

than in the previous year, and the amount of insurance gained is the largest in our history.

Our income last year approached closely to two million dollars. Perhaps the Company's growth can best be judged by comparing its income of last year with those of the preceding decennial years.

In 1875 the total income was... \$ 29,593

In 1885 the total income was... 270,697

In 1895 the total income was... 735,079

In 1905 the total income was... 1,955,958

With regard to the payments to policy-holders, I might say that the mortality for the year was again exceedingly favourable, being only 40 per cent. of the amount expected. We have been able to continue the distribution of surplus to policy-holders upon the same scale as in past years. The amount paid last year was \$87,927, and the amount that we have added to our general surplus was \$179,928.

The ratio of expenses to income was 17.8 per cent, as compared with 17.4 per cent, in 1904. This additional expenditure arose primarily from the increased amount of new business, as well as from Government taxation. The last mentioned item of expenditure is becoming a serious one, for not only do several of the provinces in Canada impose a tax of 1 p.c. upon the premium income, but certain cities and towns levy a special tax. These taxes are becoming very burdensome and we consider it our duty to call the attention of our policy-holders to it. As the premium income increases, this tax also increases, and over this, of course, we have no control. It would afford me much pleasure if I were able to tell you that it is within our power to reduce the Company's general expenses to any material extent. I regret, however, that this is not possible under present conditions. There can be no doubt that the expense of conducting the business of life insurance is higher than it should be, but until the present intense competition ceases there is little hope of making any improvement in this respect. Excessive competition leads to rebating, and therein lies the greatest abuse in regard to securing new business. If measures can be enforced to abolish rebating I am firmly convinced that the cost of new business will be very largely reduced.

I desire on this occasion to refer especially to our Assets, and to the policy of the Company with regard to the investment of its funds. As will be seen from our Financial Statement, our Assets consist almost entirely of Mortgages on Real Estate, Municipal Debentures and Bonds, and Loans on our Own Policies. We have not now, and have never had any investment of a speculative nature. Within the past year there are no losses made on investments, and so far as we are aware, there are none anticipated. We have never suffered the loss of one cent on our Bonds, and we have not a single investment of this kind to-day that is not worth all that it cost, while the majority of them have appreciated considerably in value. We have no difficulty whatever in finding investments for our income, and during the past year the demand for mortgage loans. We have not found it either necessary or thought it wise to invest any of our funds outside of the Dominion, and we see no reason why under present conditions, we should not be able to continue to find safe and remunerative employment of our funds at home. Attractive propositions are frequently made to us for the purchase of bonds of enterprises in Mexico, Central America, Cuba and elsewhere, in connection with which large bonuses are offered in the form of paid-up stock. Such enterprises may possibly realize the expectations of the promoters and prove to be profitable to the investor, but in my opinion they should not form a part of life companies' assets. Life insurance funds are essentially trust funds, and I venture to say that if an expression of opinion could be secured from our policy-holders, the course which we have pursued would meet with unanimous approval. Any bond or debenture that is made attractive by or that can be sold only with a bonus in the form of paid-up stock is not in my judgment of a sufficiently high standard to qualify as a trust fund investment. I wish also to point out that we have never bought any securities with the object of selling them and making a profit upon them. Such transactions seem to me to be outside of the legitimate sphere of life insurance. If securities are good and command an increased price in the market, they are on that account more attractive for us to hold. No security that I am aware of has ever been purchased in which any member of the Board had a direct or indirect interest, and, moreover, we have no special Finance Committee on which the duty of investing the funds devolves. All investments are made with the approval of the Board and Executive, which meet alternately on the second and

fourth Thursday of every month. At these meetings all new investments are submitted, after having first been carefully scrutinized by myself and the manager, and they are accepted or rejected on their merits with the unanimous approval of the Board. Any investment offered, to which objection is made by any member of the Board is refused.

In seconding the adoption of the report Mr. Alfred Hoskin, K.C., Vice-President, said:—

Life insurance companies at present occupy a prominent position before the public, and some efforts have been made towards discrediting their management. We can only speak of our own Company, and have no desire to express an opinion as to any other.

Cost of management and the nature of investments have been the principal objects of attack. In both respects I think we can take credit to ourselves.

Our expenses for the past year have been about 17 per cent, upon the gross income. I have made enquiries and find that the ratio of expense of loan companies is from 15 to 20 per cent, upon the gross income.

Included in our expenditure is a large amount paid to the several Provincial Governments of the Dominion, and to certain and several municipalities as a tax. On nearly every loan made on mortgage the usual commission (which is paid by all investment companies) of one per cent, upon the principal lent has to be paid. Doctors' fees for examination, rents of offices where the Company carries on business, advertising and other similar charges of necessity, have every year to be met.

The report of the Government Inspector shows that this Company's expense account is low in comparison with others, and in saying this I do not wish to infer that the expenses of other companies are excessive.

As to our investments they comprise the following gilt-edged Securities, showing the percentage each bears to the whole:—

Mortgages.....	45.88 p. c. of Assets
Debentures and First Mortgag	
Bonds.....	34.91 p. c. of Assets
Loans on Policies.....	10.94 p. c. of Assets
Deferred Premiums.....	2.93 p. c. of Assets
Interest Accrued.....	1.91 p. c. of Assets
Cash on Hand and in Banks.....	2.82 p. c. of Assets
Real Estate.....	61 p. c. of Assets
Total Assets.....	100.00 p. c.

I venture to say that no policy-holder can take exception to the class of securities in which his money is invested. I call attention to the item of real estate—61.100 of one per cent. Considerable portion of this is held for sale, and all is income-producing. The item of interests and rents, 1.91 per cent, was not all due at the end of the year, but the portion of the interest which has accrued up to the end of the year is included in the above item, although it may not be payable for months afterwards. This shows that the income from the Company's investment is well met.

The above details show, I venture to say, that this Company need have no fear as to the result of the investigation which it has been deemed advisable to have of life companies. At this juncture it may be interesting to the policy-holders, and particularly those who are not present to-day, if a short statement is made of the manner in which your Directors invest the funds of the Company. Every security, whether a mortgage or a debenture is submitted to the Board of the Executive Committee, which meet alternately, and is gone into fully, upon its merits. Every year each and every security is handled and inspected by the Auditor, and each year the Executive Committee handles and inspects every security, and compares the same with the entries thereof made in the books of the Company, and thus every year is prominently brought to the notice and knowledge of the Board how the Company's money is invested.

As to the expenditure, every item paid out is checked by the Executive Committee, and thus track is kept of the expenditure and of the several items forming the same.

I think this shows that a careful scrutiny over the affairs of the Company is kept by your Directors.

The various reports having been adopted, the retiring directors, Robert Melvin, Sir F. W. Borden, W. J. Kidd, B.A., and Wm. Snider, were unanimously re-elected.

The Directors met subsequently and re-elected Mr. Robert Melvin, President; Mr. Alfred Hoskin, K.C., First Vice-President, and the Hon. Mr. Justice Britton, Second Vice-President of the Company for the ensuing year.

Waterloo, March 1, 1906. W. H. RIDDELL, Secretary.

Head Office--Waterloo, Ont. G. H. ALLEN, Provincial Manager.
STAR BUILDING, Entrance 171 St. James St.

W. L. LEE, Financial Manager
MONTREAL.