

THE RE-PAYMENT OF POLICY LOANS.

Apropos of recent discussion on the subject of the re-payment of policy loans, some interesting information is given regarding the practice of the Manhattan Life, of New York, in a letter by the vice-president of that company to our New York contemporary, the Insurance Press. The Manhattan Life has adopted a scheme whereby there is attached to every loan agreement sent out in response to policyholders' applications for loans, a notice calling attention to the fact that by making a loan, the insured is mortgaging the policy, etc. The notice reads as follows:—

NOTICE.—Your attention is called to the fact that in making a loan on your policy you are mortgaging it for that amount; and in case of your death, the loan would have to be deducted from the proceeds of the policy. You are thus depriving the beneficiaries of a part of the insurance protection to which they are entitled, and are increasing your yearly payments by the interest which you will be obliged to pay, in addition to the premium payments called for by the policy. If your circumstances are such that you are obliged to avail yourself of this loan, well and good, but you are urged to place the policy in its original condition by repaying the loan at the earliest possible moment. If you are unable to repay the entire amount of the loan at one time, partial payments will be accepted by the company.

Further, there is enclosed with every premium notice where the insured has a loan or lien on his policy, another notice calling his attention to the fact that there is a loan outstanding and suggesting re-payment. This second notice reads:—

TO THE HOLDERS OF POLICIES WITH LOANS OR LIENS OF OUTSTANDING.—Your attention is called to the fact that there is a loan (or lien) outstanding against your policy, and in case of your death while the policy is in force, the amount of the loan (or lien) will be deducted from the proceeds of the policy. The beneficiaries are thus deprived of a part of the insurance protection originally afforded by the policy.

While no demand is made by the company for the re-payment of the loan (or lien), you are earnestly urged to replace the policy in its original condition by repaying the loan (or lien) at the earliest possible moment. If you are unable to repay the entire amount at one time, partial payments will be accepted by the company.

"When we adopted this scheme," says the Vice-President of the Manhattan Life, "we did so mainly with the idea that it was in the nature of an experiment; and we thought that it would probably result in some policyholders hesitating in making a loan, or in their paying it off as soon as possible, and we furthermore had in mind that by calling the policyholder's attention to the loan outstanding, it might impress upon him the importance of not continuing the loan any longer than necessary. But the results that these little notices have accomplished have been something marvellous. No doubt you are well aware of the fact that it has generally been the case that a policy loan once effected is rarely paid off. This company had exactly this experience. But since we are sending out these notices, loan after loan has been repaid; and many of the policyholders, if unable to repay the entire loan, take advantage of the privilege of paying instalments. To say that we were more than surprised at the number of loans paid off, expresses it mildly. We were so well satisfied with our experiment that we are continuing the practice right along; and the good results that we are accomplishing in having loans paid off are most gratifying indeed."

THE SACREDNESS OF TRUSTEESHIP IN THE INVESTMENT OF LIFE INSURANCE FUNDS.

(George E. Ide, president Home Life of New York, before the Association of Life Insurance Presidents.)

(Continued from page 1773.)

COMPULSORY LOCAL INVESTMENT.

The idea has arisen of late in the minds of some that each State or locality can best promote its own growth and prosperity at the expense of some other State or locality, which idea is exemplified in the efforts made in certain commonwealths to pay their own expenses by heavily taxing foreign individuals and corporations who attempt to do business within their borders. Of late it has taken a new form. Compulsory local investment of life insurance funds has in one State been enacted into law.

When I hear the honest promoters of these laws advocate their adoption, I shudder for the future of life insurance investments. Never was a line of action proposed more inimical to the interests of the policyholder. The impropriety of segregating the reserves (upon which these compulsory investments are usually based) and breaking up the funds of a company into different groups is apparent to students of insurance, but the idea that to these trustees, with their responsibility and personal accountability, some town, or county or State shall say, "You must invest in our locality," seems past belief. When the law-maker steps in between the policyholder and the trustee, whom he, the policyholder, has chosen, and attempts to usurp the function of that trustee, what becomes of the trustee's responsibility, and who is going to satisfy the policyholder, if in the future under such mandatory laws good investments cannot be found and bad or indifferently good investments have to be made?

Possibly it may be thought that I object to this interference because it comes from distant quarters of the country and from State authority. Not at all. I believe the same objection should be made to any form of interference with the trustees in the exercise of their legitimate functions.

INSURANCE AND INVESTMENT DEPARTMENTS**DISTINCT.**

In the last few years there has been a wonderful growth of new companies in all parts of the country. Loyalty to home interests has in many instances been the motive underlying their inception. Many older companies have felt that to meet this new competition they must in the investment department enter new and untried fields. Nothing can be more dangerous. The insurance and the investment departments of any well-regulated and conservatively managed company must be kept absolutely distinct. The agent when he says "You must invest money in my territory to aid me in securing new insurance" is pursuing as reprehensible a course as the State which tries to advance its interests by similar mandatory methods.

What then should be the basis of choice in selecting investments? There can be no specific rule formulated. One company has for years been investing its funds in farm mortgages. Its trustees understand that business. Its record and experience give it a sound basis for future action. It is proper and natural that that company should prefer this