

NEW AMENDMENTS TO INSURANCE ACT.

(Mr. T. B. Macaulay, managing director Sun Life at Halifax.)

These amendments owe their origin to the episodes of the unfortunate Union and Home Life Companies. You all know that those experiences were terrible from the life insurance standpoint, and that serious evils were shown to exist which had to be stopped. The position was very remarkable. In the case of the Union Life it was, in fact, extraordinary. The management was a combination of extravagance, bad investments, unwise contracts of long term with the National Agency Company and long term contracts with officials, and extravagant and sinful payments of capital stock which lost \$800,000 capital, chiefly in Great Britain. On top of this, the management was impossible. It defied the Insurance Department. It took the position that the Department dare not put the company into insolvency. It thought that as the assets would take years to realize, that with the expenses of assignees, and a small distribution of a few cents to each policyholder in the course of years, and perhaps the loss of all to 100,000 policyholders, that it would be a force which even the Government itself had to reckon with. So that the Government itself would not pay attention to the demands of the Insurance Department.

Although the evil became worse and worse, the Insurance Department made what he thought was a very brilliant arrangement and the policyholders were fully secured. The Metropolitan Life were induced, by an arrangement which stretched the law as far as it could be stretched, to become creditors for the reserves. The danger and the loss to the policyholders was averted. Yet they felt that the carriage had gone too close to the edge of the precipice and something had to be done to prevent a repetition. The situation was complicated by the fact that there was only one Canadian company doing industrial business. If the Union had been an ordinary company, plenty of the Canadian companies could have stepped in and saved the situation. We had always been able to boast that no policyholder ever lost a cent by the failure of a Canadian company. But it looked as if that record were in danger till the Metropolitan saved the situation.

DETAILS OF AMENDMENT.

Therefore it was proposed to amend the law, bearing in mind what those difficulties were. They felt, firstly, that the Insurance Department should have more power. They thought the Department should have power to stop any company going as far as the Union Life. It wanted power to say: "You must do such and such," and if it didn't, then to step in and sell the company. At present, in case of trouble, the company may be given a monthly license to transact renewal business only. It cannot do new business. But at the end of the month the company has a further 30 days before the Department can step in. The new clause cuts out that 30 days. That provision is admirable.

RE-INSURANCE NOT REALIZATION.

Again, under the past Act, if the company becomes insolvent, the present course is to realize the assets and distribute them amongst all policyholders in proportion. There are serious objections to this course.

It means great delay. The assets may take years to realize. Besides it is expensive. A large portion of the assets goes to lawyers. Then it is not fair. The claims of two similar policies of the same kind are not necessarily the same, although both may have been effected at the same time and on the same plan. One policyholder may have developed a disease, whilst the other is in robust health. To say to one man, "You are in bad health. We can give your widow, say, \$300 instead of \$500 a year after your death," is unfair. All plans of dividing assets in that way, therefore, are wrong. But the new Act provides for all, not by distributing assets, but by reinsuring. It makes the Superintendent of Insurance the liquidator, and so we have one of the best methods of dealing with a company in trouble. If the assets are inadequate, all the policies may be scaled down subject to a ruling of the courts.

ALL POLICYHOLDERS ON EQUAL FOOTING.

But that is unlikely to happen, because as a going concern the business is worth something more than the assets alone. There is its good will. A company taking the business is willing to allow something for good will and save the company from ever getting down so low that the policyholders would have to lose. That is a most valuable improvement and a great advance on anything we have had. Another point. Take the case of a policy in such a company where the insured is in the United States or abroad. The Act was made to say that Canadian policyholders should have prior lien. But the life managers made so much objection to that, that the clause was waived and the Insurance Department will now act for all policyholders alike and act for the Canadian policyholders in any company which fails outside Canada.

A QUESTION OF CONTRACTS.

Now come to the National Agency contract with the Union Life. We thought it wise to prohibit such a contract altogether. That contract had thirteen years yet to run. It had entire control of the Union Life. The Act provides that with contracts of any kind, that if the company fails that such contract shall cease and be limited to three months' further indemnity. Every company in future must require that its contracts shall be determined by three months' notice, and that if it does not do that the claim under the contract is limited to three months in case of insolvency. But this does not apply to the rights of agency contracts for renewal commissions.

PROMOTION EXPENSES.

Then take commission on stock. It cost the Union 30 per cent. of capital to get their stock placed. The Department wished to prohibit commission on stock altogether. If a company is promoted on right lines it could get its capital without expense. They compromised on this question that the laws in the Bank Act should be included word for word. If any promoter wishes to get fresh capital, he shall not be allowed to pay any part of it out in expenses except for clerical expenses, travelling and other minor details which he has to submit to the Treasury Board. If these are reasonable, the Board will give the company a license. If not, the capital has to be returned to the stockholders. Then as to advertising capital stock, a clause was inserted requiring that no statement of authorized capital should be made without giving the amounts subscribed and paid up. If a