

of course, of a high class, otherwise the London bankers would not accept them as collateral. The securities of the Dominion Government, of the several Provinces, and of the best known municipalities, have one of international standing. They can always be realized or borrowed upon, and they form an excellent reserve against emergencies. They would, of course, be available for the above purpose.

INTEREST EARNINGS OF LIFE INSURANCE COMPANIES.

By special request we reproduce the table published in our last issue showing the interest earnings of life insurance companies transacting business in Canada.

Following our custom in previous years, we have compiled the mean invested assets and the interest earnings from the report of the Superintendent of Insurance and have computed from this material the rate of interest earned by the invested funds of the life insurance companies operating in Canada. The mean of the assets has been found by cutting in half the sum of the assets as they stood upon December 31, 1904, and as they stood upon the same date in 1905, excluding accrued and deferred interest and rent and all outstanding and deferred premiums. The investments have been extended at their market values. The revenue from interest has been constructed by adding together the interest and rent receipts, increased by the difference between the accrued and outstanding interest and rent at the end of 1905 and 1904.

The results of our investigation, which are probably as accurate as those which would be arrived at by any other methods, are contained in the adjoining table, in which are included also the corresponding rates of the four preceding years. We remark that two companies have adopted methods open to criticism, by entering the gross rentals from real estate and charging the cost of maintenance and repair into disbursements, instead of stating the net revenue from rentals. The effect of this method is to enlarge the revenue arising from the properties and to expand the interest rate beyond its normal proportions.

In view of the important place which the investments of life insurance companies occupy in the proceedings of the Royal Commission and of the legislation upon the subject which is likely to arise from the recommendations of that body, a critical analysis and comparison of the invested assets as they appeared in 1900 and in 1905, are of unusual interest. The following table is compiled from the balance sheets of the Canadian companies:

	1900.	Percentage of total assets.
Real estate owned.....	\$4,875,630	8.7
Loans on Real estate.....	18,337,953	32.6
Loans on Collaterals.....	3,926,937	7.0
Stocks, Bonds and Debentures.....	22,042,987	39.2
Total.....	\$49,182,907	87.5
	1905.	Percentage of total assets.
Real estate owned.....	\$4,792,783	4.9
Loans on Real estate.....	26,703,011	27.5
Loans on Collaterals.....	3,407,818	3.5
Stocks, Bonds and Debentures.....	49,918,986	51.3
Total.....	\$84,822,598	87.2

In the above table the relative proportion which each denomination of assets bears to the total invested assets is set forth. The assets of all the Canadian companies amounted to \$56,254,472 in 1900 and to \$97,237,268 in 1905.

The amount of real estate owned has undergone an actual diminution within the period under observation. As an interest-yielding investment, this is the least productive item of all. The mean sum invested in these holdings amounted to \$4,843,195 in 1905, and the interest earned thereon, after making appropriate allowance for rents due and accrued, was \$135,440, representing the exceedingly small return of 2.9 p.c. upon the sums invested. It is a matter of grave doubt whether the ownership of property by life insurance companies is justifiable. Handsome office buildings, which constitute the bulk of the property holdings are of some value for the sake of the advertising they afford, but if their value had been proportionately divided among the other investments of the Canadian life companies the policy-holders would have benefited by an additional revenue of \$111,000. In other words that sum represents the cost of carrying the real estate during 1905.

Coming next to the loans on real estate and on collaterals it will be observed that the sums invested in those channels have not increased in proportion to the increase of invested assets. On the first three items on the list the proportion to total assets has shrunk from 48.3 p.c. in 1900, to 35.0 p.c. in 1905, a loss of 12.4 p.c. This amount has been made up, however, in the proportions of Stocks, Bonds and Debentures. This item increased from 39.2 p.c. in 1900 to 51.3 p.c. in 1905, a gain of 12.1 p.c. which almost exactly offsets the diminution in the proportion of the three first named classes of investment.

This table is a remarkable illustration of the recent tendency to favour investment in Stocks and Bonds in preference to purchasing real estate or loaning on securities. The reason for this preference is apparent. For 11 years previous to 1900 the average interest earnings on life insurance