

AVERAGE INTEREST ON MEAN ASSETS.

Year.	Canadian companies.	British companies.	American companies.
	Per cent.	Per cent.	Per cent.
1902.....	4.75	4.05	4.24
1901.....	4.66	4.14	4.20
1900.....	4.56	4.03	4.31
1899.....	4.52	3.92	4.69
1898.....	4.65	3.94	4.53
1897.....	4.77	3.98	4.57
1896.....	4.76	4.08	4.65
1895.....	4.68	4.19	4.88
1894.....	5.24	4.34	4.72
1893.....	5.35	4.09	4.79
1892.....	5.37	4.19	4.83
1891.....	5.54	4.34	4.97
1890.....	5.50	4.32	5.06
1889.....	5.74	4.29	5.26
1888.....	5.83	4.14	5.40
1887.....	6.57	4.28	5.22
1886.....	6.29	4.41	5.30
1885.....	6.22	5.38
1884.....	6.13	4.41	5.39
1883.....	6.61	5.45
1882.....	6.20	5.84

The expansion of the amount of interest earning assets of the Canadian life assurance companies continues to be a marked feature in these returns, it is also a gratifying one inasmuch as it indicates a growing confidence in the stability of Canadian institutions. Within the last seven years, the Canadian companies have enlarged their average "Mean Assets," their interest earning investments, from \$31,788,542 to \$66,386,980, the increase in that period, 1895 to 1902, being equal to over 109 per cent., that is, the mean amount of the assets of the Canadian life companies has more than doubled since 1895. In the same period the increase in the assets of the British companies transacting business in Canada was from \$54,400,880 to \$74,741,094, the enlargement being 37.4 per cent. in the seven years, from 1895 to 1902. The assets of the American companies in this period rose from \$650,981,478 to \$1,185,750,271, the increase being 82.1 per cent. in the 7 years, from 1895 to 1902.

The average interest on the Mean Assets of the life companies does not afford any evidence of there having been a general advance in the rate of interest in recent years, or since 1896, a year which was referred to by one speaker at the Congress of Actuaries as having shown the low water mark of a decline movement. It is somewhat remarkable how closely the average interest on the Mean Assets of the Canadian and the British companies in 1902 approximated to their average in 1896. It is also somewhat surprising that, although there has been quite a general advance in interest rates in recent years, especially so since the outbreak of the war in South Africa, the average interest earned on their average Mean Assets by the American life companies was lower last year than in 1900, 1899, 1898, 1897, or any preceding year. Why the experience of the life companies, as evidenced by their average

interest earnings, has not coincided with the general advance in rates since the South African war, is attributable to their owning so large a body of securities of which the interest is fixed for a term of years. They also own buildings of various kinds which are leased for a term of years, and shares on which the dividend is maintained continuously at the same rate year after year. Under such conditions the variations in the general rate prevailing in the money market during a restricted period is not reflected by the average rate earned by the "Mean Assets" of life assurance companies. In using the interest rate earned by the investments of life companies as an indicator of the tendency of money to become higher or lower priced, it is therefore necessary to take a wide range of years, as only thus can an average be arrived at which indicates what can be regarded as a "tendency" towards an advance or depression in interest rates, just as the geographical features of a continent cannot be judged by the rising and falling of localities in narrow limits.

In considering then the above table of interest earnings we find proofs of the general trend by noting that, while there have been "ups and downs" on a small scale, the rate has dropped from point to point during the last 20 years, the range of which is shown by the following comparisons:

Canadian Co.'s Rate of interest.	British Co.'s Rate of interest.	American Co.'s Rate of interest.
1882 ... 6.20 p. c.	1884 ... 4.41 p. c.	1882... 5.84 p. c.
1888 ... 5.83 "	1888 ... 4.14 "	1888 ... 5.40 "
1894 ... 5.24 "	1893 ... 4.09 "	1894 ... 4.72 "
1902 ... 4.75 "	1902... 4.05 "	1902... 4.24 "

While the record of the last 20 years shows that, there has been a gradual decline in the rate of interest realized by the life companies from the amount of their "Mean Assets," as calculated in the system above detailed, the evidence is not an absolute proof that this decline movement will continue, still it has much force as a factor in the problem as to what are the probabilities for the future.

The right class of investments for life companies is a question of vital importance, to which the mere amount of interest realized is, and by all companies ought to be made subsidiary. The funds held by a life assurance company are really trust funds which cannot be used for speculative purposes without such great imprudence as verges close upon dishonour, and certainly shows a defective sense of the obligations involved by a trust. The most appropriate securities for a life company's investments are, Government and Municipal bonds and debentures, then, the bonds of such railways as have an established record for sagacious management and honourable observance of financial obligations. Mortgages on real estate may be had to yield a higher rate of interest than first-class debentures and bonds, but long experience shows that, mortgages bearing a higher rate of interest than high