

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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BRANTFORD LIFE UNDERWRITERS

In Brantford, Ontario, a life insurance agent was accused of deliberate misrepresentation of life insurance policies. The allegation was that he had misrepresented several policies and had sold twenty pay life contracts for twenty-year endowment policies. The Brantford Life Underwriters' Association took up the matter, obtained a number of affidavits supporting the charges and reported the case to the grievance committee of the Dominion Life Underwriters' Association, the parent body. The chairman of that committee was, to use his words, "so convinced in his own mind" that the complainant's charges were not sustained "that he did not submit the case to the other members of the grievance committee."

The members of the Brantford association at the annual convention of the Dominion association last week, raised this question and it was apparent that they felt considerable dissatisfaction, and properly so, at the way in which this case had been handled. Unfortunately there were no strong advocates of the Brantford case at the convention such as there were when the Hamilton rebate incident was raised at the Toronto convention last year. Sufficient was said, however, to have the Brantford case referred back to the grievance committee for consideration of the full committee.

The Monetary Times thinks that the Brantford Life Underwriters' Association has just cause for complaint, if only because of the action of the grievance committee's chairman, action which he must have known in this particular case especially, would have led to adverse criticism. Again, the Brantford association believed they had thoroughly proven misrepresentation. They took great care in marshalling their facts and in obtaining the necessary affidavits. The fact that an equal number of affidavits was obtained by the defence, documents which, we understand, were more of a general nature than relating to the specific case, does not change the position.

The Dominion Life Underwriters' Association should be more fully alive to the opinions of their rank and file in these matters. The members of the Association who have been lectured without end as to the ethics, morals and righteousness of the life insurance business, expect their officers to exhibit a little backbone when dealing with such matters as rebates, switching and misrepresentation. Unless the Dominion association drops its policy of pussy-footing in these matters, resignations will take the place of sarcastic criticism. The Dominion Life Underwriters' Association must practise what it preaches if it desires to live.

WESTERN CANADA'S REFUNDING PLAN

The offering in New York this week of \$1,000,000 of Manitoba's and \$1,000,000 of Saskatchewan's ten-year bonds, is apparently made in connection with the scheme for retiring certain Canadian debts in London and refunding them in New York. Part of the present issues in New York are 4½s and part are 5s. The price of the 4½s is, we understand, 93½ less ¼ of 1 per cent. This financing, therefore, is done on approximately a 5¾ per cent. basis.

Much has been heard as to the large saving to be effected by purchasing the securities in London and reselling in New York, but unless there are some factors of which the general bond market is not cognizant, it is difficult to see that the saving will be substantial, even if there is any at all. The Western borrowers are paying 80 and interest for the securities which are being mobilized in London. Taking into consideration the profit in exchange, less the shipping and insurance charges, the purchase price would be reduced to about 78½, which is approximately a 5¾ per cent. basis. Without considering the suggestion heard in some quarters that a higher price than 80 has recently had to be paid in London for the bonds, these figures indicate that the securities are being sold to the investor on exactly the same basis at which they are being bought in London, namely 5¾ per cent., only in the case of the sale in the United States, that figure makes no allowance for expenses, which we understand are in the neighborhood of 2½ per cent. The question of saving, therefore, seems to come down to the possibility of again refunding, in London, at a lower basis, say, at the end of ten years. It is difficult to understand why the new bonds should have been offered so cheaply, as the basis is substantially lower than the current New York quotations. This is emphasized by the new offering of Greater Winnipeg Water District bonds in New York on a 5¼ per cent. basis, as compared with 5¾ per cent. for the Manitoba and Saskatchewan issues.

Advices from London seem to indicate that it is unlikely that the large holders of these Western securities in the United Kingdom will sell at the price mentioned, 80 and interest, because such a sale necessitates the burden of a very heavy capital loss and it is difficult, if not impossible, to reinvest the proceeds to any better advantage. While there are available government securities yielding 6 per cent., these are short-term issues and cannot therefore be considered in this connection. The talk of many millions of Canadian securities, now in London, coming on the New York market during the next few months should be accepted with reserve, in fact present indications are that the total amount will be relatively small. Unfortunately these rumors have already disturbed conditions in the New York market so far as Canadian securities are concerned, the inference being that "bargains" will soon be on the counter,—in the opinion of The Monetary Times an unwarranted conclusion.