one. But does it follow from this that we in Canada should have no valuation standard at all? I am afraid that this would open the door to other evils possibly more serious. In any case, the idea of a legal basis of valuation is too deeply rooted on this continent to be easily eradicated. Without going into details, I believe that by the adoption of a sliding scale it is possible to avoid the evils inherent in a fixed standard and yet retain its advantages. After deciding on some moderate standard, which I may for the moment term the normal or average, I would permit any young company, or in fact any company, to make a deduction from the reserves thus found of a portion of the cost of securing new business, under no penalty or disadvantage other than a full statement in its returns of the actual facts. On the other hand, I would encourage a rivalry in regards to reserves, such as exists in Great Britain, by permitting every company to set aside heavier reserves than the bare requirements of the law, and giving it full credit therefor in its annual returns and in all tables of comparison published in the government blue books. It is just as desirable that a life company should have strong reserves as it is that a bank should have a substantial rest. No one, however, would require that a bank should be adjudged insolvent unless it had a minimum rest, and it is almost equally unreasonable to take this position in regard to an insurance company. A severe standard has dangers, and so also has a mild one. The united Canadian managers have proposed a definite basis for a sliding scale, which would, in their opinion, avoid the dangers inherent in either a severe or a mild standard, and would, for Canada at least, have advantages over either the British or the American method. It would, moreover, involve a minimum of interference with our existing law. It is an encouraging sign that the objections to a single fixed standard have been recognized even by such persons as the framers of the Armstrong law.

The Canadian managers believe that it is desirable to go even one step further in this direction and to deal with companies which while not insolvent have permitted their capital stocks to become largely impaired, even after making the deduction from their liabilities already recommended. We do not think that such companies should be refused licenses altogether or forced into liquidation, but as their prospects of paying reasonable profits to their policyholders cannot be good they should not be permitted to practically prey upon the public by issuing policies on the participating plan, and they should, we believe, receive licenses limiting them to non-participating assurances. We would even provide that should a company get into still deeper water, it should be within the power of the insurance department to grant a license prohibiting the issue of new policies but permitting the collection of premiums on existing policies only, as an alternative to the terrible calamity of a receivership. The aim should be, not to drive a company into insolvency, but to bring increasing pressure to bear upon it to either strengthen its reserves or reassure in a stronger office.

We believe that a sliding scale for policy valuations, combined with a system of partial licenses and proper facilities for re-assurance would go far to remove the chance of the failure of any of our life companies, and would stimulate all of them to strengthen their positions. At present we are able to say that no Canadian company, licensed by the Dominion Insurance Department, has failed. Canada, however, at present has many young and