# INTEREST EARNINGS OF LIFE COMPANIES IN CANADA, 1913.

The statistics published on another page of this issue regarding the interest earnings of the life companies doing business in Canada show that generally speaking these continue on the upward grade. The method of compiling these statistics which has been used by THE CHRONICLE for many years is as follows—The mean of the assets is determined by dividing by two the sum of ledger assets as at December 31, 1913, 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. The interest is considered as made up by receipts from interest and rents during the twelve months ending December 31, 1913, adding thereto the interest and rents due and accrued at the end of the year, less the same items outstanding in 1912. This method has been found generally satisfactory. There are occasional differences in the form of returns made by individual companies, but these do not materially affect the results shown.

### CANADIAN COMPANIES' EARNINGS.

Last year, there was again a distinct advance in the average rate of interest earned by the Canadian life companies as a whole. This rate was for 1913, 6.17 per cent. comparing with 5.87 per cent. in 1912 and 5.72 per cent. in 1911. The steady and even pronounced upward trend in these earnings is shown in the following summary:—

| 1900. | 1901. | 1902. | 1903. | 1904. | 1905. | 1906. |
|---|---|---|---|---|---|---|
| 4.56 | 4.66 | 4.75 | 4.80 | 4.80 | 4.93 | 4.98 |
| 1907. | 1908. | 1909. | 1910. | 1911. | 1912. | 1913. |
| 5.24 | 5.30 | 5.41 | 5.45 | 5.72 | 5.87 | 6.17 |

Thus last year, the Canadian companies were on an average earning 1.37 per cent., more upon their assets than they were ten years previously, in 1903.

### ORIGINS OF THE RISE.

This remarkable rise in interest earnings, probably a unique movement, is due to more than one cause. The world-wide advance in the rate of interest during recent years and the necessity for writing down the values of securities already held have undoubtedly had an important effect upon the rate of the companies' interest earnings. The exceptionally high figures returned by some of the companies are, however, not due so much to the general rise in the rate of interest as to their investments in high yielding western mortgages. Illustrating the effect of these mortgage loans upon the interest earnings, the following table shows the percentage to total invested assets of the loans on real estate held by the various companies and the rate of their interest earnings:—

| | A* | B† |
|---|---|---|
| British Columbia | 66.2 | 7.49 |
| Canada | 38.1 | 5.62 |
| Capital | 40.4 | 5.75 |
| Confederation | 38.4 | 5.88 |
| Continental | 29.2 | 5.88 |
| Crown | 44.5 | 6.09 |
| Dominion | 86.6 | 7.56 |
| Excelsior | 80.1 | 7.68 |
| Federal | 36.7 | 5.95 |
| Great West | 77.2 | 7.67 |
| Home | 45.2 | 6.69 |
| Imperial | 71.7 | 6.92 |
| London of Canada | 87.1 | 6.55 |
| Manufacturers | 53.7 | 6.37 |
| Monarch | 77.0 | 7.30 |
| Mutual of Canada | 58.8 | 6.15 |
| National | None | 4.86 |
| North American | 35.8 | 5.92 |
| Northern of Canada | 60.0 | 6.27 |
| Sauvegarde | 22.2 | 4.78 |
| Security | None | 4.74 |
| Sovereign | 50.5 | 6.40 |
| Sun of Canada | 9.8 | 6.20 |
| Travellers of Canada | None | 5.31 |

*Percentage of loans on real estate to total invested assets, December 31, 1913, †Rate of interest earned, 1913.

The following is a summary table of the companies' invested assets as at the close of December, 1913, and in two previous years:—

| | 1913. | 1912 | 1911. |
|---|---|---|---|
| Real Estate Owned | $ 9,967,470 | $ 8,941,457 | $ 7,958,157 |
| Mortgages on Real Estate | 87,085,966 | 75,131,638 | 63,443,648 |
| Loans on Collaterals | 1,477,726 | 2,889,833 | 2,388,758 |
| Loans on Policies, etc | 30,800,808 | 25,810,787 | 22,896,968 |
| Bonds and Debentures | 77,144,914 | 69,388,972 | 68,099,271 |
| Stocks | 11,691,607 | 16,298,097 | 14,328,472 |
| Totals (Unadjusted) | $218,168,490 | $198,460,784 | $179,114,376 |

### MORTGAGES AND EARNINGS.

It will be seen from the first table that uniformly those companies which report exceptionally large interest earnings have invested very considerable proportions, in some cases almost the whole, of their assets in mortgages, while the one Canadian company which has consistently followed the conservative course of putting the greater part of its funds in municipal and school debentures, reports in comparison with these a comparatively low interest rate. For some years past, mortgages have been in great and increasing favor with the insurance companies, on account of the high interest return. But it is evident, in times like these particularly, that they have also their disadvantages.

In any case, there is little doubt but that the earning power of the Canadian life companies will continue to be high for many years to come, and as the majority of the companies assume a low interest rate in valuing their liabilities, with capable management dividends to policyholders should be, generally speaking, on an increasing and decidedly satisfactory scale.