THE INVESTMENTS OF THE LIFE COMPANIES.

No feature of life assurance is more important than that of the investment of its assets. Both the income-producing power and the character of these assets must be considered as fundamental to its stability and success. It is not enough that this year or last year the interest income more than realizes the rate assumed by *a given company*. *That is well, exceedingly well*; but it is of even greater importance that the character of the securities in which its funds are invested shall be beyond question as to permanent value. We need scarcely say that it is no part of life assurance management to engage in business on the stock exchange and buy to-day for sale to-morrow on the chance of speculative profit, any more than it is to deal in grain options on the boards of trade, and go see-sawing with its millions up and down with the treacherous market. Such a use of life assurance funds needs only to be named to suggest its absurdity. The companies understand full well that the funds held by them are trust funds, existing, not for immediate uses, but to meet maturing obligations five, ten, twenty, fifty years hence, and that *safety* is the supreme consideration. That the companies in the main act with this important fact in view we believe to be true.

In view of the general interest and far-reaching importance of this question, we have laboriously compiled from the official reports of the Canadian and New York insurance departments the following table, showing the classes of investment securities held by the Canadian and twenty one of the United States life companies—these being the principal companies doing a purely level premium life business. The column of "all other assets" includes premium notes and loans on policies, deferred premiums, agent's balances, cash on hand, etc. Following is the exhibit :—

CANADIAN COMPANIES.

COMPANY	Total Assets	Real Estate owned.		Real Estate Mortgage Loans		Municipal, town and county debentures, water works and Gov't securities.		Railway, telegraph, telephone, gas, transportation, bank, loan and trust Co's. stocks and bonds.		Collateral Loans.		All other Assets.	
	$	$	p.ct.	$	p.ct.	$	p.ct.	$	p.ct.	$	p.ct.	$	p.ct.
Canada Life......	10,480,315	578,620	05.5	4,211,306	40.2	2,481,299	23.7	953,441	09.1	1,618,461	15.5	637,188	06.0
Citizens	263,041	None	....	None	....	132,618	50.4	70,977	26.9	4,536	01.7	54,911	20.8
Confederation	2,883,753	443,465	15.4	1,712,763	59.4	217,276	07.5	None	....	241,530	08.3	268,719	09.3
Dominion Life....	85,025	None	....	3,450	04.0	51,745	60.8	None	....	None	....	29,830	35.1
Dom. Safety Fund.	129,472	None	....	None	....	66,527	51.4	None	....	None	....	62,945	48 6
Federal	168,195	None	....	33,991	20.3	48,673	28.9	12,265	07.3	640	.004	72,626	43.1
London Life	230,214	None	....	24,285	10.5	None	....	145,545	63.2	38,533	16.8	21,851	09.5
Manufacturers....	293,592	None	....	165,845	56.5	53,000	18.1	5,000	01.7	None	....	69,747	23.7
North American..	816,710	[illegible],556	.005	557,492	68.3	72,203	08.9	10,000	01.2	39,641	04.8	132,818	16.3
Ontario Mutual...	1,474,485	7,335	.005	942,481	63.9	169,358	11.5	None	....	145,933	09.9	209,378	14.2
Sun Life.......	1,795,823	67,032	03.7	1,291,797	71.9	128,037	07.2	28,260	01.6	94,630	05.2	186,067	10.3
Temp. and Gen'l..	114,588	None	....	3,150	02.7	46,036	40.2	None	....	1,307	01.1	64,095	56.0
Totals	18,735,213	1,101,008	05.9	8,946,560	47.8	3,466,772	18.5	1,225,488	06.5	2,185,211	11.6	1,810,175	09.6

UNITED STATES COMPANIES.

Ætna	34,741,130	614,341	01.8	16,044,317	46.2	9,280,264	26.7	1,856,575	05.3	871,009	02.5	6,074,624	17.5
Conn. Mutual....	57,862,366	8,556,207	14.8	32,890,542	56.8	3,074,155	05.3	8,508,392	14.8	64,133	.001	4,768,937	08.2
Equitable	105,361,360	24,653,296	23.4	23,637,874	22.4	3,147,147	02.9	33,425,994	31.7	2,705,000	02.6	17,792,049	17.0
Germania........	14,825,966	1,634,858	11.0	7,347,814	49.5	386,277	02.7	4,063,364	27.4	619,633	04.2	774,020	05.2
Home	6,694,305	168,300	02.5	1,281,650	19.2	1,987,700	29.5	1,472,335	21.9	967,030	14.4	817,290	12.2
Manhattan........	11,729,400	276,416	02.4	4,120,431	35.1	1,005,423	08.6	1,031,200	08.8	3,821,562	32.6	1,474,368	12.6
Mass. Mutual.....	10,415,818	459,219	04.4	3,576,257	34.3	1,389,603	13.3	2,670,482	25.6	1,02[illegible],282	09.8	1,299,975	12.5
Mutual Benefit ...	45,236,963	1,070,119	02.4	22,260,431	49.2	8,814,947	19.5	3,064,615	06.8	3,903,508	08.6	6,123,343	13.5
Mutual, N.Y.....	135,638,539	12,382,623	09.1	56,979,290	42.0	10,991,547	08.1	39,331,923	29.0	9,845,500	07.3	6,107,656	04.5
National, Vt......	5,917,195	18[illegible],225	03.1	2,551,097	43.2	2,135,317	36.0	38,000	.006	350,287	05.9	661,269	12.5
New England....	20,582,957	1,697,[illegible]20	08.2	2,900,465	14.0	5,005,403	24.8	7,540,280	36.6	1,041,[illegible]8	05.0	2,398,001	11.6
New York Life...	104,415,322	13,242,872	12.7	18,106,513	17.3	5,823,929	05.6	54,614,513	52.3	3,709,000	03.5	8,918,495	08.5
Northwestern	37,107,929	1,188,631	03.2	30,033,434	80.9	2,076,858	05.6	None	....	None	....	3,809,006	10.3
Penn. Mutual	15,093,494	813,809	05.4	4,999,206	33.1	3,412,188	22.6	3,189,160	21.1	1,936,699	12.8	742,432	04.9
Phœnix Mutual...	10,002,743	1,227,833	12.3	6,549,468	65.5	453,510	04.5	518,226	05.2	None	....	1,253,706	12.5
Provident L. & T.	16,946,145	1,079,719	06.4	7,553,159	44.6	1,201,000	07.1	5,289,840	31.3	977,303	05.7	845,124	04.9
Travelers........	9,656,147	1,051,762	10.9	3,344,722	34.5	1,443,646	14.9	2,397,562	24.8	528,440	05.5	890,015	09.2
Union Central....	5,575,497	163,570	02.9	3,837,383	68.8	12,660	002	None	....	270,550	04.8	1,291,334	23 2
Union Mutual....	6,157,343	1,143,220	18.5	1,331,406	21.6	675,292	10 9	1,864,432	30.3	295,843	04 8	847,149	13.7
Untied States.....	6,266,338	105,250	01.7	3,516,224	56.1	598,947	09.5	1,430,126	22.8	132,433	02.2	483,358	07.7
Washington......	10,019,268	439,173	04.4	8,234,343	82.2	422,612	04.2	None	....	505,427	05.0	417,713	04.1
Totals	670,246,225	72,149,863	10.8	261096,026	38 9	63,338,426	09 5	172,307,019	25.7	33,566,007	05 0	67,789,864	10.1

We have classified the above assets so as to indicate those of comparatively unchangeable values in the first three groups, while the fourth column includes such as are less stable and which are subject to the influence of prosperous or adverse times in general, and of big deals in financial circles in particular. The "real estate owned" mainly represents buildings well located, in whole or in part for company's use, and may be set down as of permanent value; while "mortgage loans on real estate," based on the conservative valuation characteristic of the life companies, may be considered as "solid" beyond question. The same may be said of municipal and government securities, and town, county and school bonds, together with water works, all included in our third group. The loans on collateral security (which here include cash loans on the reserve values of policies) may fairly be considered safe, as a whole, for while many of the securities are of a fluctuating character, they are selected with care, and show a wide margin between par value and amount loaned. Only about ten per cent. of the total assets of both Canadian and American companies is grouped among "all other assets," and of the combined aggregate of this column, amounting to a little over $69,000,000, $32,000,000 are in cash, and about $14,000,000 in premium notes and loans on policies in force, leaving about 3½ per cent. for unpaid and deferred premiums, agent's balances and miscellaneous items.

The feature which, so far as the American companies are concerned, challenges attention is to be found in our fourth group, where the marketable securities owned amount to the large sum of $172,307,019. This is nearly 26 per cent. of the entire assets or about 30 per cent. of the reserve. It is easy to see that a depreciation in these securities from present market value of but ten per cent., on the average, would reduce the reserve by over $17,000,000 for all the companies. In the case of some of the companies individually the effect of any material depreciation would be several times greater. Under the influence of a financial panic, such as not infrequently sweeps over the country, the companies would be likely to face, not a simple ten per cent. depreciation, but possibly two or three times that figure. Now, real estate owned, mortgage loans and debentures, etc., as classified, allowing collateral loans to be a realizable asset for the full amount, aggregate about $430,000,000, against a required reserve of about $581,000,000, leaving the $172,307,000 of fluctuating assets, $32,000,000 cash in hand, about $12,500,000 premium notes and loans on policies, and the miscellaneous holdings, to make up the difference and furnish a working fund.

Of course, surveying the American companies as a whole, the most severe financial strain which we can imagine as probable would, at the worst, leave the business its full reserve and a moderate surplus, whatever might be the experience of individual companies, some of whom, it will be seen, are pretty heavily loaded down with fluctuating securities. It is to be remembered, however, that the securities referred to are the very best of their kind, selected with great care, and able to stand a considerable strain before yielding to depreciating tendencies. Neverthless, we may fairly raise the question—for life assurance is nothing if not conservative—as to the wisdom of carrying 26 per cent. of fluctuating assets, while the safest class of holdings in the world, viz., bonds and debentures guaranteed by the whole *taxable resources of cities, towns* and governments, find a place in the assets to the extent of only 9½ per cent., and even real estate mortgages amount to but 39 per cent. We are by no means forgetful of the fact that the investment of six or seven hundred millions of dollars only in "gilt edged" securities, so as to realize a desirable interest rate, is no child's play, and that railway and kindred stocks and bonds must of necessity be included to some extent in the investments of companies holding from twenty to a hundred million dollars of funds, but the proportion should be on a minor scale as to amount and on a major scale as to character.

In scanning the assets of the Canadian companies we are gratified to note their excellent character for safety, as a whole. Thus it will be seen that, while mortgage loans (47.8 per cent.) and debentures, etc. (18.5 per cent.), combined, amount to over 66 per cent. of the total assets, railway and kindred securities amount to only 6½ per cent., and real estate owned and cash on hand to 14 per cent. more. The British companies, as a whole, like the American companies, invest pretty largely in railway and similar marketable securities, but the antiquated and incomplete form in which their statements are made to the Board of Trade renders it impossible to make any reliable classification of the character of the assets, such as we are here able to present, and which, while it cannot fail to be interesting, ought to prove profitable.

THE GROWTH OF ENDOWMENT ASSURANCE.

We have more than once called attention in these columns to the very marked growth of the investment feature in life assurance, as shown by the increase of endowment policies when compared with the increase of the business as a whole. It will be remembered that in our issue for July 1 last, we made a careful analysis of the business of the United States companies for the past decade, in order to show the swing of the pendulum to the two extremes of term and endowment assurance. While both these forms show a very decided increase over ordinary life policies during the ten years, the endowment form has almost doubled.

The question has been raised as to whether this growth is peculiar to the United States companies or whether it extends also to the companies of Canada, and, further, whether the British companies indicate a similar increase. Unfortunately, the forms of statement in both countries last named present no classification of the various kinds of assurance issued. So far as the Canadian companies are concerned, this is the more strange, because the statements required by the insurance department are, in the main, comprehensive; and, with this and one or two other less important omissions, are patterns of well arranged information.