

paid, but what can be said is that the success of the company up to date is most encouraging, and to use the words of our consulting actuary, Mr. W. T. Standen: "It is a pleasure to me to be able to unhesitatingly congratulate you upon the condition of your business, which, I believe, is established upon a firm foundation, and capable of great development."

Thanking you, gentlemen, very heartily for your attendance I have much pleasure in now moving the adoption of the report.

Mr. R. T. Reley, chairman of finance committee, in seconding the motion, said: I have much pleasure in rising to second the motion of the adoption of the Director's Report. I can remember, when first this Company was established, some friends of mine—whom, I may say, knew a great deal more about insurance business than I did because they happened to be interested in it—in discussing this matter made the statement that there was no possibility of a company with its headquarters in the city of Winnipeg being made a success. I was asked how much business I supposed the Company could do during the first year. My reply was that Mr. Brock had stated that we could acquire during the first year one million dollars of business. That idea was scouted. It was stated that the acquiring of that amount of business by a new company here was an absolute impossibility. I met these gentlemen after we had written up our first million dollars, and remember having stated to them that we had already got one million dollars of business and were looking up for our two millions. The reply to this was that the first million dollars was the easiest to get and we would find it very much more difficult to write up the next \$250,000 or \$300,000. Now that the Company at the end of its first full year had a business in force of \$2,263,000, we can only take it for granted that this is not the kind of a company my prophetic insurance friends referred to. Now, the only point I want to touch in regard to figures—for I think the President has given you as many figures as you can assimilate during the afternoon—is in connection with the new business taken in 1893—the first full calendar year the Company has been in existence. The returns from which I quote were made by the various companies to the Dominion Government Department of Insurance up to 31st Dec., 1893, and embrace the business issued and taken during that year.

At the head of the list comes the Canada Life with a trifle over seven million dollars, then comes the Sun Life with a little over \$7,000,000, followed with the Confederation Life with \$3,730,000, the Ontario Mutual with \$2,730,250, North American Life with \$2,543,362, the Manufacturers' Life \$2,231,469, Federal Life with \$2,044,333, the Great West Life \$1,760,800, Temperance and General \$1,755,000, the Standard Life \$1,300,000, the London Life \$1,078,800, British Empire Life \$950,000, the London & Lancashire \$939,000, the Dominion Life \$530,750, the Dominion Safety Fund \$81,000. About one fourth of the business of the Canada Life and Sun Life was taken outside of Canada. The Great West, you will notice, is the eighth on the list, with \$1,760,800. Competing as it does with companies that have been in existence all the way from five to fifty years, I think this is a very satisfactory record, especially when we consider that after following the larger and older companies it leads as many others which have been in existence a much longer time, and which have been pushed with considerable energy since organized. Now the only other matter I want to touch upon is to refer to the remark made by the president in regard to dividend. He stated that the directors would not assume to say just when a dividend would be paid upon the stock. That is a matter that depends so much upon the development of the company during the next year or eighteen months; but I want to tell you this, that though the stock of this company is not yet dividend bearing, we have applications in for I suppose eight or ten thousand dollars worth of stock, for which the applicants are

willing to pay above par. One gentleman who had transferred a portion of his stock to some friends who desired to become shareholders, thinking it would be an easy matter to replace it, has so far only been able to purchase two thirds of his original holding. In other words, it is found exceedingly difficult to purchase stock at an advance on the par value to hand to our friends who are anxious to become interested in this company. As the president has stated, there is no doubt it goes without saying that the phenomenal success of the company in writing over two and one quarter millions of business is largely attributable to the enormous amount of energy which Mr. Brock has thrown into the work. I have great pleasure in seconding the adoption of the directors' report.

Mr. J. H. Brock said:—

As, Mr. President, I might be expected to say something just at this time in connection with the report, I thought that the shareholders as well as the directors would prefer to have some opinion about what we have done from an eminent authority. I therefore sent a detailed copy of our report to Mr. Standen, consulting actuary of the company, and asked him to comment upon it, and received a letter dated March 7:—

To the Board of Directors of the Great West Life Assurance Co., Winnipeg, Manitoba.

Gentlemen,—As your statement for December 31, 1893, practically, and to all intents and purposes, illustrates the result of your first full year of business activity, it may not be improper to regard it not only as the demonstration of what you have accomplished, but also as containing the promise of such success as will attend your immediate future.

With one single exception, it may be said that no life insurance company, started within the last twenty-five years, has succeeded in avoiding a deficit as for the time corresponding to that at which your December 31 balance sheet was struck. The one company which forms an exception to this rule, held its reserve liability on a different and lower standard from that used by you; and if it had accepted the rigid standard that you have wisely selected, this company also would have shown a deficit.

Of course it is absolutely essential for the future of your business that you should lay out your work upon a liberal and broad basis, involving the somewhat free expenditure of money that you would naturally like to husband more carefully at such a time as this. But it is only by such an enlargement of your field of work that you can really hope for large future results. It might therefore be quite possible that with the due observance of all recognized economic principles, an apparent deficit—which, by the way, is not a deficit so far as the policy holders are concerned, but merely a temporary slight impairment of capital—may be repeated in your balance sheet as for December 31 of this year. Should this be so, I would feel safe in predicting that it will be infinitely small, and that if your liabilities were computed on the basis used by other Canadian companies, it would give place to an actual surplus. Observing very closely the quality and character of the business you are writing, I believe that in spite of the high standard of reserve accepted by you, it is more than probable that you will show an actual surplus in your next exhibit; and if this prediction is realized, I shall certainly consider it a great triumph of executive skill, achieved in the face of the lamentably high cost of new business which all life insurance companies now a days have to pay, and upon a method of liability computation, which (as you know) is considerable more rigid than the law requires.

Nothing short of persistent energy on the part of your executive officers could have secured for a new company—starting as the Great West—a business in force of over two and one-quarter millions of dollars. The fact that over a million and a half of this business is upon the Life the Limited Payment Life, and Endow-

ment plans, is evident that the business is being written upon plans capable of developing a large surplus earning power.

That you have only thus far suffered a loss of one thousand dollars for death claims, is a matter of congratulation. Of course it was well within the bounds of probability that you might, even in the first year, from accidental causes, have suffered the loss of one or two five thousand dollar claims. This would not, by any means, have been disastrous, but would have very unfavorably affected your financial status, upon which so much of the energy and enthusiasm of your agency staff depends. I consider it very fortunate that you have escaped such an experience, and I am satisfied that it is, to a very great degree, owing to the careful selection and supervision of risks exercised by your medical board.

It is a pleasure to me to be able to unhesitatingly congratulate you upon the condition of your business, which, I believe is established upon a firm foundation, and capable of great development.

Respectfully submitted,

(Signed)

W. T. STANDEN,

Consulting Actuary.

In further reference to the question of the first year's experience and the cost of getting business, just a few days ago I received, as a policy holder in the Canada Life, a copy of their "Life Echoes," dated March, 1894. In it is a paper read by Mr. Frank Sanderson, M.A., Actuary Canada Life, before the Actuarial Society of Edinburgh. I want to read to you just one extract from this, because it comes from an officer of the Canada Life, a company which has got away beyond the time when it is necessary to explain for themselves the difficulties of a new company getting its business and the cost of it; and, as it is written without any reference to this company, or any company in fact, but just as a general opinion of an actuary, I feel it would be much stronger evidence than any argument I could advance. It is as follows:— "One point where the Canadian system has pressed severely, if not unjustly, is in requiring a strict net premium valuation at $4\frac{1}{2}$ per cent. from all companies, whether young or old. In this way young companies commencing business in the face of severe competition have been placed at a severe disadvantage in public estimation by having for several years attached to them the stigma of 'Capital impaired' and their natural growth is unwisely checked by compliance with such a valuation regulation at a period in their history when it is least necessary or applicable."

Then as to the wisdom of having such stringent reserves, the same paper says:

"In regard to interest, it was mentioned that the legal standard for valuation of policies in Canada is $4\frac{1}{2}$ per cent. Until recently, the average interest earnings of the Canadian companies have been such that a safe margin has existed between the standard rate and the rate earned.

But the decline in the rate to be obtained on the best securities has caused the leading companies to carefully consider whether or not a time was near at hand when a change to a 4 per cent. basis would not only be prudent but necessary. As a first step towards a new standard, one Canadian company at its last quinquennial valuation put aside \$250,000 as a special fund towards the creation of a 4 per cent. reserve. But it will probably be some years before a change to a 4 per cent. basis is enacted by the Government. The average rate of interest earned by the Canadian companies was in 1880, 6.71 per cent., in 1885, 6.03 per cent., and in 1890, 5.50 per cent."

This corroborates the advice given to the company by Mr. Standen, our consulting actuary, and shows the advantage our policy holders will have over those of other companies reserving on the lower standard of four and a half per cent., who will have to take out of the profits of their policyholders the large extra amount required to make up the deficiency in