## THE INSURANCE AMENDMENT BILL.

### Before the Banking and Commerce Committee at Ottawa, and Creating Considerable Interest.

The amendment introduced by the Hon. Mr. Fielding, Minister of Finance, to the Insurance Act, which is now before the Banking and Commerce Committee, is causing a good deal of discussion. The chief object of the amendment is to change the rate of interest for calculating the reserves which shall be held by the Insurance Offices. The basis rate proposed is 3 1-2 per cent., the present one being 4 1-2 per cent. The new rate to come into operation on the 1st of January, 1900; but on the old business, the existing rate of 4 1-2 per cent. to remain in operation until 1907, after which date a uniform basis of 3 1-2 per cent. is to be adopted on all business.

It is generally conceded, and we believe the Companies are unanimous in stating, that, owing to the lower rate of interest which is now obtainable on such securities as it is desirable for Insurance Companies to invest their funds in, the continuance of the 4 1-2 per cent. rate for calculating the reserves to be held by Life Offices is not warrantable. The question then arises as to what safety demands. At the same time, it is necessary to take all the existing circumstances into consideration, and we have no hesitation in endorsing the rate proposed by the Superintendent of Insurance, namely, 3 1-2 per cent. Within a few years, the United States has adopted a 4 per cent. basis, whilst in Great Britain the reserves are valued by the Offices at from 2 1-2 to 4 per cent., 3 1-2 per cent. being the average. We do not consider it desirable to adopt a too severe rate, that is, to put aside larger reserves than are absolutely necessary for the benefit of future insurers, for this would operate against the older policy-holders, who would thus be deprived of the benefits of the higher rates of interest which are now held as surpluses, and which have really been earned by the money of the older policy-holders.

The crucial point at issue seems to be *when* the new rate should be enforced, and how long the older one should remain applicable to all old business.

A company may be perfectly solvent and yet be unable to comply with the proposed new reserve basis rule within a certain specified limited time, and it would be an unpardonable blunder to do aught which would create a catastrophe among sound companies.

We think that the 3 1-2 per cent. basis should come into force on the first of January, 1900, and be applicable to all new business, and that the present rate should be continued, as proposed, on the old business; but in the event of any Company not being in a position, at the expiration of the period mentioned, to place all its business, (old and new), on the 3 1-2 per cent. basis, it should be optional with the Government Superintendent of Insurance, to give such extension of time as would be necessary. If left in this way, we believe it will be in the best interests of all concerned, and we are quite satisfied that the Companies will adopt a 3 1-2 per cent. basis as quickly as they can. The keen competition and rivalry which exists in connection with the Life Insurance business will almost compel the Companies to do this, for the fact of one company being able to adopt it, and another not, will be taken advantage of by the agents of rival offices in canvassing the public for policies. We append an extract from one of the newspapers, giving expression to the opinions of Messrs. T. B. Macaulay, the Secretary and Actuary of the Sun Life of Canada, W. Fitzgerald, Superintendent of Insurance, and William McCabe, Managing Director of the North American Life:—

The effect of this change will be to seriously reduce the prospective profit of participating policyholders, and a large number of representatives of insurance companies were present to oppose the act. This opposition was expressed by Mr. Macauley, of the Sun Life, who said that the bill, even as amended, meant a wholesale confiscation of the profits of policy-holders. He thought that the situation must be very serious to justify such action. He claimed that it discriminated against old Canadian companies because the reduction of their payments of profits would make them unpopular; and it played into the hands of young companies and American companies. He said that the standard of safety in Canadian companies under the present law was higher than either the English or American standards, and the new standard proposed would be the most severe in the world. He held that by creating an artificial standard of insolvency insurance companies were being placed in great danger of failure. In conclusion he said he opposed the measure because it was retroactive, because it was unnecessary, because it confiscated the profits of policy holders and because it created a dangerous precedent and left insurance companies no guarantee of certainty in connection with their business.

Mr. Fitzgerald, superintendent of insurance, said that the present standard, 4 1-2 per cent., was adopted in 1877, when 7, 8 and 10 per cent. was realized on investments. The value of money had steadily declined since. Even if investments could earn 4 per cent. now it was necessary that there should be a margin of safety. The bulk of investments of Canadian companies were for short terms, few being as high as 40 years.

Mr. McCabe, of the North American Insurance Company, supported the bill. He quoted statistics to show that the leading insurance companies of Canada last year earned only from 4.13 to 4.41 per cent., while the Government standard required 4.50. In reply to Sir Louis Davies, he said that by 1912, the limit in the bill, every sound company in Canada could easily have got itself into a position to stand the 3 1-2 per cent. standard with regard to old business.

Mr. Macauley replied to various arguments advanced by Mr. McCabe. In one matter he rather prejudiced his own case by practically admitting that by 1912, when the 3 1-2 per cent. provision comes into force, nearly all the old policies that it will affect will have expired.