

The Reserve Fund Assets of the Sun Life Assurance Company of Canada

IF any one factor has contributed more largely than another to the phenomenal growth and present commanding position of the Sun Life Assurance Company of Canada, that factor is the skill and enterprise characterizing the financial management of the Company. The success which has attended the Company's investments has been so pronounced as to place the Sun Life of Canada in a truly unique position.

Bonds and preferred stocks of public utility and other corporations can, as a rule, be purchased by the general public only at a price which includes not merely the original cost but a more or less heavy addition of profit to the "underwriters" or the banking or brokerage firm which brought out the issue. While the Company was small, the management had no option but to pay tribute in this way like other purchasers of bonds of small amount. But when the Sun Life of Canada had become one of the largest and wealthiest corporations of the Dominion with millions of dollars to invest yearly, the management considered that the time had arrived when it was possible and right that the profits of the middleman should, so far as practicable, be cut out by purchasing direct from the issuing corporations. As a result of this policy, the Company saved for itself and its policyholders the underwriting profits and the cash commissions or bonuses of common stocks, or both, usually received by "underwriters" on such large transactions.

The result of the wisdom and foresight in the Company's financial management are revealed in a special foot-note on page 368 of the Report of the Dominion Superintendent of Insurance for 1914, in which is tabulated a list of fifteen "Contingent Fund Securities" amounting to a par value of \$11,849,400, and constituting the "Contingent", or "Reserve Fund", Assets of the Sun Life of Canada. Though they are regularly checked and audited by the government, the Company takes no credit for them in its published reports, holding them as entirely separate and distinct resources over and above the Assets of \$55,726,347

claimed by the Company in its official balance sheet of December 31st last. Most of these Contingent Fund Securities were obtained as bonuses with direct purchases of bonds. Most of them cost the Company and its policyholders nothing, but for book-keeping purposes they are entered in the Company's books at the nominal value of one cent per share. They are regularly checked by the Company's auditors and by the officials of the Insurance Department in precisely the same way as the Company's other securities.

The par value of these Reserve Fund Securities is \$11,849,400; what is their *actual* value?

In September last, a full month after the outbreak of war, the official examiners of the Insurance Department of the State of Michigan acting jointly with officials from the staff of the Insurance Department of the State of New York made an exhaustive examination of the Company's affairs, occupying several weeks. In their special report on the Company's condition they add to its published Assets the sum of \$5,221,622 as a fair valuation of some only of the items in the Company's Contingent Account! This is the official opinion of these independent government experts.

About sixty-two per cent. of the stocks in this Account are already dividend paying and there is every prospect that with the passing years the revenue from this source will steadily increase and assume very large proportions.

It is doubted if any other life company in the world possesses a Reserve Fund of such dimensions and value. What it means to our policyholders is obvious. We have at present about 100,000 participating policyholders, so that the valuation of these securities is already equal to over \$50 for each one. This sum will not, of course, be paid out, but it is in hand as a guarantee of additional safety and as a source from which our policyholders will derive additional profit.

Is it to be wondered at that the policyholders of the Sun Life of Canada are so enthusiastic in its praise?