persons for whose benefit the insurance was intended, on account of the proneness of policies borrowed on being allowed to lapse.

"In the third place, it is unfair to the companies to be placed in a position of possibly having to liquidate a large percentage of outstanding obligation if, in times of panic, policyholders should make a general demand for loans on their policies, as could be done under the provisions of the Act in this connection.

In Times of Panic

"Life insurance companies," continues Mr. Richter, "are pre-eminently long-term investors, 20- to 30-year bonds and debentures constituting a considerable percentage of their investments, and with ordinary land mortgages could not, in time of panic, be realized on sufficiently quickly to enable a general run on the companies for loans being met. A perfectly solvent company under ordinary conditions might easily be forced to the wall because of these unwise provisions. Life insurance companies have, as a rule, treated policyholders very fairly in the matter of loans on policies and there was not any real occasion for the objectionable legislation referred to, the ultimate effect of which will, I believe, prove harmful alike to policyholders and companies."

Points for Government Regulation

That the matter of policy loans is one of the life companies' most important problems is the decided opinion of Mr. E. W. Cox, president and general manager of the Canada Life. "We are, as a general rule," he says, "called upon to make these loans just at a time when most excellent opportunities are numerous for permanently investing our funds at rates of interest in excess of those usually obtainable. Competition has, unfortunately, led to the featuring of the loan privileges and these are offered at rates ranging from 5½ to 6 per cent. With most companies, the rate of interest chargeable is stated in the policy contract, and any revision of rate can only apply to new contracts—then you are face to face with the fact that one class of your policyholders can borrow at a better rate than the other, or it may be that a single policyholder may have to pay different rates of interest on loans on policies issued to him at different dates by the same company. This, I am sure, will cause much confusion and I am hoping that the government may take the matter in hand and, if at all practicable, make it necessary for the policyholder to give three months' (or even two) notice in writing of his desire to obtain a loan other than to pay premiums or interest due on existing loans. By the end of the specified time the necessity for the loan may have disappeared or other arrangements made.

Sixteen Per Cent. of Assets

"Our own policy loans now amount to 16 per cent. of our total assets and, owing to the liability we are always under to be called upon for large additional loans, we are compelled to invest a considerable portion of our funds in liquid securities to meet any contingencies of this kind. The rate obtainable on this class of security is generally low and, unfortunately, if forced to sell them it will most likely be at panic prices. The government has always taken a most paternal interest in the policyholders, and raised all kinds of bulwarks around them to protect them from the company. I think they might now seriously consider protecting them against themselves by making it more difficult to secure policy loans. Such a restriction would improve the earning power of the companies to the direct benefit of the policyholder. It would largely reduce the present practice of borrowing from the widow (90 per cent. of whom are never reimbursed) and would assist in the education of the insuring public to the fact that the reserve values in their policies are trust funds which they should strive in every possible way to maintain intact."

Two States in the American Union, at the present time require insurance companies to make provision in their policies to the effect that the assured must give at least 60 days' notice before being able to obtain a loan on their policies. These States are Connecticut and Minnesota.

Penalty for Pawning Policies

That the three months' notice required by the Insurance Act from those who propose to pawn their life insurance policies should be insisted upon by all the companies—not in the interests of the companies but in the interests of the policyholders themselves, who often squander the money borrowed on their policies when they get it too easily and cheaply, is the opinion of Mr. William Wallace, general manager of the Crown Life. If they had to wait three months for it, they probably would not want it at all by that time and the money would be saved to accrue to the benefit of the widow and orphans, or to the insured himself in his old age.

"The only exception I would make," says Mr. Wallace, "would be in favor of the policyholder who only wanted to borrow enough to pay a premium which had just fallen due and thus keep his policy in full force and effect. This is a subject which, I think, should be taken up by the Life Managers' Association of Canada and dealt with in a way which would protect not only the interests of the companies but of the policyholders themselves. I have no hesitation in saying that the lapse loss in life insurance, to which the policy loan is akin, constitutes one of the greatest economic wastes of modern days."

In Tight Money Periods

While Mr. Moore, assistant general manager of the Imperial Life, does not suggest a solution of the policy loan problem, except the education of policyholders, he has a clear appreciation of the difficulties. "The demand for these loans," he says, "can be looked for in every year in which tightness of money raises the rate of interest on borrowings higher than the rate on which loans can be secured under life policies. The betterment of money conditions and consequent lowering in the general rate of interest will, however, I believe, remedy to a large extent the abnormal condition in respect of policy loans which existed last year, although the facility with which such loans can be secured and repaid, will always make them popular.

"The protection which a man takes out for his dependents is usually a minimum amount and inadequate for its purpose. It is a regrettable fact that this protection should be so generally borrowed upon and thereby rendered still more inadequate. Often, indeed, the policy loan is the first step towards the total surrender of the policy through the holder becoming discouraged as a result of the added burden of loan interest combined with the decreased protection.

May Increase Surrenders

"A remedy, however, is hard to suggest. Any restrictions placed upon the loan privilege of policies is liable to re-act in increasing surrenders. The loan