

have all along been open to the public. Any one who turns to the Insurance Blue Book for 1904 will find on page 369, in the Company's annual statement, under the heading of "Synopsis of the Ledger Accounts," the whole transaction clearly set forth in unmistakable language.

SUPPOSED SALE OF
ILLINOIS TRACTION STOCK
TO DIRECTORS.

This is a mare's nest. There was no such sale as supposed at all. The facts are as follows: In December, 1904, the Company had an opportunity to buy \$580,000 of this stock on very favorable terms, the proceeds to be paid in bonds. The Company already owned a very large amount of this same stock, and it was not thought desirable to materially increase its holding, even though the terms were attractive. Some of the directors had expressed a desire to take a portion of the stock on precisely the same terms as the Company, and it was understood that the block should be divided. By error, however, the directors were not told when the transaction was about to be completed, and the Company took up not merely its own share, but that of the directors. This was on December 31, 1904. The error was discovered within a few days and was immediately corrected by the directors taking from the Company their shares, and merely reversing the entries. This was not a sale, but a mere correction of an error, which had inadvertently been made a few days previously. It did not involve any question of either profit or loss to the Company. These facts are not disputed, but on the contrary, were clearly stated by Mr. Blackadar in his evidence. No injury whatever accrued to the Company, which had merely parted with some of its bonds for a few days, holding the stock thereof for that time. Absolutely no change whatever took place during those days in the value of the stock. As far as known not one share of stock had been sold in the interval, and no development of any kind had occurred. Of the \$580,000 of stock \$223,100 was taken by the directors and \$356,900 remained with the Company. In extenuation of this error, it should be remembered that it happened on December 31, when the staff are more busy than on any other day of the year. We emphatically reiterate that the entry was a mere correction of a mistake, and nothing else, and that the directors derived absolutely no advantage beyond what they would have received had they taken up their stock ten days previously, as intended.

It must also be remembered that just at the time the Company was being criticised by the Insurance Department for holding too large an amount of American securities, and was endeavoring to reduce the volume of such holdings in order to comply with the law.

INACTIVE ASSETS.

We have been reproached with having "silent assets," or bonus stocks. We certainly have them, and are very proud of having them, and our policyholders also should be remarkably well satisfied that we have them. Their possession merely shows that we occupy a vastly stronger position than we have ever publicly claimed.

While these inactive assets have not been advertised or included in our published lists, no secret had been made of their existence, and Mr. Blackader testified that detailed lists had been furnished to him both last year and this year, and that these securities had been checked exactly as the other securities of the Company. He produced statements of these securities which had been furnished by the Company to the department. He admitted that to the extent of their value the Company was that much better off than it claimed to be, and that a valuation of this contingent fund made for the department by the Company in November last amounted to \$1,968,000. The par value of the securities exceeds \$5,000,000.

STRENGTH OF THE COMPANY.

In the year 1905 the profit made by the Company from all sources amounted to \$1,344,371.80. Of this amount, \$166,541 was paid to policyholders whose policies were entitled to participation in that year. Of the balance, \$616,541.33 was set aside to complete the placing of all reserves on the three and one-half per cent. basis and \$561,252.50 was added to the published surplus, bringing the total surplus claimed up to \$1,735,698.59 over all liabilities and capital stock, even on this severe standard of valuation. The evidence before the Commission has now brought out that even these figures, splendid though they are, tell but part of the story, for the Company is really about two million dollars better off than even it claimed to be.

This highly prosperous condition has already benefited our policyholders both as regards security and profitableness. The large surplus makes the Company one of the most powerful financial corporations on the continent in proportion to its size, and when to this we add the two millions of inactive securities it is seen to be a veritable tower of strength. In regard to