

the description of "bad or doubtful." We have usually found at the time of inspection that a very considerable portion of the balances due at the beginning of the calendar year have been paid, in many cases almost all. We have in this way been able to judge pretty accurately what portion of such balances may be regarded as good and what portion bad or doubtful. If any are clearly bad, they are written off and deducted, but if only doubtful, the attention of the company is called thereto with a request that if not sooner collected they be written off at the end of the then current year, which request is as a rule acceded to.

CASH IN BANKS.

The items of cash in banks are checked by examining the bank pass-book and reconciling the ledger balance with the balance shown by the pass-book, taking into account the list of outstanding cheques. Where the banks are situated in other cities or countries, certificates of the balances signed by the bank officials are examined.

The closing items in these bank statements as well as the closing items in other accounts of the company, are closely scrutinized in order to ascertain, among other things, if there has been any misplacement or transfers in items of assets. By such scrutiny irregularities in this and other respects are discovered and remedied. The occurrence of any such irregularities we believe has been reduced to a minimum. Instances have occurred of such misplacement of items.

OUTSTANDING AND DEFERRED PREMIUMS AND ACCRUED INTEREST.

It is a tedious matter to check the accuracy of the items of outstanding and deferred premiums, and of accrued interest. These are items which have not passed through the cash income, and from thence into the ledger items of assets. The examiner therefore cannot apply the usual test of accuracy which he has at his disposal in the case of the ledger items of assets. He is able, however, to make an estimate sufficiently close to satisfy him that no error of any magnitude or consequence has been made.

To check the various details in these items and also to examine the sufficiency of the security in the case of all the policy loans would require the whole time of several additional examiners, but I do not think, under ordinary circumstances, such examination necessary.

The foregoing observations as to inspection of assets relate principally to Canadian companies.

DEPOSITS BY COMPANIES OTHER THAN CANADIAN.

In the case of companies other than Canadian the Statute requires that there be made with the Receiver General or with Canadian trustees appointed under and for the purpose of the Insurance Act, deposits of securities at least equal in value to the liabilities to policy-holders in Canada including matured claims and the full reserve or reinsurance value for outstanding policies. Accordingly, from time to time demands are made on all such companies for increased deposits and the amounts so deposited by such companies now amount in the aggregate to \$54,195,265, Nov. 8th, 1905, the deposits in several instances being in excess of the requirements of the Statute, and in no case less than such requirements.

It follows from the foregoing that the principal assets, in fact almost the total assets in Canada of

such companies, are in the hands of the Receiver General at Ottawa, or with Canadian trustees, and where trustees have been appointed, as has been done by eight companies, the assets vested in them, consisting of mortgages, bonds, stocks and debentures are examined from year to year in the same way as the assets of Canadian companies.

LIABILITIES.

Particular care is taken to see that the liabilities are not understated.

The principal items of liability are in the case of life companies:

(a) Claims for death losses and matured endowments, and annuity claims due and unpaid, or in process of adjustment or adjusted but not due or resisted, and

(b) Reserve liability in respect of outstanding policies in force, and in the case of companies other than life companies:

(c) Amount of unsettled losses reported to the company, dividing them into the several classes of adjusted but not due, in process of adjustment, etc.,

(d) Reserve of unearned premiums.

OUTSTANDING LOSSES AND CLAIMS.

The loss or claim books and where necessary also the claim papers and notices of claims are carefully examined to ascertain if the outstanding liabilities under headings (a) and (c) have been accurately estimated and where errors or omissions are found they are corrected.

UNEARNED PREMIUMS IN COMPANIES OTHER THAN LIFE COMPANIES.

In order to obtain the exact amount of such unearned premiums, a separate calculation would be required to find the amount unearned of each individual premium *pro rata* for the time unexpired.

By a proper method of grouping, however, in accordance with the length of time which the various policies have to run, it has been found possible to ascertain a very close approximation to the correct amount without the laborious calculation necessary if each policy were taken separately.

RESERVE LIABILITY IN THE CASE OF LIFE COMPANIES.

Section 25—10 (a) of the Insurance Act provides that "once in every five years, or oftener, at the direction of the Minister, the Superintendent shall himself value or procure to be valued under his supervision all the policies of life insurance of Canadian companies and the Canadian policies of life insurance of companies, other than Canadian companies licensed under this Act to transact the business of life insurance in Canada."

This section also defines the basis of such valuation, that is, the Mortality Tables and the rate of interest to be employed.

It was the intention of Prof. Cherriman, the first superintendent, that the quinquennial valuation of the policies should take place upon the same date, and the first quinquennial valuation was made as at 31st December, 1879, and the results published in the report of 1880, issued in the summer of 1881. The second of such quinquennial valuations was undertaken as at 31st December, 1884, and the results published in the reports issued in 1885, and subsequent years. The work was then found to be too great to be carried through in any one year, so