

Now, if that takes place your only cushion against your lowering purchasing power of the dollar is in equities, and if your insurance companies are held down to the 15 per cent in equities, do you not think they are likely to be adversely affected if the conditions which are apparently causing considerable worry take place?—A. I would make two comments on that question, sir. First, the present limit is 15 per cent on common shares, but the over-all average of the investments of our Canadian life insurance companies in common shares at the present time is about 3 per cent, so that they are far away from the limit in the Act now.

With reference to preferred shares, there is no limit in the Act and the over-all average is between 2 and 3 per cent, so that I think there is hardly any need at the present time to consider any alteration of the limit under the Act now as respects common shares.

The second comment I would make is that the liabilities of our Canadian life insurance companies are monetary debts against which assets are usually held in the same currency. While they have large funds in their hands, the security of those funds is the first essential. They have not unduly large surplus funds. I do not mean to suggest by that that they are not large enough, but they are certainly not too large, and investments in any form of equity, as you undoubtedly know, sir, are subject to substantial fluctuation; if the proportions of our insurance companies' funds invested in equities, whether common or preferred, were increased, then they would have to maintain larger surplus funds as a buffer against possible fluctuations.

It boils down pretty much to whether life insurance companies can afford to take those risks. We think they cannot except in a very small degree in equities of any kind.

You made reference to the U.S.A. I may say there that New York state is perhaps the most important insurance state in the union. Companies there are not permitted to invest in common shares at all and a committee earlier this spring gave considerable attention to widening their investment powers. One suggestion was to permit 1 per cent, but no action was taken even on that proposal.

*By Mr. Hellyer:*

Q. Does the same rule apply to British companies?—A. We do not attempt to legislate with respect to the investing powers of British companies. We merely prescribe the kinds of investments that they may trustee here for the protection of their Canadian policy holders.

Q. What is the limit of their investment in common shares?—A. They may trustee in Canada, against liabilities of Canadian policy holders up to 15 per cent.

Q. What is their own limit on common shares?—A. There is no limit. Their investment powers are practically unlimited.

Mr. ADAMSON: They can invest in any type of security whatsoever.

Mr. MACNAUGHTON: May I pursue this a little further? Is the import of your question that the percentage should be increased?

Mr. ADAMSON: Well, I was asking for Mr. MacGregor's opinion on that. The import, I would think, would be to increase it, because I feel that with the constantly expanding and constant inflationary pressure which the economy of this country and the United States is certainly under, that equities averaged over the next period of years are probably the most secure form of investment. Of course, I am merely speaking as an individual and I was asking the experts their opinions. Their opinion is no.