

In the course of this examination I have received every facility from Mr. Ferrie and yourself, as well as from the Officers of the Company, the Books and papers affecting the investments having been unreservedly placed at my disposal.

I may be permitted to state as only due to yourself, that the Mortgages on which loss is estimated were all taken prior to your connection with the Company, and that great judgment and prudence have been exercised in the selection of recent investments.

Under the present excellent system pursued by the Board and yourself, I believe this department of the Company's business to be as free from danger of loss as is possible in Canada.

I have only to add in conclusion, that it has given me great pleasure to be of any service to the Canada Life Assurance Company, as an Institution maintained entirely by Canadian support, and calculated to confer lasting benefits upon the Provinces to which its operations are confined. It is to be regretted that losses such as those estimated have arisen in the course of many years active business, but it must also be remembered that the early period of its operations was marked by unexampled speculation and inflated value of Real Estate, from the disastrous effects of which few who had anything to do with the investment of capital, escaped altogether scathless.

With best wishes for the welfare and success of the Canada Life Assurance Company,

I remain, Dear Sir,

Yours faithfully,

(Signed)

JOHN PATON.

AUDITORS' REPORT.

The Undersigned having received from the Manager of THE CANADA LIFE ASSURANCE COMPANY, letters to the following effect: "To make a strict scrutiny of everything you may desire, or think useful, to enable you to satisfy yourselves, and report to the Company. And the Board hereby place at your disposal, for examination, all Deeds, Documents, Books or matters you may desire. I may also add that I trust you will not have the least hesitation in asking for any information, assistance or aid, which can be given by myself or any other Officer of the Company," beg to state that the duty assigned to them was undertaken with some reluctance, arising chiefly from the briefness of the period placed at their disposal for its discharge, but the facilities accorded to them by the Officers of the Company, have enabled them to extend their enquiries in a general manner to its business operations since its connection with the Savings Bank.

In reporting the result of their labors, the undersigned would remark that the enquiry has been conducted without the least prejudice on their part, either for or against the Company; they being neither Stock nor Policy-holders therein, but actuated solely by a desire to exhibit its present position, so far as within their power to ascertain it, in the brief period allotted for investigation. Regarding the value of the securities held by the Company, it may be mentioned that the officers furnished your Auditors with a memorandum of estimated reductions on certain securities previous to receiving Mr. PATON's valuation and Report; on a comparison of one with the other, the difference was found to be so immaterial, that your Auditors had no hesitation in approximating their valuation to that of the Company, as it assumed a larger margin for losses than that of Mr. PATON; the correctness of these valuations has been to a certain extent verified by personal inspection of several of the Hamilton properties, and a general knowledge of many of the other investments.

Previous to entering into the question of losses sustained by the Company, it may be well to revert to the length of time over which its operations have extended, covering a space of fifteen years; during which period greater changes have taken place in the value of property than have been known in the previous history of the Province; changes arising from the natural progress incident to the improvement of a new and fertile country, peopled by an industrious and intelligent race. This rapid improvement created a more than corresponding expansion of commerce, which led to a system of attaching imaginary values to all kinds of property. In the years 1854, 1855 and 1856, an immense expenditure on the construction of various railways caused an extraordinary influx of capital and a consequent sudden rise in the value of real estate, until that was supposed to be the most eligible investment for capital; so that parties, deemed the most prudent in the community, were carried away with the prevailing mania. It was at this exciting period, and under different management than that now governing the Company, that the principal loans were made on Mortgages, several of which prove to have been estimated far beyond their real value. The Directors having ascertained upwards of two years since that a loss was likely to accrue on the Mortgages held by the Company, prudently stopped taking into account interest on securities which they considered doubtful, with a two-fold object, of preventing a distribution of profits not realized, and of lessening the ultimate loss when ascertained. Interest not being added for the last three years on many of these securities, has prevented the anticipated division among Policy-holders of increased profits, based on investments calculated to pay from 12 per cent to 20 per cent. interest. This circumstance has excited much dissatisfaction among some of them, arising without doubt from ignorance of its cause; for a continuance of the dangerous policy of dividing imaginary profits, as pursued under former management, would have resulted in the speedy derangement and ultimate ruin of the Company. Notwithstanding the decrease of interest, we observe that a