

the companies were divided into groups, and the dates of valuation distributed over the five years and the work was arranged so that the policies of any one company should be valued at least once in five years.

In the interval between the quinquennial examinations the actuaries of the Department are able to estimate very closely, by well understood methods, the reserves either according to the Government standard, or according to the standards employed by the various companies.

For this purpose they use the items in the annual statements giving the nature and volume of the business written and terminated, the receipts and disbursements of the company, and the state of the reserve as determined at the end of the previous year.

Other than to check the general accuracy of the items of reserve in the various statements, the estimate thus determined is used only in a few cases to supply the reserve item omitted from the annual statement. The items thus supplied are indicated by a foot note in the published Blue Book as "Estimated by the Department."

Most of our Canadian life companies have well established and efficient actuarial departments presided over by skilled and competent actuaries and have also on the staff of these departments students of actuarial science who have passed one or more of the examinations either of the British Institute of Actuaries or of the Actuarial Society of America.

An exact valuation of the policies is made each year by the company's actuaries. In 14 out of the 21 Canadian companies, the standard of valuation adopted is higher than the Government standards.

Three of the remaining seven are new companies to which the higher standard which came in force 1st January, 1900, applies.

Thus in the case of the larger number of these companies involving over 90 per cent. of the reserves the liability returned is greater than the companies are required to shew under the provisions of the Insurance Act. In no case is a lower reserve returned than that produced by the Government standard.

Since the 31st December, 1904, a valuation has been made in the department of the policies of four of these Canadian companies with the following results:—

Companies' Valuation.....	\$34,013,830
Department's ".....	31,386,964
Excess by Standards used by the Companies	\$ 2,626,866

Several other Companies have made their valuation both upon their own and also upon the Government Standards bringing out an excess over Government Standards of.....	865,145
In the other Companies the estimated excess is	200,000
	<hr/>
	\$ 3,692,011

This will reduce the net reinsurance reserve of all the Canadian life companies as at 31st December, 1904, from \$80,684,760 according to the companies' standards of valuation to about \$77,000,000 according to the Government standard, and increase the surplus to policy-holders over all liabilities and paid-up capital from \$5,352,037 to \$9,044,048.

The other items of liability in the case of all companies are usually comparatively trifling in amount and no special reference thereto seems necessary.

RESULTS.

There are at present 110 companies licensed under the Insurance Act for the transaction of business in Canada. Twelve varieties of insurance are carried on by them, viz.: Life Insurance, Life Insurance on the Assessment Plan, Fire, Inland Marine, Inland Transit, Guarantee, Contract, Accident, including Employers' Liability, Sickness, Steam Boiler, Plate Glass and Burglary Guarantee.

Of these companies 51 are Canadian, 30 British and 29 American.

There are also 8 life companies (4 British and 4 American) which ceased to transact new business in Canada before the Life Insurance Act came into force, but which are entitled under Section 32 of the Insurance Act to carry on all business connected with policies existing at 31st March, 1878. These companies as well as the licensed companies, make annual returns to this department.

Upon looking through the statements of the business of 1903, examined by the Department, it is found that corrections were made in over 600 items (608) and this would probably be about the average number of changes from year to year. The earlier years would probably shew a larger number of errors, for the reason that the examiners have endeavoured to instruct those engaged in the preparation of Government returns as to the proper and most expeditious methods of compilation. The result of this instruction has been a greater uniformity in the statements of companies doing similar kinds of business and a greater degree of accuracy attained through a smaller expenditure of labour than prevailed in the earlier days of the Department.

New companies, however, are from time to time (and now quite frequently) receiving licenses, and the first statements received from these companies are usually very crudely prepared. In the older companies changes of the officials who compile the statements is another source of incorrect returns. It is proper to mention that the corrections made have been invariably acquiesced in by the companies.

Mention may be made of one instance referred to on page 2, of a false return made to the Department, as the company referred to is out of existence and the officials concerned have disappeared from the field of Canadian insurance. The Canadian manager of a British fire company, by a misrepresentation of the nature of the business written in Canada, made a return which understated the reserve of unearned premium liability. Upon an examination of the company the discrepancy was discovered, and the company was called upon to make an additional deposit. The British manager of the company was not satisfied, however, that the amount of the reserve as calculated by the Department was correct, and he employed a large staff of clerks for several weeks to calculate the exact unearned portion of the premium on each risk in force in Canada. The result was that the Department's finding of the reserve was confirmed in every particular. The company shortly afterwards went into liquidation. The deposit with the Receiver General was sufficient to pay all Canadian claimants in full and to reinsure all Canadian risks with another licensed company.

In two or three instances companies invested a portion of their funds in securities not authorized by the Statute in that behalf. To this the Depart-