

## OVERDUE INTEREST ON LIFE INSURANCE COMPANIES MORTGAGE LOANS

Some years ago, in the halcyon days before 1914, several of the Canadian life companies were struck by a craze for investing their funds in mortgages. The West was booming, land values, particularly of urban property got perceptibly nearer the sky, every day, and the high interest rates obtainable were not only of service in raising considerably the average earning; power of the companies' investments, but they were also a useful cloak for expense ratios which in many cases, were not moderate. It soon became evident that this craze, like everything else which gets to the stage of a craze, was being badly overdone, and in the pages of this journal frequent warnings were given of the probable consequences of a policy that was obviously ill-advised. Those warnings have been fully justified, and, in fact, much more than justified, by events. When the bubble of the boom burst, even some of the best companies, well able and willing to pick and choose their investments, got some nasty jars, while the smaller fry, who all along were obviously scrambling for everything in sight in the eager desire to show an 8 per cent. interest earning on their investments, have since good reason to realize the truth of the ancient, and frequently forgotten, axiom that "the higher the yield, the greater the risk." Had the war, and its consequence of two-dollar wheat, not opportunely come along, probably the companies, and their policyholders, would have had still more reason to regret their folly.

An interesting sample of the way in which, even at a comparatively late date chickens are coming home to roost, is found in the case of the Dominion Life, one of the smaller Canadian companies which was most eager in sticking its policyholders funds into mortgages. The quality of the security which the management were content with can be gauged from the fact that at the 31st December, 1918, when conditions in the West were no longer at their worst, out of a total of mortgage loans of \$2,601,002, on no less than \$807,709 had interest been overdue for a year or more previous to the statement. When every possible allowance has been made for the effects of the various measures prejudicial to lenders on mortgage, which were put into effect by various of the Western Provinces, it is obvious that an investment policy which has had this result has been seriously lacking in respect to business knowledge, and financial skill. What the experience of the Dominion Life may have been during the year just closed in recovering this overdue interest we do not know. But judging from the fact that this state of affairs prevailed at the end of 1918, when the West to some extent was getting on its feet again, it

seems likely to us at best a matter of several years before this overdue interest will have been reduced to reasonable proportions. Doubtless, foreclosure will be necessary on a drastic scale. In 1918, the Dominion Life acquired foreclosing property of a value of \$118,151, and only sold real estate to a value of \$40,950. Carrying along property acquired in this fashion is not usually a lucrative kind of business.

This particular kind of folly is not likely to be repeated in Canada, but the case of the Dominion Life should serve as a decisive warning that a conservative investment policy cannot be lightly departed from, without sooner or later, the chickens coming home to roost. A high gross interest yield may look well on paper, but it is, in fact, often very considerably reduced by heavy investment expenses, and it can never compensate for lessened security of policyholders' funds. Under present day conditions, the life companies can obtain the very best of security and a very reasonable rate of interest by investing their funds in the various loans of the Dominion Government, the provinces and municipalities. Companies sticking to the narrow path in this connection, are not likely ultimately to fall short, given good management in other respects, of the results to policyholders achieved by companies more venturesome.

### NOTICE

Notice is hereby given that the BRITISH GENERAL INSURANCE COMPANY LIMITED of London England, has been granted Dominion License No. 829, dated 5th Dec., 1919, to transact in Canada the business of FIRE INSURANCE.

WANTED—Clerk with good knowledge of Quebec and Ontario fire rates, for strong progressive Canadian Company, having also Casualty Department. State age, experience and salary expected, in confidence. Excellent opportunity for energetic young man. Box 1502, Clerk, c/o The Chronicle, Montreal.

WANTED—A bright young man is wanted to develop automobile insurance business for a first class company. Apply, stating age and experience to Box 1502, The Chronicle, Montreal.

WANTED—Active real estate and insurance man for old established business. Apply, giving experience, age, references and remuneration expected, to P.O. Box 130, Vernon, P.Q.