

statistical experience, modified by the physical and moral hazard of each individual risk and free from the influences of competition.

2nd. Commission to brokers not to exceed 15 p.c. of the premium, and perhaps a slight increase over that to agents, but in no event should total commissions exceed 20 p.c. of the premium.

3rd. Total compensation, including salaries, commissions, and all other allowances to all brokers, agents, agency directors and branch office managers not to exceed 20 p.c. of the total premium income.

4th. Administration expenses to be minimized.

DEPARTMENTAL REQUIREMENTS.

These directions become effective October 1, 1913, and apply to all of your liability and workmen's compensation business written in this country. If any existing contracts provide for commissions or allowances in excess of the above requirements, they should be modified accordingly.

Your company is requested to forward to this department not later than October 1, 1913.

1st. A schedule showing your liability and workmen's compensation rates in effect from October 1, 1913.

2nd. A schedule showing the rate of commissions to brokers and agents in effect from October 1, 1913, on liability and workmen's compensation business.

3rd. A schedule giving a synopsis of all branch office and agency contracts, which provide compensation for salaries or allowances in addition to commission, showing the compensation, including salaries, commissions and all other allowances, in effect October 1, 1913, on liability and workmen's compensation business.

4th. A statement showing what steps have been taken toward minimizing administration expenses.

The schedules and statement requested above should be certified to by two of the principal officers of your company.

All companies are expected to comply with the above directions.

INSURANCE DEPARTMENT AND THE UNION LIFE.

Mr. T. B. Macaulay Defends Department against Attacks made upon it—A Difficult Problem—Metropolitan Life's Public Spirit.

Mr. T. B. Macaulay, F.I.A., of Montreal, managing director and secretary of the Sun Life of Canada, has written an interesting defence of the Insurance Department at Ottawa apropos of its action in regard to the Union Life of Toronto, for which the Department has been severely criticised in some quarters. In the course of his communication, Mr. Macaulay says:—

The remark is frequently heard that the department should have withdrawn the Company's license a year or two ago. On the other hand, it must be remembered that in 1910 the company obtained a large amount of further capital in England. I cannot but feel that from that moment the department was under a moral obligation to those English shareholders to give the Company every possible chance. What an outcry there would have been if the department had thereafter acted at all harshly or hastily! The British shareholders would have considered that their money had been confiscated by unnecessary severity on the part of the government. They would have claimed that if a little more time had but been

given, the Company would have succeeded just as the Prudential of England succeeded. Nothing that could have been said in reply would have satisfied them. It is true that the additional time which has been allowed has but caused the shareholders to lose the more, but that is after-wisdom. Even the insurance department could not foresee that the management of the company would be so bad that its condition would retrogress with such deplorable rapidity.

WISDOM AFTER THE EVENT.

It may be contended, however, that the department should have stopped the Company before it obtained the additional capital from England. There is perhaps some force in this contention. The Royal Commission had so strongly and properly condemned the methods and position of the Company, that action by the department would have been justified. How much of the force of this criticism is, however, really the result of after-wisdom? At that time the Company could still look forward to a successful future if under capable management. The additional capital from England should even have ensured that success. The one essential was capable management that had to be supplied, not by the government department, but by the shareholders.

DEPARTMENTAL EFFORTS.

It must not be supposed that because the officials of the department have not published their actions to the world, they have been merely letting matters drift. For the past year the license was renewed but from month to month. Every effort was made to improve the condition of the Company by insisting on a sweeping reduction in expenses and other reforms as a condition to being allowed to continue business. One of the officials almost lived in Toronto. But though the department could exercise some control over the Company, how could they make an extravagant management economical; a reckless management conservative; an unwise management wise? It is not, I think, too much to say that the Union Life caused the department more anxiety and trouble than all the other companies together. As they saw the situation growing slowly but surely worse, notwithstanding all their efforts, the superintendent insisted that negotiations be opened with other companies for the reinsurance of the policies. The officers of the Company, however, would not consent, and without their co-operation the department had no power to force a reinsurance except by withdrawing the license, putting the company into insolvency, and then negotiating with the liquidator.

In conjunction with Mr. Richter, of the London Life, I had the honour of being invited by the minister of finance and the superintendent to consult with them in the effort to find a way out of this alarming situation. All agreed that the only real method of protecting the policyholders was to re-assure the business. If the assets were to be distributed by a liquidator, it was evident that it would take years to do this, while the expenses would be heavy, and the policyholders would in the end get but a trifling return.....

METROPOLITAN'S PUBLIC SPIRIT.

I will not take up time with details of the negotiations which were entered on by the department in one quarter after another. The officials showed an earnestness and determination to protect the policy-