

UNIFORMITY OF INSURANCE STATEMENTS

Western Provinces are Now Using Practically Identical Forms

"The uniformity of statement blanks is so obviously desirable," said Mr. R. L. Nicolson, insurance superintendent of Alberta, at the Winnipeg conference, last week, "that no elaborate argument is necessary. Moreover, most of the forms used by the provinces represented here are practically uniform now. The joint stock companies' form, the mutual fire and the fraternal society forms used by Ontario and the prairie provinces are so nearly identical that a few minutes discussion with the blanks before us would adjust all differences. That is, provided we adhere to the present form. If we decide to adopt an entirely different style of blank, such as the national convention blank used by the United States, for one or all of the various forms, further consideration would be necessary. There is little to be gained by such a change. Our companies are familiar with the style of blank now used, and while the convention form is an admirable one—it is probably more elaborate than we need at this time. The same reasons apply to the mutual fire and fraternal forms.

Majority under Dominion License.

"The majority of the companies operating in our provinces do so under Dominion license. The information we require from them is mainly statistical and could be reported on a single sheet. In the three western provinces we have been using forms practically identical and of a size that can be placed in the typewriter and filled in. In Alberta, we have been using two forms, that is, one for the reports of life companies, and the other for fire and miscellaneous insurance. In the life companies' statement we have asked for the usual information with regard to premiums collected, the claims paid and matured policies, the amount of insurance written during the year, and the amount in force at its close, with a note on the form that the company shall specify whether this is reported on a 'written' or 'paid-up' basis. The system was found satisfactory and is here recommended for consideration as a basis on which to establish uniform Dominion statements.

Investments of Provincial Companies.

"The question of investments of provincial companies," Mr. Nicolson said, "brings up that of investment regulations by statute, for only by statutory regulations can there be any measure of uniformity—not only in the investments of companies in different provinces—but also the investments of companies in the same province. Certain regulations are now in force but are not general throughout Canada. Companies under Dominion license are, of course, regulated by the provisions in the Dominion Insurance Act. The insurance acts of Quebec and Ontario also contain regulations of this nature, but in the western provinces there have not, so far, been any such provisions included, although certain clauses containing restrictions to that end have, of late years, been placed in the charters granted to provincial companies."

The regulations were briefly compared in the several acts, and it was found that the first part of the conditions in all of them provided: "Investment in real estate is restricted to the actual needs of the company for the carrying on of its business, although no attempt is made to set a limit on the proportion of the company's assets that may be tied up in head office buildings." "It is provided that any real estate acquired by foreclosure settlement of a debt, etc., shall be disposed of within a certain number of years." "Permission is given to invest in securities under the trustee act, excepting debenture stock, in municipal government or school debentures, in debentures of trust and loan companies, and in debentures of public service corporations."

Divergence of Acts.

"Here the acts diverge," said Mr. Nicolson. "Ontario and Quebec stipulate that investments in debentures of corporations shall be limited to one-fifth of the paid-up capital of the company. Quebec permits investments in real estate and mortgage loans—providing such loans do not exceed 60 per cent. of the value of the property. The Dominion act goes still further, and permits investment in the preferred and guaranteed stocks of companies that have paid a certain rate of dividend for a certain number of years; and with certain restrictions, investment in dividend-paying common stocks. It also enacts that no company shall invest in its own shares or in the shares

of a company doing the same class of insurance business, excepting under exceptional circumstances or authorization given by the treasury board. For instance, in the case of an amalgamation between two companies, permission is given to loan funds on bonds and debentures to a certain extent, and also on real estate, with the restriction that the company shall not loan any of its funds to any director or officer of the company, excepting in the case of a life company on the security of its own policies. The Ontario act further provides that the trustees, directors or executive officers shall be responsible for the investment of any of the corporation's funds, and should they authorize such investments or loans as are contrary to the law, those who voted in favor or assented to such investment shall be personally liable therefor, jointly and severally, and shall restore the funds. Action for the recovery of such money may be brought, and the burden of proof 'that he did not vote for the investment,' shall be on the defendant."

Requirements for Class of Investments.

He then turned to the requirements best suited to Alberta. There the class of investments permitted by the Ontario and Quebec acts were more suitable than the wider powers given by the Dominion—although several of the restrictions imposed by the Dominion act might, with profit, be introduced in Alberta's regulations. The class of investments mentioned in section 110 of the Ontario act, briefly trustee and guarantee securities and the debentures of public service corporations, were admissible without question. As to the admission of mortgages, particularly on farm property, there was a large amount of investment offered in the west at an attractive interest rate and, generally speaking, good security.

The company felt it was doing something towards helping production and aiding an important industry, when it invested in mortgages on farm property, besides appealing to local sympathy in investing a part of its funds in a district where some of the premiums come from. It seemed, therefore, that a certain amount of mortgage investment should be allowed, even though restricted to some extent, say by provisions similar to that in section 110-c of the Ontario act, or according to the class of insurance transacted.

Power to Invest.

The power to invest in preferred and common stocks is not desirable, nor for that matter necessary, to a provincial company, at least for some time to come. Such powers are doubtless necessary for older and larger companies having an immense premium income which, at certain times, they find difficult to invest profitably, but at present, no such difficulty confronts any provincial company that I can think of and the investment market has never been so full of such high-class investments yielding a good rate.

The restrictive provisions already mentioned—namely, those fixing the responsibility of the directors for illegal investments; those prohibiting the loaning of money to directors and officers; those restricting investment in real estate; and those affecting the disposal of real estate required for foreclosure; and those relating to investments in the company's stock or in the stock of companies doing a similar class of business, are to a certain extent provided for either in provincial acts or included in charters granted to insurance companies. It is, however, of the utmost importance that these provisions should be included in any provincial investment laws. They are, in fact, more important than the permissive regulations.

Draft be Shortly Prepared.

Owing to the short time available, it was not possible for Mr. Nicolson to give the subject the thorough study and analysis that it demanded. For that reason he did not undertake to frame any draft legislation, but merely indicated the basic principles underlying the present legislation of this kind in Canada. A draft of such regulations, however, will shortly be prepared by the legislative committee of the association, which will embody these principles and be framed so as to adequately protect the interests of the policyholder, which is the first consideration of the insurance department, and also, in so far as possible, the investing public.

Mr. C. B. Thorne, manager Hawkesbury Mill, has been elected member of the board of directors of the Riordon Pulp & Paper Company.