LOANS ON LIFE POLICIES.

Discussing the question of loans on life insurance policies with The Monetary Times recently, Mr. William Wallace, general manager of the Crown Life Insurance Company, said that the tendency in recent years has been to afford the policyholder every facility for borrowing, cheaply and expeditiously, on his life insurance investments.

"When the money is required for a practical purpose—to pay further premiums or to purchase a home—every facility should certainly be afforded the insured to realize temporarily, or even permanently, on his policy," continued Mr. Wallace. "From the point of view of the life insurance companies, loans to policyholders are regarded as a good investment, although the loan is usually made to the policyholder at a lower rate of interest than could be obtained on other equally good, if not better, security, such as first mortgages on real estate.

Best Interests of Policyholders.

"It is not always in the best interests of the policyholder that he should be encouraged—by a large loan inducement at a low rate of interest—to pledge or hypothecate his policy, which is or ought to be sacred protection for those dependent upon him. Experience goes to show that the majority of such policy loans are never repaid, with the result that the insurance protection is frequently forfeited when it is most needed. The surrender of the policy in this way is, of course, a source of profit to the company, but it is one of corresponding loss to the policyholder.

"Life insurance companies would really do their policyholders a kindness by restricting, rather than encouraging, the present practice of pledging policies for loans, the proceeds of which are frequently lost in foolish speculation.

Lapsing of Policies.

"The lapsing of life insurance policies through this and other causes constitutes one of the most grievous economic wastes of modern times. The virtue of persistency should be encouraged in every policyholder. It should not be made too easy for him to discount insurance investments originally intended to endure until death."

That there is undoubtedly a tendency to an increase in the borrowing upon life policies is the opinion of Mr. D. Wegenast, managing director of the Mutual Life Assurance Company of Canada. "Until the present insurance Act came into force in May, 1910," he says, "the companies were not required by law to make such loans, but the majority, if not all of them, gave that privilege. In most cases the actual amount that could be borrowed was set out in figures in the contract for each policy year, and this practice is now made compulsory by law. Undoubtedly the recent investigation of the life companies, gave publicity to this privilege, through the discussion in the press, as well as in the House of Commons, when the new bill was under consideration. Many policyholders then for the first time discovered the fact that life policies are good collateral for a loan, and advantage is being taken of it to a constantly increasing extent.

"Run" for Loans During Panic.

"Loans on policies are resorted to more particularly in times of financial stringency. In the long-to-be-remembered panic of 1907, the life companies had such an enormous demand made upon them for loans, that the experience will not soon be forgotten. The American companies, as well as Canadian and foreign companies, doing business in the United States, increased the amount of their loans enormously during the period mentioned. While in Canada the stringency was less severe, and the demand for loans not so great as in the United States, it impressed upon the managers a precaution, not theretofore thought necessary, but now incorporated in the new Insurance Act (sec. 95 (g)), namely, that at the option of the company, a loan may be deferred for a period not exceeding three months, thus preventing embarrassment of the companies by a 'run' for loans during a panic."

Agents Should Discourage.

This company has more than once called attention to the inadvisability of borrowing upon policies. At its last annual meeting, the president said: "It will be observed that the proportion of our assets invested in loans on policies remains the same as last year, though it is to be feared that in many cases, this easy method of raising temporary loans, leads to the policies being surrendered, and the protection taken away from those who need it, especially at a time of distress and want. Policyholders should be slow in taking this means of borrowing, and our agents will do well to discourage it as much as possible."

Loans are Seldom Repaid.

One important feature noted by several companies is that once a loan is made to a policyholder it is seldom, if ever, repaid. According to the latest statistics, nearly 12½ per cent. of the assets of Canadian life insurance business consisted of money which had been borrowed from the companies by the policyholders. The total amount of such loans was $26,000,000. The percentage the year before was about 12 and four years prior to that, 9⅔ per cent. While these figures are fairly large, the New York companies last year paid big amounts. The loan privilege was generally exercised during the panic of 1907, one company lending $14,000,000 and another putting out more than $10,000,000. Since the close of that year, moreover, aggregate loans to policyholders on the books of the three largest New York companies—the New York Life, the Mutual Life, and the Equitable Life—have increased $69,780,763, or 41 per cent.

Increase in Loans.

Comparison with the total of policyholders' loans in 1904 shows an increase of no less than $157,824,000, or 190 per cent. Last year these companies increased loans to policyholders 11¾ per cent., as against a gain of 6⅛ per cent. for 1909, 18¾ per cent. in 1908, and 36 per cent. in 1907. The heavy increase of 1907 reflected the "panic borrowings" by people who were hard pressed by the financial disturbance and the vicissitudes which followed it. Total outstanding loans to policyholders, with the increase for each year, reported by the New York Life, Mutual Life, and Equitable, at the end of the last six years, have been as follows:

	Outstanding Loans.	Increase.
1910	$240,512,000	$25,330,000
1909	215,182,000	12,449,000
1908	202,733,000	32,002,000
1907	170,731,000	45,769,000
1906	124,962,000	22,018,000
1905	102,944,000	20,256,000

Reasons for Borrowing.

What has been the reason for this steady increase in the volume of such outstanding loans? The companies answer unhesitatingly, Extravagance, and the desire of many people to live beyond their means. Officials of one of the companies cited estimate that nine-tenths of the loans are never repaid, but become a charge against the policies at death, if the liens are not foreclosed.

Previous articles on this subject were printed in The Monetary Times of December 3rd, 1910, and February 11th, 1911.

CANADIAN PACIFIC RAILWAY EARNINGS.

The following is a comparison between the Canadian Pacific Railway earnings for 1911 and those for the previous year:—

	1910	1911
Gross earnings	$94,989,490	$104,167,808
Working expenses	61,149,534	67,467,978
Net earnings	$33,839,956	$36,699,830
Net earnings of steamships in excess of amount included in monthly reports	$909,235	$1,118,350
	$34,749,191	$37,818,180
Fixed charges	9,916,940	10,011,071
	$24,832,251	$27,807,109
Deduct Steamship replacement	$900,000	$1,000,000
Pension fund	80,000	80,000
	$980,000	$1,080,000
Net revenue from earnings available for dividends	$23,852,251	$26,727,109
Dividends, etc.	12,382,113	14,853,867
Carried forward from earnings	$11,470,138	$11,873,242
Receipts from lands, investments, etc.	2,426,477	6,602,205
Total surplus	$13,896,615	$18,475,447
Increase for year ending June 30th, 1911		$4,578,832

The annual report of the Vancouver Board of Trade contains much general information of value to those desiring to have figures and reliable data concerning Canada's western port. It contains 128 pages and is well illustrated.