REGULATING LOANS ON LIFE POLICIES.

Something like a campaign for the further regulation of loans on life policies seems to be developing in the United States. Several of the prominent companies have raised their interest rate upon these loans from 5 to 6 per cent.; others have decided to encourage repayment by the acceptance of instalments; and in several States, notably Massachusetts, the insurance commissioners are active in forwarding proposals to incorporate in the insurance law, the 60 days notice clause. Last, but not least, insurance executives are busily engaged in instructing their policyholders with regard to the dangers inherent in promiscuous borrowing on a security which is primarily intended for protection and in most cases for the protection of others.

One executive's statement recently issued, that by Mr. John M. Taylor, president of the Connecticut Mutual Life, contains a number of points, which are as true in Canada as in the United States. Mr. Taylor does not put forward any contention for the abolition of the loan business, in this respect following the lead of others interested in the present campaign, but asks for its better regulation in the interests of the policyholders themselves. He recognises and thoroughly appreciates the good which may be done by a loan upon a policy at a critical time—to pay premiums, to educate children, to lift mortgages on homes, or to meet a business emergency. But, says Mr. Taylor, "in many instances it is not used to pay the premiums on insurance to keep it in force; to meet the cost of living, or to lift a mortgage on the home or for other necessities. It often goes in various speculations—sometimes on margins, in the hazards of other ventures, and in paying or making loans elsewhere bearing higher interest rates. It puts the chances of business loss against the security of a man's household."

The figures which Mr. Taylor produces of the increase of loans, in five-year periods, by the companies reporting in New York State, go far to justify his contentions. Whereas in 1890, these loans outstanding were only $5,267,000 and in 1900, $70,702,000, by 1905 they had gone up to $196,626,000, in the next five years to 1910 again more than doubled themselves up to $441,379,000 and in 1911, increased still further to $482,345,000. Even allowing for the heavy borrowing on policies which necessarily took place at the time of the panic in 1907, it does not seem reasonably possible that the whole of the increase represented by these figures is due to legitimate causes. Some of it is no doubt a result of the comparatively recent discovery that borrowing on a life insurance policy is one of the easiest and cheapest ways of "raising the wind" ever invented in the history of finance. Probably, too, a good deal of it is due to failure to repay loans obtained five or six years ago, although the necessity for them has passed away, and they could be repaid without effort. Mr. Taylor is merely putting into words the experience of every life officer when he says that only a very small percentage of these loan obligations are ever redeemed in cash. Then there is, in Canada at all events, widespread and general speculative investment together with international phenomena, the high cost of living, and the cost of high living, and anyway, the repayment of a policy loan is not compulsory at any date, so why worry about it. It is much easier to keep the interest paid up year by year.

The antidote to this kind of argument is the gospel of protection. If a policyholder realises that the insurance which he took out to protect others is frittered away by his borrowing propensities, he will be more careful to see that any loans which he secures in the future under stress of necessity are repaid at the earliest possible time. Mr. Taylor puts the case strongly as to what a loan in a policy means in at least one aspect when he says:—"(1) It is the surrender or hazard of what often proves to be the last reliable asset or fund for the support, education and welfare of the family in the time of its direst need and which should be held inviolate. (2) It is a mortgage of what may prove to be the only sure protection of an estate against its insolvency when the policy matures." His further advice to his policyholders is equally clear:—"To a man who takes the known and open risk and pledges his policies for any purpose there comes a clear, instant and imperative duty. It is this: To pay his loan at the earliest possible moment and redeem his policies. Business credit, the solvency of an estate, the protection of wives and children, the honor of a true manhood demand and inspire such action, and behind them all stands the naked truth that an asset, a property, an absolute security has gone—conditionally, to be sure—but with the chances largely against its recovery. Failure to perform this duty involves another of next importance and value, and that is to forthwith replace the pledged insurance. Once this cornerstone of safety, this indemnity against the greatest of all certain losses, this safeguard of helpless and dependent ones be removed no man of sound business views, of conscience or of honor will hesitate to make good what he has put in jeopardy for one cause or another."

The persistent propagation among policyholders of sound views of this kind should have in the long run, a considerable influence in bringing policy loans back within reasonable proportions and limits.

Mr. C. R. McKeown, member for Dufferin in the Ontario legislature, has introduced a bill in amendment of the provincial insurance act, which will make it compulsory upon every life insurance company to accept the age of the applicant for insurance at the time the policy is taken out.