

solely. The original capitalization was \$2,000,000, which could be increased to \$4,000,000. The general powers of the company were defined, and this was followed by an explanation of the company's powers to deal in real estate. This had been increased by enactments until, in 1897, the Parliament of Canada granted power to the company to hold annually a value in Ontario of \$20,000, in Quebec, of \$40,000 and \$10,000 in each of the other Provinces.

Profit sharing was taken up and Mr. Macaulay explained the methods of his company in dealing with this matter. For himself he said that he had always watched the interests of the policy-holders, adding that what is fair to the policy-holders is fair to the shareholders. The disposition of the profits could better be explained by the actuary, said Mr. Macaulay, so this line of investigation ceased.

The company had extended its business and was now established in the United States, Great Britain and Ireland, France, Belgium, Holland, Honduras, Japan, China, Chili, Peru, Mexico, West Indies, Straits Settlement, India, Hong Kong, Burmah, Siam, Philippines and Newfoundland. The extension had been gradual, beginning in 1879. The foreign business amounted to about two-thirds of new business and to one-third of home business.

Asked by Mr. Shepley as to the company's investments, Mr. Macaulay said that they had invested in bank stocks and those of chartered companies. He did not consider that the company was restricted to deal alone in shares of companies in this province, but that they were privileged to make these investments wherever suitable.

Mr. Macaulay told Mr. Shepley at the opening of the afternoon session that there had been disagreements between his company and the Department of Justice relative to the interpretation of the Insurance Act. These disagreements were principally related to the powers of the company in making investments. Witness said that unless agreeing with the department's ruling, the company did not feel bound to abide by decisions of the department. These differences had been set forth in correspondence carried on between the company and the department, but no further action had been taken in this matter.

After discussing the Insurance Act, Mr. Shepley began a series of questions seeking to learn how the capitalization of the company had been carried on. Mr. Macaulay explained that the original issue of stock had been \$500,000 of which amount subscribed, 12½ p.c. was paid up. Asked if this was not a small amount, Mr. Macaulay replied that it was sufficient to carry the business, and as no further amount was needed there was no reason to make a further call upon the shareholders. The amount

paid up had proven sufficient for the needs of business and operations had been successfully carried upon the paid-up capital of \$62,500. Mr. Macaulay added that he was opposed to making any further demands upon the subscribers. This capital proved sufficient until 1897. In that year the company considered it advisable to seek business in the State of New York. It was found that they could not do so unless there was a paid-up capital of \$100,000. To reach this amount it was decided to issue new stock. The company did not enter into business in New York State. It was found necessary to make a deposit of \$10,000 with the insurance department for examination and when this was learned it was decided not to seek the field. The increase of capital was not necessary for the demands of the company's ordinary business and the company could have undertaken to write insurance in New York without making any special demands.

Mr. Macaulay explained the issue of new stock to bring the paid-up capital to the amount desired by New York. New shares were issued to the number of 2,000. These were sold at \$45 a share, representing 15 p.c. paid up and a premium of 30 p.c. The amount realized from the sale was \$90,000, of which amount \$30,000 went to capital account, the balance to the general funds as profit. Mr. Macaulay explained that the only call to which the subscriber would be liable was the remaining 85 p.c. of the share value, no further premium being necessary.

As the original shareholders had at this time paid but 12½ p.c., Mr. Shepley asked how the total of 15 p.c. was obtained by them. This, Mr. Macaulay explained, was done by putting 2½ p.c. to the credit of stock from surplus. This was really a bonus to raise the total payment to 15 p.c. From 1897 the paid-up capital of the company has been \$105,000, that being 15 p.c. on \$700,000 subscribed capital. No further call had been upon capital, nor had any been needed, the conditions being satisfactory. Mr. Macaulay said that had it not been for the provision of the New York law calling for the paid-up capital of \$100,000 and the proceedings carried out to that end, it would not have been necessary to make the call. Even after payment of the bonus it would not have been necessary for the exigencies of business to issue new stock, and the company could have done without the \$30,000 secured.

Statements of stock transactions and lists of shareholders were produced, identified by Mr. Macaulay and filed. The Macaulay's family holds 1,740 shares out of the total of 7,000.

Proxies were mentioned, and Mr. Macaulay said that not one had been used in fifteen years. He