

VALUATION OF ASSETS OF THE SUN LIFE OF CANADA

"It is apparent that the Company's financial condition is better than that set forth in the annual statement to the Department."—*Special Report on Examination of the Sun Life of Canada conducted by the Insurance Department of the State of Michigan.*

A FEW months ago and subsequent to the outbreak of war, eight official Examiners of the Insurance Department of the State of Michigan, assisted by two officials of the Insurance Department of the State of New York, conducted an exhaustive examination of the affairs of the Sun Life of Canada lasting several weeks, and embodied the results of their investigation in a recent Report to the Michigan Insurance Department.

The conclusions arrived at by these independent government experts throw a bright, white light both upon the skill exercised by the management in the investment of Sun Life of Canada funds and upon their unusual conservatism in the vital matter of the valuation of the Company's assets.

At the time with which the Special Report deals, the Company in its published reports claimed assets valued at \$55,726,347. These independent government experts valued them at no less than \$61,568,539—increasing the valuation of the Company's stocks and bonds by \$582,638, adding \$178,320 to its real estate account and claiming, moreover, that the Company should officially take credit for some of its "Reserve Fund" or "Unlisted" assets which, in the opinion of the Examiners, were worth \$5,221,622.

The bonds and stocks owned by the Company were carried in its published statements at \$39,251,628. The Examiners had them valued by outside official experts appointed to appraise securities owned by American insurance companies, and in their Report refer to them as follows: "*We have increased this item by \$582,638 in accordance with the appraisal of the bonds and stocks by the official appraisers of the National Convention of Insurance Commissioners.*"

The Examiners made a detailed check of mortgage loans, and found that since 1911 the Sun Life of Canada has been investing more extensively in real estate mortgages, a considerable portion of which are in the provinces

of Western Canada. Referring to the high interest returns upon these investments, the close supervision exercised by the Board of Directors and the cautious conservatism with which properties are chosen and valued, the Report reads: "The interest realized upon these mortgages is very high, averaging better than eight per cent. The Company has local boards in the Provinces of British Columbia, Saskatchewan and Alberta, which make the loans and the same are afterwards approved by the Board of Directors. The loans are made on a basis not in excess of 40% of the value of the property. In most cases the loan is less than 33½%. All mortgages in the three provinces above mentioned which are in excess of \$4,000, and all mortgages in Montreal or elsewhere outside of the three provinces, regardless of their amount, are entered separately in the Minute Book as being considered and appraised individually."

Though the Examiners did not have the real estate owned by the Company actually appraised, "for the reason that the assessed valuation placed on same indicates that the market value is far in excess of the book value as carried," they transferred \$94,750 to the real estate account from the mortgage account and made a further addition to the account of \$83,570, a sum representing profits derived in years past from the sale of real estate, together with a small amount taken from the profits on the sale of other securities. Referring to the latter amount, the Report states that the Company "preferred as a matter of conservatism to not take advantage of the entire amount of profit made on such sales, and this credit had thus been provided, so that if a loss or shrinkage in value should occur in connection with their head office buildings, or foreclosed properties, there was this sum against which such loss could be charged. This method is conservative, but it is not in accordance with the requirements of the annual statement blank, and you will note from the financial