CAUSES OF UNION LIFE'S SMASH

LIQUIDATOR'S EXHAUSTIVE REPORT—EXTRAVAGANT OPERATING EXPENSES AND WILD FINANCING—DEFICIENCY OF $1,236,000.

That the Union Life Assurance Company came to grief chiefly through the heavy financial burdens heaped upon its financial resources in an effort to acquire control of other concerns and the exorbitant operating expenses is the conclusion reached by Mr. George T. Clarkson, the permanent liquidator, who has filed his report with Mr. George Kappele, K.C., the official referee, who presided over the investigation ordered by the Dominion Government, at the instance of the English shareholders.

DEFICIENCY, $1,236,910.

The following is a brief statement of the Union Life's deficiency:—

Capital receipts:			
Contributed by National Agency Co., Ltd., net			$377,623
Contributed by British shareholders			789,287
			$1,166,910
Deficiency:			
Liabilities of company at time of winding up		$1,425,000	
Less:			
Realized from sale of assets	$600,000		
Allowance for good-will	400,000	1,000,000	
Balance		$425,000	
Deduct:			
Value of assets in hands of liquidator, say	10,000		
Allowances to reinsuring policyholders by Metropolitan Life Insurance Company	345,000	355,000	
Net deficiency			70,000
Total loss			$1,236,910
Attributable to:			
Expenses on sale of shares sold England		$170,190	
Losses on investments		420,000	
Excess operating costs	$1,391,720		
Less:			
Benefits allowed for good-will	745,000		
Net operating loss		646,720	
		$1,236,910	

The liquidator states that the Union Life in its twelve years of existence had a net operating loss of $646,720 and a total loss of $1,236,910. Of this amount the Union Life lost $420,000 by means of ill-judged investments, attributed by the report principally to H. Pollman Evans, the fountain head of the concern. The expenses on the sale of shares to English investors cost $170,190 for stock subscribed to the amount of $789,287. The liabilities of the company at the time the winding-up order was issued totalled about $1,425,000, but the net operating loss of the company was subsequently reduced to $646,720 by the sale of good-will and approximate benefits obtained by reinsuring the policyholders in the Metropolitan Life Insurance Company of New York.

MR. EVANS' BIG REVENUE.

That H. Pollman Evans profited to the greatest extent was shown by the statement that in twelve years his total revenue amounted to $175,664 from the National Agency Company, the Union Life Company, the Canada Investment Corporation, the Home Life Assurance Company, the National Credit Clearing Company, the Agency Land & Security Company and the National Land & Fruit Packing Company. From 1902 till 1913 his revenue from the Union Life Company amounted to $92,827.18. His greatest haul was in 1912, when the report credits him with obtaining $52,357 from the Agency & Land Security Company, and $15,034 from the National Land & Fruit Packing Company, making a total for the year, along with a few other incidental receipts, of $79,146.

AN EXTRAORDINARY AGREEMENT.

Respecting the provision made by the directors of the Union Life Company to obtain capital and an agreement with the National Agency Company, under the terms of which the latter subscribed for $982,500, being the whole capital stock of the Union Life Company (exclusive of $17,500 stock held by the directors) the Agency Company agreeing to pay $100,000 as a premium upon the stock paid for, the liquidator states:

"The Union Life Assurance Company on its part appointed the National Agency Company, Limited, its managing agent and agreed to pay it by way of commission a proportion of its gross premium income amounting to about ten per cent. thereof. According to the evidence adduced it was never intended that the National Agency Company, Limited, should in fact act as managing agent of the Union Life Assurance Company or perform any duties as such, the Union Life continuing to perform these duties, and it is admitted that the agreement was entered into principally, if not solely, for the purpose of providing the National Agency Company with an income out of which it could pay dividends and thus place it in a position where being able to show so-called profits it could sell its own shares to the public and from the proceeds make payments to the Union Life Assurance Company sufficient to meet the necessities of that company.

"From the standpoint of the Union Life Assurance Company the agreement (apart from its peculiar character) was, generally speaking (at least until 1910, when that Company procured a large amount of money from the sale of stock in England) beneficial, in that the Union Life Assurance Company received, according to the evidence approximately $377,623 more than it paid to the National Agency Company, Limited, as commission on its gross premium income.

"While the Union Life Assurance Company and the National Agency Company, Limited, were in fact separate legal entities, yet it is agreed on all hands that throughout the period in question the two companies were conducted as one for the purpose of promoting the insurance undertaking carried on in the name of the Union Life, the function of the National Agency being to secure from the public capital which could not be obtained direct by the Union Life because it was not in a position to show profits and declare dividends. For this purpose the agreement mentioned above provided for the payment to the National Agency Company of the commission above mentioned.

"Practically the only sources of income to the National Agency Company were: (1) The moneys received by it from its shareholders in payment of principal and premium on shares, and (2) the moneys allotted to it by the Union Life as commission for acting as managing agent, which services it did not perform.