

ROYAL COMMISSION ON INSURANCE.

The commission continued the investigation into the Sun Life. The Secretary and Actuary of the company, Mr. T. B. Macaulay, being on the stand, made an excellent witness. He stated that he supervised the annual reports. All the details of transactions were clearly shown on the books of the company.

"A young life insurance company is one of the most risky investments," said Mr. Macaulay. "Although later it becomes the safest. In these days we discriminated against the shareholders for the benefit of the policyholders. When later the company's position improved and conditions were better, then the management undertook to correct an injustice which had been imposed on the shareholders. The parings, so to speak, were no longer necessary, so we made this matter right."

"It does not seem to have been very unjust, the shareholders received 6 p.c."

"Yes, they received 6 p.c."

"And for the last twelve years they have received 15 p.c.?"

"Yes."

Again Mr. Macaulay remarked that the shareholders had a hard time of it. "In those days we skimmed and saved and the skimming and saving was against the shareholder for the benefit of the policy-holder."

Mr. Shepley, "now, Mr. Macaulay, I am going to take up a specific instance of yours, the Shawinigan stock. When was that first taken?"

"In 1897 we bought \$50,000 of their bonds at 95 p.c."

"What was the Shawinigan Water & Power Company?"

Mr. Macaulay explained the location and purposes of the plant. The Sun Life had nothing to do with the origination of the company. The investment was in first mortgage bonds. The original issue was \$1,500,000. The details of this transaction were explained. In February, 1902, a third amount of \$25,000 was purchased, and in March a fourth amount of \$25,000 was purchased at 98 and interest. Conditions had improved in the meanwhile, and the investment appeared to be a good one.

Stock bonus of \$155,700. Of these bonds \$200,000 were repaid during the year.

Reissue of bonds were taken up in May, 1902, there was one of \$2,000,000, one of the purposes being to redeem the original issue of \$1,500,000. Mr. Macaulay said that the \$100,000 bonds held by the Sun Company were redeemed in August, 1904, at 105 with interest. The methods of the bond issue were dealt with, and Mr. Macaulay explained the usual course followed in placing these upon the market and securing them for the ex-

amination of the plant and the Shawinigan company's ability to fulfill contracts at that time were explained by Mr. Macaulay. Witness also gave the impression that the underwriting of the bonds had been done by the Bank of Ottawa.

The next transaction was in 1903, when the Sun Life made a loan to the Shawinigan Company of \$231,500, at 6 p.c. interest, upon security of \$240,000 bonds and \$93,200 stock bonus. Other transactions were enumerated showing that in 1902-03 total loans of \$356,500 were made to the Shawinigan Company on bond security of \$397,000, with purchases. "Bonused stock was the Sun Company's remuneration for these loan transactions."

The history of the Sun Life's dealings in bonds of the Shawinigan Company proved quite extensive and had not been concluded when the commission arose for adjournment.

Mr. Macaulay gave the details of the second loan from the Sun Life to the Shawinigan Water & Power Company. This was one of \$100,000 at 6 p.c., paid in installments; two of \$10,000 each, and four of \$20,000. This was secured by temporary bonds to the amount of \$111,000, and there was a stock bonus of \$15,000. The first loan of \$250,000 brought the loan total to \$350,000, with capitalized interest of \$6,500. In reply to Mr. Shepley, Mr. Macaulay detailed the bonus stock taken by his company. These were \$125,000 on the first loan; \$15,000 on the second loan; \$15,700 on renewal, and \$16,500 on a transaction with the Merchants Bank of Canada, a total of \$172,200. The renewal was of \$150,000, with the payment of \$6,500 interest. The Merchants Bank then took up \$200,000 of Shawinigan loans, receiving 10 p.c. as stock bonus above interest. When the Sun Life again assumed this, \$16,700 of that bonus stock was taken by it, the balance belonging to the bank. In March, 1904, the Sun Life took from the Merchants Bank \$200,000 of Shawinigan loans, and \$20,000 in bonus stock, making the stipulation that \$16,500 of this stock as bonus go to the Sun Life. The reasons for this transaction, by which the bank took up \$200,000 of the Shawinigan Company's obligation, was asked.

"At the time we made the loan," said Mr. Macaulay, "we were in comfortable funds, but at the close of the year (1903) we were not in such good circumstances. For this reason the Merchants Bank took off our hands the amount of \$200,000 spoken of. Then later, when conditions improved, we took this up again."

Mr. Shepley asked if the Sun Life could have carried the total loan at that time?

"We really needed the money," replied Mr. Macaulay.