along perfectly legitimate lines, is somewhat checked temporarily, the times are such that the people will forgive the banks if they keep our financial situation safe. Canadians are not fools. The most of them can see that the situation in the States was, and is yet, grave indeed. They recognize, withal their complainings, that safety is the first consideration, and that the banks must ensure that end, even if borrowers are inconvenienced, industries and trades handicapped. And so it is a time for patient endurance. The policy of our banks has for its object the safety of our situation, the keeping bright of our financial honour in the eyes of the whole world. The time of stress incident even to big panics does not continue indefinitely. People generally cannot remain greatly excited over these things for more than a few weeks. After the excitement dies down, and the unaccustomed dangers disappear, when the people have resumed and give their full thought to their ordinary occupations, it commonly happens that the banks have more funds to lend than their borrowers want.

THE INTEREST EARNINGS OF LIFE INSURANCE COMPANIES.

THE CHRONICLE this week issues its annual table relating to The Interest Earnings of Life Insurance Companies actively transacting business in Canada. Foreign companies whose business is pracically limited to taking care of renewals are omitted from the showing. Following the tables compiled in previous years, the earnings are considered as comprising receipts from interest and rents during the year ending December 31, 1906, increased by the difference between the accrued and outstanding interest and rent then and at the end of the preceding year. The mean of the invested assets has been found by cutting in half the sum of the assets as they stood at December 31, 1906, and at the same date a year earlier, excluding accrued and deferred interest and rent, and all outstanding and deferred premiums. The investments have been extended at their reported market values, except that in the case of the British and four of the United States companies, the Government Blue Book gives book value, without information as to any market divergence.

All in all, the method seems as accurate as any that could be followed, and while the returns of individual companies occasionally show some slight differences in form, it is not probable that these would materially affect the rates brought out. As will be noted, the average rates correspond very closely to those of 1905.

The matter of life insurance companies' investments occupied so large a place in the recommendations of the Royal Commission that an analysis and comparison of the invested assets of Canadian companies for 1906 and preceding years will be of special interest. For the year ended December 31, 1906, the showing was as follows, not considering loans on companies' own policies:

	1906.	Percentage of total assets.
Real estate owned	$4,838,076	4.2
Loans on Real estate	31,822,209	27.8
Loans on Collateral	3,995,062	3.5
Stocks, Bonds and Debentures	55,286,774	48.3
	$95,942,121	83.8

For the year ended December 31, 1905, the following table is obtained from the balance sheets of the Canadian Companies:

	1905.	Percentage of total assets.
Real estate owned	$4,792,783	4.9
Loans on Real estate	26,703,011	27.5
Loans on Collateral	3,407,818	3.5
Stocks, Bonds and Debentures	49,918,986	51.3
Invested Assets	$84,822,598	87.2

Going back to the first year of the present century the corresponding showing in found to be as follows:

	1900.	Percentage of total assets.
Real estate owned	$4,875,630	8.7
Loans on Real estate	18,337,953	32.6
Loans on Collateral	3,926,937	7.0
Stocks, Bonds and Debentures	22,042,387	39.2
Invested Assets	$49,182,907	87.5

From the above tables it will be seen that the amount of real estate owned has actually diminished since 1900, the ratio to total assets being reduced from 8.7 p.c. to 4.2. p.c. As an interest-yielding purchase for life companies, real estate does not in general rank high, expenses seemingly eating into returns too largely for an entirely satisfactory showing.

While loans on real estate are proportionately considerably less than in 1900, the year 1906 shows some increase over 1905 in this respect, due doubtles to the high interest returns obtainable in the West. On the whole, the trend of the past five years or so, has been towards decreasing the proportion of real estate loans and increasing the holdings of stocks, bonds and debentures. This is perhaps to be expected—though varying financial conditions may sometimes make marked yearly variations. The natural tendency appears to be for recently established companies and those with comparatively small funds to make a specialty of mortgages, but as companies grow in size and experience, it is customary for them to spread their investments over different classes of securities, including a material portion of bonds, debentures and stocks. The reason for this is apparent when it is remembered that while mortgages return a larger rate of interest in the meanwhile, the advantage derived from them is temporary, and the company may suffer later on when the rates of interest fall, should it have no volume of long-term securities purchased prior to the time when such fall took place.

There is this to be considered also in respect of mortgage investments, that the expense attendant upon the investment of funds in them is very considerably more than in the case of bonds, stocks and debentures—thus tending to offset the income advantage of higher interest rates. There is no doubt that the wisely conservative office will see to it that the gross interest rate obtainable is not to be the first consideration—safety must be the determining factor. The securing of this, along with a satisfactory interest return, requires investment knowledge and skill of a high order, and is dependent for success upon a judicious distribution among the various classes of desirable securities.