Monetary Times

Trade Review and Insurance Chronicle

of Canada

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PRUNING BOND SECURITY

As history seems to be repeating itself in spheres where bonds are made, bought, sold, and held, there is some excuse for *The Monetary Times* repeating its views as to the old-time idea of a bond and the new-fangled trimmings which some modern financiers are too much inclined to introduce to bonds as a group. The holders of six per cent. first mortgage sinking fund gold bonds of the Spanish River Pulp and Paper Mills, Limited, will be asked on December 23rd to pass, among others, the following resolutions:—

1. Sanctioning and assenting to certain proposed modifications or alterations of the rights of the holders of the six per cent. first mortgage sinking fund gold bonds of the company against the company and against its property and of the provisions contained in the said trust deeds for the purpose of postponing the payment of the interest on the said bonds falling due in the years 1915 and 1916 until the 1st day of October, 1922, or until previously thereto the company shall give six calendar months' notice of its intention to pay the same and of cancelling for a period not exceeding five years commencing with the year 1914 the operation of the provisions contained in the said trust deed and the said supplemental trust deed of the 2nd day of October, 1911, relating to the formation of a sinking fund for the redemption of the said bonds and otherwise as expressed in the draft supplemental trust deed referred to in the next following resolution.

2. Authorizing Montreal Trust Company as such trustees as aforesaid to concur in and execute a supplemental trust deed embodying such modifications in the terms of the draft which will be submitted to the meeting.

Somewhat similar plans are proposed in the case of the Lake Superior and the Ontario Pulp and Paper companies. This sort of thing is poor financing and it hurts Canadian credit. Every time Canadian credit is hurt it damages the prospects of Canadian borrowings in London and besmirches Canada's name generally in the money markets.

Sixteen months ago, a similar plan was proposed by another company and *The Monetary Times* remarked that "When is a bond not a bond?" would become a popular vaudeville question in Canada if some of our financiers continued to indulge in financial novelties. Instances have been too numerous in recent years wherein a company's bond has proved a poor thing, indeed. Investors are taught to regard the average bond as an investment giving a fair interest return with the maximum amount of safety. Reorganizations of certain Canadian companies have done much to blast that idea, which happily was becoming well established.

A holder of Canadian bonds should know that he has a security which cannot be swept away at the whim or in the troublous times of company promoters, reorganizers and financiers. The sooner we get back to the old English idea that a bond is an investment surrounded with a fence of financial purity, and live up to that idea, the better will it be for Canadian credit.

Another matter which bondholders must give attention, as *The Monetary Times* has pointed out previously, is the recent innovation of those who draft trust deeds, giving facilities in the trust deed for complete control by the majority of bondholders over the mortgage, which is security common both to the majority and minority. If this practice spreads, minority bondholders' rights will not be worth a tinker's expletive.

The city of Montreal has decided to dismiss 37 fire inspectors, in order to economize. The logical sequel is for the insurance companies to raise Montreal's fire insurance rates.

TAXING LIFE INSURANCE

When every holder of a life insurance policy knows more of the taxes he pays upon his premiums, the governments concerned will likely seek a new form of taxation. The provincial treasurer of Ontario is already familiar with the strong moral arguments of the companies on behalf of their policyholders. As they have pointed out to him, the companies do not seek to avoid their fair share of responsibility in the matter of governmental taxation, but protest against the burden imposed upon them, which they regard as excessive and relatively much greater than that imposed upon other classes of corporations.

All insurance is based upon the principle of indemnity and is for the protection against loss of interest in acquired property or of persons against the customary vicissitudes of life. It does not create any wealth. It simply distributes loss. It is the taking of small portions of existing property and combining the aggregate contributions of the many to prevent individual loss or destitution.

Life insurance companies are not, except to a limited degree, profit-making concerns. They do not enjoy any special privileges from the state. They are a means simply of co-operation for the purpose of enabling the individual to distribute the cost of providing for those by law and by nature dependent upon him for support or of the accumulation of a fund for old age. A tax upon life