

HOW CANADIAN LIFE COMPANIES INVEST THEIR ASSETS.

During 1914, the Canadian life insurance companies increased their invested assets by \$21,500,000, from \$218,160,384 to \$239,639,306. This advance is about \$1,800,000 larger than that made during the year 1913. In brief the companies disposed of their new funds available for investment during 1914 as follows:—\$1,240,000 in real estate, \$7,600,000 in mortgages, \$650,000 in loans on collateral, \$5,325,000 in loans on policies, \$5,750,000 in bonds and debentures, \$930,000 in stocks.

Analytical statistics of these invested assets are published on another page. Under the heading of invested assets are included the following: the real estate owned, the loans on real estate, the loans on collaterals, the loans on policies and "premium obligations on policies in force," and the bonds, debentures and stocks held. These invested assets represent 93.4 p.c. of the companies' total assets, which include, in addition to the invested assets, cash on hand and in banks, interest and rents due and accrued, outstanding and deferred premiums and "other assets." At December 31, 1914, the total assets of the life companies included in our tables were \$256,623,329. The total of their invested assets at the same date was \$239,639,306, so that their uninvested assets were \$17,000,000. This is an increase in uninvested assets of \$2,600,000 compared with December 31, 1913.

In proportion to the total assets, the uninvested assets of the companies increased slightly in proportion last year. At December 31, 1913, they were under six per cent. of the total assets; at the close of 1914 they had risen to 6.6 per cent. This increase in uninvested assets appears to be due in part to larger cash holdings by the companies, and also to a big increase of \$1,050,000 in the item "interest and rents due and accrued"—a result contributed to, it may be suggested, by not altogether wise investments—while "outstanding and deferred premiums" are up over \$700,000.

THREE YEARS' INVESTED ASSETS.

The following is a summary table of the companies' invested assets as at the close of December, 1914, and in two previous years:—

	1914.	1913.	1912.
Real Estate Owned.....	\$12,656,455	\$11,416,321	\$ 8,941,457
Mortgages on Real Estate.....	94,664,156	87,085,966	75,131,638
Loans on Collaterals.....	2,130,153	1,477,726	2,809,833
Loans on Policies, etc.....	36,125,018	30,799,145	25,810,787
Bonds and Debentures.....	76,674,179	70,924,684	69,388,972
Stocks.....	17,389,354	16,456,543	16,298,097
Totals (Unadjusted).....	\$239,639,306	\$218,169,384	\$198,460,784

There was a considerable reduction last year in the proportion of the new investment funds of the companies going into mortgages. In 1913, the proportion of new funds thus invested was nearly two-thirds of the whole new funds becoming available—mortgages were increased twelve millions. Last year the proportion was only about one-third—mortgages were increased only \$7,600,000. Bonds and debentures, the holdings of which during recent years have been comparatively stagnant, owing to the *penchant* of some of the companies to stick almost every penny they have in mortgages, made a substantial step forward during 1914, of \$5,750,000. Prices of first-class long-term investments of this character were low last year, and though prophesy is a hazardous business in view of the fresh interest levels which have been set up as a result of the issue of a British Government loan at 4½ per cent., and of the obscurity of the outlook

for rates of interest after the war, there is still little reason to doubt that company management, who invested in this way will find no cause for complaint, since in any case if they hold to maturity—and an insurance company is not intended to do a stock jobbing business—they are assured of very satisfactory returns. Policy loans show a record increase of \$5,325,000; holdings of real estate increased \$1,200,000—this advance being accounted for by new office buildings; loans on collaterals made a relatively large increase of \$700,000, and holdings of stocks increased by nearly a million, subscription rights to new bank stocks accounting in part probably for this. With regard to stocks it is to be noted that among the assets of some of the companies are included bonus stocks, acquired in connection with bond purchases. When these stocks are not deemed to be of appreciable or certain value, they are not included in the returns; but when a value has been assigned by the companies to the stocks, they are then included.

RATIOS OF INVESTMENTS HELD.

The variations in the proportions of assets invested in the different classes of securities during the last three years are shown in the following table:—

	1914.	1913.	1912.
Real Estate Owned.....	5.3	5.2	4.5
Mortgages on Real Estate.....	39.5	40.0	37.9
Loans on Collaterals.....	0.9	0.7	1.5
Loans on Policies, etc.....	15.1	14.1	13.0
Bonds and Debentures.....	32.0	32.5	35.0
Stocks.....	7.2	7.5	8.2

The most important variation of the ratios of 1914 from those of 1913 is the increase in loans on policies, amounting to a full point. These loans now account for 15.1 per cent. of the companies' invested assets. There are no indications at present of the rise in policy loans being checked. A revival of business, enabling realization of a number of undertakings which are at present being carried by speculators might have some effect, but probably enough, the revival would simply be made an excuse by some folk for fresh borrowing to enter upon new commitments. For the first time for some years the proportion of mortgages shows a decrease. Having reached a maximum of 40 per cent. of the whole of the companies' invested assets in 1913, they declined last year to 39.5 per cent. So recently, however, as 1910, the proportion of these loans was only 33 per cent. Bonds and debentures continue to show a declining ratio but in 1914, the falling off was considerably less than in previous years, being only 0.5 per cent. against 2.5 per cent. in 1913 and 3.0 per cent. in 1912.

On the whole, it seems likely that in the immediate future the companies will have ample opportunities of investing their funds in *safe and sound* investments at remunerative and satisfactory rates. Safe and sound is emphasised, because a perusal of the lists of the companies' investments suggests that some managements, in their eagerness to get a high rate of interest, are apt to forget that their funds, in fact, if not in law, are trust funds and require investment accordingly. In these days, it is possible to obtain a rate of interest that is entirely satisfactory without touching the bonds of an over-capitalised industrial merger or loaning to an indigent farmer who falls behind with his interest payments at the first opportunity.