

RESULTS OF THE INVESTIGATION

The Severe Probing but Revealed Greater Strength— \$3,000,000 Better Off Than it Claimed to Be— Investments Absolutely Secure and Highly Profitable— Mr. Kent's Remarks.

Now that the chaff of trifling details has blown away, the management of the Sun Life Assurance Co. of Canada desire to draw attention to the really important facts which the investigation by the Royal Commission has brought out.

LARGE PROFITS ON INVESTMENTS.

The most striking feature of the evidence was unquestionably the immensely profitable character of the investments. During the past few years the Company has realized a net profit after deducting all losses, not only of principal, but of interest, and after liberally writing down any securities at all doubtful, of over \$1,000,000 in hard cash. In addition, the present market value of the securities still owned, is about \$1,050,000 in excess of their ledger value. Still further, the Company has a contingent fund, consisting chiefly of stocks obtained in years gone by as bonuses in connection with bond purchases, which, though held in the Company's books at a nominal value of \$1 for each block, have an approximate value of \$3,050,000, and that value is increasing steadily. The Company's policy is to hold these securities as a contingent fund, and to only include them in the published list as each block becomes interest bearing, or is sold. In the meantime policyholders have the advantage of the immense additional security thus provided, and may also reasonably expect to have their profits much increased from this source in years to come.

SAFETY THE FIRST CONSIDERATION.

Although the Company has thus made enormous profits, these profits have not been made from speculative securities. The Company carefully avoids such. The profits are the result of a policy of not waiting for investments to come to the Company, but of deliberately looking around and selecting those that are safest and best, and then making use of the company's ability to purchase large blocks (its assets are now \$24,000,000) to obtain inside terms, thus cutting out the middle men. Absolute safety is always the first consideration, and profit is essentially secondary. Actual illustrations are, however, more convincing than general statements, and as some attention was given to our investments in the Illinois Traction Company, these may be taken as examples.

ILLINOIS TRACTION COMPANY.

The first investment of the Company in Illinois Traction securities was the purchase of two-thirds of the bonds of the Danville, Urbana & Champaign Railway. These were secured by first mortgage on a new interurban line connecting Danville with the twin cities of Urbana and Champaign, and by a further lien on the public utilities of the three cities, comprising the street railways, electric light and gas plants of each. Were these bonds absolutely safe? The audited net earnings for the previous year of the properties by which they were secured, after deducting every charge of every kind that would rank ahead of the interest on the new bonds, was \$136,700. The total interest charge of the new bonds, including amount required to complete the interurban, was \$54,000. The existing net earnings were therefore already more than two and a half times the interest charge upon the new bonds. This was without any addition from natural increase, or from the new line. The replacement value of the property was moreover estimated at \$1,500,000 in excess of all bonds. Was there any risk in making such a purchase? Although no increase in earnings was needed to make the bonds abundantly safe, the new interurban line has in reality proved highly profitable, and the earnings of the city properties have also steadily increased, so that the surplus, which was two and a half times the interest charge when the bonds were purchased, is now about \$370,000, or seven times the interest charge. The bonds were shortly afterwards sold at an advance in price, without any stock bonus, to an American banking firm, who in turn retailed them at a still higher price to the public, among the purchasers being two of the largest and best American Insurance Companies, which each took a block of \$100,000. The security for these bonds is absolute. Better cannot be obtained. Did the fact that the Sun Company made a bargain by which it obtained some bonus stock, which would ordinarily have gone to other parties, in any way lessen that security?

DECATUR RAILWAY & LIGHT COMPANY.

The second purchase of Illinois Traction securities consisted of the bonds of the Decatur Railway & Light Company, which carried a mortgage upon the street railway, electric light and gas properties of the city of Decatur. The audited available net earnings of these properties, without any addition for normal increase or earnings on new property, were over \$62,000, to cover an interest charge of \$30,000 on the new bonds, or more than \$2 for each \$1 required. In addition, there was the guarantee of the Illinois Traction Co., whose surplus earnings from other properties already amounted to \$130,000, or a fur-

ther guarantee equal to the entire interest charge, making, with the Decatur earnings, six times the entire interest charge on the new bonds. Where can safer or better bonds be obtained? Was there anything speculative about them? These, too, have since all been sold at an advance in price, the Sun Company retaining the stock bonus.

ILLINOIS CENTRAL TRACTION COMPANY.

This was the third purchase. These bonds were secured by first mortgage upon a new interurban line between Decatur and Springfield, the capital of the state. Connecting two such cities, the success of the line was assured from the start. The bonds were, however, also guaranteed by the Illinois Traction Co., which then had a surplus of \$162,000, available from its other properties for the payment of this interest. As the entire interest charge upon the new road when finished would be only \$65,000, the interest was already assured two and a half times over, even if the new line earned nothing. It did, however, earn its own entire interest charges in the first eight months of its first year of complete operation, so that instead of having to call upon the guarantee of the parent company, it earned a surplus of fifty per cent. These bonds, too, were all purchased shortly afterwards by a firm of bankers at an advance in price, without any stock bonus.

Further illustrations could be given, but these cases, which were specially investigated, are enough to show the very high quality of the bonds in which the Sun Life has invested.

The value of the guarantee of the Illinois Traction Co. to any bond may be judged from the fact that its annual gross revenue now exceeds \$3,000,000, and that it has a surplus of \$700,000 above the total interest charges upon all the bonds of the system. After paying six per cent. dividends upon its preferred stock, it is earning about nine per cent. upon its common stock, that nine per cent., however, not being paid in cash, but being used for extensions and other capital expenditure, which increase the value of the property. There are over seven hundred shareholders, and the market value of the preferred and common stocks is about \$7,000,000. While the first issue of this preferred stock had some water in it, large amounts have since been issued at 87½ and 95 for cash, so that about \$1,000,000 of actual hard cash has been paid in upon the preferred stock, and about \$1,300,000 more of value has been put into it in the form of surplus earnings used for extensions. The stock, therefore, has a very solid cash basis. The franchises are long and favorable, and are perpetual for more than two-thirds of the mileage.

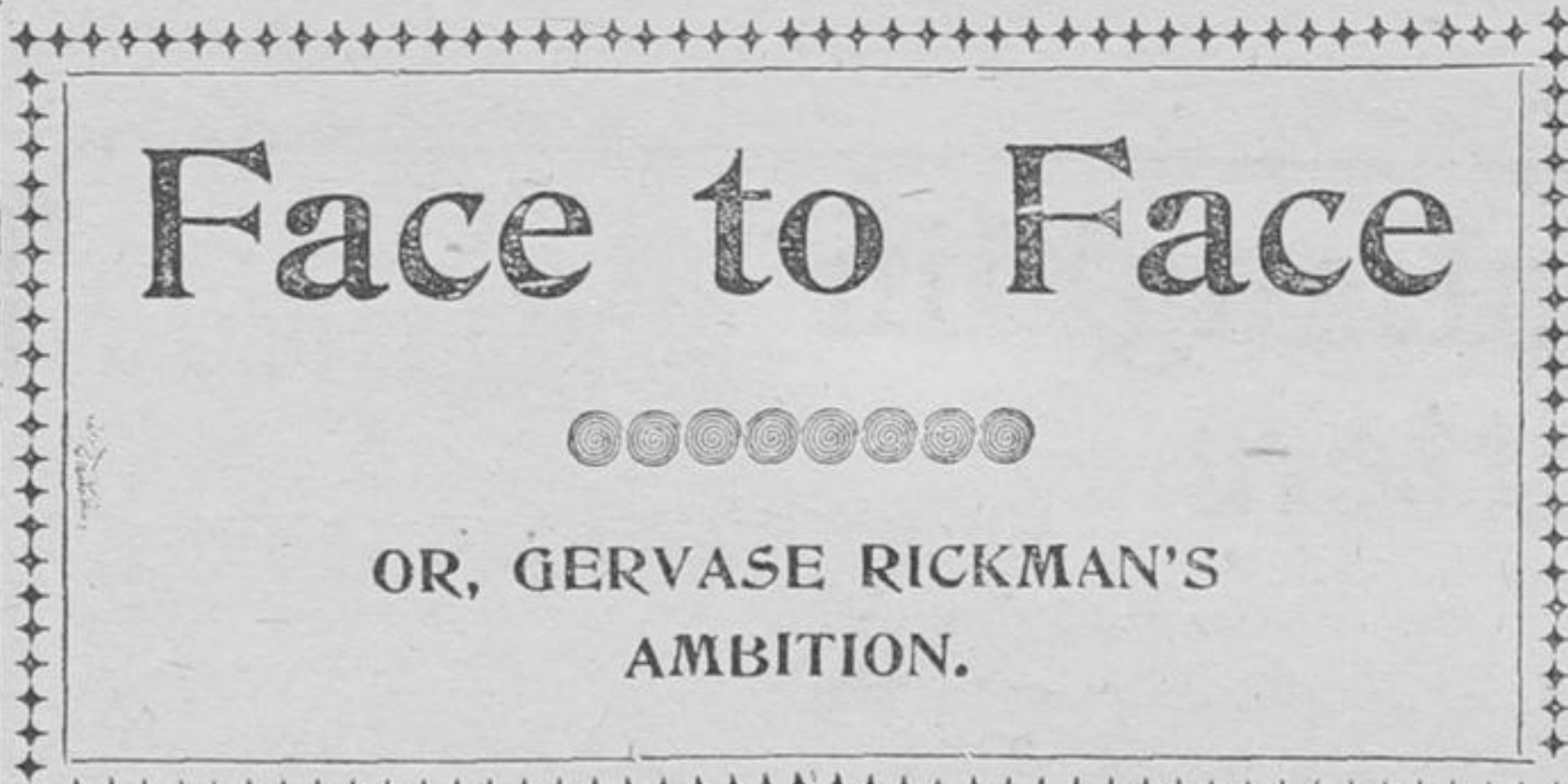
The question was asked how long it would take to dispose of the Illinois Traction securities. The company's entire holding could easily be disposed of at a handsome profit within two days. Any person, however, who observes the phenomenal growth of the earnings must realize that the common stock at least will not attain its full value for years, and to sell now would merely be to divert into the pockets of brokers immense amounts which would otherwise go to the policyholders.

BENEFIT TO POLICYHOLDERS.

The large profits have enabled the Company to forestall the requirements of the law and at once place the reserves upon all its policies upon a 5½ per cent. basis, a step calling for about \$1,200,000. Even by this severe standard it had at 31st December last a surplus over all liabilities and capital stock of \$1,735,698.59. This sum has since been largely increased. This does not include the contingent fund of over \$3,000,000. The Company has also been enabled to increase the rate of profit paid to policyholders year after year, and it expects to still further increase it.

WRITING DOWN SECURITIES.

The Company has been criticized for writing down its securities before losses actually happened, simply because it feared that loss might perhaps arise. The management claim, however, that this is the only proper course, and that any other would be highly objectionable. If the manager of a bank or loan company were to refrain from writing down securities, merely because losses had not yet actually materialized, he would be condemned as issuing misleading statements. The management consider that they deserve credit instead of censure for the course they took. As regards the so-called writing up, the facts are merely that when some large blocks of Illinois Traction preferred and other securities were sufficiently ripe to be transferred from the contingent account to the active list, the management had to face the question whether the entire value of these stocks should be added to the surplus, or whether they should be used in part to write down other securities not quite so good. It was decided to substitute these new securities in part for some others, that while not bad, were not entirely satisfactory. Had this not been done, the nominal surplus of the Company would



OR, GERVASE RICKMAN'S AMBITION.

CHAPTER VI.—(Continued).

"Well, Annesley," Gervase said, with a careless laugh, as they strolled homeward, "perhaps you ought to know that you have been playing the Good Samaritan to Paul's most deadly foe. You may have heard of some of the misdoings of Davis. No? Then you will before long."

"I thought I knew the man," Annesley replied. "What! not the son of old Doctor Davis, he looks too old? Why does Paul dislike him? He seems a good fellow."

"That old look is the head and front of his offending. He gets all Paul's patient's by it. It is hard upon Annesley, who has twice his brains and education. He studied at Paris, as you know, after walking the London hospitals, while Davis scrambled through his course as best he could, and took a second-rate Scotch degree. Yet Davis succeeds; he so thoroughly looks the family doctor, and was an aged man in his teens. Paul is rich in legends of the atrocities committed by Davis through ignorance and stupidity."

Annesley replied that Paul's youthful looks did not seem a sufficient set-off against skill and science; but Rickman explained that other things were against Paul. "You may have noticed," he added, "that he has an unlucky habit of speaking the truth; he has never mastered the truism that language is given us to conceal our thoughts."

Edward had observed his cousin's bad habit, but did not see how it could affect his success. "My dear Annesley," returned Rickman, "have you never yet observed human beings, or discovered the fatuity of the truth-speaker? Animals have no language because they have nothing to conceal; they can communicate facts to each other without the delicate machinery of speech. But men, that is civilized men, only exist by means of concealments; if the savage virtue of truth prevailed, society would revert to chaos, now, for instance, Paul is called to a man who is killing himself by drinking spirits; the patient complains of his miseries, and asks what is the matter with him. 'Gin is the matter with you,' replies Paul, 'and if you don't leave off you will be a dead man before long.' Whereupon Paul is sent off, and Davis called in. Davis looks grave and sympathetic; he talks about complications and obscure symptoms, and gives the complaint a Greek name a yard long. 'In the meantime,' he says, 'alcoholic stimulants, even in the most moderate degree, may prove fatal.' Davis has studied the use of speech, Annesley has not."

"I like Paul's way best," Sibyl observed. "You are a young savage," replied her brother; "but you are so pretty that what you say is not of the slightest consequence."

"Still, I do not see why Paul should be at odds with Davis," persisted Edward. "Well! you are a refreshing young party!" thought Gervase. "Annesley is jealous!" he added aloud—"all the Mowbrays are. I should like you to observe casually, when you get home, that you met a delightful fellow named Davis, and helped pick up his fragments. You will then hear something not to the doctor's advantage."

"Language is used by some people to conceal their thoughts," commented Annesley.—"I suppose, Mrs. Rickman, that you take that grain of salt with your son's statements."

"Always when he indulges his cynical vein," she replied, laughing. "Dul, seriously, Mr. Annesley, the name of Davis acts on your cousin—yes, and on Mrs. Annesley—like a red rag on a bull, and people who are intimate with the Annesleys don't visit the Davis set. The medical profession is a jealous one."

To which he replied he had heard successful men disparaged in other professions. "Raysh Squire," he added, "says that jealousy dislodged him from the reading-desk. Raysh is as great a politician as ever—doesn't look a day older than he did years ago."

"The old rascal wears well. He says it is brain that keeps him sweet. Nobody can 'get upsides' with him. Raysh is the only man I ever heard talk sense on politics."

"Why, Gervase, he is a rank Tory," cried Sibyl, "and you are a Liberal! How can you agree with him?"

"Innocent child! Who said that I agreed with him? I only said he talked sense in politics, which I take care never to do, because people would never listen to me if I did."

"Really, Gervase," said Alice, "I can not understand your politics. With us you always talk like a Conservative, and yet whenever you write or speak in public you express the most extreme Liberal opinions."

"Party government," replied Gervase, slowly, "is a useful machine, but it has its drawbacks. One is, that it obliges men to adopt a certain formula of clap-trap and slick to it."

"Just so," said Annesley, rising to take his leave. "If you want to keep your hands clean, you must leave politics alone."

"I don't believe it," cried Alice, warmly. "I can not believe that honor and honesty are not necessary in the government of a great nation. Men are so weak before evil, so ready to bow down before the mean and base. If they had but the courage to stand up before Wrong and say, 'We will not bow down to it, we do not believe in this god; Right is stronger than Wrong,' what a different world it would be!"

"It would indeed!" replied the young men simultaneously, but each with different meaning, and Gervase explained that he was not speaking of ideal politics but of party government—a very different matter. Then Edward took his way homeward, musing upon the sudden fire in Alice's calm face, and deeply stirred by her words, though he seemed to listen to Gervase, who walked part of the way with him.

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dinner-party before him, which was to be augmented later on by a contingent of young people to tea.

"For Heaven's sake, Ned," he managed to whisper to his cousin, "entertain all these solemnities for me! I am dead-beat, and as stupid as an owl." An order that Edward received and carried out literally.

For a full hour after dinner the wearied doctor could do nothing but yawn, until in desperation he went out of the room and got himself some strong coffee, while his cousin took his place.

Medington parties were not very brilliant, as a rule; the same set of people transplanted from house to house, and going through exactly the same rites and ceremonies at each, produced rather a monotonous effect upon one another; a stranger, and especially a stranger of the sex which is so sadly in the minority in country towns, was a welcome addition to these meetings.

The ritual was as follows: A procession of bashful maidens solemnly passed one after the other to that instrument of social torture, the piano, and there, like so many Iphigenias, sacrificed themselves with more or less mental anguish, one of the scanty contingent of young gentlemen assisting at the sacrifice by turning the leaves, which, in spite of an anxious determination to be right, he invariably did too soon, with dire results and blushes on both sides. The elders, witnessing this ceremonial, offered an interesting study to the physiognomist. Some wore their sermon faces, and appeared sincerely desirous of an edification which did not come; others sought consolation in contemplating the ceiling; while others assiduously studied their boots. All were glad when the blushes of the last Iphigenia died away; and the middle-aged gentlemen were consoled by whist, and their wives by the unfettered use of their tongues; the young folks taking refuge in the good spirits natural to youth, in the examination of photographs and the distraction of a round game. The mildest curate was not to be despised at such a gathering, much less a good-looking officer who could sing, and knew the latest drawing-room pastimes, and considered it a solemn duty to try to entertain everybody, and bring out every one's latent talents for the general good; so that Edward, co-operating with Mrs. Annesley, who was too stiff to make a good hostess alone, caused the party to be the party of the year, and achieved a popularity that aroused the most hostile feelings in the breast of a certain young lawyer, whose courting had just then reached a critical stage.

Paul was called out again just after his dose of coffee, and when he returned and entered the room unnoticed, to find people amusing themselves to an unusual degree, himself a nonentity in his own house, and his cousin quite at home in his place, a queer feeling came over him. He sat silent and gloomy in a remote corner, mentally recalling all Edward's past misdeeds, and disparagingly criticising his present demeanor.

His old offenses of being taller, better-looking, in better circumstances, and in a profession that he had himself most regretfully renounced from a sense of duty, revived, though perhaps Paul was not aware of it. All he consciously thought was that Edward was not the good fellow he had been; his manner was not quite up to the mark; there was a certain coxcombry about him that he really was not sorry to observe, and so on.

During these gloomy reflections his cousin observed to him in passing his chair, and apropos of a fresh assault upon the piano, "How well Miss Rickman sings!"

"How on earth do you know how she sings?" growled Paul.

"I spent the afternoon at Arden," was the disquieting reply, which set Paul wondering as to how he got there, and, above all, why he went.

Then he heard his mother request his cousin to do some little service that should have fallen to himself, and again began mentally depreciating him, until he looked up by chance and caught the reflection of his haggard, scowling face in a mirror, and started with a shamed sense of his own paltriness which made him gloomier than ever.

"I cannot imagine what I should have done without you to-night, Edward," Mrs. Annesley said when the people were gone, "Paul was utterly fagged and stupid. Another time it would be better for you to leave the room altogether, Paul."

"Fine young man, that cousin of yours," said an elderly gentleman whom Paul was helping into his coat; "glad to see him, whenever he likes to look in." Was it possible that these trumpery things could add to the ascerbity of Paul's feelings? He would have scouted the idea.

Overcome with sleep as he was he would not go to bed until he had had a few words with his cousin, whom he took to his room to smoke.

"I think," he began, after a few fierce puffs at his pipe, "that you might have waited for me before calling on the Rickmans. As I told you I had arranged my work on purpose to have a spare morning to-morrow, and meant to drive you over to-morrow."

He was only half mollified when Edward recounted his mis-adventures with the chestnut, and his accidental meeting with the Rickmans at their door.

"You military fellows never suffer from want of assurance," he grumbled; "you seem to have made yourself pretty well at home at the Manor."

"It was not due to personal merit; I was received as your cousin," he replied. "I say, Paul, I congratulate you on your choice. I am glad you forewarned me; such a charming girl, and so clever as well as pretty!"

(To be continued).