

gree, and eminently safe it is sufficiently elastic to control with remarkable evenness and regularity the supply and demand of money throughout the entire Dominion. This is effected through a system of branches, by which the banks conduct their business even at great distances from their head offices, and are kept constantly informed by competent managers or agents at such branches of the conditions of local trade and credit and the demand for money.

The legislative control of banks being under the Parliament of Canada, charters are granted by that body only, and all regulations and requirements emanate from the same power. One of these regulations I would refer to in particular as an important safeguard to the public is the limitation of the note circulation of each bank, which, in all cases, must not exceed the existing paid-up capital. The legal note circulation of the bank is guaranteed by the "Bank Circulation and Redemption Fund," which is created by the different banks contributing unitedly in the proportion of 5 per cent. of the note circulation of each, and which is held in trust by the Government, so that in case of the failure of a bank this fund becomes immediately available for the purpose of redeeming the notes in circulation.

At December 31, 1902, there were 34 Canadian banks doing business in Canada, with over 700 branches established at the most important points throughout the Provinces of Ontario, Quebec, Manitoba, British Columbia, New Brunswick, Nova Scotia, Prince Edward Island, and the North West Territories of Saskatchewan, Alberta and Assiniboia. The business transacted by many of these branches, in volume and influence, equals the business transacted by many individual banks in countries where the head or one-office system of conducting the business is the rule.

INVESTMENTS AND INTEREST RATES.

Without the aid of interest, a Life Insurance Company would require to receive premiums equal to the sums insured, therefore Life Companies fixing their premiums on the basis of contributions from interest must have due consideration for investments that will yield a sufficient rate to ensure their obligations being honoured at maturity. As the security surrounding the investment is of equal importance in Canada as elsewhere, the rate of interest is largely regulated by the certainty of the earning power that determines the level of value. The grade of the investment or its value is regulated by the certainty of the employment of the principal. In the earlier charters granted to Life Companies in Canada the limitation of investments was very broad, but in recent years the charters granted have not contained powers to the same extent, the Government retaining the right of determining the securities a Life Company may invest in, under the Insurance Act. Such restrictions, however, do not affect the charters granted to the earlier Canadian Companies or foreign Companies operating in Canada.

The average rate of interest earned by Life Companies on their investments in Canada in the year 1901 was 4.34 per cent. This includes all classes of securities in which the Companies made investments, the rate varying from 6 per cent on loans on policies to $3\frac{1}{2}$ per cent. on Government bonds. With but few exceptions, the securities offered for public investment by established corporations and municipalities are, comparatively speaking, of a high order, even although a large portion of the country, and many of its great industries, are yet only in a stage of early development, and values are but a fraction of what they must ultimately reach. Canada offers exceptional opportunities for the investment of Life Insurance Companies' funds on good security at a paying rate of interest.

COST OF NEW BUSINESS.

Having briefly considered a few of the conditions which affect Life Insurance in Canada, I will now refer briefly to

the cost of new business. It is well known to every responsible officer of a Life Insurance Company that too high a cost is being paid for new business, and that this condition has been brought about by excessive competition and the attendant evil of rebating. It will be out of place for me to hint at whose door the fault lies, and it is not my purpose to do so. As a first step towards a remedy, may I ask what Company is willing to go back to first principles and pay for new business only, the loading on the premium and nothing more? A smaller business would be secured, but although smaller, it would yield more profit to the Company than under the present high pressure methods. It is a fact that the cost of new business in Canada at the present time is three times greater for the first year of assurance than the loading on the annual premium provides. This is the result of the excessive energy for business, and cannot be healthful. Lack of persistence in the business which is secured by overpressure, throws too great a proportion of the cost on the business that is continued; besides, a depreciation in the value of selection takes effect much earlier under high pressure business than under business that has not been forced, and which has some persistence, and under which such adverse selection does not take place so early.

A baneful element which is responsible for much of the early lapsing of policies, and the consequent loss to both Companies and policyholders is the individual in the business, sometimes bearing the respectable title of agent or broker, sometimes connected with a reputable Company—often to the Company's discredit. His work, however, is better understood under the title of "Twister," as representative of his methods. He is the villain of the business. You cannot recognize him by his dress or manners; often he looks respectable. You will hear him discuss religion, morals and politics; he will even exhort at prayer meetings and preach in the meeting house on Sunday; but on Monday he turns his coat and resumes his disreputable occupation. He is an evil attachment to the business. His occupation is deceiving policyholders, and inducing them to change from one Company to another, and always to the one he is then representing.

RAILWAY, MINERAL AND AGRICULTURAL DEVELOPMENT.

I would briefly refer here to the development of our railway mineral and agricultural interests by comparison of their extent in 1901 with certain earlier dates. In 1857 there were 2,087 miles of railway in operation, while in 1901 there were 18,324 miles, with an extensive construction now under way by the Canadian Northern, which, when completed, will have connections extending across the continent. The Grand Trunk Pacific Railway are also projecting a line to parallel the Canadian Pacific and the Canadian Northern Railways, also with connections across the continent, which is expected to be completed within the next five or six years. The earnings of Canadian railroads have wonderfully increased in the last few years, which is a consequent result of the great increase in the productions of the country. Canada is rapidly becoming well supplied with railway facilities.

The mineral wealth of Canada has now reached enormous values. In 1889 the output of non-metallic minerals was valued at \$10,762,614. In 1901 the value reached \$26,582,333. The metallic minerals produced in 1889 were worth \$3,251,299, while in 1901 their value for that year reached the enormous value of \$42,824,698.

In considering the agricultural products, I shall refer only to cereals. In 1871 Canada produced 75,447,572 bushels, and in 1901, 286,660,313, or close on an increase of 400 per cent. While these figures show extraordinary development of the natural wealth of the country, it is believed by those fully competent to judge that they give but a limited conception of what the country is capable of producing.