

INTEREST EARNINGS OF LIFE COMPANIES IN CANADA IN 1912.

NOTE.—The demand for last week's issue containing the subjoined article and tables was so unexpectedly large as to entirely exhaust the issue within a few hours of publication. In order to comply with the wishes of many subscribers, the article and tables are accordingly reprinted.

The statistics published on another page of this issue regarding the interest earnings of the life companies doing business in Canada show that in the main these continue on the upward grade. The method of compiling these statistics which has been used by THE CHRONICLE for many years is as follows:—The mean of the assets is determined by dividing by two the sum of ledger assets as at December 31, 1912, and at the same date a year earlier and adding thereto the market values of bonds, stocks, etc., over book values, except where, in the case of the British and certain of the United States companies, the Government Blue Book gives ledger values without information as to market divergence. The interest is considered as made up by receipts from interest and rents during the twelve months ending December 31, 1912, adding thereto the interest and rents due and accrued at the end of the year, less the same items outstanding in 1911. This method has been found generally satisfactory. There are occasional differences in the form of returns made by individual companies, but these do not materially affect the results shown. With regard to the British companies, it is to be noted that the interest figures used are *net*, i.e., the interest earned less income tax paid upon it.

CANADIAN COMPANIES' EARNINGS.

Last year, there was again a distinct advance in the average rate of interest earned by the Canadian life companies as a whole. This rate was for 1912, 5.87 per cent. comparing with 5.72 per cent. in 1911 and 5.45 per cent. in 1910. The steady and even pronounced upward trend in these earnings is shown in the following summary:—

1900.	1901.	1902.	1903.	1904.	1905.	1906.
4.56	4.66	4.75	4.80	4.80	4.93	4.98
1907.	1908.	1909.	1910.	1911.	1912.	
5.24	5.30	5.41	5.45	5.72	5.87	

Thus last year, the Canadian companies were on an average earning 1.12 per cent. more upon their assets than they were ten years previously, in 1902.

This remarkable advance which is probably unique, has no doubt continued over the present year. While the exceptionally high figures returned by some of the companies are due to their investments in western mortgages, it is to be supposed that the rise in the rate of interest generally during the past year will have an effect upon all the companies. They will have been able to make purchases of bonds at figures which give very handsome returns, while in cases where there has been a decrease in the market value of securities already held, the effect of the writing-down will be to increase the interest

yield still further. With regard to the effect of western mortgage loans upon the interest earnings, the following table shows the percentage to total invested assets of the loans on real estate held by the various companies and the rate of their interest earnings:—

	A*	B†
British Columbia...	48.49	8.00
Canada...	36.34	5.39
Confederation...	37.32	5.59
Continental...	28.88	5.47
Crown...	41.87	5.47
Dominion...	85.77	7.47
Excelsior...	84.78	7.54
Federal...	36.07	5.80
Great West...	76.74	7.54
Home...	41.63	5.84
Imperial...	74.66	6.60
London of Canada...	87.42	6.49
Manufacturers...	52.11	6.13
Monarch...	81.84	8.00
Mutual of Canada...	58.58	5.91
National...	None	4.56
North American...	32.80	5.63
Northern of Canada...	63.02	6.22
Security...	None	3.46
Sovereign...	48.79	6.24
Sun of Canada...	4.53	5.73
Travellers of Canada...	None	4.68
Union of Canada...	12.16	6.61

* Percentage to total invested assets, December 31, 1912 of loans on real estate. † Rate of Interest earned, 1912.

It will be seen from this table that there is a distinct relationship traceable in a number of instances between a high proportion of invested assets in loans on mortgages and an exceptionally high interest return. The following is a summary table of the Canadian companies' invested assets as at the close of December, 1912, and December, 1911:—

	1912.	1911.
Real Estate Owned...	\$ 8,893,197	\$ 7,958,157
Mortgages on Real Estate...	75,205,667	63,443,648
Loans on Collaterals...	3,229,833	2,388,758
Loans on Policies, etc...	25,810,787	22,896,068
Bonds and Debentures...	69,782,629	64,099,271
Stocks...	16,307,053	14,328,472

Totals (Unadjusted)... \$199,229,167 \$179,114,376

DRAWBACKS AND ADVANTAGES.

Nearly two-thirds of the \$20,000,000 by which the Canadian life companies' invested assets were increased last year went into mortgages on real estate, which were advanced from \$63,443,648 at December 31, 1911, to \$75,205,667 at December 31, 1912, thus increasing their proportion to the whole of the companies' invested assets from 35.42 to 37.75. While these mortgages are at the present time in great and increasing favour with the insurance companies they have their drawbacks, particularly the necessity for the constant re-investment of funds and heavy administration expenses. Probably, however, the companies consider these drawbacks compensated for not only by the

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