

to be content with a fair amount of business, and retain to the policy holders that high degree of security and those liberal profit results which have already marked the progress of the Association, and placed it in the fore-front of the Life Insurance Companies doing business in the Dominion.

"It will be seen from the Cash Account and the Balance Sheet, herewith submitted, that considerable progress has been made. There has been a good increase in the cash income for the year. The assets have been increased from \$456,337 23 on the 31st December, 1878, to \$560,767 47 on the same day of 1879, an increase of \$104,430 24 for the year, which is almost 23 per cent. The surplus has at the same time increased to \$96,106.01. Taking into account the amounts paid out of surplus during the year, the net gain in surplus has been \$31,979.48. Such results attest in the strongest possible manner the wisdom of the course adopted by the management in husbanding the income instead of squandering it for the mere purpose of increasing to a greater degree the amount of new business for the year. The result will enable the Board to distribute again to the holders of participating policies, for the year 1879, profits on the basis heretofore adopted, and to create a special contingent profit account, the sole property of the participating policy-holders, by placing to its credit the sum of \$5,893 14. Your Directors have also decided upon the formation of a special reserve from the share of surplus belonging to the stockholders, and have directed that the sum of \$20,000 be at once carried to its credit. The special reserve is therefore commenced with a sum equal to 40 per cent of the paid-up capital, to be added to from year to year until it reaches an amount equal, at least, to the paid-up capital. This step, affording as it does a most valuable additional security to the policy-holders, must be viewed by them with the greatest satisfaction. With the basis of valuation used by the Association some may think that such a course is being over cautious. Your Directors think otherwise, and recommend to their successors the carrying out of the same principle by adding to the contingent profit account and the special reserve from year to year. The foundations of the Association have been laid deep and strong, which ensures to the policy-holder that security which the nature of the provision he has made demands, while it will largely increase in the future the profits to the policy-holders.

The death-rate continues favourable, and affords the best evidence of the extreme care used in the selection of the risks. The ratio of the amount of death claims to the mean amount at risk is .59, which is much the most favourable rate of all the companies whose new business reaches 100 policies.

"Appended to the statements will be found the report of the Special Committee on the Investments and the report of the Actuary.

"The Auditors have given careful attention to their duties, and their report accompanies the financial statements.

"Two half-yearly dividends of 5 per cent, each have been paid to the shareholders during the year.

Your Directors are at all times anxious to secure to the policy-holders every advantage consistent with justice and security, and they have, therefore, endeavored, from time to time, to increase the benefits to policy-holders and remove from the policies every possible restriction. With a view to further liberalize the policy, the Board has had under consideration the question of making all policies incontestable after having been in force for three years, subject only to the payment of the premiums, the proof of age, and the conditions as to occupation, residence, and travel. After careful consideration, the Board has decided that all

policies shall, subject to the above mentioned restrictions, be indisputable after they have been in force for three years. This change will make but little difference; still it may remove that shadow of doubt which is at times found to exist in the minds of even honest insurers. Your Directors believe that this step will leave nothing to be desired on the part of the policy-holders which it is wise on the part of the Board to grant, while it and the other liberal considerations afforded by the Association will be the best guarantee that should anything more be possible it will be granted.

In resigning into the hands of this meeting the charge committed to your Directors last year, they would congratulate those present on the success which has attended the operations of the Association, and they believe that the statements now submitted will attest to the attention which the business has had at their hands. As provided for in the Act of Incorporation all the Directors retire, but are eligible for re-election.

W. P. HOWLAND, J. K. MACDONALD,
President. Managing Director.

Cash Account.

1878.	DR.	
Dec. 31.	To cash on hand and in banks	\$ 18,815 23
1879.	DR.	
Dec. 31.	" for premiums ..	154,115 60
	" for premiums on annuities	3,704 60
	" for interest	28,776 61
	" for deposit on debentures acct ..	63 92
	" for loans on policies repaid ..	1,697 46
	" for loans on mortgage repaid ..	20,739 49
	" for loans on debentures repaid ..	7,292 00
	" for loans on stock repaid	250 61
	" for sundry sources ..	491 94
	" for loss under policies reassured	3,000 00
		\$238,947 46
	CR.	
1879.	By expenses for year ..	\$ 46,761 51
	" re-insurance	2,922 09
	" surrendered policies ..	5,332 30
	" death claims	30,581 70
	" profits to policy-holders	3,336 22
	" one year's dividend on stock	5,000 00
	" annuities	847 30
		115,591 48
	" cash in banks	28,514 85
	" cash on hand	60 01
		\$238,947 46

LIABILITIES.
Balance Sheet.

Dec. 31, 1879.	To Assurance Fund, on the Hm. Institute of Actuaries' Mortality and 4 1/2 per cent. (including bonus additions)	\$391,538 57
	Less for reserve on Policies re-insured ..	9,941 35
		\$381,597 22

To reserve on lapsed policies, liable for surrender or restoration	2,841 83
To Annuity Funds	9,871 70
To losses by death, accrued but not due (since paid)	9,192 10
To all other accounts, including premiums paid in advance	4,868 00

Total liabilities to policy-holders ..	\$408,285 41
To amount of paid-up stock, being ten per cent. on subscribed capital of \$500,000	50,000 00
To amount held to cover the cost of collecting the premiums outstanding and deferred on Dec. 31st, 1879	3,876 05
To half-year's dividend on stock, payable on 1st January, 1880 ..	2,500 00
To surplus	96,106 01
(Taking the debentures at market value the surplus is \$103,665 60)	\$ 560,767 47

Dec. 31st, 1879	By debentures (market value, \$114,001 76)	\$106,502 17
	" Mortgages	342,188 88
	" Real Estate	3,370 23
	" Loans on stock	9,099 39
	" Government 5 per cent. stock (par \$4,100)	4,097 50
	" Loans on policies	11,491 85
	" Sundry accounts	596 21
	" Furniture	1,028 43
	" Cash on hand	60 01
	" Cash in Banks	28,514 85
	" Premiums in course of collection (reserve thereon included in liabilities) of this the sum of \$8,832 is covered by notes	25,814 53
	" Quarterly and half yearly Premium on existing Policies due subsequent to Dec. 31, 1879, (reserve thereon included in Liabilities)	12,946 05
	" Interest due \$4,951 59, and accrued \$10,105 78	15,057 37
		\$560,767 47

J. K. MACDONALD,
Managing Director.

We have examined the books of account, securities and vouchers representing the cash account and investment account, also the securities represented in the balance sheet of assets, and hereby certify to the correctness of the same; and find the books, securities and vouchers in a most satisfactory and clear condition.

JOHN N. LAKE, }
JOHN LANGTON, } Auditors.

Toronto, April, 10, 1880.

REPORT OF THE SPECIAL COMMITTEE ON INVESTMENTS AT THE CLOSE OF 1878.

To the Board of Directors of the Confederation Life Association:—

We, the Special Committee of your Board, charged with the duty of an examination of the securities representing the investments of the Association on the 31st December, 1879, beg to report:—

That we have examined each mortgage, debenture, certificate of Government stock, and each loan on the security of stock as collateral, and find the same correct, and kept safely and orderly.

The loans on mortgage amount to	\$342,188 88
Debentures (market value, \$114,061 76)—cost	106,502 17
Government stock (face value, \$4,100)—cost	4,097 50
Loans on stock collaterals	9,099 39

Total

Wm. ELLIOTT,
E. HOOPER,
J. HERBERT MASON, } Committee.
Toronto, April 10th, 1880.