British Life Companies.

Year.	Total assets.	Policy loans.	Percentage.
1895	£240,397,866	£12,141,048	5.05
1905	366,717,138	19,364,110	5.28
1915	551,150,362	32,621,554	5.92

NOTE:—This table is in sterling.

A much smaller percentage of funds invested in these loans appears than is the case on the North American continent.

Those familiar with business customs in Great Britain will probably agree that this is largely due to three causes. First, it is not the practice in Great Britain to debit premiums against a policy; *i.e.*, the premium obligations or premium notes of United States and Canada. These premium obligations are not shown separately in statements of all Canadian companies, so it is difficult to determine what proportion they form of the total loans.

Second, the custom of placing life policies in marriage settlements is common in England and neither trustees nor assured usually have power to borrow on them.

The third and perhaps chief cause is that policies in Great Britain are very largely used as collateral security for bank loans and overdrafts.

English and Scotch Offices.

A separate examination of the figures of the leading English and Scotch offices shows that some of the large Scotch companies lend more freely than their English rivals. Any direct comparison is difficult, however, as the form in which returns are required by the British Board of Trade makes it very laborious to obtain a uniform basis of comparison, which the point is not of sufficient importance to undertake.

Deductions from General Investigation.

The deductions that may be safely drawn from the tables are that policy loans are somewhat rapidly increasing in Canada and that in view of the United States experience they must be expected to rise still higher.

That in years of financial stringency exceptional calls will be made upon the companies and that during periods of financial panic they must be prepared to find cash, at short notice, for large amounts.

In the United States experience in 1907—the panic year—more than 64 per cent. of the increase in assets of that year was absorbed by policy loans. Figures are not available to show how much of this was cash loans and how much premium obligations, but it is important insofar as cash does not have to be provided in respect of premium obligations, whereas it does for cash loans.

It will be noted that the surplus receipts of each year have easily provided the loans granted in that year, but that while the receipts are spread throughout the year, the loans may be chiefly called for during a brief critical period.

Companies Embarrassed by Legislation.

In addition to these features, however, there are other points to be considered, due to the requirements of federal, provincial and foreign legislation.

As an instance, the government of Japan requires a foreign company writing business within its jurisdiction to invest and deposit 60 per cent. of the policy reserves in respect of such business, in Japanese government securities. So that, what with government requirements and the policyholders' right to borrow, there is a liability in respect of such policies, in excess of that anticipated by the Dominion Act, or provided for by the companies.

Similar positions may arise in respect of a Canadian provincial company doing business in a province other than that wherein it obtained its charter and in the case of foreign companies doing business under provincial licenses in Canada.

Danger of Further Drastic Legislation.

Prospects of further drastic legislation also threaten life companies. Only recently Sir Thomas White stated in the House that it would be no hardship if compulsory investment by life companies in Canadian government securities was made permanent, instead of only a war measure as at present.

The danger lies not so much in the class of security selected as in the increasing tendency of governments to control life company investments, without assuming any corresponding responsibility for possible losses on this account.

That this is no imaginary danger anyone must admit who is familiar with the history of British Consols during the past 20 years.

Life Companies Aware of Responsibilities.

A generation ago actuaries pointed out the responsibilities assumed by life offices in undertaking the banking function of finding money at call, to provide guaranteed loans and surrender values. The guarantees were further made compulsory by legislative enactment and the companies accepted the responsibilities open-eyed. Thus was introduced the possibility of a limited "run" upon life companies in a time of panic.

Life Companies' Risk Limited.

Banks, individually and collectively, have at all times been subject to the danger of a "run," to a much greater extent than life insurance institutions can ever be.

In comparison with the banks' risk, that of life companies is so limited that in return for the benefit of the present system of loans, policyholders can well forego the cost it entails to make due provision to protect it.

Life companies are not competing with the banks for this business, but by taking it have relieved them, and there is still a wide field for further co-operation.

The tendency of governments to such wide control of investments of life companies seems the greater danger to the real interests of policyholders.

The Policyholder's View.

There is a wide margin between the desirability of discouraging policy loans and the possibility of their becoming a danger. Whatever lessons are to be learned from the statistics it must be recognized that any further drastic restrictions on a policyholder's power to borrow on his policy will, in the eyes of the public, make life assurance lose half its usefulness and most of its attraction.

The great strides made by life assurance in recent years on the North American continent are largely due to the fact that the money paid in premiums is not regarded as entirely locked up.

In the eyes of most Canadian and United States policyholders, a life assurance company is now a savings bank as well as a life assurance institution.

The view of the borrower is not that he is borrowing a percentage of the reserve held by the company, but that he is borrowing his own money which represents probably only a small percentage of the face value of the policy.