

lous situation. It is a case where by actually strengthening a company, you technically weaken a company—a paradoxical statement but one which is absolutely true. Because every dollar you take away from the surplus of a company and put into the reserve strengthens it as a fact, but technically it is endangered and weakened. The question of a technical reserve must be borne in mind when you come to section 94. What does this section propose? It proposes, in addition to the law of 1899, to take all the reserve dividend surplus, which is a large portion of the present surplus of the companies and place it into the reserve fund making it a liability instead of a surplus. The companies will therefore not only have to bear the unnecessary burden of the law of 1899 but their very existence will be jeopardized by this section 94. Above everything there should be security in the Canadian companies. These companies have written on the pages of life insurance history the finest chapters that have ever been written in any country in the world. They have written it in the face of difficulties almost insurmountable; they have written it unaided and in the face of the fiercest competition, and they stand today a solid body without the loss of a company. Since 1847 we have been doing business, and I most earnestly implore that nothing be done to damage the character of the companies in Canada. If you pass that section 94 in its present form on top of the law of 1899 you may depend upon it you are sowing the seed for a crop of insolvencies that will make your hair turn grey. Mark what I say in this regard.

I have pointed out the danger of the section, but I have said nothing about the problem that this section proposes to treat or to solve, which is how to deal with the Reserve Dividend surplus, and I would just like to add a word or two on that point. First, do not make the section retroactive. If Reserve Dividend Policies are going to be permitted, and I most sincerely hope they are, I believe, in the interests of the business, something should be done with the future Reserve Dividend Surplus, so that the companies cannot make any improper use of it. Nothing should be done in regard to the surplus already accumulated, further than that it should be clearly shown in the returns with as many details as possible. Life insurance companies deal with transactions which run over a long series of years, and any retroactive legislation is vicious unless under the most imperative necessity. I would suggest that section 94 be so changed as not to effect the surplus already accumulated, but that future surplus on Reserve Dividend Policies be accounted for by the company every five years, and that it then should form a liability to the class to which it belongs, in the same manner as the surplus on ordinary five year distribution policies form a liability to the individual policyholder. If that is done each series will have credited to it the surplus which properly belongs to it. By so doing you will prevent in the future any improper use of the money which belongs to this class of policies, and you will not endanger the solvency and the standing of the companies.

Mr. NESBITT.—Would not your suggestion be just the same as a five year distribution plus the reversionary interests?

Mr. TORY.—It would not be the same because under the contracts of five year distribution policies the profits accrue absolutely to the individual policyholder, and become his property, and if the profits have been used to purchase additions to the policy and the policyholder dies, the additions are paid to his heirs with the amount of the policy. Either he has taken the profits in cash, used them to pay premiums, or they have been used to purchase a bonus addition to the policy, so they accrue absolutely to the individual policyholder. But in the case of a deferred dividend policy they cannot so accrue, because you cannot tell who the individual is that is to receive these profits until the end of the term. You can only credit this surplus to a class.

Mr. NESBITT.—You want to treat it as a whole?

Mr. TORY.—Yes, but credit the classes to which the whole would belong. Supposing a thousand men insure with us to-day, they form a class, we will call it class A, and if you wish credit every five years to class A, the dividends which have accumulated during that time, and make it a liability to that class. There then can arise