

stock in every insurance company on both sides the Atlantic in which he could buy stock.

Dominion coal stock was the next topic.

Mr. Shepley wished to know if the Canada Life was not in the habit of pledging its credit to make loans. This question was prompted by some transactions of which the Dominion counsel had been informed in which \$500,000 had been invested in Dominion Coal stock.

Senator Cox replied that, "lack of ready money did not prevent them from making good investments. The Canada Life had a monthly income of \$500,000 and \$600,000, and it never occurred to him that there was anything wrong in pledging the credit of the company when the object was to make a good profit. Dominion Coal, he believed to be immensely valuable. With reference to the Canada Life investing in concerns in which he was interested, Senator Cox maintained that his connection with these companies was an advantage to the Canada Life, and not an injury, as Mr. Shepley insinuated. He could see nothing wrong in one company in which he had large holdings investing in another of his companies, so long as it was in the interest of both.

My own opinion of Dominion Coal is that it is a most valuable stock. It is one of the best properties in America, and I think it will yet sell at from 150 to 200. It has a fine plant and unlimited areas of coal."

In a later sitting the Senator stated that the company had made extensive purchases of Dominion Coal to keep up the price, which brought out the question, "Do you consider it legitimate for a life insurance company to buy shares in order to keep up the market price?" To this very pointed query Senator Cox answered that, "it was perfectly legitimate when a company was largely interested in the market price being maintained." As to investing in commercial undertakings the company's solicitor was always consulted and he had kept them right over half a century.

Referring to the present rates for money as compared with those of years ago, Senator Cox gave it as his opinion that the course of money rates tended downwards, and in 40 years he thought no investment would not be safe that yielded over 2½ to 3 p.c.

On the 5th inst., the Senator told of a loan of \$300,000 to Mr. A. E. Ames, in 1902, which was repaid on 31st December, the securities being returned on 2nd January, when the loan was renewed, the loan had been cancelled, or suspended, for two days by Mr. Ames, giving his note to the bank for the purpose of carrying out this arrangement. The assistant manager of the Central Canada gave evidence to effect that Senator Cox was one of an underwriting syndicate for handling San Paolo bonds. His share was disposed of, except

enough to qualify him as director. The Canada Life acquired a large amount of these San Paolo bonds, which were regarded as a profitable investment.

Attention was then directed to the question as to, whether, in the annual statements of the company, the price given for securities, or the prevailing market price should be stated. To this Senator Cox replied that, "quoting the securities at their market price was not only legitimate, but that no other system could be followed."

The increase in expenses was explained as having been caused by the large addition to foreign business by which the expense ratio had suffered.

Mr. Hellmuth, Q.C., attacked the change in the company's reserves which, he said, had been made at the policy-holders' expense, they having suffered a considerable diminution of profits.

Senator Cox admitted this, but declared that, "the profits in the past had been larger than they should have been."

"The company never paid profits that it did not earn?" asked Mr. Hellmuth.

"They paid pretty close to it," was the reply.

"Is not that a reflection on the previous management?" enquired Mr. Hellmuth.

Some people, Senator Cox said, might view it that way, but in consideration of the circumstances he did not think so.

"There was no legal necessity," proceeded Mr. Hellmuth, "to make the change in your reserves when you did. The law provided that the reserves could be computed on a 4½ p.c. basis, H.M. table, till 1910, and that between that year and 1915 it could be calculated on a 4 p.c. basis."

"That, said Senator Cox, "was correct so far as Canada was concerned." There was no legal compulsion to alter the rate, and the increase of the reserves was a mere matter of choice. In 1899 and 1900, when the change was under consideration, the average rates of interest were 4.24 and 4.25 p.c. He took the trouble, however, to get the opinion of leading financiers, and it was their almost unanimous belief that the rate would steadily decrease. That view had been falsified by the phenomenal rise in values, but the present prosperity might only last a few years. He reminded Mr. Hellmuth that many policies were carried over a period of 50 years.

Mr. Hellmuth pointed out that by the end of 1901 all the business of the company was on a 3½ p.c. basis, and he succeeded in getting the Senator to admit that they had temporarily taken the policy-holders' money to strengthen the reserves; also that a policy-holder with a policy of \$10,000, which became a claim within the years mentioned, would lose between \$500 and \$1,000. In reply Mr. Cox declared that, "policy-holders of 40 or 50 years' standing," the number of whom must be very