

## INSURANCE ACT AMENDMENT: IMPORTANT POINT REGARDING ASSETS.

Life company managers have, we understand, discussed with considerable concern one of the proposed amendments to the Insurance Act of 1910 lately introduced into the House of Commons, by Hon. W. T. White. It is proposed to introduce into the Act, a new section (94a) which in part reads as follows:—

*Notwithstanding anything contained in the Winding-up Act, or in this Act, the liquidator of an insolvent life insurance company may, without the consent of the policyholders arrange for the re-insurance of the contracts of Canadian policyholders in some company or companies licensed under this Act to transact life insurance in Canada, and for the purpose of securing such re-insurance, the entire assets of the company, in the case of a Canadian company, and the entire assets of the company in Canada, in the case of a company other than a Canadian company shall be available....*

This section, it is felt, is likely to operate to the disadvantage of the companies in two ways. In the case of the Canadian companies, it is likely to prejudice them in the various foreign fields which they have entered. For instance, in Great Britain, a deposit of £20,000 is required before a company is allowed to commence life business. Should this new section be passed, and it became necessary to take the action referred to in the case of a Canadian company transacting business in Great Britain, apparently all that would be available for the English policyholders would be the deposit of £20,000 plus whatever is left over after the claims of Canadian policyholders have been fully satisfied.

### HOW FOREIGN COMPANIES ARE AFFECTED.

In the case of the many British and American life companies operating in Canada, the point raised by this proposed section is even more serious. It is well known that among these companies are a number transacting a moderate business in Canada, but who have for purely investment purposes very large assets in Canada; while there are other companies transacting a large Canadian business whose Canadian investments are enormous. In both cases, it is important to note, the companies' investments in Canada are not intimately related with their underwriting business in Canada. The Dominion being from the companies' point of view an admirable investment field, they have invested here very large amounts of funds, so that in a number of cases the investment interests of these companies in Canada are much larger and more important than the life underwriting interests, though the latter may be by no means small.

### THE DOMINION'S BALANCE SHEET.

Hon. W. T. White, minister of finance, reported in his budget speech on Monday, that last year's revenue would be about \$163,000,000 or \$5,000,000 less than in 1912. This would show a surplus of \$36,500,000 above the amount required for ordinary expenditures. Capital and special outlays, including the sum of \$19,000,000 for C.N.R. and other railway

### LARGE ASSETS HELD IN CANADA.

Presumably "assets of the company in Canada," referred to in the new section, do not include those Canadian investments which are actually held by the companies at their home offices, e.g., bonds whose coupons are payable abroad. But beyond these investments, the companies to which we refer actually hold in Canada a vast total of Canadian investments, altogether out of proportion to their Canadian underwriting business—investments made with funds having their origin elsewhere than in Canada and held for the benefit of the companies policyholders generally, whether they live in England or Scotland or Canada or wherever else the companies may be transacting business. As a matter of fact, the assets held by British and American life companies in Canada are more than \$20,000,000 in excess of the amount required for the reserves of their Canadian business. It will be a serious matter for the companies concerned if the Dominion Government practically puts a lien on these investments.

### PROBABLE CESSATION OF INVESTMENT.

The probable result of such action would be that these companies would have to consider the cessation of further investment of very large sums of new capital in Canada, and of gradually realizing their present holdings, beyond those required for their Canadian business, transferring their funds to a field where they receive more equitable treatment. It is not to be supposed that it is the Government's intention to force anything of this kind, which would certainly be prejudicial to Canadian credit abroad, and it may be hoped that on the necessary representations being made the proposed provision will be amended, so as to avoid the objection referred to, which would constitute a serious drawback to the operation of both Canadian life companies abroad and foreign life companies in Canada.

Since it is at present required of foreign life companies operating in Canada that they shall deposit with the Government an amount equal to the reserves of their Canadian business, Canadian policyholders in these companies are fully secured, and there is no necessity for further security such as is provided for by this new section. Both at Ottawa and in the provinces there has been lately a noticeable tendency to tinkering with the insurance business. It is about time this tinkering stopped.

subsidies, would total \$57,000,000, leaving a debit balance of twenty and a half millions, from which, deducting a million and a half invested in sinking fund, the increase in the net debt would be \$10,000,000. The revenue has heretofore been sufficient to meet all current and capital expenditure, including outlays upon railways, canals, harbors and public buildings and the debt has been increased only by reason of the expenditures upon railway subsidies.