RESULT OF THE ARMSTRONG LEGISLATION IN NEW YORK.

That the change in the legal basis of reserve called for by the amendment to the Insurance Act of 1899, should have resulted in an increase in premiums was to be expected. So also is it clear that curtailment of investment powers, by which the ability of the companies to earn profit would be lessened, would probably have that effect. But that an increase in premiums would result from the steps taken by the Armstrong Commission to reduce expenses, was not anticipated. According to the New York "World," however, the Mutual Life of New York is already planning to increase its rates, and "the men in the Mutual behind the scheme have sounded other companies, and found 'some of the smaller ones, it is said, in favour of 'it, but it is understood that the New York and 'the Equitable oppose it as suicidal. The scheme 'has not yet been submitted to the trustees..... "When President Peabody was asked about the 'proposed increase last night, he was anxious to 'learn the source of the reporters' information. "When told it could not be revealed, he said it 'was 'a mere figment of the brain.'"

It is doubtful if any of the large companies will feel free to antagonize public opinion by at once increasing their premiums, but that the matter is being seriously discussed is reasonably certain. And when the New York legislation is examined this fact is hardly surprising. On the contrary it would be surprising if it were not so. The Armstrong Act requires that no company shall expend in agents' salaries, advances, commissions, medical fees and cost of inspection, an amount in excess of the loadings upon first year's premiums, and the assumed mortality gains by the select and ultimate method of valuation. Under this rule companies that charge low rates, and have consequently small margins or "loadings" in excess of the net premiums, are permitted to expend only correspondingly small amounts in securing new business, while those that charge more have larger margins, and are permitted to expend just so much more. These restrictions on expenses are so severe that most companies must close many of their agencies, and be content with a much smaller volume of new business. As the bill penalizes companies with low premiums, and holds out a reward to those that increase their rates, the temptation is very strong.

Hitherto our Canadian life companies have charged lower premiums than those exacted by most of the American offices. If, however, a restriction similar to that of New York were imposed here, our Canadian companies would be obliged to increase their premiums to at least the New York

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MONTREAL CLEARING HOUSE.—Total for week ending June 7th, 1906—Clearings \$29,112,040; corresponding week, 1905, \$27,068,335 corresponding week 1904, \$23,168,899.