Summary of the Principal Provisions Contained in the New Government Insurance Bill (*Continued*).

VALUATION OF POLICIES.—*Continued.*

ever, to be diminished each year by an equal proportion so that upon the payment of the fifth annual premium, the value of the policy shall be the value as ascertained in accordance with the regular valuation method.

INVESTMENTS.

All life companies are to have same powers of investment.

Aside from the class of securities receivable as a deposit by the Treasury, the companies may invest in municipal and school bonds in Canada, in life insurance and annuity contracts, and in other stocks and bonds on the following conditions: the bonds must be outstanding for five years, must be secured by real estate and other assets of a market value of at least 25 p. c. in excess of the bonds, and there must have been no default in these bonds for a period of five years. Debentures desired as securities must also have been outstanding seven years without default. Preferred stock must have paid a dividend of 5 p. c. for at least seven years, and common stock 5 p. c. for at least ten years.

To provide against the creation of subsidiary companies, the bill stipulates that not more than 20 p. c. of the total issues of the bonds, debentures and stocks shall be purchased by any life insurance company. Nor is underwriting of securities permitted.

Companies may lend money on securities as above, and on real estate, provided no such loans shall exceed 60 p.c. of the value of the real estate or interest thereon, which forms securities for such loans.

In regard to foreign securities, the Treasury Board has, under the bill, the power to refuse or accept them. The total amount invested on or loaned upon securities other than Canadian securities by any such company shall not exceed by more than 20 p. c. the reserve or re-insurance value of its policies other than Canadian policies calculated upon the basis of valuation adopted by such companies.

Five years, or six at most, are to be allowed for disposing of securities made non-permissable by the new Act.

EXPENSES OF BUSINESS.

Officials at the head offices of the companies will not be permitted to receive commissions in any shape or form. No salary of $5,000 or up will be paid without being specifically voted by the Board of Directors, and no salary agreement may be made for a period exceeding five years.

Rate of agents' compensation is to be fixed in advance, bonuses and special rewards being prohibited. No loan or advance without adequate security, shall be made to any person, or firm soliciting for insurance; nor shall any such loan or advance be made upon the security of commissions or other compensation to be earned by the borrower, except advances against compensation for the first year of insurance. This section shall not apply to expenses incurred in the business of industrial insurance.

Companies are not allowed to expend on new business (including medical examination expenses) an amount exceeding in the aggregate the total loadings upon the premiums for the first year of insurance received in the calendar year, taking into account the amount of deduction from the valuation of the company's policies which may be made in pursuance of subsection 3 of section 42 of the Act.

Pensions may be paid to retired officers out of a fund instituted with consent of shareholders and policyholders.

REBATING.

Rebating, direct or indirect is prohibited, and each and every person violating the provision of the Act in this regard shall for a first offence be liable to a penalty of double the amount of the annual premium involved, but in no case shall such penalty be less than one hundred dollars, and for a second or subsequent offence such person shall be liable to a penalty of double the amount of

Synopsis of: (A) Existing Insurance Act, (B) Life Officers' Memorial to Royal Commission, (C) Commissioners' Draft Bill (*Continued*).

VALUATION OF POLICIES.—*Continued.*

tioned date, shall until the first day of January, one thousand nine hundred and fifteen, be based on a rate of interest of four per cent. per annum; and on and after the first day of January, one thousand nine hundred and fifteen, be based on a rate of interest of three and one-half per cent. per annum.

(B) The Life Officers' recommendation, as to valuation of new policies was substantially adopted by the Commission.

(C) And this, with little more than verbal modification, is embodied in the new bill.

INVESTMENTS.

(A) In addition to Dominion, British and United States Government securities, and Canadian municipal securities, a wide range of debentures, bonds and stocks is permitted as life company investments—with the restriction in some cases, as to dividends having been paid for two years prior to date of purchase. Loans may be made on life insurance policies, real estate and any other securities permitted for investment.

The amount invested in a foreign country shall not at any time exceed by over ten per cent. the reserve on policies in force in that country.

(B) The Life Officers asked for less restriction in the limiting of investments to Canadian securities, or to certain classes of corporations—suggesting that the test for debentures and stocks be uninterrupted payment of interest or dividends for three years preceding purchase of securities.

(C) The Commission's recommendation differed from the new Act chiefly in limiting all investment in stocks (other than Government and municipal) to those of chartered banks. Bonds and debentures were to be permissible where a corporation had earned and paid regular dividends upon ordinary preferred or guaranteed stock for two years. It was recommended that no transaction by way of purchase, sale, or loan, could take place with any corporation in which any officer or director of a life company was a shareholder. The excess of foreign investments over foreign reserves in any country was to be limited to 10 per cent.

EXPENSES OF BUSINESS.

(A) The Existing Act places no specific restrictions upon expenses of new business or management.

(B) The Life Officers suggested provision for expenses of getting new business, in the valuation method recommended (as noted above). No restriction was mentioned, however—publicity being looked to, as affording any needed correction.

(C) The Commission's recommendations are followed in the main, by the proposed bill, but are modified in some respects; notably as regards the draft bill's prohibition of pensions, and its limiting salary agreements to three years.

REBATING.

(A) The existing law is silent on this point.

(B) The Life Officers desired legislation to check the practice.

(C) The Commission's recommendation was palpably unworkable, consisting as it did in a fine of $1,000 upon directors and managers of companies, whose agents were shown to have given rebates—whether, or no, the directors were directly or indirectly to blame in any respect.