

INTEREST EARNINGS OF LIFE COMPANIES IN CANADA, 1916.

The statistics published on page 945 regarding the interest earnings in 1916 of the life companies doing business in Canada show that while the rates of interest earned by the Canadian and British companies receded last year, the rate of interest of the American companies was slightly higher than in 1915. The method of compiling these statistics is as follows:—The mean of the assets is determined by dividing by two the sum of the ledger assets as at December 31, 1916, 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, 1916, adding thereto the interest and rents due and accrued at the end of the year, less the same items outstanding at the close of 1915. 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 decline in the Canadian companies' earning power last year follows the slight recession of 1915, which was the first recorded in many years. The 1916 average rate for all Canadian companies of 6.05 per cent. compares with a rate of 6.21 per cent. in 1915, with a maximum of 6.28 per cent. in 1914, with 6.17 per cent. in 1913 and 5.87 per cent. in 1912. The pronounced increase in the rate of 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
							6.05

The recent recession in the average earning power of the Canadian companies is undoubtedly explained by the change in investment policy of the majority of the companies, a change which has been partly forced, by circumstances and legislation. The main factor in the rise of the companies' average earning power from 1900 to 1914 was the very extensive investments made in high interest yielding mortgages; the general rise in the rate of interest on all classes of securities during that period played quite a minor part. With the falling-off in demand for mortgages, and, last year, the advent of compulsory investment in Dominion Government securities, there has been a remarkable change in the character of the investments made by the Canadian companies. This is shown in the following

table of the companies' mortgages and bonds and debentures in actual amount and proportion to total assets:—

Dec. 31st.	Mortgages	Bonds and Debentures	% to Total Assets	
			Mortg.	B. & D.
1913	\$87,085,966	\$70,924,684	37.5	30.5
1914	94,624,042	77,032,967	36.9	29.9
1915	95,915,830	85,794,114	35.1	31.4
1916	95,781,745	107,718,564	32.3	36.3

It will be seen from this table that in three years, while mortgages increased nearly \$8,700,000, holdings of bonds and debentures increased practically \$37,000,000. In 1916, mortgages actually declined slightly, while bonds and debentures increased \$22,000,000. The mere fact that the rates obtainable from War Loans and other high-grade government and municipal securities, however handsome, are not comparable with those obtained from mortgages, is sufficient to account for the decline in the companies' earning power.

AN AMPLE MARGIN.

This decline need not be a matter of regret. Interest earnings are not everything, and a perusal of the companies' official returns of overdue interest shows plainly enough that some of them have had considerable trouble in collecting interest on a proportion of their mortgages. In common with all loan corporations, the companies have, no doubt,

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ESTABLISHED 1873.

Standard Bank of CANADA

QUARTERLY DIVIDEND NOTICE No. 108

NOTICE is hereby given that a Dividend at the rate of THIRTEEN PER CENT. PER ANNUM upon the Capital Stock of this Bank has this day been declared for the quarter ending October 31st, 1917, and that the same will be payable at the Head Office in this City, and at its branches on and after Thursday, the 1st day of November, 1917, to Shareholders of the 20th October, 1917.

By Order of the Board,

C. H. EASSON
General Manager.

Toronto, September 21st, 1917.