

outside Canada, and one of these was a provincially-incorporated company beyond the legislative jurisdiction of Parliament. Five companies have availed themselves of the mutualization provisions of the Act and two have already purchased all of their outstanding shares. The five companies have 25 per cent of the total life insurance in force in Canada in all registered companies, so that, if control of all five had been acquired externally, the share of the total business left in companies controlled in Canada would have fallen from 63 per cent to 38 per cent. I express the hope that in the national interest control of all other established Canadian insurance companies will remain in Canada.

STOCK AND MUTUAL COMPANIES

"Competition is probably the sharpest known instrument to make any industry more efficient. It is desirable therefore that we should continue to have in Canada a balanced distribution of both stock and mutual companies so that the benefits of both systems may be available to the Canadian insuring public. So far as Canadian companies are concerned, out of the 36 companies presently registered to transact life insurance 14 are mutual, or in the process of mutualization, while 22 are joint-stock companies. However, the mutual group has 55 per cent of the business in force in Canada amongst all Canadian companies and 60 per cent of the business in force in and out of Canada amongst all Canadian companies.

FIRE AND CASUALTY INSURANCE

"If I may digress briefly, I would mention that the situation is quite different in the fire and casualty insurance field in Canada. In that field, Canadian companies write 38 per cent of the total fire and casualty premiums written by all registered companies, but only 24 per cent is written by Canadian companies that are controlled in Canada. This may be compared with 63 per cent in the life field. Furthermore, included in that 24 per cent share are the personal accident and sickness premiums written by Canadian life insurance companies. Excluding the latter, which account for 8 per cent, the share of the fire and casualty field in Canada that is serviced by Canadian fire and casualty companies controlled in Canada is reduced to about 16 per cent. While good service has undoubtedly been provided by British and foreign fire and casualty companies, I am sure Canadians would like to see a larger degree of Canadian control in this field.

"Before leaving the subject of control of companies, I should like to say a brief word about mergers. We seem to be living in a world in which big business is much sought after and mergers or the acquisition of subsidiary companies are almost the fashion. Canadian life insurance companies are prohibited by the Canadian and British Insurance Companies Act from investing their life insurance funds in the shares of any other company transacting the business of life insurance. Also, as a matter of policy, the merger of Canadian life insurance companies has long been discouraged unless necessary to protect the interests of policy-holders. In the light of current events in other fields, some persons may feel that these policies are

unduly restrictive and out of date, perhaps even unfair in comparison with wider powers often enjoyed by British and foreign companies.

SIZE AND EFFICIENCY

"Other things being equal, an increase in efficiency might reasonably be expected to accompany an increase in the size of an organization, but it seems that the restrictive policies to which I have referred still serve a useful purpose. The prohibition against investing in the shares of other life insurance companies was designed, among other things, to prevent interference of one company in the management of another company. The policy of discouraging unnecessary mergers has its roots in the belief that we have not too many Canadian life insurance companies and it is better to continue existing companies than to permit the number to decrease and thus create conditions conducive to a rash of new companies.

"So far as the acquisition of a subsidiary company is concerned, it may be that this method of operation has some appeal where a company wishes to extend its operations beyond its homeland; but I should think that it would usually involve greater expense and a greater investment in foreign lands than would a branch-office operation. Presumably it is just about as difficult for two companies as for two persons to exist more economically than one, so there appears to be no reason for Canadian life companies to operate subsidiaries in Canada. At the same time, Canadian life companies seem to have been able to carry on operations almost around the globe in a very satisfactory manner through branch offices or at least without the creation of subsidiary companies.

1961 LEGISLATION

"You are well aware of the revision of our Canadian insurance legislation which has been carried out at the present session of Parliament. It was preceded by a careful and comprehensive review of all the provisions of our two Insurance Acts in the light of experience. There were numerous consultations with representatives of the industry. I should like to express to your association the very warm thanks of the Government and myself for the co-operation which you extended to us in the course of this undertaking, and in particular to your officers whose ready co-operation was forthcoming at all times.

"As you know, these amendments were designed to bring the legislation up to date and to define the ground rules for operations in the next few years. Undoubtedly, some companies would have liked to see the rules broadened further, while a few may think that we have gone too far already in some respects. As usual, however, in deciding upon the amendments, actually made, the objective was to extract the maximum wisdom from all concerned, to temper the theoretical by practical considerations and, if in doubt, to take the safer course, at least where solvency may be involved.

INVESTMENT POWERS

"The new legislation broadened the investment powers of the companies, and I regard these changes

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