

ASSETS OF CANADIAN LIFE COMPANIES

Assets of the Canadian life insurance companies were increased during 1919 by over \$29,000,000 to the new high figure of \$376,476,890. This phenomenal increase, following one of \$26,000,000 during the year 1918 and of \$24,000,000 during 1917, is primarily of course a result of the extraordinary wave of expansion in new business which the companies have enjoyed during the last two years and particularly during 1919. To some extent, also, it would appear to be a consequence of the marked diminution in the lapse and surrender rate which the companies have been able to effect. It is noted in the new insurance report that the total of lapses and surrenders last year was only 23.32 per cent. of the new business written in 1919, compared with 32.56 per cent. in 1918, and with an average for the five-year period ended in 1918 of 44.43 per cent. In view of the very large figures which the companies' annual new business has now reached, so marked an improvement as this in lapses and surrenders must necessarily have a considerable effect upon the showing of assets. Had the companies not been obliged to contend with the influenza epidemic in the early months of 1919, the probabilities are that the increase in their assets last year would have easily exceeded \$30,000,000, their claims from this cause alone in the first three months of the year being \$3,000,000.

The following table shows the companies assets at 31st December, 1918 and 1919:—

	Amount 1918	Amount 1919	Per cent to Total Assets 1919
Real Estate.....	16,205,549	16,791,000	4.4
Mortgages.....	90,533,850	91,325,101	24.2
Loans on Collateral.....	1,224,005	1,761,166	0.4
Policy Loans.....	43,788,718	44,611,927	11.6
Bonds and Debentures.....	157,051,669	179,510,373	47.7
Stocks.....	21,868,184	24,979,354	6.6
Cash.....	3,874,279	2,403,405	0.6
Interest and Rents due and accrued.....	6,911,159	8,066,539	2.1
Outstanding premiums.....	7,775,726	9,019,887	2.4
Other Assets.....	73,004	292,068	0.0
Total Assets.....	347,614,508	376,476,890	100.0

The greater part of the increase in assets reported by the companies in 1919 took place, it will be observed, in their holdings of bonds and debentures which were enlarged during the year by \$22,500,000 to \$179,510,373, at which level they approach closely one-half of the companies' total assets. Substantial subscriptions to the last of the War Loans as well as the steady purchase of provincial and municipal issues throughout the year account for this increase. With regard to the companies' holdings of bonds, it may be pointed out that no advantage now accrues to life insurance companies in holding the tax-free Victory Loans in preference to other bonds, since the companies' funds are not subjected to federal taxation, except that portion of the profits which is transferred to

shareholders' account. Owing to their freedom from taxation, the earlier issues of War Loans will always sell at a somewhat higher figure than the corresponding taxable issues, and with any improvement in the bond market, it would appear that life insurance executives might well consider the question of exchanging tax-free Victory Bonds for other high grade bond issues, yielding a somewhat higher return. There need be no fear of the companies' patriotism being challenged on this account. They did their duty in an altogether admirable way, in taking up these issues when they were first issued, and the sale of these bonds to other investors to whom the tax-free feature is a matter of importance is now merely a matter of ordinary business acumen.

The relatively important increase in the amount of stocks held \$3,000,000 follows an expansion of \$1,200,000 in 1918, and is a decidedly unusual event in comparison with the record of many years past. The increase, however, is undoubtedly mainly accounted for by the taking up of new stock offered by the banks during the year. In the aggregate the life insurance companies are important holders of the stocks of the Canadian banks, and the recent marked expansion in the capital accounts of the latter is now reflected in the growth of the life companies holdings of stocks.

The "stand-pat" position of mortgages during 1919 follows a substantial decrease in preceding years in the total holdings of this form of security. Following the "boom" in mortgages of some years ago, the companies' experience with them has not been a particularly happy one, and we imagine that, after the severe lesson some of the companies have had, it will be a number of years before mortgages will again assume the importance in the companies statements of assets which they held some five or six years ago. The present generation of insurance executives at all events, is not likely to be tempted into again lending large amounts of funds on mortgages during a real estate boom at fancy rates out of line altogether with the rates paid at the time for funds borrowed for other purposes.

Of the other classifications of assets, the small net increase of approximately \$830,000 in policy loans may be noted. This is the smallest net increase in these loans for many years' past and is a reliable indication of the extent to which the ordinary man was provided with funds during last year. The increases in interest and rents due and accrued and in outstanding premiums, are of course, a natural result of the expansion of the companies' business.

As the years go on, and the total of the companies' assets, goes rolling up, one cannot but be impressed with the enormous investing power which the life companies represent, and the great part