INTEREST EARNINGS OF LIFE COMPANIES IN CANADA, 1915.

The statistics published on another page regarding the interest earnings in 1915 of the life companies doing business in Canada show that while those of the British and American companies continued on the upward grade last year, the rate of interest earned by the Canadian companies for the first time in many years declined slightly. The method of compiling these statistics followed by THE CHRONICLE is as follows:—The mean of the assets is determined by dividing by two the sum of the ledger assets as at December 31, 1915, and at the same date a year earlier and adding thereto the market values of bonds, stocks, etc., over book values, or deducting in cases where the market value is less than the book value. The addition or deduction is not made in the case of the British and certain of the United States companies, where the Government Blue Book gives ledger values without information as to market divergence. In all cases "assets not admitted" are deducted from the sum of the ledger assets. The interest is considered as made up of receipts from interest and rents during the twelve months ending December 31, 1915, adding thereto the interest and rents due and accrued at the end of the year, less the same items outstanding at the close of 1914. This method has been found generally satisfactory. While there are occasional differences in the form of returns made by individual companies, these differences do not materially affect the results shown.

CANADIAN COMPANIES' EARNINGS.

The slight decline in the Canadian companies' earning power is the first recorded for many years. The 1915 rate of 6.21 per cent. compares with 6.28 per cent. in 1914 and 6.17 per cent. in 1913. The pronounced upward trend in these earnings steadily maintained over a series of years up to 1914 is shown in the following summary of the average rate of interest earned each year since 1900:—

1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
4.56	4.66	4.75	4.80	4.80	4.93	4.98	5.24
1908.	1909.	1910.	1911.	1912.	1913.	1914.	1915.
5.30	5.41	5.45	5.72	5.87	6.17	6.28	6.21

The reason for the slight decline of earning power in 1915 is probably to be found in the falling-off of investments in high-yielding mortgages. For the first time for some years, in 1915 there was a decline in the proportion of mortgages to the whole of the invested assets held by the Canadian life companies. At December 31st last, this proportion was only 37.7 per cent. against 39.4 a year previously. As is well known, the demand for mortgage money has fallen away considerably since the outbreak of war, and life companies which were accustomed to invest large and increasing sums annually in mortgages, necessarily turned their attention and funds to War Loans. While the income from these is handsome enough, the rates even at present procurable from them are of course much lower than the rates that some of the companies have been accustomed to obtain from mortgages. Hence the decline now shown in average earning power. To THE CHRONICLE, this change is, frankly, not a matter of regret. The amounts of interest overdue reported by some companies at December 31st, 1915, indicate that a considerable amount of trouble has been experienced in collecting interest on a proportion of these high interest rate mortgages—a larger proportion in some cases than is altogether desirable. However, 1915 was an exceptionally bad year for collections of this kind and it is possible that since the opening of 1916 a better experience in collections has been the rule. There will be in any case no question of over-due interest or trouble in making interest collections on the Dominion's war loans, and the compulsory legislation regarding investment in those loans has perhaps its good points in correcting a tendency on the part of some life company managements to stick every penny they become possessed of into mortgages, the collection of the interest upon which in a poor crop year with low prices gave considerable trouble.

A FAVORABLE OUTLOOK.

The Canadian life companies can well afford a slight recession in their average earning power. While insurance companies all over the world have been able in recent years steadily to increase the rate of their investment earnings, the achievement of the Canadian companies between 1900 and 1914 is, so far as we are aware, without parallel. While the companies are compelled to invest a substantial proportion of their annual increase in assets in Canadian war loans, their average interest rate is likely to be stationary or downward. There is, however, such an ample margin between the average interest rate earned and the valuation interest rate, which is very low in the case of most of the companies, that with a continuance of capable management, policyholders in Canadian life companies are likely to find nothing to grumble about in regard to profits so far as these are dependent upon interest earnings. Owing to pressure on space, comment upon the interest returns of the British and American life companies operating in Canada is deferred until our next issue.