

Thus the year 1902 shows the minimum of 4.58 p.c. But there are many disturbing influences which have served to have an effect upon this exhibit, including the panic of October, 1907, where the decrease in values brought about through market conditions naturally served to make the rate of interest upon invested funds appear higher by depreciating the market value of these funds, and there is an opposite effect on the returns of 1908 as these values reacted back. The largest increase in the rate during the decade is from 4.67 p.c. in 1906 to 4.80 p.c. in 1907, a gain that was undoubtedly affected by market conditions. Whatever the effect was it has since been equalised, leaving the interest rate at practically the same point which it attained on the market showing in 1907.

The changes in the proportion of the different kinds of life insurance investments, continues Mr. Graham, appear suggestive and worthy of note. In 1902, when the interest rate is shown at its minimum, the combined aggregates of all Old Line insurance companies, including industrial companies, had a distribution of assets as follows:—

Assets.	Amount.	Percent- age.
Real Estate owned..	\$170,152,287	8.13
Bond and mortgage loans..	573,262,000	27.41
Bonds owned..	872,087,030	41.69
Stocks owned..	131,751,255	6.30
Collateral loans..	61,000,012	2.92
Premium notes and loans..	127,927,668	6.12
Cash in office and banks..	95,783,955	4.58
Net deferred and unpaid premiums..	38,904,365	—
All other assets..	20,954,270	—

In 1908, upon the same basis, the distribution of assets in combined aggregates had changed to the following:—

Assets.	Amount.	Percent- age.
Real Estate owned..	\$ 166,874,569	4.94
Bond and mortgage loans..	987,253,140	29.21
Bonds owned..	1,452,827,572	42.98
Stocks owned..	147,069,411	4.35
Collateral loans..	30,618,300	.90
Premium notes and loans..	434,259,309	12.85
Cash in office and banks..	72,487,594	2.14
Net deferred and unpaid premiums..	47,405,112	—
All other assets..	41,499,083	—

As a whole, Mr. Graham believes that real estate has been the most unsatisfactory investment of the life insurance companies and the one netting the smallest returns, although he does not undertake to include in this conclusion any advertising value which a company may reasonably claim from the ownership of showy home office buildings or substantial structures elsewhere. In the period from 1902 to 1908 American life companies have not only reduced their real estate holdings from 8.13 p.c. of the total admitted assets to 4.94 p.c., but despite a 60 p.c. increase in the total assets, have actually reduced the real estate owned by three and a third millions of dollars.

"Bond and mortgage loans" and the "bonds owned" items have not appreciably changed proportions in the percentage of total assets during this period, although the bonds and mortgage loans have increased from 27.405 p.c. to 29.2 p.c. and the bonds owned from 41.69 p.c. to 42.98 p.c. "Bonds owned" in their proportion to the whole assets have fluctuated from year to year, but not in any steady progression upwards, retaining upon the whole about the same level. "Bond and mortgage loans" is, however, a more significant

item, inasmuch as the figures worked down from 1902 to the low point of 26.74 p.c. achieved in the year of the insurance investigation, 1905.

"Stocks owned" shows a decrease over the period from 6.3 p.c. to 4.35 p.c., which has been brought about by a steady dwindling of the stocks. The diminution will continue rapidly under new State laws which compel the disposal of stocks and prevent new investments in them. The laws pertaining to the disposal of stocks, says Mr. Graham, are not based on any claims that the returns from them were not large and satisfactory, but seem to have been in anticipation of danger from life insurance companies entering into entangling alliances and ownerships through stocks in subsidiary corporations. Sensitiveness of stocks to market conditions is another circumstance, which operates against their advisability as a life insurance investment.

"Policy loans" show a remarkable increase during the period. While the total assets of the companies from 1902 to 1908 increased nearly 60 p.c., the outstanding policy loans and premium notes increased 250 p.c. In 1902 policy loans were 6.12 p.c. of the assets and in 1908, 12.85 p.c. The large effect that this must have upon the aggregate interest returns of a company becomes apparent, in Mr. Graham's opinion, when we consider that few policy loans are made for less than 5 p.c.—a rate greater than the aggregate investment rate shown during the past fifteen years. Since there is absolutely no element of risk in loans secured against the reserve, and practically no expense in the handling of the loans, the gross rate is practically a net rate.

Having discussed at some length the question of farm mortgages, which, more particularly in the newer sections of the country, yield high rates of interest, Mr. Graham sums up that in considering the concrete situation with life insurance investment returns, as recorded in statistics, and the abstract considerations that influence the interest rate, there appears no present reason for pessimism in life insurance regarding the interest rate. The lowest point in the life insurance rate, from which there has been a reaction, is more than 50 p.c. higher than the interest assumptions adopted by the American companies to-day most conservative in their assumptions. And he agrees with another writer that there is "strong ground for argument that capital will continue for many years, at least, to command a market price which attaches to an era of expansion," and that, further, the causes and conditions inherent in life insurance relieve it from any prospective doubt as to the security and sufficiency of its interest rate.

MISAPPREHENSIONS REGARDING ASSURANCE.

One of the curious misapprehensions prevalent among all classes of people is that which has to do with the nature and theory of insurance. It would surprise any well-informed layman to be told what every underwriter knows, namely, that a very considerable percentage of the insured public never critically read the policy contracts they hold; and that most persons who carry small fire insurance as a casual matter of precaution imagine that in