

his valuers had completed their task and the shareholders of the respective companies had consented to the deal.

It is quite obvious that the report of this intended transaction has caused alarm to some of the shareholders, who are said to number 30,000. They clamor for their money as certain of them have been doing for several recent years. But the poor things did not appear to understand—and the company's crafty canvassers and collectors, of course, did not tell them—that by statute or by company's by-law they had no right of withdrawal for some forty months after purchasing shares.

If any one asks why the managers of the company sell out, the reply may be either that they could not place the company on a "permanent" basis, or could not carry the real estate and pay taxes on it longer, or that they found the income from fresh members unequal to the outgo for maturing shares. We have been told that the concern in one recent year, 1903 or 1904, paid out \$1,300,000, and actually got in nearly \$1,200,000 of fresh money. The huge structure has grown, founded upon an insecure basis, until it reached an unwieldy weight, having shareholders almost from the Atlantic to the Pacific, and has quite outgrown, as we have predicted it would, the capacity of its directors to manage. As for the shareholders, all they can do is to wait. They will get some of their money back, no doubt; whether they will ever get it all back depends upon circumstances in the future which it would require a bold man to predict.

INSPECTION OF INSURANCE COMPANIES.

We received this week from the office of the Superintendent of Insurance at Ottawa a lengthy statement from that officer in answer to a request by the Minister of Finance for a special report dealing with the manner in which the inspection of insurance companies by that office is carried on. As long ago as October 6th the Superintendent was asked for this report, dealing with the manner in which the inspection of insurance companies is carried on in the Government's office, and showing the scope and nature of the inspection. Some uneasiness was evident in the public mind in Canada by reason of the revelations made before the New York committee of investigation, and the Minister did a wise thing to have the methods of inspection pursued in Canada made known.

The report now submitted will tend to allay doubts as to any undiscovered weakness in Canadian life companies. It will reassure people also as to the safety of policy-holders of foreign insurance companies which do business in the Dominion.

It is clear, after a perusal of its nineteen typewritten pages, that the system of examination of the books, accounts, and securities of all companies in Canada pursued by Mr. Fitzgerald and his assistants is minute. Its object is to verify the sworn statement which each company makes to the finance department. Errors are frequently found, but they are either due to misunderstanding or to variance of opinion between the officers of the company and the Government as to the forms used. "Cases are rare," says Mr. Fitzgerald, "when wilful misrepresentations have been made in the returns for the purpose of concealing the true standing and condition of a company."

He gives one instance where the Canadian manager of a British fire company of a former day (and now out of existence) made a return which underrated the reserve of unearned premium liability.

The method adopted in verifying the statement of a company's assets is dealt with under different headings, as 1st, Real Estate; 2nd, Mortgages; 3rd, Bonds, Stocks and Debentures Owned; 4th, Ditto, upon which loans have been made; 5th, Loans on Policies; 6th, Agents' Balances; 7th, Cash in Banks; 8th, Outstanding and Deferred Premiums, Interest, etc..

Considering the third item, bonds and stocks owned, the method of examination is described thus:

The schedule of bonds, stocks and debentures of each company, which accompanies and forms a part of the annual return, is verified. For this purpose all such bonds and debentures are counted and stock certificates examined at the head office of the company, and where securities have been sold or paid off between the date of the statement and the time of inspection, such sale or payment is verified by reference to the company's ledger and cash book.

It is a conceivable thing, however, that the authorities of two or more companies which may find it necessary under pressing circumstances to make a better showing than their actual assets will permit, might lend each other securities, which would be found in the possession of and counted as belonging to company A in December when the examiner visited that company's office; or of company B in January, or of company C in March. Such things have been done in other countries. Does the superintendent's method of examination take account of such possibilities?

We make some extracts from this interesting report, perusal of which confirms our belief that insurance companies in Canada within the purview of the Government office in Ottawa are very well looked after:

Most of our Canadian life companies have well established and efficient actuarial departments presided over by skilled and competent actuaries, and have also on the staff of these departments students of actuarial science who have passed one or more of the examinations either of the British Institute of Actuaries, or of the Actuarial Society of America.

An exact valuation of the policies is made each year by the company's actuaries. In fourteen out of twenty-one Canadian companies, the standard of valuation adopted is higher than the Government standards.

Three of the remaining seven are new companies to which the higher standard which came in force 1st January, 1900, applies.

Thus in the case of the larger number of these companies involving over 90 per cent. of the reserves the liability returned is greater than the companies are required to show under the provisions of the Insurance Act. In no case is a lower reserve returned than that produced by the Government standard.

Since the 31st December, 1904, a valuation has been made in the department of the policies of four of these Canadian companies with the following results:—

Companies' valuation	\$34,013,830
Department's valuation	31,386,964
Excess by standards used by the companies.....	\$2,626,866
Several other companies have made their valuation both upon their own and also upon the Government standards bringing out an excess over Government standards of	865,145
In the other companies the estimated excess is...	200,000
	\$3,692,011

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