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Rate of Interest Earned on Assets.

Mr. Schofield of Connecticut in his valedictory report states the method adopted by his department of arriving at the rate of interest earned by insurance companies on their assets.

The rate per cent. of net interest earned on mean amount of admitted assets, as per Table VI, is based upon companies' entire assets, including total interest and rents due and accrued, market values over book values, and uncollected premiums. Thus the interest as shown under this description is the rate on companies' entire admitted assets, whether the same may have an interest-earning power or not; such assets as agents' debit balances secured, excess of market value over book value, interest and rents due and accrued, uncollected premiums, and other miscellaneous items of assets.

The rate per cent. of net interest earned on mean amount of invested assets, also shown in this table, represents a company's net interest earned on its actual invested assets, at their book or cost value. This includes real estate owned, mortgage loans on real estate, bonds and stocks, loans secured by pledge of collateral, loans to policyholders, premium notes or liens, and cash on hand or in bank. In the ascertainment of the rate of net interest earned on a company's assets, the increase or decrease in the market value of securities or other non-ledger assets has no bearing. While both computations are important, they should be properly used and distinguished.

The following table exhibits the total results from both computations:

	1899.	1900.	1901.
Average net rate per cent. earned on mean amount of total admitted assets, less investment expense, for all companies transacting business in this state (Table 6).....	4.27	4.07	3.97
Average net rate per cent. earned on the mean amount of principal actually invested, less investment expense, for all companies doing business in this state (Table 6).....	4.51	4.30	4.24

The above computations are based upon the returns of companies' gain and loss exhibits, there-

fore they exhibit the actual net interest earned more correctly than if ascertained by any other means of computation, for the reason that it is the only method whereby the changes in interest due and accrued and unpaid, and investment expenses incurred, which include real estate repairs, taxes and expenses, and the cost for handling investments, are taken into consideration. These latter expenses are charged directly against interest receipts, and the former is either a credit or a debit, according to the increase or decrease as compared with the year previous. Unless the due and accrued and unpaid interest as of December 31st preceding is considered, the item of interest earned cannot be ascertained with positive accuracy. Then again, investment expenses which become a charge against interest earnings must be deducted. The item of interest separated from the premium receipts, and heretofore entered in the annual statement as interest on deferred premiums, has been excluded from the department blank for this year. As it is a part of the premium written in the policy, it is not and should never have been considered as a part of interest receipts.

Fraudulent Traders.

The recent exposure of fraudulent dealings by a large retail and manufacturing firm in this city is a deplorable exhibit. It has become known that this firm purchased goods on credit which they never received into stock, but re-sold them for cash at less than cost. Some packages indeed were cleared at the Customs and shipped direct from thence to a buyer who secured them at a sacrifice on the invoice prices. What their dealings have been with insurance companies is not known, but, it is evident that, there is no wide gulf between such practices as the above and incendiarism. That such frauds can be perpetrated in Canada with impunity, owing to the Dominion having no Insolvency Act, is a serious reproach to this country in Great Britain.