

surely be contended that the security of Canadians insuring at Lloyd's would be less than the security of Canadians insuring in the poorer registered companies.

Advantages
and disad-
vantages of
deposits.

25. The principle of requiring deposits has advantages but also disadvantages. The advantages appear to be more with the companies, or the weaker companies, than with policyholders. If it were not for deposits, presumably only companies of such strength that they could hardly go wrong would be admitted to Canada. It is not clear that this would necessarily be to the disadvantage of Canadian policyholders. Further, it should not be supposed that deposits make absolute security. If a company were to suffer heavy losses on its Canadian business at the same time that it suffered heavy losses on its other business, resulting in insolvency, the Canadian policyholders might be worse off than the other policyholders of the Company. So far as the principle may work to the advantage of Canadian policyholders of British and foreign companies, it must work to the disadvantage of their other policyholders; and in like manner the maintenance of deposits in foreign countries by Canadian companies must work to the disadvantage of the Canadian policyholders of these companies. This point is brought out forcibly in a letter, dated 1st August, 1930, which was addressed by the Fire Offices Committee (Foreign) of British Insurance Companies to the British Board of Trade, wherein the Committee stated:

"The Insurance Offices are, in principle, opposed to deposits on the ground that it is unsound to look up in any country assets which may be needed to meet an exceptional emergency in any part of the world. The universal adoption of the deposit system could have no other result than to diminish the effectiveness of the reserves available and to weaken the security which should be derived therefrom. If the system were pursued to its logical conclusion it would mean that the only security for the payment of losses in a particular area would be the funds actually deposited in that area, a result which would have had disastrous effects in the

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