

Life Insurance Securities and Policy Loans

By J. A. JOHNSON

In View of Disorganized Condition of Securities Market Continuing Until the End of the Year, Finance Minister Will Permit Insurance Companies to Make Statements as to Value of Securities as of December 31, 1913, and on Cost Prices for New Securities.

In the past it has been customary for life insurance companies in making a statement of their assets to value their securities as at December 31st of each year.

As there was a feeling of uncertainty respecting the value of securities at the end of this year, at the Emergency Session of Canadian Parliament recently held, the matter was brought up and an Act was passed covering this point.

The remarks made at that time by the Finance Minister, the Hon. Mr. White, were as follows:

"I understand that the hon. member for South Renfrew (Mr. Graham) asked a question in connection with this Bill as to the basis of valuation of securities of insurance and other companies. Under the Insurance Act, for the purposes of the annual statement, the market values of stocks, bonds and debentures shall be taken for the purpose of determining the company's total assets. I may say to the House that last year we had an independent valuation made by experts of all such securities, and these valuations were embodied in the report of the department. At the present time there cannot be said to be any market values, because the exchanges are closed, and the ordinary means for determining market values are disorganized. In the event of this condition of affairs continuing until the end of the year, the department has under consideration the advisability of adopting the following method of dealing with securities. For securities owned on December 31, 1913, allow the department's value as of that date to remain as the market value for December 31, 1914, or securities acquired since December 31, 1913, allow the cost price as the market value on December 31, 1914. I think the Insurance Department will be disposed to meet the situation, should it continue as at present, in a way which I am sure will commend itself to the House."

Everyone will admit that this was a sensible view of the situation and it relieved any anxiety that the companies may have had respecting this matter.

The Insurance Commissioners of the various States in the United States held their 45th annual convention recently. These commissioners seek to have uniformity of requirements throughout the various States and one of their chief objects is to see that the companies comply with all requirements that go to make insurance safe and profitable. They have taken a very strong stand on loans and surrender values in policies.

The Canadian Law provides that a Life Insurance company need not make a loan for ninety days after a request. Of course the companies do not need to wait ninety days, and up to date the loans are made at once, but the Canadian legislators thought it was a safe thing to have in the Insurance Law, so that in a great financial panic they would not be compelled to sacrifice any of their securities in order to pay and make loans.

The following is the report which was adopted by the above mentioned convention:

Whereas the National Convention of Insurance Commissioners has repeatedly gone on record in favor of a law prohibiting all legal reserve life insurance companies from issuing policies of insurance in which the company does not reserve to itself the right to defer the granting of a policy loan for a period of sixty days, and whereas the wisdom of such action is daily being demonstrated by reason of the European war which is now affecting the market price of

securities and the demand for policy loans, therefore the National Convention of Insurance Commissioners again deem it advisable to refer to this important subject and to reiterate its former stand on policy loans and cash surrender values which are in this problem inseparable, and it pledges its support to legislation which will prohibit any insurance company in any State from doing business within the State wherein such legislation is enacted which issues a policy therein which fails to contain a provision that the company reserves the right to defer for a period of six months the payment of a cash surrender value and also the granting of a policy loan except for payment of a premium.

The convention also recommends that in States where the statutes now contain the standard provision laws for life insurance the following be substituted for that provision of Section 7 to which it corresponds, but it does not bind itself to the repeal of any other part of the said provision of No. 7.

(6) Provision that after the policy has been in force three full years the company at any time while the policy is in force will advance on proper assignment or pledge of the policy and on the sole security thereof at a specified rate of interest a sum equal to or at the option of the insured less than the reserve at the end of the current policy year on the policy and on any dividend additions thereto less a sum not more than two and one-half percentum of the amount insured by the policy and of any dividend additions thereto (the policy to specify the mortality table and rate of interest adopted for computing such reserve), and that the company will deduct from such loan value any existing indebtedness on the policy year and may collect interest in advance on the loan to the end of the current policy year, which provision shall further provide as follows: "Such loan may be deferred at the option of the company for not exceeding six months after the application therefor is made."

This only goes to show what insurance men believe that the Canadian Insurance Act is unsurpassed by that of any other country.

RECENT INSURANCE REGISTRATION.

Crown Life Insurance Company has been licensed to transact life insurance in British Columbia. Provincial Head Office, Vancouver. F. R. McD. Russell, Vancouver, is attorney for the company.

Recent Fire Losses.

Recent fire losses reported to Superintendent of Insurance, Victoria, B. C.:

Vancouver, August 25.—148 Hastings East; owner, W. Lindsay; occupant, Brundratt & Smith; three-storey brick store; value of building \$35,000, insurance on same \$18,000; value of contents \$9,000, insurance on same \$5,000. Total loss, \$4,629.50. Cause unknown. Guardian, National Benefit.

New Westminster, August 14.—Queen's Park; owner, Corporation of New Westminster; occupant, vacant; value of building \$8,000, insurance on same \$6,000. Total loss, \$8,000. Cause unknown. London Mutual, Anglo-American, Canadian, Phoenix, Aetna.

Langley, September 7.—West of Lot E, Township 12, N. W. D.; owner, unknown; occupant, F. Fisher, P. O., Haney; wood barn; value of building \$1,000, insurance on same unknown; value of contents \$800, insurance on same \$600. Total loss, \$1,800. Cause unknown. Mutual Fire Insurance of B. C.