

In every such case we have had the buildings written up valued and have substituted in the company's statement as published the appraised amount where such amount was less than the amount claimed as the value, in other words, the Department has written the values down to the appraised values.

(3) As to real estate acquire by foreclosure it may be stated that generally such real estate is carried in the company's books at the amount due for principal, interest and costs up to the time of final foreclosure and transferred from the mortgage account to the real estate account, which amount is verified by comparing the same with mortgage account from which it is transferred.

The value placed upon each parcel of such real estate is also checked from year to year with the real estate ledger and the income and the expenditure in respect of each ascertained. There have been cases within the knowledge of the Department where very considerable gains have been realized upon the sale of foreclosed property and there are on the other hand cases where losses have been incurred. Upon the whole the gains and losses would probably, in the case of each company, very nearly counterbalance each other.

#### MORTGAGES.

With each annual return a schedule is sent to the department setting forth the date of each mortgage, a short description of the property covered thereby, the appraised value of the land and of the buildings thereon in separate columns and the amount of insurance on the buildings, the amount of principal money advanced upon the mortgage, the rate of interest, the amount, if any overdue for interest, and the amount of accrued interest up to the date of the statement.

Every mortgage is examined and the amount of principal secured thereby and the rate of interest as set forth in the schedule verified. The Solicitor's certificate as to title and the valuator's appraisal of the land and buildings and the policies of insurance on the buildings are also examined and the figures contained in the schedule verified therefrom. The amount of principal is also checked by the Ledger account of the mortgage and also the overdue interest where the schedule shows any to exist. The summation of the principal, overdue interest and accrued interest columns of the schedule are verified as carried into the company's return. Where the schedule shows overdue interest the ledger is examined to ascertain whether such overdue interest has been paid prior to the time of inspection and if paid a note to that effect is made in the overdue interest column.

If the interest overdue is not then paid, the company's attention is directed to the fact with a request that an effort be made to realize it and in case of failure that the amount so overdue be written off the assets, unless it clearly and satisfactorily appears that the value of the mortgaged property is ample to secure the principal and interest overdue and accrued thereon.

It has been the practice to examine the mortgages, certificate of title and valuation only once, but the balance of principal and amount of overdue interest (if any) is checked every year during the currency of the mortgage with the mortgage ledger. From time to time also all the policies of fire insurance relating to the buildings on the mortgaged properties held by companies are examined. This is not done in the case of one or more companies each year.

A few irregularities are generally found where such examinations are made, but on the whole it has appeared in the past the fire insurance is well looked after and I know of no case in which a loss has occurred through want of proper fire insurance protection.

#### BONDS, STOCKS AND DEBENTURES OWNED BY COMPANY.

The schedule of bonds, stocks and debentures of each company which accompanies and forms a part of the annual return, is verified. For this purpose all such bonds and debentures are counted and stock certificates examined at the Head Office of the company, and where securities have been sold or paid off between the date of the statement and the time of inspection, such sale or payment is verified by reference to the company's ledger and cash book.

#### BONDS, STOCKS, ETC., UPON WHICH LOANS HAVE BEEN MADE.

In like manner all bonds, stock certificates and debentures forming the security for loans outstanding at the rate of the statement and still outstanding at the time of the inspection, are counted and examined and the amount loaned thereon verified by reference to the company's books (care being taken to see that the securities are sufficient in value to secure the advance made), and where loans in existence when the statement was made have been paid off before the inspection, such payment is verified by reference to the loan ledger and cash book.

#### LOANS ON POLICIES.

This item occurs only in the case of life companies.

In examining and checking this item in a company's statement, it is usual to ask for a list of the policy loans and to select several therefrom at random and in the cases selected to examine the documents evidencing the loan and the policy which accompanies it, and to ascertain whether the loan with interest thereon at the date of the statement was less or greater than the reserve on the policy. If less, the loan would be good, but if greater, it could be considered as an asset of the company only for an amount equal at the most to the reserve. Frequently a page of the list of policy loans is taken and every loan or such page examined. In practice we have found loans to be well within the reserve on the policies loaned on—and it may be stated as a general rule that there is no better item in a life company's assets than the amount of its policy loans.

There would be no difficulty whatever in examining the whole of a company's loans on policies and if any cause for suspicion existed as to the genuineness of the same, or any of them, or as to their being good in the sense above mentioned, the whole list would be examined.

#### AGENTS' BALANCES.

When inspecting a company's assets, it has been the practice to call for a list of the balances due by the company's several agents, the aggregate of which constitutes the item "Agents' Balances" in the return, and to examine the same with a view to ascertaining whether they are good or come under