

cent. the reserves on policies other than Canadian policies. All the securities other than those which form part of deposits in foreign countries are to be held at the head office of the Company.

**Promotion, Construction or Operation.**—No company, its directors or officers, by virtue of an investment of the company's funds, in bonds, debentures or other securities, shall be interested in any way whatever in the promotion of any other company, or in the construction or operation of its works.

**Underwriting.**—No company shall subscribe to or participate in, the underwriting of securities.

**Appraisal of Real Estate.**—The superintendent may require a company to obtain, or may himself procure at the company's expense, an appraisal of its real estate, if he believes that the value placed by the company upon its real estate is too great. He may do likewise in respect to real estate mortgaged to the company, if he is of the opinion that the amount secured by mortgage, together with interest accumulations, is greater than the value of the real estate. He also has power to reduce the assets of the company, should the valuations made warrant him in doing so.

**Audit of Company's Affairs.**—If the superintendent thinks it desirable that a complete audit of a company's books, etc., should be made, or if a company asks for such audit, he may appoint an accountant to perform such work. The report of the auditor is to be forwarded to the superintendent, is to be verified by oath, and the expense of the audit is to be borne by the company.

**Voting by Proxy.**—Shareholders and policyholders, entitled to vote, may vote by proxy; every proxy must be himself a shareholder or a policyholder and entitled to vote. The proxy will not be valid unless executed within two months prior to the meeting, and may be revoked by the giver at any time prior to its being used.

**Standard Provisions for Incorporation.**—The incorporation of life companies after the passing of the Act, shall be in accordance with the following:—(a) Persons named in the special Act shall be the provisional directors, a majority of whom shall form a quorum; (b) local advisory boards may be established; (c) the capital stock of the company shall be divided into shares of \$100 each; (d) after the whole capital has been subscribed and 50 per cent. paid in cash, the capital may, from time to time, be increased, provided that confirmation of such increase is obtained from the shareholders; (e) as soon as the subscriptions have been completed and 10 per cent. of the amount subscribed paid into some chartered bank in Canada, permanent directors may be elected, a majority of whom shall be a quorum; (f) the amount called for the first installment of capital shall not exceed 10 per cent.; thirty days notice is to be given of all calls on capital; (g) the company shall not commence business until the amount of stock mentioned in the Special Act has been subscribed, nor until the amount stipulated has been paid in cash into the company; (h) shareholders shall have one vote for each share held; (i) a general meeting of the company shall be held at the head office, yearly, at which time a statement of the affairs of the company shall be submitted; special or extraordinary meetings may be called by any five of the directors or by any twenty-five shareholders; the object of the meeting must be stated in the notice.

**Annual Report to Minister.**—The superintendent shall only allow, as assets, such of the company's investments as are authorized by the Act. He is empowered to make all necessary corrections in the annual statements of companies, and to increase or diminish their liabilities, as he may determine, by his examination. Appeals from the ruling of the superintendent in these connections, or as to any other matter arising in the carrying out of the provisions of the Act, may be made by the Exchequer Court of Canada. The ruling of the superintendent shall be binding upon the company unless and until modified by the said Court.

**Reduction of Capital.**—In the event of a company's paid-up capital being impaired, it may, after authorization from the shareholders representing two-thirds of the subscribed stock, write off any amount of such paid-up capital, but no part of the company's assets shall be distributed to its shareholders. The paid-up capital must not be reduced below the minimum amount fixed by the company's Act of Incorporation as necessary to be paid before the company can commence business. The capital of a company is to be deemed to be impaired when its assets, exclusive of its paid-up capital, are less than its liabilities. The liability of the shareholders is to remain the same as if no reduction had been made in the paid-up capital.

**Policy Contract.**—Every contract issued by a life company shall contain the whole contract between the parties, and no provision is to be incorporated by reference to rules, by-laws, or application, unless the same be endorsed upon the policy when issued.

**Agent of the Company, not of the Insured.**—No officer, agent, or employee of the company, nor any other person

soliciting insurance, is to be deemed, for any purpose whatever, the agent of the insured, but the agent of the company.

**Abolition of Estimates.**—Estimates, illustrations, or statement of dividends or share of surplus to be received under any policy of insurance, are prohibited.

**Rebates.**—A company is prohibited from making any distinction or discrimination in favor of individuals of the same class and equal expectation of life, in (a) the amount of premiums charged, (b) in return of premiums, or (c) in the dividends or other benefits payable under the policy. No agent shall assume to make any agreement as to the policy, other than as plainly expressed in the policy. No company, officer, or agent, shall be permitted to grant, as an inducement to insure: (a) any rebate of premium, (b) any special favor or advantage in the dividends or other benefits to accrue thereon, (c) any advantage by way of local or advisory directorship, (d) any special employment or contract for services of any kind, (e) any valuable consideration not specified in the policy. It is also provided that no person shall knowingly receive, as an inducement to insure, any rebate of premium or other special favor, advantage, benefit, consideration, or inducement.

Every person violating the foregoing, shall, for a first offence, be liable to a penalty of double the amount of the annual premium; but in no case is the penalty to be less than \$100. For a second or subsequent offence, the penalty is to be double the amount of the annual premium, but in no case less than \$250.

**Director or Officer Violating.**—A director or officer of a life company, who violates any of the foregoing provisions, shall be liable to a penalty of \$1,000. The penalty shall be recoverable in any court of competent civil jurisdiction, one-half of the penalty to be applied towards payment of the expense of the office of the Superintendent of Insurance, and the other half to the person suing. No director, officer, or agent, is to be indemnified, in whole or in part, in respect to the penalty or of the costs, out of the funds of the company.

**Distribution of Surplus.**—It is provided that after the first day of January, 1909, all policies shall stipulate that surplus shall be ascertained and distributed at intervals not greater than three years apart.

**Application of Surplus.**—Surplus apportioned on all policies after the first day of January, 1909, shall, at the option of the policyholder, be payable in cash, in reduction of premiums, or to secure bonus addition. The company is required to mail the policyholders a written intimation of the surplus and secure his choice. If he fails to notify the company within three months after the mailing notice, the surplus is to be applied in the purchase of bonus addition.

**Deferred Surplus a Liability.**—After the 1st January, 1909, each company is to ascertain and apportion to each policy, other than those in which the surplus is payable annually, its equitable share of surplus and the total thereof is to constitute a liability of the company in the same way as the reserves on the policies. If the market value of the securities held by the company depreciate in value, the company is to be entitled to charge back to the policyholders the losses arising from such shrinkage, and the company's deferred surplus liability may be modified accordingly. All such deductions and the reasons therefor are to be fully set forth in the annual statement to Government.

**Contingency Reserve Fund.**—Provision is made for the accumulation and maintenance of a contingency reserve fund, the amount of which depends upon the total policy reserves. When such reserves amount to less than \$100,000 the contingency reserve fund may be 20 per cent. thereof, or the sum of \$10,000, whichever is the greater. When the policy reserves aggregate more than \$100,000, the contingency reserves shall decrease one-half of one per cent. for each \$100,000 up to \$1,000,000; one-half of one per cent. for each \$1,000,000 up to \$10,000,000; one-half of one per cent. for each additional \$2,500,000 up to \$20,000,000; one-half of one per cent. for each additional \$5,000,000 up to \$50,000,000; one-half of one per cent. for each additional \$25,000,000 up to \$100,000,000; if the total reserves equal or exceed \$100,000,000 the contingency reserve is not to exceed four per cent. thereof.

**Action Against Company.**—Any suit, action or proceeding in the interests of the policyholders against a company the directors or officers may, with the consent of the superintendent, be instituted in any court of competent jurisdiction on behalf of such policyholders by the Attorney-General of Canada.

**Forms of Policy Contract.**—After the first day of January, 1909, no form of policy shall be issued until a copy has been filed at least 30 days with the superintendent, nor if the superintendent intimates within the 30 days that the form does not comply with the requirements of the Act, or that it is otherwise objectionable. The superintendent is required to specify the reasons for his opinion.