

tation in sub-section six very clearly refers only to amounts "invested or lent outside of Canada," and in no way includes deposits outside of Canada, if such deposits are in Canadian securities. We are perfectly clear, therefore, that the whole of the \$500,000 in question should not be included in the list of our investments outside of the Dominion, and this, therefore, reduces the excess from \$1,295,474.60, as stated by you, to only \$795,494.60.

The next point to which I would draw your attention is the fact that you include the whole of our loans on foreign securities. Of these loans, \$842,375, were not made "outside of Canada," but to prominent stockbrokers in the city of Montreal. It is true that the securities given by these gentlemen are foreign, but on the other hand they are listed on the Montreal Stock Exchange, and very largely held in the Dominion. The Act refers to "the total amount" so invested or lent outside of Canada." We think that loans to prominent residents of Montreal on securities listed on the Montreal Stock Exchange can hardly be considered as money "invested or lent outside of Canada." When we deduct this \$842,375, we find that instead of having any over-investment outside of the Dominion, we are instead \$46,900.40 within the amount authorized by the Act.

I trust you will pardon me if I add that it seems to us that in fairness to the Canadian life companies, these particular clauses of the Act should be interpreted in the most lenient manner possible. The restrictions in question apply only to the Canadian offices, while both British and American companies are permitted to invest the proceeds of their Canadian business in American or other foreign securities at their will. Further, the law not only permits American and British companies to invest their Canadian premiums in the United States, but also even permits them to deposit with Canadian trustees for the benefit of their Canadian policyholders, securities of a class which Canadian offices are not even permitted to touch at all (e.g. the common stock of trust companies located in the United States). The Canadian companies, therefore, I think, have a right to feel that they are very unjustly discriminated against in this matter.

We also feel strongly that the restriction in question is detrimental to the best interests of the policyholders in Canadian companies. In our judgment, the most desirable securities for a life office to hold are the bonds and preferred stocks of public utility corporations, such as electric railways, gas and electric companies,

etc. Such investments, however, are only safe and desirable when they are issued by corporations serving a large population. We have as yet, unfortunately, but few large cities in the Dominion, and most Canadian public utility corporations of necessity serve comparatively small populations. Any provision which makes a life company pass by the bonds of a corporation located in a large American city, in favor of one in a small city or town, merely because the latter is Canadian, is beneficial to neither the company nor its policyholders, but is, in fact, a serious danger to both. As the Canadian companies have grown in size, the undesirability of this restriction has become increasingly felt, and we venture, therefore, to express an earnest hope that parliament will see its way at the approaching session to remove this restriction, which is both unjust and dangerous.

While we have taken the liberty of frankly expressing our views on this particular aspect of the law, we would, however, remind you in closing, that as we have already set forth, we claim to be entirely within the limitations contained in the Act as it stands, and do not admit that we are open to criticism in this connection.

Yours faithfully,  
(Sgd.) T. B. MACAULAY,  
Secretary.

It need only be added that even if the loans to Canadian brokers on American securities, referred to above, be construed as money lent outside the Dominion within the terms of the Act, the loans in question have nearly all been since paid off in cash.

Judge Brewer, of the United States Supreme Court, is responsible for the following: "An amusing thing took place in Washington in connection with the Supreme court last winter. There was a young man in the court room who was talking out loud, making a little confusion, and one of the old colored bailiffs that we have there went in and led him out and said: "Young man, you want to come out and be still. That is the Supreme Court of the United States in there! If they get after you, nobody in the world could help you out! Nobody could help you—except the Almighty—and the chances are that He won't interfere."