

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXVI. No. 11.

MONTREAL, MARCH 17, 1916.

Single Copy 10c
Annual Subscription \$3.00

COMPULSORY INVESTMENTS.

The discussion in the House of Commons on the second reading of the bill to compel life insurance companies to invest stated portions of their funds in Dominion Government securities resulted in a number of points being brought up, which are interesting by reason of their suggestions of future possibilities. As will be in recollection, the proposals of the Minister of Finance are that Canadian companies, this year and next year, shall invest in Dominion Government securities one-half of the increase in their net ledger assets in the previous year, less the increase in actuarial reserves on business abroad and the increase in policy loans. Non-Canadian companies are required, within the same period, to make any new deposits, either with the Receiver-General or with trustees, solely in Dominion Government securities. The requirements as they stand are reasonable, and are not objected to by the life companies, the majority of whom have already recognized their obligations by liberal subscriptions to the Dominion War Loan and to other loans issued by one or other of the Allied Governments.

* * *

In the House of Commons, the complaint was made that these requirements do not go far enough and it was urged that the foreign companies should be required to replace foreign securities now on deposit with the Receiver-General or with trustees, for the security of Canadian policyholders, by securities of the Dominion, provinces or municipalities. As is well known, in several cases, particularly in those of some of the American companies doing business in Canada, the foreign securities deposited run into quite large amounts. Apparently, Sir Thomas White thinks any steps of this kind would be unwise and calculated to lead to bad feeling. But, he said, "I think it would be competent for the Dominion Government, even in ordinary times, to provide that life insurance companies should hold a certain portion of Dominion, provincial or municipal securities; I do not think that would be unsound legislation at any time." The present measure, however, he said, was frankly a war measure designed to be of assistance to the Government in raising money for war purposes.

The fact remains that the present legislation, while harmless in its operation, does create a precedent and it would not be surprising if when it runs out next year, this legislation is continued and possibly enlarged. The matter of deposits by insurance companies is a delicate one, which before now has led to a policy of reprisals between administrative authorities, and any trend in the direction of compulsory investment needs to be very carefully watched lest it develop into an unjust and unwarrantable interference with the companies' responsibilities and privileges. It seems quite possible, however, that the need for conserving the supply of capital in Canada for war purposes and for *post-bellum* development may easily result in a measure for compulsory investment in the bonds of the Dominion Government, provinces and municipalities being made permanent. Any legislation of the kind would not necessarily result in a change of investment policy on the part of the majority of the companies, which hold large amounts of the securities of Canadian public authorities and have followed a public spirited course, as President H. C. Cox of the Canada Life recently pointed out, by continuing to purchase them even under the trying circumstances of the year 1915. But there would probably be an insistence upon foreign companies replacing their foreign securities now deposited in Canada, by Canadian securities—an insistence which in Canadian circumstances and if applied so that in the case of large sums, the change could be made gradually, would seem to be justified and not likely to work hardship. In fact, such a change would probably result in indirect advantages to the foreign companies concerned. Foreign companies operating in Canada after the war will certainly find it an advantage if they are able to point to the fact that funds entrusted to them by Canadians are invested in Canada. A number of the foreign companies, even at the present, find it much to their interest to follow this policy and to make prominent announcement of it. In the future, Canadians generally are likely to be much less easy-going on that point than they have been hitherto, and we think that in their own interests companies which have not yet seen their way to following this policy in Canada will be well advised to consider doing so.