INTEREST EARNINGS OF LIFE COMPANIES IN CANADA.

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been prejudicially affected by the adverse legislation passed in several of the western provinces. However, when every allowance has been made for this, the figures of overdue interest and of the amounts of mortgages on which interest has been overdue over a year as at December 31st, 1916, certainly suggest in some cases, either laxity of management or a greediness after high interest returns leading to the acceptance in the past of loans not altogether desirable. For the present, of course, War Loans and not mortgages are the primary subject of investment interest with the life companies. But it is well that the facts here stated should be borne in mind, and it is to be hoped that when another demand for mortgage money arises, the companies will have learnt something from past experience.

With regard to the future, it is to be expected that the average interest rate will show a stationary or downward tendency while the companies are compelled to invest a substantial proportion of their annual increase in assets in Dominion Government loans. We think also the companies should bear in mind the possibility—we do not say probability—that this compulsory investment legislation will survive the war. However that may be, there is a very ample margin between the average interest rate earned and the valuation interest rate, which is very low in the case of most of the companies, and with a continuance of capable and economical management, policyholders in Canadian life companies are likely to find nothing to grumble about in regard to "profits," so far as these are dependent upon interest earnings.

BRITISH AND AMERICAN COMPANIES.

It is rather surprising that the little group of British companies, including one Australian company, appearing in our tabulation, show a recession, even if a very slight one, in their average interest rate last year. The immense subscriptions of the British life companies to War Loans issued at comparatively high rates of interest, have undoubtedly had an important effect in tending to increase the average return received from investments by these companies as a whole, and this tendency has been assisted by the policy of ruthless writing down of values, pursued by the companies generally. The average rate reported by the group included in the present tabulation of 4.43 per cent. in 1916, compares with 4.52 per cent. in 1915, 4.42 per cent. in 1914, 4.15 per cent. in 1913 and 4.10 per cent. in 1910.

To some extent, the rise in the rate of interest earned by the British companies has been offset by the great rise in the British income tax. But, as a result of the rise in interest rate, many of the British companies have revised their annuity rates in favor of annuitants, and in some cases, have reduced their premium rates to policyholders. Almost uniformly, the British companies employ an extremely low valuation interest rate, and in one or two cases since the war broke out this has been slightly raised.

In the case of the American companies operating in Canada, the interest rate for 1916 was 4.86 per cent. compared with 4.84 per cent. in 1915, 4.76 per cent. in 1914, 4.80 per cent. in 1913 and 4.69 per cent. in 1912. It is noted by American authorities that the older life companies in the States have shown an appreciable rise in their earning power since about 1902. Subscriptions to "Liberty Loans" issued at present rates of interest, tend to reduce the average rate of interest earned by the companies, but purchases of other high-grade securities at around present prices should have the opposite effect.

MAYOR MARTIN'S JOKE.

There is nothing new, except in details of circumstance, about Mayor Martin's proposal to help Montreal out of its financial difficulties through compulsory municipal fire insurance. There are about this scheme the sublime indifference to the conflagration hazard, the marvellous promises of lower rates united with enormous profits, which have marked every one of these municipal schemes ever since the first appeared, some time in the dim and distant past. The present proposal, in its circumstances and main outline, is so preposterous as scarcely to deserve serious criticism. On the basis that there is now paid in fire insurance premiums in Montreal annually about $3,500,000, Mayor Martin figures that these premiums collected as a tax would pay the cost of administering the fire department, $1,200,000; cost of fire protection in water department, with interest and sinking fund included, $500,000; fire losses, $1,000,000; administration, $100,000; reserve fund, $250,000—a total of $3,050,000. Losses have been fixed at a million, it should be explained, because the Mayor has been informed by the fire department that in the last eight years, the annual fire loss in Montreal has not exceeded that figure. And, of course, it will never exceed that figure in the future!

From the point of view of the ratepayers at large, as well as that of Montreal's finance and industry, this proposal to help the city out of a financial hole is worse than useless. An insurance scheme covering such a restricted area, and at the same time involving enormous values, could only be a gamble of the worst kind. Montreal has had large single fires involving millions of dollars of loss in the past, and there is no reason to suppose that it will not have more of them at some time or other in the future. In the event of a loss of this kind, involving the exhaustion of the microscopic "reserve" which Mayor Martin proposes, there would be no other recourse but additional taxation to make up the deficiency. And in that not unlikely case, the last state of the Montreal taxpayer would be considerably worse than the first.

While the effect of the sober common-sense of the community is not always seen in the conduct of the City's municipal affairs, it will be surprising if Mayor Martin's latest effort does not quickly disappear into the depths of a merciful oblivion.

The new issue of the Mutual Life of Canada Agents' Bulletin is a win-the-war number containing a number of portraits of members of the staff and relatives of prominent officials and agents now in khaki. Mr. E. P. Clement, K.C., the Company's president, in a message to the agents, points out that while of necessity the Company has suffered in mortality by war losses, there is reason for congratulation that the rate is no higher than it is.