PRACTISE REGARDING DEFERRED DIVIDEND POLICIES.

The form of statement for life insurance companies used in the newly-issued report of the Superintendent of Insurance, differs considerably from that previously in use, a number of schedules having been added for the purpose of giving effect to the provisions of the Insurance Act, 1910. These schedules include statements of actuarial liabilities and full information as to the methods pursued in their calculation, exhibits of dividends actually paid during the year or at last previous allotment to participating policyholders, and the amounts of profits contingently apportioned to deferred dividend policies of the various years of issue, which have not yet completed their deferred dividend periods.

This last schedule, says the Superintendent of Insurance in his report, has been satisfactorily returned by a majority of the companies. But there are still a number of the younger Canadian companies which have not been able to have the necessary computations accurately made in time for inclusion in the present report. This delay arises, continues the Superintendent, partly from the fact that the calculations demand expert actuarial assistance which several of the companies have not until recently taken steps to secure and partly from the failure of those companies to have their shareholders' surplus account placed on a satisfactory basis by working up that account from the time surplus was first earned, as until this is done, any attempt to apportion profits to policyholders must be unsatisfactory. The companies which have failed to have these figures completed are, however, taking steps to have them by the end of the year and for the 1912 report, complete returns will be required from all companies.

The companies which have accurately adjusted their shareholders' account, the Superintendent says further, have not adopted a uniform method in crediting that account with the shareholders' proportion of profits, some transferring the proper proportion of the total surplus earned, while others have transferred only the share of the amount set aside for distribution. The result is that in the former case the company's surplus belongs wholly to the policyholders while in the latter a portion is still applicable to the shareholders and the surplus may therefore be said to be undistributed as between shareholders and policyholders.

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LIFE INSURANCE LEGISLATION OF 1911.

(Robert Lynn Cox, in the American Political Science Review.)

(Continued from page 1381.)

The year 1911 saw no diminution in the tendency to propose and enact legislation on the subject of life insurance. All told about 1650 bills were introduced in the legislatures of 43 states, including the District of Columbia, where some insurance bills were introduced in Congress. Of these 1650 bills 160 became laws. They ranged from one brief statute, requiring that notice shall be given to policyholders in connection with the merger of one insurance company with another, to a comprehensive code of 238 sections involving all branches of insurance.

The funds of life insurance policyholders are ever a prey to the taxing authorities. As usual, 1911 had a large crop of taxation bills. Sixty-five of them applied to the business of life insurance and most of them provided for increased taxes. Had all the bills been enacted $900,000 a year would have been added to the $12,000,000 annual tax already imposed on premiums paid by life insurance policyholders. Earnest efforts, participated in by the policyholders themselves in some instances, showed the injustice of these measures, and the end of the year recorded increases in only a couple of Western states and they were slight ones. . . . .

Location of Investments.

The investing of policyholders' money so as to guarantee that it will bring in sufficient return to pay policies on maturity is a very important part of the business of life insurance. Many of the states have recognized the sacredness of these funds by providing that they shall be invested only in certain general classifications of securities regarded as safe. Some laws specifically state the classes of securities in which investments may be made. Others enumerate the classes which are prohibited, including, for instance, the stock of mining corporations. The investments of life insurance companies are made up largely of United States, state, county and municipal bonds, the bonds and stocks of public utilities corporations and real estate mortgage loans. During 1911 measures were introduced in four states to restrict the investments of foreign insurance companies geographically, along the lines of the Robertson Law of Texas. Fortunately, for the interests of policyholders, none of these bills became laws. When the Robertson Law was enacted by Texas in 1907, twenty-three—nearly all—of the leading foreign life insurance companies doing business in the state retired. This law requires that seventy-five per cent. of the reserves set aside to meet obligations to Texas policyholders shall be invested in certain specified local securities. The avowed object of the law was to compel foreign companies to make investments in Texas. This man-made statute utterly ignores the natural law of supply and demand affecting the flow of investments. It also takes from the managers and trustees of life insurance funds the right of exercising their judgment as to investments although it does not relieve these managers and trustees from being responsible if the compulsory investments should prevent their companies from meeting the test of solvency. Two elements enter into the making of investments for life insurance companies. First, the security must be absolutely beyond question. Second, the investment must earn a rate of interest to add sufficient to the reserve funds to pay policies upon maturity. The Texas law takes no heed of these conditions but merely says to foreign companies that if they wish to do business in the state they must invest in certain specified Texas securities. The companies which retired had no objection to Texas securities as such. But they were opposed to the underlying principle of the law that took from them the right to judge and decide as to availability of securities for policyholders' funds. Beginning with 1907 the subject of such compulsory investment has been considered in 24 states, either in the form of legislation actually introduced or talked of seriously among state officials.