

and to the public good. In what position would the government have been, for example, had it not taken action similar to that taken in the United States? It would have meant that Canadian companies, which do a very large proportion of their business in foreign fields, would have been placed in an unfair position to such an extent that their business would have been imperilled in the field where to-day they have equal opportunity with American companies.

I hope I have covered all the points raised by my hon. friend from Wetaskiwin, as it was my desire to do. If I have missed any point I will endeavour to deal with it more fully as we proceed with the various sections.

Mr. COOTE: Are there more companies than one that have as much as fifteen per cent of their assets in common stock?

Mr. RHODES: I believe there is only one life insurance company in Canada that has as much as fifteen per cent of its securities invested in common stock.

Mr. COOTE: I do not think it is wise to allow these companies to invest as much as fifteen per cent in common stock.

Mr. RHODES: There are other companies with more than five per cent, and as a matter of fact one company has as much as thirteen per cent of its assets invested in common stock.

Mr. COOTE: In connection with this very point, I look upon insurance premiums as trust funds in the highest sense of that word. They are held in trust for widows and orphans, for whom so much concern is expressed in this house, and we should no longer allow these companies to invest, in common stocks, trust funds held for widows and orphans. I think the experience of the last three years certainly proves that this is a situation that should be corrected.

Mr. RHODES: Whether legally or not, I do not think that there is any question that morally they are trust funds and should be so regarded. It might be the part of wisdom for us to restrict the investment in common stocks to a lower figure than fifteen per cent, but I submit that we have gone a long way in the right direction in reducing the authority of the companies to fifteen per cent, whereas heretofore they have had no limitation at all imposed upon them. If a year or two hence conditions, as I trust, are more stable, and insurance companies are in a position to dis-

[Mr. Rhodes.]

pose of securities in the form of common stock, we may then, I hope, be able to determine the wisdom of still further restricting the extent to which such investments may be made.

Mr. COOTE: If we are going in the right direction we ought to go all the way. Provision could be made with respect to companies that now hold common stocks. That could be done, by means of authority in the act, through orders in council passed by the government from time to time giving the companies sufficient time to dispose of their common stocks without loss to themselves. If that were done, companies that do not now hold common stocks would not be liable to make the mistake of investing their funds in these stocks. That would be a much better way of dealing with the situation in which many companies now find themselves.

Mr. RHODES: Any company which was able to resist the temptation of making money by investments in common stocks to the extent of limiting their investments to less than two per cent during the hectic days of 1927 and 1928 can certainly be trusted not to attempt, in the light of the experience of the past two years, to invest too much of its securities in common stock. Assuming for the sake of argument that it were wise to prohibit them from investing in common stocks at all, it would be a mistake to impose an arbitrary restriction by statute on these companies with respect to time. If a year hence conditions are such as to warrant us in considering, first, a policy, and then the wisdom of its application in a more restricted measure, that is another matter. But under conditions as they exist I say that for this year, having taken such a long step, it would be unwise at this time to go further, because it would be open to parliament to deal with the matter in a year's time in the light of experience gained in the interval, and we could then deal with it far more effectively in the interests not only of the public but of the companies themselves.

Mr. LUCHKOVICH: Is it not a fact that the state of New York refused to allow the Sun Life Company to sell insurance because of its policy of dealing in stocks, and that this refusal was made long before the stocks began to fall?

Mr. RHODES: I would not subscribe to the impression conveyed by the hon. gentleman's question. I am not familiar with the facts, but I am advised that there were certain restrictions on the part of the state of