

LONG-TERM BONDS OR SHORT-TERM NOTES?

Bearing upon various points recently referred to in THE CHRONICLE, is the following Bond Market Letter issued by E. H. Gay & Co., to the investing public:

"We would call your attention to the fact that in view of the favorable prices at which long term bonds may now be purchased (the lowest in 25 years) the benefits to the investor in buying at seemingly attractive rates the present issues of short term railroad notes are imaginary rather than real. In other words, the financial advantage lies with the present large returns from bonds running a long term of years, which more than offsets the higher rates yielded by notes running for short periods only. These temporary obligations will doubtless be refunded at maturity into long term bonds affording a less annual yield to the investor than the borrowers would be obliged to pay upon to-day's markets, and which permanently higher rate the corporations thus find their account in avoiding. Per contra, the investor's best interest to-day lies in long term bonds with relatively large annual yield.

"Underlying factors all point to quicker demand and advancing prices for bonds in the not distant future. This class of securities has received from divers sources a series of setbacks for two or three years past, resulting, apart from their merit as underlying mortgages and therefore the most conservative form of investment, in forcing them to the lowest prices in years. The heavy shrinkage in stock values, forming once more an object lesson in the instability of that junior class of security, the recession in the industrial world, which now confronts us with resulting lessened demand upon financial resources, the practical cessation of huge issues of railroad notes, which have aggregated upwards of £240,000,000 since Jan. 1, 1907, the passage of the Aldrich Bill, under whose provisions £300,000,000 which was last year withdrawn from circulation in favor of the United States Treasury may this year be deposited in the national banks, the growing interest in American securities abroad with resultant exchange credits, the long absence of banks, trust companies, and other investors from the bond market, the extremely low level which bond values have reached all point to this class of security as being the safest and most attractive now available and destined to receive the buyer's favor from now on in preference to all other forms of investment."

**STATE ENACTMENTS PASSED OR PENDING.****Further Legislative Proposals Regarding Fire and Life Insurance.****CONNECTICUT RESOLUTIONS.**

Three resolutions introduced into the Connecticut Senate and referred to the committee on insurance are especially to be noted. One bill provides that no fire insurance company which risks more than 80 p.c. of its surplus within the boundaries of the conflagration or congested area of any city in Connecticut or in any other state shall be permitted to do business in Connecticut and that the boundaries of the conflagration or congested area of any city shall be such as are fixed and approved by the Connecticut insurance commissioner. The other bill provides that the reinsurance reserve of fire insurance companies chartered to transact business under the laws of Connecticut shall be the property of the policy-holders and shall be held in trust for the policy-holders and that said companies shall have the use of the fund so long as it shall remain a part of said reinsurance reserve and said companies continue to be solvent. Another bill proposes an insurance board of appeal, to consist of an active merchant, manufacturer and an insurance official, each member to be allow-

ed \$10 per working day and mileage of ten cents a mile as compensation. The board will hold hearings on the complaints of policy-holders who have grievances against the companies and will have power to subpoena witnesses, adjust rates and ameliorate all kinds of conditions, its decision to be final. Any company refusing to abide by the ruling of the board may be debarred from the State.

MISSOURI LEGISLATION.

Governor Folk's recommendations concerning life insurance were simply that the legislature consider the code prepared by the Chicago Conference's Committee of Fifteen. Bills have been introduced providing for the revocation of the license of any company transferring a case from a State to a Federal court without the consent of the other party to the suit; prohibiting as a defense in a suit to compel payment of a life policy a claim that the health of the insured was misrepresented at the time of his making application; making null and void policy clauses which limit the right of the insured or the beneficiary to institute suit and require the submission of the question to arbitration (this is aimed especially at fraternal); providing that all policies contracted for and issued in Missouri shall be Missouri contracts and subject to all laws of that State notwithstanding any contrary declaration in the contract; limiting annual salaries of insurance presidents to \$50,000. The insurance department will push especially bills to prohibit rebating and the use of false estimates.

The House Committee has reported favourably on the bills to prevent rebating and discrimination to secure fire insurance lines, to prohibit rebating on life insurance policies, to keep out of policies provisions to waive or set-aside statutory provisions relative to the admission of evidence in suits under policies, and to make it a crime for officers, agents or other employees to profit directly or indirectly through the use of company funds, and on the bill knocking out the town mutual fire companies. The committee reported adversely on bills prohibiting special contracts, and providing for the publication of the statements of all companies annually in one newspaper in each county; and reported without recommendation the bill providing that policies shall be non-forfeitable and shall contain automatic extension privileges after the payment of one annual premium.

CALIFORNIA BILL PASSED.

The California Legislature has taken favourable action on four insurance bills. In the Assembly, Insurance Commissioner Wolf's bill revising and recodifying the general laws governing insurance has been finally passed. This bill has some important features, among them the classification of all companies doing various kinds of insurance business, a law requiring a deposit of \$200,000 somewhere in the United States from foreign companies and provision for the taking of outside insurance in cases where the supply from the companies authorized to do business in California is inadequate to the demand. A standard fire insurance policy has been drafted from which earthquake and falling building clauses are barred, but certain forms of "riders" printed in red ink are per-