

ACTUARY'S REPORT ON HOME LIFE DEAL.

An agreement having been contingently entered into between the Sun Life Assurance Company of Canada and the Home Life Association with the object of re-assuring the policy obligations of the latter corporation by the former, and in view of the fact that before such agreement can be ratified by the government the report of an independent actuary is by the terms of the Insurance Act required, Mr. Frank Sanderson was requested to make such report, and among other subjects to deal with the valuation of the policy liabilities of the Home Life as at November 15th, 1913.

His report gives this brief summary of the agreement:

(a) As to Policyholders.—The agreement provided that the Sun Life Company shall assume full responsibility and liability for all the policy obligations of the Home Life as from November 15th, 1913, while the Home Company shall transfer to the Sun Company the whole of its property and net assets (except any claims against the National Agency Company, Limited, and except the unpaid and uncalled capital of the Home Company).

(b) As to Stockholders.—The Sun Company agrees to pay to the Home Company the sum of \$133,000 for the benefit of the latter's shareholders, it being understood that the present holders of 5,110 shares formerly owned by the National Agency Company now holds same in trust for the Home Company for a merely nominal sum. The amount of money available for distribution among ordinary shareholders of the Home Company will, it is believed, enable a repayment thereto of most if not all the moneys paid by these shareholders to the latter company.

(c) Separate Accounts.—A separate account is to be kept by the Sun Company of the assets transferred to it and of the income and outgo in connection with the operation of the transferred contracts and obligations of the Home Company, until such time as the amount at the credit of the account shall exceed the reserve value of the policy liabilities, after which time the separate account shall be merged with the regular accounts of the Sun Company and thereafter the participating policies of the transferred business of the Home Company shall be treated as to profits on the same basis as corresponding Sun Company policies, paying the same rate of premium. Prior to the closing of the separate account any profits paid on Home Company policies shall depend on the profits earned by said policies as shown by the operations of the separate account. The expense of conducting the transferred business under the separate account is definitely limited by the agreement to a moderate charge.

(d) Miscellaneous Contracts.—The agreement provides for the assumption by the re-assuring company of the binding contracts with certain of the Home Company's officers and agents, the chief of which is the contract with the manager, who will enter the service of the Sun Company.

Further details are set forth in the agreement.

INSURANCE DEPARTMENT'S VALUATION AVAILABLE.

The balance sheet as at November 15th has been prepared by the officers of the Home Company and Sun Company. A special report from the auditors, Messrs. Charles E. Arnoldi and F. Roper, is attached.

The investments were taken upon the basis of a re-valuation made by the officers of the Sun Company. The liabilities on outstanding policies were determined upon the government standard for valuation of policies. For this purpose a recent official valuation of the insurance department was available for comparison. After allowing for cancellations, the investigation showed outstanding policy liabilities of \$1,349,500. The net amount of insurance in force at November 15th was \$5,023,810. Among these contracts was a small group of policies issued upon the assessment system, providing for an increase of premium. It has been assumed in the valuation that the present premiums on this group of policies may be increased by approximately 50 per cent.

The assumption of a $3\frac{1}{2}$ per cent. interest basis for valuing policies issued since 1899 will allow for a substantial profit to accrue in the future from savings in the interest actually earned over the conservative rate assumed, while the savings in the operating expenses of the business secured by the favorable terms of the agreement will work for the benefit of policyholders holding participating policies of the Home Company.

ASSETS AND LIABILITIES.

Among the assets to be transferred is the head office building, situated opposite the site for the large new general Post Office for Toronto. This building will provide a very desirable location and suitable accommodation for the Sun Company's business centred at Toronto. The following is a brief summary of the balance sheet:—

ASSETS.	
Ledger assets.....	\$1,530,018.38
Other assets (including appreciation in head office building).....	256,002.27
	\$1,786,020.65
Deduction for bad or doubtful assets.....	291,573.32
Total assets.....	\$1,484,447.33
LIABILITIES.	
Net re-assurance reserve.....	\$1,349,500.00
Special bank deposit.....	41,982.45
Call loan.....	15,610.24
Other liabilities.....	16,132.23
Surplus of assets over liabilities (excluding capital stock).....	71,222.41
	\$1,494,447.33

The sum of \$133,000 will be paid to stockholders of the Home Company with the result as previously stated.

POLICYHOLDERS AND STOCKHOLDERS PROTECTED.

Having regard to the volume of business transferred, the resulting deficiency (guaranteed by the Sun Company in the separate account as already explained) is not relatively large.

The chief circumstances that have made possible the proposed re-assurance on such favorable terms are (a) the recognition of the value of the head office property of the Home Company over the value previously placed upon it, (b) the practical elimination as a liability of a large block of stock previously held by the National Agency Company, (c) the fact that some of the investments are actually turning out better than was anticipated some months ago, and (d) the fact that large economies can be effected by carrying on the existing business of the Home Company at a minimum of expense, through the well-equipped organization of the Sun Company.