

LIFE INSURANCE COMPANIES AND FARM MORTGAGES

Mr. E. M. Saunders, treasurer of the Canada Life Assurance Company, took part in the discussion at last week's meeting of the Association of Life Insurance Presidents, on the subject of the relation of the insurance companies to farm mortgages. Referring to the companies located in Canada, Mr. Saunders said that for many years they have been lending money in the West, and some of them have now loaning offices located at central points in Manitoba, Saskatchewan and Alberta. These offices, which are in charge of salaried officers, devote most of their attention to mortgage investments, a large proportion of which are farm mortgage loans, yielding an average rate of interest of about eight per cent. on low valuations. These advances made on the security of improved farm lands are on an average basis of about ten dollars an acre.

CARE NECESSARY.

"We feel inclined to make the statement," said Mr. Saunders, "that no company or corporation would be well advised to take up these farm mortgage investments, unless they had a good organization to handle them, or unless they arranged to place them through the medium of some reputable trust companies who will invest their funds either as agent or directly, under a guarantee. When the trust companies act as investing agents, they usually make a charge of two per cent. the first year the investment is placed, and one per cent. for each succeeding year for the period for which the mortgage is drawn. When the investments carry the guarantee of the trust company, a separate ledger account is kept for the investing company, so that their particular loans can always be identified. The yield rate is not quite so high in this case, but will average as high a rate, if not a little higher, than the returns on municipal debentures. When recently talking on this subject with the manager of one of our largest and most responsible trust companies having a good loaning organization in western Canada, he drew my attention to the fact that there was now a good opening in the western field for American capital, owing to the fact that since the declaration of war, a large number of English, French, Belgian and Holland companies have discontinued for the present sending funds to our trust companies for investment in mortgage loans.

RURAL CREDIT LEGISLATION.

"A reference is made in the advance notice of the convention to the agitation for the enactment of rural credit legislation in the United States. This question has received very little attention in Canada, owing to the fact that our farmers and provincial legislators seem satisfied that the financial corporations are meeting the legitimate demands of the farmers for funds to assist them in carrying on their farming operations, and for the same reason we think there should be no need for such legislation in the United States.

INCREASE IN MORTGAGE LOANS.

"A comparison of investments by life insurance companies in mortgage loans in Canada as on the 31st of December, 1904 and 1914, would indicate that these securities are now regarded more favorably than they were ten years ago.

"Total assets in Canada of Canadian and foreign life insurance companies: December 31, 1914, \$397,837,322; December 31, 1904, \$166,348,109; increase in ten years, \$231,489,213.

"Total mortgage loans of Canadian and foreign life insurance companies in Canada: December 31, 1914, \$127,488,549; December 31, 1904, \$35,200,235; increase in ten years, \$92,288,314.

"Per cent. mortgage loans to total assets: December 31, 1914, 32; December 31, 1904, 21; increase in ten years, 11.

"In checking over the figures in preparing this paper, I find there are some eighteen American companies doing business in Canada in connection with mortgage loans.

A GOOD FIELD.

"In conclusion, I feel quite safe in making the statement that western Canada offers a good field for investment in loans on farm properties at conservative valuations, and that these farm valuations will, in the course of a few years, considerably appreciate and thereby improve the value of these investments. The same might be said with regard to the purchase of our government and municipal debentures which can now be secured at most remunerative rates, with every prospect that the values of these securities will appreciate when conditions become more normal."

FIRE INSURANCE RESERVES.

It is worthy of note that at this week's meeting of the National Convention of Insurance Commissioners a resolution was referred to the committee on reserves other than life providing for a radical change in the method of computing fire insurance reserves. The change suggested would make the reserve a percentage of the risk assumed, instead of a percentage of the premium, and would also provide for a conflagration reserve, out of which companies should be allowed to pay a certain proportion of a conflagration loss. While the resolution has been referred to a committee, it appears improbable that the committee will recommend any change in present reserve requirements. They are already more stringent in the United States than in any other country and are generally regarded as ample for all practical purposes, and to add to the burden unnecessarily would effect no good purpose, while it would press hardly upon the smaller companies and tend still further to discourage the organization of new fire companies. The shifting of the reserve basis from a percentage of the premium collected to a percentage of the risk assumed might serve as a check to rate-cutting but anti-discrimination laws and the action of state insurance department are already making rate wars a thing of the past, and the effect of the tabulation of the companies' combined experience, when completed, most tend to the same result. There appears no good reason for making any change in the present reserve requirements nor any general feeling in favor of change, while there are good reasons for allowing the present reserve requirements to stand as they are. The chief point of interest attaching to the resolution is that it should have been made.—Boston Standard.

Mr. J. M. Morris, well known in Montreal insurance circles as a broker, has received a commission in the new 148th Overseas Battalion.