INTEREST EARNINGS OF LIFE COMPANIES IN CANADA, 1914.

The statistics published on another page regarding the interest earnings of the life companies doing business in Canada show that generally speaking these continue markedly on the upward grade. The method of compiling these statistics followed by THE CHRONICLE for many years is as follows :—The mean of the assets is determined by dividing by two the sum of the ledger assets as at December 31, 1914, and at the same date a year earlier and adding thereto the market values of bonds, stocks, etc., over book values, or deducting in cases where the market value is less than the book value. The addition or deduction is not made in the case of the British and certain of the United States companies, where the Government Blue Book gives ledger values without information as to market divergence. In all cases "assets not admitted" are deducted from the sum of the ledger assets. The interest is considered as made up of receipts from interest and rents during the twelve months ending December 31, 1914, adding thereto the interest and rents due and accrued at the end of the year, less the same items outstanding at the close of 1913. This method has been found generally satisfactory. While there are occasional differences in the form of returns made by individual companies, these differences do not materially affect the results shown.

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 1914, 6.28 per cent. comparing with 6.17 per cent. in 1913 and 5.87 per cent. in 1912. The pronounced upward trend in these earnings steadily maintained over a series of years is shown in the following summary of the average rate of interest earned each year since 1900 :—

1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.
4.56	4.66	4.75	4.80	4.80	4.93	4.98	5.24

1908.	1909.	1910.	1911.	1912.	1913.	1914.
5.30	5.41	5.45	5.72	5.87	6.17	6.28

It will be seen from these figures that between 1900 and 1914, the average rate of interest earned by the Canadian companies increased 1.72 per cent. The 1914 mean assets of the Canadian companies are $232,391,145 and the increase in the rate of interest earned since 1900 represents on this amount of assets considerably over four million dollars. That is to say, had the Canadian life companies earned last year only the average rate of interest which they earned in 1900, their interest receipts would have been last year over four millions less than they actually were.

CAUSES OF THE RISE.

While insurance companies all over the world have been able in recent years steadily to increase the average rate of their investment earnings owing to the rise in the rate of interest, it is probable that nowhere else has such a remarkable increase been achieved as by the Canadian companies. To the extent to which this advance in interest earnings has been made without the sacrifice of conservatism in investment policy, it is legitimately a subject for congratulation. The primary cause for the rise in the rate of interest earned by the Canadian companies has been the large investments made in Western mortgage loans. This movement, in our opinion, was carried somewhat too far by some managements in the booming days of a few years ago. Whether results of a permanently satisfactory character will be secured by the companies from those mortgage investments depends mainly upon the conservatism and acumen of the local management responsible for the making of these loans. If these managements were successful in retaining cool heads during the boom days, in keeping clear of proposals which savoured of speculation and consistently insisted upon irreproachable bona-fides from a borrower then there is no reason why the companies should not come satisfactorily through the present ordeal.

CONTINUED HIGH EARNING POWER.

As regards the future, there is little doubt that the earning power of the Canadian life companies will continue to be high for may years to come. Not only has there been during the last year a remarkable rise in the rate of interest the world over, so that interest yields which are highly satisfactory on any normal basis, can be secured on the most irreproachable of securities, but also the post-war outlook in Canada is that funds will be in active demand for further development and other purposes. The companies, in fact, will have ample opportunities of investing their funds in safe and sound investments at satisfactory rates. As the majority of the companies assume a low interest rate in valuing their liabilities, with capable management, dividends to policyholders should be, generally speaking, on a decidedly satisfactory scale.

Through an unfortunate printer's error last week the Gresham's interest earned in 1914 appeared as only $316,590 instead of $2,316,590. Comparison with the preceding years made the mistake an obvious one.