

large banks maintain the bulk of their cash reserves? How the matter stands in that respect can perhaps best be illustrated by a statement made to the writer by one of the officers close to the head of the Montreal branch of one of the largest Toronto banks. He said his bank habitually carried a larger part of its cash in Montreal though its head office was in Toronto. The reason was because Montreal was the real financial centre. The best market for sterling, for New York exchange, is in Montreal. A greater reserve of specie and legals is maintained here. So long as that is the case, so long as it is to Montreal that all the bankers look when grave trouble threatens, as it threatened in the Ontario Bank episode, it will be difficult to prove that Toronto has wrested the financial supremacy from this city.

REFORMING INDIANA.

The rightful extent of government regulation of insurance companies is scarcely a matter for stating in terms of a fixed general principle. The old truism that circumstances alter cases holds nowhere more surely. Commercial practices and financial methods, with the political and legal conditions of any state or country, must affect insurance affairs directly or indirectly. And it may well happen that a government attitude which might be wise in one country would be most ill-advised in another. While, without doubt, British life insurance affairs have developed far fewer abuses than those of the United States, it would be the height of absurdity to apply unchanged the governmental methods that obtain in the old land to the insurance business of the new. And, coming nearer home, it is well to keep in mind that, necessary or not as recent New York legislation may prove to have been, the applicability of similar measures to Canadian conditions should never be taken for granted—but should be subjected to closest scrutiny of all facts and bearings.

The recently elected governors of the various States of the Union have this year given large prominence to insurance affairs in their formal messages. In fact the gubernatorial grist that has been pouring into the legislative mills is not unlikely to clog state machinery in more instances than one. Some of the new laws proposed seem as ludicrous as they will prove irksome. Many are demagogic inventions of popularity-seeking politicians. Yet some proposals made must be reckoned with as earnest, if not always happy, attempts at bettering conditions which are far from perfect. To Canadians, with a bias not unreasonable towards the non-interference methods obtaining in Great Britain, such aggressive paternalism in insurance reform is not pleasing. And perish the thought that Canada should follow suit!

But there are doubtless conditions where drastic paternalism in insurance matters has more excuse than it would have in Canada. Take for instance the State of Indiana. In the past its name has "smelled to heaven" through its association with almost every known variety of life insurance "schemes," such as commuted premium and predated policies, special contracts, state board memberships, agency companies' stock certificates, and so forth. Indeed, Indiana had come to be looked upon as the right and natural manufactory for all the glittering "frills" with which over-ambitious young companies might bedeck their contracts. Happily all this is to be changed if Governor Hanley's message to the state legislature is followed by definite action. No one who reads the report which the investigating committee made to the Governor recently, can believe otherwise than that those upon it have sincerely aimed at bettering insurance conditions in the State.

The consulting actuary associated with the committee has been Mr. Walter C. Wright, of New York, whose own stated position in the matter has been the sound one of seeking primarily to place "life insurance computations on an equitable basis by statutory requirement," but who deprecates such business limitations as would prove unduly arbitrary, holding that competition when not thwarted by unreasonable and conflicting practices may be "relied upon to make life insurance as regular and economical as it should be."

Reading in detail the legislation recommended for Indiana, one inclines to the view that some of the regulations proposed by the Governor go beyond the sound principles laid down by the consulting actuary. But again it must be borne in mind that a malady long unchecked requires more severe remedies than a condition attended to before it becomes acutely abnormal. The Governor is to be heartily commended in his urging that an adequate insurance department be formed, distinct from the auditor's office under which it has hitherto been a neglected sub-department. His opposition to preliminary term insurance as now practiced, special contracts of the "board" type, commuted premium policies and agency companies, is also praiseworthy. But the arbitrary limitation of salaries to \$10,000 and the sweeping away of deferred dividends are proposals whose wisdom is, to say the least, seriously open to question.

The most important recommendations of Mr. Wright to the investigating committee deal with apportionment, provision for, limitation and regulation of expenses. It is recommended that on and after January 1, 1908, all policies issued shall be chargeable with equitable shares of investment and insurance expenses. Premiums accordingly shall be so computed as to provide for insurance