

Several interesting incidental remarks were made.

Mr. Langmuir suggested that, the Superintendent should initial all the bonds deposited with the Government so that any shifting might be traced and that all the companies be compelled to adopt a uniform system of bookkeeping.

Mr. Kent elicited the information that the inspection afforded no means of detecting falsification of books, that being an auditor's business.

Mr. Fitzgerald wishes the Insurance Act to require the companies to keep their assets as high above liabilities as they are on 31st December.

The point was raised that the inspection did not reveal if any loans had been made during the year on unauthorized securities.

The Canada Life and the Insurance Department have an old and unfinished dispute as to what securities may be held, as that company holds an old charter, granted in 1847, and conferring wide powers of investment.

Mr. Fitzgerald stated that he did not think the Act vested in him power sufficient for a thorough and all-embracing inspection, and perhaps, for that reason he had not obtained as full information as he otherwise might have. For instance, certain companies had refused to give information regarding salaries paid to officers. The Superintendent did not find authority in the Act to insist on seeing the books which would reveal that information.

RESERVE FUNDS.

"What is meant by reserve?" asked Mr. Tilley. The Superintendent answered that, the premium was divided into three parts, one to provide for expenses of management, to pay current death rate and to reserve a sufficient sum each year which, at the required rate of interest, $3\frac{1}{2}$ p.c., would amount to the face value of the policy at the probable time of death, according to the H. M. tables. The lower the rate of interest earned, the greater must be the reserve. The interest rate was going down, when, in 1899, the amendment was made to the Act, requiring that the basis of reserve should be reduced from $4\frac{1}{2}$ p.c. to $3\frac{1}{2}$ p.c. This change in the Government requirement as to the rate of interest necessitated a larger reserve should be set aside. Practically all the companies signed a memorandum asking to have the basis changed to $3\frac{1}{2}$ p.c. The Sun Life was the only company to object. That company took the ground strongly that the reduction from $4\frac{1}{2}$ p.c. to $3\frac{1}{2}$ p.c. was too radical a move. The act provides that not later than January, 1910, the basis of reserve shall be 4 p.c. and that not later than January 1, 1915, the basis of reserve shall be $3\frac{1}{2}$ p.c. Some companies have already changed their basis of reserve to anticipate the requirements of the law. Mr. Fitzgerald said he could not tell what percentage of the premium went into reserve.

He could not say anything about profits. The act did not cast upon the department any labors in connection with the profits earned or distributed.

For two days out of the three the Counsel of the Dominion Government, Mr. Sneypley, K.C., has not been in attendance, so that, it is considered by those watching the proceedings at Ottawa, the examination has been conducted in a quite loose, perfunctory manner, topics and witnesses being charged without any apparent system, or order having been arranged.

A spectator says, It was evident that, the Counsel and Commissioners were feeling like Wellington when he exclaimed, "Would that night or Blucher were here!" so uncertain, so disconnected were the questions by Counsel.

From a remark by Mr. Blackadder, the actuary, it was apparent that occasionally the examination of a company was not concluded when it was necessary to insert its annual statement in the Blue Book of the year. A case in point was stated to be the Sun Life of Canada which had been only partially inspected when the Blue Book was printed in 1905, because he wanted Mr. Fitzgerald's advice on the amount in the ledger dealing with profits on securities. The examination went on as follows:

Mr. Tilley: The examination was that of the ledger dealing with profits on securities sold?

Mr. Blackadder: Yes.

Mr. Tilley: What was the point that arose?

Mr. Blackadder: The point, I could best deal with that on my memorandum.

Mr. Tilley: What I want is, that you shall give the names of all companies that have not been inspected in time for the annual Blue Book for the last fifteen years, and the reason that inspection was not completed. I want to ascertain all changes made in the return after the inspection which never got into the Blue Book. Can you get that?

Mr. Blackadder: I think so.

Mr. Tilley: You say the inspection of the Sun Life books for 1904 wasn't completed until November, 1905?

Mr. Blackadder: Yes.

Mr. Tilley: Does it run as late as November many times?

Mr. Blackadder: I think it does.

It was elicited that a considerable number of disputes had occurred between the Department, some of the companies as to what securities they could invest in the funds of the company in. In these differences the Superintendent had not been able in many instances to enforce his judgment. The result is that several companies have held, and it is alleged some now still hold such securities as not legally authorized, or authorized to the extent for which they are held.