policies issued after January 1st, 1911, each company shall apportion, amongst the various classes, their proper share in the surplus or profits, and that the total sum of such shares shall constitute a liability of the company, and shall be carried as such in its accounts until actually paid to the policyholders entitled to receive it. As regards deferred dividend business already in force on January 1st, 1911, it is provided that an apportionment shall take place just as in the case of new deferred dividend business, but that it shall be only a contingent apportionment. The total sum of the shares so contingently apportioned are not to constitute a liability, but are to be carried in the accounts as surplus, although being kept separate and distinct from the undivided and unapportioned surplus. Except as regards deferred dividends, the Act provides that the proportion of surplus accruing on any policy shall be ascertained and distributed at intervals not greater than quinquennially.

It is hard at this date to foresee the effect of these changes. Opinions differ considerably, and time alone can determine the actual course of events. Some insurance men consider that the prohibition of estimates coupled with the accounting to policyholders at least once every five years will lead to the extinction of deferred dividends altogether. They maintain that deferred dividend policies can hardly be written unless the applicant is given some idea of probable future profits, and that the introduction of quinquennial accounting removes another inducement. However, there are other insurance men who are equally emphatic in their belief that deferred dividends will continue to flourish in future as they have done in the past, so that the question must be left for posterity to decide. One thing is certain, however, and that is that the policyholders will obtain fuller information in regard to their interests than they have received in the past.

Division of Surplus is Important.

An important section of the Act is that in reference to the division of the surplus between policyholders and shareholders. Section 96 provides that hereafter all companies must keep separate and distinct accounts of participating and non-participating business. This is already being done by several companies. Section 110 provides that before arriving at the amount of divisible profits, interest at the net rate earned on the funds of the company shall be credited to the shareholders on the amount of unimpaired, paid-up capital stock, and on any other sums standing to their credit, that the proportion of surplus arising from participating policies shall be ascertained and distinguished from that arising from other sources, and that at least 90 per cent. of the former shall belong to the participating policyholders. This applies to all companies, but in addition, the right of participating policyholders to share in the profits realized from the non-participating branch of its business in those companies whose charters or Acts of incorporation so provide is not interfered with.

No Standard Form of Policy.

The Act does not attempt to bind the companies down to standard forms of policies, but allows them considerable freedom in this regard. It does provide, however, that any policy issued after January 1st, 1911, shall contain in substance certain standard provisions which are outlined in the Act, and a copy of such policy must have previously been filed with the Superintendent of Insurance. These standard provisions are for the most part already incorporated in the policies of many Canadian companies, who are even now more liberal than they need be under the Act. In substance, the provisions that must be contained in the policies are as follows:—

(1) A grace of thirty days must be allowed for payment of renewal premiums subject at option of company to an interest charge of 6 per cent.

(2) The insured may, without the consent of the company, engage in the active service of the militia of Canada subject, however, to the payment of the proper extra premium.

(3) Except for fraud, the policy shall be incontestable after two years.

(4) The policy and endorsement thereon shall constitute the entire contract between the parties.

(5) If age of assured is understated, the amount payable under the policy shall be such as premium would have purchased at correct age.

(6) Tables of surrender and loan values for at least twenty years must be given in the policy together with the non-forfeiture options, e.g., surrender values, paid-up insurance or extended term insurance to which the policyholder is entitled on default of a premium payment after three annual premiums have been paid. Also, the policyholder shall be entitled to borrow to the extent of not more than 95 per cent. of the cash surrender value, and at a rate of interest not exceeding 7 per cent. In order to safeguard the companies from danger in the event of an abnormal demand for loans at times of financial stringency the companies are permitted to defer the granting of a loan for three months.

Furthermore, the policy must provide that in the event of lapse it may be reinstated at any time within two years on production of satisfactory evidence of insurability and on payment of all overdue premiums with interest. If, however, the policy shall have been surrendered for cash, paid up, or extended insurance, there shall exist no right to reinstatement.

An Important Change in Rebating Section.

An important change introduced by the new Act is embodied in sub-section (2) of Section 87, the rebating section. This sub-section provides that each company must keep on file with the Superintendent of Insurance a copy of its established rates for all plans of insurance and that such rates shall be based upon an insurance of one thousand dollars and shall be applicable for an insurance of that amount, and pro rata for greater amounts. The effect of this clause will be to prohibit the issue of policies of any amount at rates at which one thousand dollars of insurance cannot be purchased on the same plan.

(Continued on Page 1174.)