

EVIDENCE BEFORE INSURANCE COMMISSION
EMPHASIZES THE

Strong Position and Conservative Methods of the Sun Life of Canada.

ABOUT TWO MILLION DOLLARS BETTER OFF THAN IT CLAIMED TO BE.

As some time may elapse before the companies will be heard before the Insurance Commission, the management of the Sun Life Assurance Company of Canada desires to refer briefly to points regarding that office which have been brought out in the examination of the officers of the Insurance Department.

INVESTMENTS OUTSIDE OF CANADA.

In 1903 and 1904 extended negotiations took place between the Finance Minister, the Superintendent of Insurance and the united Canadian companies, with regard to extension of their investment powers. The minister expressed his willingness to eliminate the restrictions on the amount of investments outside of Canada, if certain other changes were made, and it was fully believed that a bill to this effect would be introduced by the government in the session of 1904. For reasons brought out before the Commission, however, this bill was postponed from time to time, and has even now not been brought forward. Acting on the belief that the law was about to be changed, the Sun Life of Canada increased its American holdings. This, of course, it should not have done, although under the circumstances it perhaps was slightly excusable. When the session passed without the expected bill being brought in, the Company wrote the Minister of Finance, expressing its regret, and frankly stating that it had been lead into increasing its American holdings in view of the expected amendment. The officers told the superintendent that they would loyally endeavor to reduce the excess of American securities, although this would probably result in their having a large amount of uninvested funds on hand, as Canadian securities that are thoroughly safe, and at the same time profitable, are somewhat scarce. How the Company fulfilled its promises may be seen from the following figures given in his evidence by Mr. Fitzgerald;

Dec. 31, 1904, excess of foreign investments over legal limit	\$467,100
Dec. 31, 1905, margin with legal limit for foreign investments	112,087
Cash in banks Dec. 31, 1903	145,000
Cash in banks Dec. 31, 1904	424,000
Cash in banks Dec. 31, 1905	990,000

SECURITIES WRITTEN DOWN.

The Company has been so remarkably successful with its investments of recent years that we have felt that it can afford to be unusually conservative. We have always considered it our duty to make as good terms as possible when purchasing securities, and in this way, besides making handsome cash profits, have obtained large amounts of bonus stocks. At the end of 1904 some of these had become sufficiently valuable to justify us in placing them in our published list of assets. We were thus in a position to increase both our published assets and surplus by large amounts. The question arose whether we should not take a conservative course, and while transferring some of the new securities from the inactive or contingent list to the published list, at the same time transfer from the published list to inactive list some others, which, while not bad, were yet not really gilt-edged. In other words, instead of taking credit for the entire amount of these new securities as an addition to our assets, we proposed to use them in part to write down some other securities by merely substituting the new assets for the old to that extent in the published list. This was beyond question a prudent and conservative course, and its effect was to reduce our published surplus by at least \$300,000 below what we could have claimed had we acted otherwise. The criticisms which have appeared in this connection upon the evidence as brought out by the Commission, are due to an entire misconception. The course followed was merely in keeping with our ambition to be at all times better than we actually claimed to be.

From the fact that the securities named were "written down," or rather, transferred to the inactive list, it must not be supposed that they are bad debts. On the contrary, arrangements have already been made to sell about two-thirds of the entire amount at prices which will save the Company from any loss whatever. Mr. Blackadar distinctly stated in his evidence that these securities were not necessarily bad debts at all.

But in any case there is nothing new in all this. To refer to it as a "disclosure" brought out by the Commission is an error. The facts