Tuesday, February

# Bulwark of \$100,000,000 Protects Sun Life Investments

Unique Financial Position of Company Discussed by President Macaulay in Annual Address

MONTREAL, Feb. 19 .- The phenomenal growth and success of tunately, when the same degree the tenth announcement. Our tions have been conducted to the tions of one of the greatest, the Sun Life Assurance Company of Canada lends widespread inte - f care as is necessary for safety profits are accumulating as great advantage of its policy-strongest and most beneficent est each year to the annual address of the President, Mr. T. B. Maeaulay.

The annual meeting, which has just been held, disclosed a continu- mon stocks, especially within the tion will be disbursed to our said, our policyholders may conation of this expansion, but it was more noteworthy still for an an- conservative limits laid down by policyholders with the passing fidently anticipate even greater nouncement, almost startling in character, by Mr. Macaulay regard- the Act, these selected securities years. ing the financial strength of the Company. He stated that so care- are, in the judgment and exfully had the directors anticipated every possible adverse contingency perience of the thoughtful and "But there are other features our policyholders have the strong- molished in a gale last fall, the bishop and administrator in the money market that even a panic which would reduce the value well-informed, among the choicest to which my mind reverts with est interest in desiring the Bill city council last night adopted a Montreal who has left for Rose of the assets by one hundred millions of dollars, would still leave un- and safest of all investments and pleasure. One of the most de- to pass, for, should it succeed, report from the utilities comtouched and unimpaired the shown surplus and reserves of the Com- by far the most profitable and lightful compliments I ever re- our directors have agreed to repany.

Mr. Macaulay dwelt as well in a most interesting and illuminating manner upon the relative merits of the varied securities in which ingrance companies invest their funds, and of how traditional views on investment have altered owing to the changed conditions of modern company has not suffered losses, business. He said in part:

"It is a great pleasure to move the adoption of this report, for the on its mortgage investments. As record it sets forth is a remarkable one.

"A mere statement of the increases over the figures of the previous consider that there is magic secyear is impressive. In income the increase is \$41,972,000; in assets urity in the label 'bond.' This \$87,650,000; in surplus \$9,157,000; in new assurances \$112,836,000; popular belief is not supported and in total in force \$408,925,000. A company with total business by experience. The surplus earnequal to these increases would be a large and powerful institution. lings and margins of many com-It is but three years since we rejoiced at passing the mile-stone of panies, over and above the div-\$2,000,000,000, while at this moment our assets exceed \$500,000,000. | stocks, are much greater than

"But there is another feature even more striking and important. the surplus earned by other com-Advance figures indicate that the increase over the previous year in panies in excess of the interest is so strong as to be akin to the new business written by the combined life companies of the con- requirements of their bonds. Few tinent was approximately 8 per cent., and the increase in the com- experienced financiers would bined total in force approximately 9 per cent. Against these per- claim that the bonds usually ofcentages let me place the figures of the Sun Life: our new assurances | fered are safer than, or even . increased 34 per cent., while our total in force increased 27 per cent.

"I need not further emphasize the rapid expansion of our business. as the Montreal Light, Heat It is but a continuation, though in accelerating degree, of our normal Power, American Telephone and ly prized. condition. That the Company is extraordinarily popular with the in- Telegraph, Commonwealth Edison. suring public is evident. But people will hardly show so pronounced a preference without reason. That reason unquestionably is the great The payment of the interest on strength of the Company, and its unusual profitearning power. The earnings announced in the report are slightly in excess of \$40,000,000 but it is clearly intimated that had we desired to do so we could have taken credit for a much larger amount. We, however, follow our conservative policy. We always have before our minds the posibility of a business depression, which might occasion heavy shrinkage in market values of all classes of securities. Mortgage securities may at such a time become totally unsaleable, but that fact to be far more than offset is not patent; while every fluctuation in the prices at which stocks and bonds can be turned into immediate cash is quoted on the Stock Exchange.

#### Securities Heavily Under-

valued "I have decided to take our above all, specialization in the the rates payable on those stocks nent legal authorities to whom policy-holders into our confidence safe and profitable investment of when we purchased them. As an we submitted the question assure in the most complete way, so that the funds. tingency reserve of \$12,500,000, which prohibit investment

\$100,000,000.

"This means that the market safeguarding policyholders. values of our securities could Investment Provisions shrink by \$100,000,000 without reducing our surplus by one dollar. Such a shrinkage is almost briefly the provisions of our law. hat supply some product or ser shall never fall into undesirable inconceivable. I indeed doubt They permit investments in:- vice essential to the life of the hands. We cannot alter the stavery much if even the catastrophe first mortgages (up to sixty per ommunity, and that usually are tus of our existing shares, but we of another world war could pro- cent. of the appraised value); dominant in their respective can impose restrictions on the duce so drastic a depression, government and municipal bonds; hheres. Such corporations have transfer of the new shares which Supposing it did, we would still corporation bonds secured by heir roots deep in the life of will be an effectual safeguard. have intact our undivided sur- mortgage; preferred stocks of the nation they serve, and are all plus of over \$54,000,000. We are corporations which have paid most part of the nation itself. increase would divert from the hardly likely, I think. to be dividends for the preceding five the nation cannot grow and prompolicyholders profits properly becriticized for lack of conserva- years; and common stocks of cor- er without their growing and onging to them. This is the extism. I do not know any other porations which have paid divid- prospering. The operations of uct opposite of the truth. financial corporation which has ends for the preceding seven such corporations can hardly fail "The Insurance Act allows its assets so protected. I imagine years, such dividends being not to expand, and their profits in stockholders to receive ten per we are more likely to be told that less than four per cent. per an- crease, surely and steadily; and cent. of the profits distributed we have been too conservative: if num, or \$500,000 per annum in this is but another way of saying from the participating branch. so, that is a criticism we must amount. These provisions avoid that the stocks of such select and Our stockholders long ago reendure. Our safety margins may the extreme both of unwise free- outstanding corporations can duced their share to five per perhaps be unnecessarily large, dom and of harmful restriction. hardly fail to be of greater in cent. All our centracts for thirbut safety must be our para- To my mind they are almost trinsic value five, ten and twenty ty years past have been made on mount consideration; and if, as ideal. years hence than they are to-day, the agreement that the participawe confidently anticipate, the they will in time be available for amount in all classes authorized We do not speculate. We buy to profits, and that right any of holders. And what possibilities , With the great growth of the merely because it has risen to court of law. margins represent!

#### Praises Canadian Law

"But let us look further into to us? As for mortgages, we are we should sell. If quotations be creased or in any way affected by our earning power. There are must unwilling to establish ag- high, we can ignore them, and, higher capitalization. It is immany contributing factors: ener- encies in distant centres, of in fact, do ignore them. getic, yet cautious economical ag- whose real estate values, conditency management; careful sel- ions and dangers, we know nothection of risks; conservatism in ing. That would be to entrust

they may realize how fully our "Our investment policy is in stocks purchased by us in 1923: directors have provided against fact a distinguishing characteris- the actual cash yield from these ment, but advised us that it would any contingency of this kind. tic of the Company. Our develop- in 1928, represented a return of Je well to have the matter put be-You will notice that we say that ment and prosperity would have 2.38 per cent. on the purchas yourd doubt by a brief clarifying the values quoted are those given been impossible but for our in- price greater than the dividends by the government department or vestment policy, and our invest- payable on these stocks at the lower.. There is much in those ment policy could not have been time of purchase, while the av be increased; we merely ask that two words. They mean that the pursued but for the wise invest- erage value of the rights and values given in the report are ment provisions of our Canadian bonuses received during the in- amount originally authorized be approximately \$62,500,000 less Insurance Law. That law stands tervening five years has amoun- freed from legal ambiguity by than the actual current values of before the world as a monument ted to a further .38 per cent, per those securities on the Exchanges. to the wisdom of our Dominion annum. Then we have the additional de- Parliament. Companies of many duction from market values of other lands are either permitted \$20,000,000, referred to in the re- unwise freedom, or are hampered port, and also the special con- by restrictions, equally unwise, These items total \$95,000,000, and many of the most desirable secour unlisted assets and other urities. The Canadian Act, by margins raise the amount to contrast, permits reasonable free dom to the companies, while fully

for our policyholders do these Company, the problem of inves- a high figure. Stock exchange Policyholders to Benefit ting its constantly increasing quotations influence our decisions fund becomes more and more im as to whether we should buy a portant. What avenues are open security, but not as to whether to shareholders cannot be in-

creasing field.

#### No Magic in 'Bond'

"Consider mortgages. ...nd sometimes very heavy losses, to bonds, some people seem to safe as, stock of such companies and many others I could name. the bonds is certainly no more sure than the payment of the div idends on the stocks. In the very unlikely event of the divid end on any such choice stock being reduced, it would be certain ncreases in the dividends or others. Our own average interest rate has been steadily mounting creased dividends and bonuses

#### Only Tested Securities Purchased

ludes stocks of all companies ital is manifestly out of all prothat do not have a long record portion to the magnitude of the of dividend paying and prosper- Company's operations. It is abty. But we go much further surd that a Company, whose asthan that. We limit ourselves allets are already \$500,000,000, aost entirely to corporations that | hould be controlled by a capital have attained oustanding finan- f \$2,000,000. cial strength, with great reserves - "(2) Because we wish to en-"It may be timely to summarize and resources already established, sure that this great Company

#### Policyholders' Profits Again Increased

ment of strangers. Government gation than the investments of turn for actual cash.

ity issues, the strongest corpora- nable position, and the magnitude of the stockholders, the Sun Life throughout the land will agree tions are rapidly redeeming their of the profits in which our pol- Assurance Company of Canada with us. obligations, and no longer need to icyholders rejoice. Many years has grown to huge proportions. "I apologize for speaking at borrow. Desirable bonds there ago I expressed the hope that I Its agencies encircle the globe, such length, but it appeared to be fore represent a constantly de- would be able to announce an and it has done much to make necessary. increased scale of profits every Canada known and honoured "I now move the adoption of "For a very considerable part year for at least ten years. We around the world. It has become the Report. It is, I venture to f our investments we must, con- now make that announcement for one of the greatest financial cor- think, one of the most eminently sequently, look to those classes of the ninth successive year, and I porations in existence. Its pol-satisfactory and noteworthy recommon stocks which are author- certainly cannot say that I expect icies protect hundreds of thous- ports ever presented at an annual zed by our Canadian Act. For- the increases to stop with even ands of homes. That its opera- meeting. It records the transacin selecting mortgages and bonds never before, and it is inevitable holders is sufficiently evidenced corporations in the world, and it

A Company with a Soul

mere phrase is shown by the sym- portion to ninety-six per cent., The at a cost of \$65. pathetic comradeship that exists between all ranks of the Company's service, both at head office and in the field. It is seen also in the enthusiastic support accorded us by our legions of policyholders. Our relationship with them is something more than hat of mere business co-operation. The sense of mutual confidence and mutual appreciation friendship, and it is as our friends I like to think of them This delightful relationship is the reward of unwearied and successful service on their behalf and it is a reward which is great-

The Bill Before Parliament

"I will now say a few words about the Bill we have before Parliament. There has been so much misunderstanding and misrepresentation about it that think you would like statement of the facts.

"The original Charter, granted in 1865, authorized the Company s capital at \$4,000,000. An amenung Act passed in 1871 contained a somewhat ambiguous clause, year after year, due solely to in which has been interpreted in some quarters as limiting the build up protective reserves; and. received on our stocks beyond capital to \$2,000,000. Five emillustration, take the common us that the original authorization was unaffected by that amenu-

Let of parliament. "We do not ask that the capital our right to issue stock up to the

a simple declaratory clause. "But why do we require a larer capital than the present \$2,-00,000?

"Chiefly for two reasons: "Our Canadian law wisely ex- "(1) Because the present cap-

"It has been said that such an

"Our list of assets shows that | "Let me repeat what I have al- ting policyholder shall receive margins prove not to be required, we own securities of large ready said on many occasions, ninety-five per cent. of these distribution among our policy by the Act.

by Bill

"The amount of profit accruing possible that any increase in capital could injure the policyholders; on the other hand, every

and municipal bonds yield but its funds. No other department "The small percentage of profit "I can thing of no proper oblow rates of interest. As for will give such a generous return allowed to the stockholders is jection to the Bill. It will injure bonds of corporations, we must for the attention devoted to it. their share or commission for nobody, and will help everybody; face the fact that apart from oc- "It is to its investments that guaranteeing and managing the policyholders most of all: I am casional railway and public util- our Company owes its impreg- Company. Under the management very sure that our policyholders is applied to the selection of com- that a larger and larger propor- by this report. And, as I have is worthy of the Company." benefits in the future.

"For another reason, however, donald explained had been deceived was when I was once in- commend to the stockholders that view of the urgent need, a new visit to the Holy See. troduced to an audience as the their proportion of profit be re- fire hose reel house be built at president of a corporation that Juced to four per cent., thus in- the corner of Eighth Avenue and had a soul. That this was no creasing the policyholders' pro- Conrad Street by Mitchell & Cur-

of our Company, to the judg- serves closer study and investi- ital will be issued except in re- and correspondingly increasing

To replace one which Ald. Mac-

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Mgr. Georges Gauthier, Ard

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ection of risks; conservatism in ing. That would be to entrust additional amount paid in by the always retaining a considerable the safety of our investments, proportion of our earnings to even to a large extent the safety Company's business which decurity. And no additional cap-