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REPORT BY THE BOARD OF DIRECTORS
OF
The Canada Life Assurance Company,

TO
THE ADJOURNED MEETING OF THE PROPRIETORS, HELD AT HAMILTON,
ON 28TH OCTOBER, 1862.

THE DIRECTORS have now to submit to the Shareholders the FIFTEENTH ANNUAL REPORT of the Company's progress, for the financial year, along with the usual financial statements, showing the Company's position at that date.

It affords the Directors pleasure to draw attention to the fact that, during the period referred to, a larger number of New Policies were issued than in any former year of the Institution.

As might be expected, however, from the depression of business caused by the war in the United States, the amount and average of sums assured have been less than during the previous year, although they have been greater than in any other since the business was begun. This will be seen by the following

Comparative Table showing New Business in following years.

	No. New Policies.	Sums Assured.	Premiums.
Yearly average to April 30, 1859	231	\$ 431,738	\$ 11,759.39
Transacted year ending April 30, 1860	338	542,821	15,763.86
" " " 1861	411	676,843	18,031.65
" " " 1862	415	675,570	14,385.72

The sums offered to the Company for Assurance during the year amounted to \$752,953, under 510 applications. Of these the Board considered it prudent to decline 51 for assurance of \$105,683. There were issued and taken up, 415 Policies for \$575,570, which yielded \$14,319.12 of new annual Premiums and \$66.60 as a single payment; the balance of 44 Policies for \$71,740 was not carried out.

The amount at risk at the end of the year was \$3,995,776.98 under 2288 Policies on 2013 lives, yielding \$101,803.49 of annual Premiums, also four Annuities for \$926.13 per annum.

According to the calculation of the year's mortality the claims by death for which the Company might have looked amounted to \$51,332.79, while the actual mortality which was experienced was \$17,900 upon 13 lives in 14 policies; the difference of \$33,432.76 increasing the Special Reserve Fund arising from looked-for mortality which has not occurred, to \$130,902.63.

The Directors recommend that profits be given to Policies on the participating scale, at the same rate as was declared last year and that there be a Dividend of 5 per cent. declared to the Shareholders of the Company, which will leave a balance at their credit of \$1,204.26.

The subject of the Savings Bank and the deficiency of \$13,526.72 thrown upon this Company by the default of the late Actuary, so fully discussed at the Meeting in August last, as well as the comments made thereon since that time have been again maturely considered by the Board. As the Shareholders are aware, the Directors have for some years back felt that it would be well to rid themselves of the Bank branch of their business at an early opportunity, and they have not lost sight of that object. The Bank has always been held as a Shareholder's interest exclusively, and as all gain upon it has gone to them, all loss should fall upon them. As the deficiency of \$13,000 in the Assets transferred by the late Actuary should be provided for by the Shareholders, the Directors were anxious to make it fall as lightly as possible upon them, by applying the annual Bank profits in its liquidation,—a system which they adopted last year, and were prepared to continue, until the deficiency should be wiped off, or the Bank given up, under the assumption that the Shareholders would not desire, even if they had the right, to hold any of the Directors responsible for this deficiency. Had the Board been allowed to carry out this gradual liquidation of the loss as they would have preferred, no damage would thereby have accrued to the Company or the Shareholders, but as that appears now to be impossible

and as it is even doubted if the Directors be legally empowered to do so, they must leave the matter to the judgment of the Shareholders, and abide by the action which they determine to take upon it. (The Directors however feel that it should be clearly understood that this loss is of an entirely exceptional character, in no way indicative of any diminution of the success of the Company, which must be apparent to all from the continued ability of the Company to declare profits to Policy-holders upon the same liberal scale as in past years.

The Directors, who were Trustees of the Savings Bank, although they considered that they were in no wise morally responsible for the loss which had arisen from the default of the Actuary, a view in which the whole Board entirely concur, were desirous that their legal responsibility should be ascertained by a reference of the facts connected with the transfer of the Savings Bank to eminent Chancery Counsel, and accordingly on their motion a case was prepared and submitted, the result of which has been to charge them with a liability, which they never believed they had incurred, and from which, acting as they did in the most thorough good faith, it must rest with the Shareholders to afford them relief.

The Directors have explained in former Reports that interest upon all investments upon which doubt of its realization may exist, is excluded from the Company's valuations, by which a certain portion of the Company's capital is held as not yielding a return. Seeing that the particular investments upon which interest has thus been struck off, were, as might be expected, those on which the largest returns were predicated, it will be apparent that the course adopted for the present diminishes the average rate of interest on investments, this diminution bringing the rate realized below the 6 per cent. on which calculations are based. This can in its operations however, only be temporary, and so the prosperity of the Institution is not affected. The new investments being made at 7 and 8 per cent., or higher than the 6 per cent. upon which calculations are based, must rapidly again restore the average to over 6 per cent.

Within the past few weeks the Board have regretted to find that Mr. SIMONS, who had been the Company's Secretary from its commencement,—not satisfied with the simple performance of the duties entrusted to him,—had so far forgotten what he owed to the Company, as to have been instrumental in damaging it, and pursuing a course of conduct destructive to its best interests; for this great dereliction of duty, of which he admitted himself to be guilty, the Board was under the painful necessity of dismissing him from the employment of the Company.

It will be in the recollection of the Shareholders who were present at the meeting on 5th August last, that the Directors then expressed their intention of causing a careful investigation and scrutiny of the Company's securities to be made, with the view to allaying an anxiety which was then being fostered in the minds of the public. The subject received the immediate attention of the officers of the Company, who intimated to the Board the amount of loss it was thought possible might arise on the investments. Deeming it well, however, that an investigation and opinion of the subject should be made by some gentleman of high standing, skill, and experience in such matters, and totally unconnected with the Company, or any of its transactions, the Board requested Mr. PATON, of Kingston, Commissioner of the Trust and Loan Company of Upper Canada, to undertake the enquiry, and to make it of such a character as would enable him to report his opinion to the Company. The Report as furnished by him is annexed hereto. The loss Mr. PATON estimates as likely ultimately to arise, amounts to \$62,583, a sum less by \$4,000 than that which had been estimated by the Company's officers. Looking to the inflated views of the value of Real Estate which obtained in this country during some of the years when investments were made, no one will feel surprised that this, like every other monetary Institution, should have experienced losses; and when it is considered that during the Company's fifteen years' business, transactions covering capital of not much less than a million and a half of dollars have been dealt in, even if the whole estimated loss should arise, its amount of about 4 per cent., or rather over a quarter per cent. per annum is such an one as will satisfy the shareholders and the public, that the Company's affairs have not been conducted with that want of care and caution which its opponents would indicate. That the Company is able, without the least injury to its stability, to at once write off the whole estimated loss, as it has done in the accounts now laid before the Shareholders, is surely abundant evidence of the strength of its position.

To add further to the public confidence in the Company, the subject of the appointment of Auditors to examine into the Company's affairs and accounts, received the most anxious consideration of the Directors, and after careful enquiry with the view of obtaining gentlemen for that duty whose ability, entire independence of the Company, and experience in accounts and securities, should be public guarantees for the integrity and efficiency of the audit they were to conduct, they procured the services of Mr. T. D. Harris, President of the Board of Trade, in Toronto, whose prominent position there, and his connection with institutions of a similar character to that of this Company, seemed peculiarly to fit him for the task proposed. They conjoined with him Mr. Charles Robertson, of Toronto, Secretary of the Board of Trade there—a gentleman whose high reputation for integrity and skill in investigations of the kind desired, appeared thoroughly to adapt him for the object in view. The report of these Auditors is appended.

With the result of the investigations of the different gentlemen employed, the Directors feel that both the Shareholders and Policy-holders have every reason to be satisfied.

Since the meeting on 5th August, the Hon. Donald McDonald has reiterated his charges against the Company, These the Board would have preferred to meet at the proper time, at the Shareholders' meeting, but as that would not take place for some weeks, they felt it their duty at once to notify the public, that the charges intended to injure the Company were "devoid of truth," and they think the shareholders and the public will uphold them in that statement.

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Mr. McDONALD's first charge is "that promises solemnly made in regard to profits remain unfulfilled." In the sanguine addresses of the late President, Mr. Baker, when investments were being made at high rates of interest, believing as he did that those would be continued, he held out hopes of rapid increases of profit both to the policy and shareholders, which subsequent experience of the diminution in the realized rates of such interest necessarily prevented being accomplished. A letter written by one of the Company's Agents without any special authority is quoted, in which basing his views upon the sanguine expectations of Mr. Baker, he states that Mr. McDonald was *guaranteed* a large increase of his Bonuses, but this was a misapprehension on his part, and the Directors are at a loss to conceive how it could be supposed that a guarantee could be given for profits which had not then been made—existing only in the hopes of sanguine minds.

Mr. McDONALD adds to the charge that profits have "diminished wofully," and in proof of that assertion he cites his own case; but that the shareholders and the public may judge whether the diminution be "woful," or not, the particulars of the Policy are here given.

Policy No. 744, on joint lives of D. and F. McDONALD for \$1000, opened 13th May, 1851, annual premium \$39.92.

In 1853, he got a Cash rebate of \$5.73.	In 1858, he got a Cash rebate of \$5.24.
In 1854, " " 5.21.	In 1859, " " 5.21.
In 1855, " " 5.48.	In 1860, " " 5.22.
In 1856, " " 4.33.	In 1861, " " 5.21.
In 1857, " " 5.23.	In 1862, " " 5.21.

A rate of Discount of nearly 13 per cent. per annum.

The public will judge by these figures whether Mr. McDONALD's statement be correct, that profits have "diminished wofully," and this specimen of the looseness of his statements will guide shareholders to a decision of the amount of credence which should be attached to his other general assertions. It may be here noticed, that although Mr. McDONALD has been paying the Company a less premium than he would have had to do in almost any other Office, he at the same time has received profits which would have been exceeded in very few other Companies.

The second charge Mr. McDONALD makes is, that "the rate of interest upon investments has largely and rapidly declined;" and if he believe in the truth of that statement, it might be a good reason to him for the Company's not sacrificing the interests of the other Policy-holders of the Company, by giving him the increase of profits he recklessly covets. The Directors have, in their Reports for some years back, published the fact of the diminution in the rate of interest, and clearly explained that it arose from the prudent course they were adopting in carefully excluding interest "in all cases where any doubt of its realization may exist;" and had Mr. McDONALD read with ordinary care the Directors' Minute to which he alludes he would have seen that it was not denied. It was not a statement which could "injure the Company," and required no denial.

A third statement, made by Mr. McDONALD, is "that the Company is burthened with risks incident to a Savings Bank,"—"that the result is injurious to the Policy-holders," and that "the Shareholders' capital is jeopardised by the demands which the Savings Bank depositors may at any time make." The Savings Bank has not financially been injurious to the Policy-holders; on the contrary, although the Directors feel that it is a branch of business foreign to that of the Company, and should not be continued, it has placed the Company in possession of funds for many satisfactory investments which it could not otherwise have compassed. The responsibility to depositors is simply for the money they have deposited—no more, and no less—and the withdrawal of their deposits has upon no occasion jeopardised the Shareholders' capital.

Mr. McDONALD asserts that "the Managers have evinced anything but a desire to afford satisfactory explanations," and specially refers to the late meeting as a proof of that. The Shareholders who were then present, or who have read the report of the meeting will be able to judge of the correctness of Mr. McDONALD's assertion.

The fifth charge made by Mr. McDONALD is that a "change in terms in reference to an item exceeding \$13,000 in the published accounts of the Company, excites and justifies suspicion;" but Mr. McDONALD must surely be aware that if the Savings Bank Trustees were really liable for the \$13,000 no mere change in the "terms" of the item could divest them of that liability—which the Board consider that they fully believe they had never incurred. After consultation with the Company's Solicitors, the change in the expression of the entry was made, by which it became "By Assets of the Hamilton and Gore District Savings Bank, in Real Estate"—a correct expression, seeing that what assets were possessed were in that position.

Mr. McDONALD's sixth and last charge is, that the "Directors in their reports have studiously concealed the extent of losses upon Investments." The ascertained, or experienced losses upon Investments had, up to the last year, been about \$2,000, a sum of such trifling importance that it was written off the year's profit by interest. There could be no occasion for the publication of such loss; and it appears an abuse of language to call it a "studious concealment."

The Directors have not followed Mr. McDONALD through the many loose and irrelevant assertions which he has made, but having now replied specifically to the grave charges made by him, they leave his conduct to the opinion of the

shareholders, satisfied that the intended injury to an honorable and useful Institution by the abusive character of his attacks upon it, which the Board believe have now been so clearly refuted, will be succeeded by increased confidence as well as the cordial sympathy and warmer support of the public, who will not allow one of their native Institutions to be thus wantonly injured or destroyed.

As is usual the five gentlemen at the head of the list of Directors retire from the Board: these are Messrs. N. Merritt; W. P. McLaren; the Hon. J. Hillyard Cameron; D. C. Gunn; and James McIntyre.

By the recent death of the Hon. ADAM FERGUSSON, of Woodhill, an old and much interested friend of the Company, another vacancy is created at the Board, which will also fall to be filled up at the present meeting.

CANADA LIFE ASSURANCE COMPANY, }
Hamilton, 27th October, 1862. }

JOHN YOUNG, *President.*
A. G. RAMSAY, *Manager and Secretary.*

STATEMENT OF RECEIPTS AND PAYMENTS,
For the Year ending 30th April, 1862.

RECEIPTS.		PAYMENTS.	
	\$ cts.		\$ cts.
Balance as at 30th April, 1861.....		Expense account.....	23,663 23
Premiums received on 415 new Policies taken up and renewals.....	106,879 10	Vote for Board.....	1600 00
\$7.50 per share on 94 new shares made equal to old..	705 00	10 pr. cent. written off Office furniture.....	368 46
Received in deposit and for accumulation &c.....	163,998 72	Written off investments, being loss on properties disposed of during the year.....	8,225 73
Interest accrued on Investments, &c.....	39,649 02	Unpaid half-premiums of half-credit Policies suspended, written off.....	1714 67
Fines and extra risks.....	773 23	Entrance Fees, on half-credit Policies, refunded with interest.....	15 62
		Re-Assurance premiums.....	1,042 82
		Claims paid.....	27,849 65
		Cancelled (purchased) Policies.....	4,262 80
		Annuities paid.....	1,126 14
		Deposits &c., withdrawn.....	150,351 70
		Interests paid on Deposits.....	10,144 06
		Profits of Mutual Branch—Paid as Bonus.....	\$ 674 23
		" " " Cash.....	2081 68
		" " " Diminution.....	1024 29
		Half of 14th years' Dividend paid on 2,300 Shares.....	6,359 37
			245,507 25
		Leaving a balance of.....	\$813,987 07
		which is distributed as under—	
		Cash on hand and in Bank.....	10,441 44
		Cash in Agents' and other hands including Receipts held by them for premiums which have since been paid.....	23,364 11
			\$3,805 55
		Investments (par value \$669,051 70).....	605,928 81
		Real Estate, Offices and other property.....	119,561 26
			\$724,890 07
		Interest accrued to 30th April, 1862, on Debentures, &c.	8,038 29
		Half-Yearly and Quarterly Instalments of Premiums secured on Policies, and payable within 9 months.....	27,587 63
		Deferred Half-payments on Half-credit Policies.....	16,349 33
		Office Furniture.....	3,316 20
			\$13,987 07
			\$1,059,494 31

* This amount includes the sum of \$66,610, estimated as that which may be required to meet losses arising upon old Investments, and \$7,126 to be written off Company's Offices; also \$18,526 72, balance of the Hamilton and Gore District Savings' Bank Account, held against Proprietors' profits

THE CANADA LIFE ASSURANCE COMPANY, }
Hamilton, 27th October, 1862. }

[Signed]

JOHN FERRIE, — *Vice-President.*
A. G. RAMSAY, — *Manager & Secretary.*

Examined.

[Signed]

THOS. D. HARRIS, }
CHAS. ROBERTSON, } Auditors.

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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 scatheless.

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

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large bonus is yearly added to the Policies with profits, exceeding that of several of the English Companies. Looking to the magnitude of the Company's transactions in Mortgages and real estate during the period of inflation, it could scarcely be expected that all their operations would have a satisfactory result, when heavy losses on similar investments were sustained by every institution in the Province. At the same time, your Auditors must say that, in some cases of importance, a great want of business caution has been manifested; for example, the purchase of a Mortgage representing \$20,000, on a farm of eighty acres in the vicinity of Hamilton, on which a probable loss of 50 per cent may be estimated; also the purchase of a Mortgage on a certain Mill property, amounting to nearly \$12,000, which will entail a loss of about 80 per cent; these, with many smaller sums, swell the total loss to a considerable amount. The fact of Mortgages made for large sums and sold to pay an exorbitant interest, should have suggested the strictest enquiry into the value of the property, as well as the means of the nominal owner to redeem it, previous to its purchase by the Company. In justice to the present management, it should be stated that these investments were all made previous to their appointment. The law affecting loans by Assurance Companies has lately been amended, so that direct Mortgages may now be taken, enabling them to make more advantageous investments than formerly; a circumstance largely availed of by the present Board of Directors, to the permanent advantage of the Company. With these prefatory remarks, your Auditors would Report:

1. That they have carefully examined the Balance Sheet, the various items whereof have been fully and satisfactorily explained - they have compared it with the several accounts in the Ledger and find them to correspond.
2. They have examined the Vouchers for Income and Expenditure of the last year and find them correct.
3. They have examined the securities held by the Company, compared them, and find them as represented in the Balance Sheet and specified as follows:

Municipal and Corporation Debentures, taken at their purchased value.....	\$265,173.00
Mortgages on Farms, Real Estate &c.....	425,547.00
Loans on Policies, Gas Stock and Bills.....	20,642.00
Presenting a total sum of.....	\$711,362.00

The Debentures include \$30,716 of the City of Hamilton, the Interest on which is now reduced to 3 pr. ct. in the books of the Company, consequently their present par value would only represent one-half of that sum, which in ordinary cases would be their real worth; but as there is a surplus of other Debentures over and above their par value of 6 pr. ct. amounting to \$30,000 (gained from being purchased below par) this excess is relied on as amply sufficient to cover any loss which may occur under this head.

Your Auditors would recommend a reduction on the Mortgages and Real Estate of \$68,087.00, being 16 per cent. on the gross amount to be placed in suspense and written off as the losses are ascertained, it is also suggested that 10 pr. ct. be written off the cost of the Company's premises, and that they be subsequently reduced 2 pr. ct. per annum, until brought to a 6 pr. ct. investment. On Loans, on Policies, Bills, &c. no reduction is considered necessary; so that the first and last class of securities would stand as in the Company's books, leaving the whole loss to be borne by Mortgages and Real Estate as follows:

On Mortgages 16 pr. ct. discount.....	\$68,087.00
On Office premises 10 pr. ct. ditto.....	7,000.00
Making a total deduction of.....	\$75,087.00

While the amount to be written off or held in suspense, will absorb a considerable portion of the balance accrued in favor of the Company, the deductions being made as recommended, would still leave the most ample means to meet all the Company's liabilities, as per general abstract of the Balance Sheet.

The division of profits on the Mutual Branch has hitherto been in the ratio of one-fourth to the Shareholders, and three-fourths to the Policy Holders; this your Auditors think a fair and just proportion to both parties. It is gratifying to observe that the business for the year just ended has resulted so favorably to the interests of the Company, which has acquired a steadily increasing income, placing it beyond the disturbing influence of any ordinary contingency.

THE SAVINGS BANK.

YOUR AUDITORS have examined carefully the conditions of the transfer of the Gore District Savings Bank to the Company in 1856, and feel satisfied the transfer was made in good faith, under an impression that the Bank had abundant assets to meet the claims of depositors.

It appears however that two mistakes occurred in this arrangement; first in not requiring the personal liability of the Trustees for any deficiency in case such should occur; secondly, in permitting the actuary to continue the business of the Bank in his own office after the transfer had been made to the Company. The question how far the connection of the Bank with the Company has been beneficial or otherwise, would seem to rest in some measure on whether investments made on behalf of the Bank proved good or bad. When the transfer was made, the Company, received from the Trustees, Debentures and Bank Stock at a rate to pay them 8 pr. ct., when at the same time they only allowed 5 pr. ct., to depositors; thus leaving a fair margin for profit after paying expenses. In this connection it should be mentioned that neither loss nor gain

has accrued to the Policy holders by the Savings Bank; in fact the only loss sustained has arisen from a deficiency in the security transferred by the actuary to cover his deficit of \$30,000; which deficiency was not ascertained until after the transfer was made. This sum was then secured on Real Estate made over to the Company, and at the time supposed to be in excess of the amount due; but on being realized, resulted in a loss of \$13,000, which must now be borne by the Shareholders, they being the parties benefited by its investments. It is but right to state that this loss was not ascertained until about three years ago, when the securities were being realized, so that no blame attaches to the present management except that the deficiency should have been cancelled or provided for at an earlier period. It is a question of grave importance whether an Institution like THE CANADA LIFE ASSURANCE COMPANY should connect itself with a Savings or other Bank, liable to be run upon, and its character jeopardised by an idle or malicious rumour. It seems to be generally conceded that such Institutions should be kept apart, and left to work out their objects separately. Whether a separation should now take place between the Bank and the Company is a question engaging the public attention, and one to which your Auditors have given much consideration. In the present state of the public mind they have no hesitation in recommending the Shareholders to dissolve the existing connection so soon as suitable arrangements for the transfer can be made. Your Auditors feel assured that the gain resulting from this policy will, by the increased confidence of the public in the stability of the Company, remunerate the Shareholders for any loss they may now sustain; a confidence fully warranted by the result of the present scrutiny.

To conclude, the undersigned have now briefly endeavoured to perform the duty assigned them, which was not confined to what appeared in the books only, but embraced also the position and conduct of the Company, in special relation to the six points of enquiry of the Toronto meeting; the answer to which will be found generally in the foregoing Report. In the performance of their duty, the Auditors acknowledge with pleasure having received every courtesy and information from the officers connected with the Company, at a time too when they were much occupied in completing their Annual Statements.

All of which is respectfully submitted.

HAMILTON, 25th October, 1862.

(Signed)

THOS. D. HARRIS, } AUDITORS.
CHAS. ROBERTSON, }