PREVENTING "RUNS" ON INSURANCE COMPANIES.

In his newly issued report, the Massachusetts Insurance Commissioner alludes to the non-success of his recommendation that a statute be enacted to prevent "runs" on life insurance companies. This legislation, he says, had the endorsement also of the insurance commissioners as a body after due consideration of the issues involved. It seemed clear to them that under the present conditions there is need of a protective statute, and that if it is not enacted the day will come when some company and its policyholders will lament the fact that a check was not provided. It is a business rather than a technical insurance question. The facts are these: life insurance policies now being issued provide for loans and cash values, and their holders can demand such loans and values at will, in accordance with the terms of the policies. Loans generally must be made upon demand. The loan that a policyholder may demand is measured by the reserve on his policy. It is, in other words, substantially his portion of the funds of the company. These portions of the separate policyholders which they may demand make up in the aggregate almost the entire bulk of the assets of a life insurance company, just as the deposits of holders of savings bank books make up the great bulk of the assets of a savings bank. There is, therefore, just the same danger of trouble to a life insurance company from a panic or other cause, which leads the insured to want to realise on their equity in the company as there is in the case of a savings bank. In respect to the latter, a notice of sixty days or some other period must be given by the depositor before he can withdraw his money if the management of the bank so elect. If this is a wise precaution for these institutions, and there is abundant evidence that it is, can it be unwise in respect to another class of financial institutions, where a run might be of such strength and severity as to render it necessary for the company to dispose of its bonds at quick sale, and put upon the market its mortgage loans, all to its great loss and to the loss in the end, if the strain were severe enough, of the insurance of every policyholder.

To prevent such a catastrophe a law was proposed by the insurance commissioners which would cause to be inserted in the policies of life insurance hereafter issued a provision that the directors of a life insurance company may at their discretion refuse to make loans or pay cash values for a period of not exceeding sixty days. This period would probably cover the duration of a financial panic, or, at any rate, of the real strain of such a panic, and in event of continuing trouble would afford an opportunity for the company to make arrangements to meet the demands. There seemed to the commissioners to be legislation demanded by a consideration of the great interests at stake, the lack of reason shown when a panic occurs, and by the precedent established by the laws relating to similar institutions.

CANADIAN PRACTICE ON THIS POINT.

The Canadian practice in regard to loans on life policies is on the lines advocated by the Massachusetts commissioner. By Section 95 (subsection g.) of the Insurance Act, 1910, it is provided that loans on policies "may, at the option of the company, be deferred for a period not exceeding three months from the time the policyholder applies therefor." Apparently, however, there is no provision of the kind in the case of surrenders. The statement of the Commissioner is interesting as showing the opinion of the American insurance commissioners on this subject. It will be noticed that the Massachusetts Commissioner contemplates the possibility of a panic which would force a company not only to liquidate its bond holdings in a hurry, but also its mortgages. Some of the Canadian companies have the greater part of their assets locked up in mortgages and hold only a very small proportion in bonds and other assets. Supposing that there were a severe panic in Canada, which affected the companies by a demand for the cash values of policies—a demand that could not apparently be staved off as could a demand for loans. What would be the likely consequences? It may be said, of course, that these contingencies are improbable. They are improbable. But improbable contingencies which materialise are apt to have consequences of considerable moment.

THE LONDON GUARANTEE AND ACCIDENT COMPANY, LIMITED.

The following circular, announcing the passing of the interim dividend, has been issued by the directors to the shareholders of the London Guarantee and Accident Company, Limited:—

"The directors regret to inform the shareholders that new laws in the United States are making it necessary to set aside larger reserves for outstanding claims, thus entailing a lock-up of part of the general reserve fund. At the same time, in the first half of the current year, the company has suffered by the loss of several policyholders in the Titanic disaster, while a section of the American business shows heavier claims. The board are conferring on the whole position with the American manager, who is now in London. In these circumstances the directors consider it their duty to conserve the free resources of the company, and have decided, with great reluctance, not to declare an interim dividend on the ordinary shares. In their opinion, the position of the company is essentially sound, but they think it in the best interests of the shareholders to await the issue of the current year's trading before deciding what dividend may properly be paid in respect to it. The usual interim dividend on the preference shares of 2s. 6d. per share, less income tax, will be paid on September 30."

At the corresponding date of last year, an interim dividend of 21¼ per cent. was paid, the dividends for the years 1910 and 1911 being in each case 62½ per cent. The London Guarantee and Accident dates from 1867 and has had a successful career. The company entered the Canadian field in 1880, its head office for the Dominion being located at Toronto. In Canada, the Company transacts various kinds of casualty insurance. The latest report of the Superintendent of Insurance shows that at December 31 last, the London Guarantee and Accident had assets in Canada of $314,303. Of this total over $220,000 was represented by securities of the highest class and over $20,000 by cash. Net outstanding premiums were $62,100. The total liabilities in Canada at the same date were returned as $215,-