

zone. In other words, in this country hardy men and women live longer than the people in some other parts of the world, and our rates of mortality, when we have adopted the tables of other countries, as we have—because our population is small and our opportunities for developing such tables is limited—have enabled our life insurance companies to show a longer span of life for their insured than is the case in most other communities. That is an important factor to keep in mind.

Let us see what the factors are that have to be considered. First is expectation of life, and secondly is the question, what rate you may expect money to earn during the period of expectation of life of the insured. In other words, if he pays \$25, what may you expect in reason during a period of thirty years, which is the expectation of life of the insured, the money will annually earn? Now in order that there might be no misapprehension on the part of the insured, we have placed upon our statutes, in chapter 101 of the revised statutes of Canada, provisions which determine the rate of interest that insurance companies may expect to earn during the period of expectation of life of their insured. It used to be, for instance, that we set up reserves—that is the technical name—applied on the basis of money being able to earn four and a half per cent, four per cent, three and a half per cent, and latterly three per cent per annum. Now, there is an actuarial problem and a very simple one. The life of John Smith is about to be insured. John Smith is of the age of twenty-five. By the tables of mortality, which represent the average experience of practically all the countries of the world, the expectation of life of John Smith is known to within a reasonable number of months; that is, the average of the figures and the experience of the companies indicate that John Smith should live a given number of years. Upon that basis the company has computed the rate of premium that will insure him for a given sum, on the assumption that that premium will be invested by the company at a rate not exceeding three per cent, and that thereby the company will be enabled at his death or at the expiration of the period mentioned in the policy to pay to him or to his beneficiaries the sum thus insured.

It is obvious from that statement, which will not be challenged, that in a new country such as this there must be large profit made by companies whose average earnings upon the premiums received are greatly in excess of three per cent. That is fairly clear, is it not? That is, if they bought nothing but Dominion of Canada four per cent securities,

as I once suggested from my seat in this house, they would thereby unquestionably always be in a solvent position, but the profits accruing either to the policyholders or to the shareholders would necessarily be limited. As a matter of fact the interest earnings have far exceeded four per cent. The interest earnings of some of our Canadian companies have exceeded on an average six per cent. Why? Because we have determined by statute the investments in which their moneys may be made, and parliament is responsible for defining and limiting the type of investments in which the accumulated premiums of Canadians and others may be placed for investment in order that the obligations of the company may be met at maturity, having regard to the expectation of life of the insured, whether it be an ordinary risk or an annuity. Mortgages on real estate are permitted under certain conditions. Some of the companies have chosen real estate mortgages as the form in which they place a very large part of their earnings from premiums and investment moneys; also bonds—government and railway bonds, municipal securities. We have in our statutes a provision that enables companies to invest their moneys in common stocks and in preferred stocks. It is true that that provision has been upon our statute books for many years. It is true that in 1927, as is suggested by the article in the *Journal of Commerce*, there was a modification of the law as it then stood. But the discretion lodged by the law in those charged with responsibility for the investment of the company's funds is limited to the class of investment described and mentioned in detail in the Insurance Act.

The next step is this: The business of insurance contemplates obligations payable many years hence—twenty-five, thirty, forty or fifty years hence. Investments are permitted to be made within the terms of the statute, provided always that the company shall set up, with respect to each policy as it is written, such reserves as will enable it, at a rate of interest not exceeding three or three and one-half per cent, to meet that obligation at maturity. These reserves, to which the hon. gentleman referred this afternoon, must be invested, whatever else happens, by the company in the securities provided by the statute. The insurance department here has millions, literally hundreds of millions of securities, representing the reserves which by law are set up for the purpose of enabling these various companies to meet their obligations. Inasmuch as these obligations mature many years hence, it follows that there will be