LIFE INSURANCE LEGISLATION.

Considerable progress has been made in insurance legislation during the past two years. When the usual annual bill was introduced on this subject a couple of years ago, the Hon. John Hillyard Cameron went so far out of the ordinary groove as to strongly press upon the House the importance of appointing an insurance commissioner; but at the close of the debate the matter was dropped in the usual fashion. However, the result of the legislation of last session proved to be more fruitful than that of several years previous. The Government went so far as to appoint a Superintendent, limiting his power to the business of fire insurance. This was an important step, but as the contracts of fire insurance companies do not usually extend over a period of more than one year, or three at the most, there is not the same necessity for carefully guarding the interest of policy-holders as there is in companies doing a life business where the contract does not cease in many instances for thirty or forty years. In their discussions the House, we trust, will keep this fact prominently in view. The question is not what is best suited to convenience, but what will best secure an annual saving, from year to year, for the benefit, in most cases, of the next generation.

On Monday last a bill to amend and consolidate the several acts respecting insurance was introduced by the Minister of Finance, who explained that the object of the act was to extend to life insurance the provisions already existing in regard to fire insurance. We have just received a copy of this bill, and we find that it has been modified in a few particulars, since first drafted some weeks ago, but not to an extent that will affect the principles involved. A hasty perusal of the bill will satisfy anyone that the superintendent has not attempted to satisfy the demands of any class of companies. His aim has evidently been to give security to policy-holders, with due regard for existing insurance interests.

Although some of the clauses in the bill may meet with much opposition in certain quarters, still we are of opinion that as it now stands it is a fair compromise between the rival interests. No doubt the American mutual companies were justified in taking an exception to one of the clauses in the rough draft sent out for inspection some weeks ago. It would be quite contrary to the principle of mutual companies to create a preferred class of creditors among policy-holders. We have no doubt that the bill will be amended in this particular. British companies also protest against it on the ground that it is unnecessary for them to give special security where none is needed. Looking at the bill in all its phases, it must be admitted that the Superintendent has shown himself worthy of his position, and in this respect has met the expectation of his friends.

In regard to the deposit which it is necessary to make with the Government before obtaining a license, there appears to be no change. But in future it will be necessary for all companies to maintain a fund sufficient to pay all matured claims and re-insure all outstanding risks. In the case of failure of any company complying with this condition the Finance Minister may withdraw its license within sixty days.

What appears to us the most extraordinary feature in the bill is the exemption of Canadian companies from the operation of the clause which requires other companies to place their assets in the hands of two or more trustees chosen by the company, residing in Canada, and approved by the Minister of Finance. We think that experience will prove this to be injurious to their interests. Policy-holders in foreign companies will be protected to the full amount of the value of their policies, as this sum will be specially vested in the hands of trustees for their sole benefit, while policy-holders in native companies are only protected to the amount of the Government deposit, $50,000. Should this not be sufficient to satisfy their claim they would then have to rank with other creditors on the remaining assets of the company, if any. The working of this clause will be better shown by taking as an example the case of a company doing a business other than life insurance. A "Loan and Life" company now applying for incorporation, for example, might find its loan business disastrous and meet with utter ruin; then the funds of its policy-holders would be absorbed in its losses. It is claimed, by those who advocate this exemption clause, that it is entirely unnecessary on the ground that the directors of Canadian companies are already trustees of the funds of the several institutions they represent. The interests of policy-holders and directors are not always identical, and the latter have in more than one instance abused their powers. We fail to see the force of this and other reasons given. American companies, at least, will not be slow in taking the advantage of this short-sighted and suicidal policy to Canadian insurance interests.

In the case of insolvency of any company, all the assets held by the trustees, with the amount of the Government deposit, are to be applied *pro rata* in settlement of all claims, including bonus additions and accrued profits of Canadian policy-holders. The valuation of policies is to be made at the rate of four and a half per cent. per annum. This caused considerable discussion in the House when the bill first came up. We know it is a grave question, and in another part of this paper we give it that consideration it deserves. There are other matters in the bill of rather minor importance that we cannot notice just now.

LIFE INSURANCE RESERVES.

"High interest means bad security," said the old Iron Duke, and many a rash investor has acknowledged the truth of the axiom with groans. Still "high" and "bad" are relative terms, and it would be well if we could frame a scale whereby the particular degree of badness in a security would be indicated by the precise height of the interest demanded, but the first trouble in doing this occurs in attempting to fix the zero of the scale. Supposing a man to be offered absolutely perfect security for his money, what interest would he be content to receive? An answer is impracticable, because no such instance occurs in nature, and we can only proceed by approximation. Probably the most perfect security offered, either now or at any previous period of the world's history, is by the Consols of the British Government, and we may therefore say that the best security attainable in our day the world over, commands a rate of interest of 3⅛ per cent., and to this rate necessarily gravitate the rates in all other investments of capital according as the security offered approaches that quoted. As a rule, it may be laid down that average investments in Great Britain and the main part of Europe would realize from four to five per cent.; anything beyond this would be classed as speculation. That the rate of interest has been gradually sinking for centuries in Europe is certain, as we can trace its gradual fall from the time of Henry VIII., when the ordinary commercial rate was fourteen, and the legal maximum ten per cent.; the fall being doubtless due partly to the increase of capital, but mainly to the increase of security, and it is the opinion of many that the fall is now near its end, although in Holland during part of the last century it got down as low as two per cent. A similar fall has been evidently felt in this country in quite recent times; our Government which had once difficulty in borrowing at six, now can raise funds at four and a half; building societies which formerly loaned at from twelve to thirteen, or even higher rates, now lend at nine or ten; and municipalities have little difficulty in getting near par on their