

*Re* PROPOSED INSURANCE ACT.

As regards the Act in question, subsection 6 of section 42 fixes the basis of valuation of industrial policies and expressly specifies that subsections 3 and 5 shall not apply thereto.

Section 53 deals with the limitations of expenses, restricting the companies to the loadings on the premiums plus the amount of the deduction from the valuation of the company's policies which may be made in pursuance of subsection 3 of section 42. As it is expressly declared that subsection 3 of section 42 shall not apply to industrial insurance, and no deduction from the valuation of its policies may be made by an industrial company, it would seem that all the leeway an industrial company would have for expenses would be the loadings on its industrial premiums.

From the statement herewith it is quite clear that an industrial company cannot be conducted as cheaply as an ordinary company, and yet in the face of this fact the Act would deprive such a company of one of the two allowances granted an ordinary company. I cannot think that this was really intended to so apply but rather that the exclusion of the industrial companies from the additional allowance over the loadings, in like manner as ordinary companies, was merely an oversight, and that the necessary correction will be made in any event if the Bill is not further amended as hereinafter suggested.

At a meeting of the Canadian Life Insurance Officers' Association held in Ottawa last week, it was unanimously agreed that the business of industrial insurance should be wholly exempted from the limitation of expense provisions of the Act in question, in like manner as was done in the Armstrong Bill in New York and a later Bill passed by the State of Wisconsin. Mr. W. C. Macdonald spoke of this before the committee and presented the recommendation of the association to this effect.

If Section 53 of the proposed Bill becomes law as it now stands there is not an Industrial Company doing business and coming under the provisions of the Act that could possibly hope to continue to transact this class of insurance and comply therewith. Even if additional allowance under Section 42-3 were made applicable, there would still be a large shortage in the amount required to conduct the business with anything like reasonable efficiency, particularly in the case of a moderate sized company.

That the business of Industrial Insurance in Canada is being conducted with a good deal of regard for economy in the case of the Metropolitan and the London Life is evidenced by the fact that the ratio of expense to premium income compares very favourably with the like ratio of the English Companies. When consideration is given to the much more favourable conditions as to population etc. in England than in Canada, the comparison is even more in favour of the Canadian business.

To restrict the Industrial Companies as is proposed can only result in demoralization of the business or the putting up of rates (or corresponding reduction in benefits) so as to give the requisite margin for expenses. It should not be the policy of the Government to compel companies to charge higher premiums or give smaller benefits than they are giving and will continue to give if allowed to transact their business as heretofore. For these and many other reasons which might be given it is hoped the committee will see their way clear to exempt Industrial Insurance from the limitation of the expense provisions of Section 53 of the proposed Bill.

Yours truly,

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*Manager.*