

## POLICY LOANS OF CANADIAN LIFE COMPANIES.

During 1914, the policy loans of the Canadian life companies were increased by the record total of \$5,333,158, and at the close of the year these loans stood in the record proportion to the companies' assets of 14.1 per cent., compared with 13.2 per cent. at the close of 1913.

It is well-known that for a number of years past the policy loans of the Canadian life companies have been continuously on the upward grade, not only increasing by substantial amounts year by year, but enlarging their proportion to both the amount of insurance in force and the total assets of the companies. Thus, at December 31, 1902, the amount of insurance in force of the Canadian life companies was \$308,202,596, the amount of policy loans and premium obligations upon policies being about two and one-quarter per cent. of that amount. Eleven years later, at December 31, 1913, the Canadian life companies (including two fraternal organisations), had increased their insurance in force to \$750,637,902, policy loans and premium obligations upon policies reaching then a little over four per cent. of that amount. At the close of last year the Canadian life companies' insurance in force had risen to \$794,520,923 and policy loans to \$36,208,467, a proportion of 4.6 per cent.

When comparison is made with the life companies' assets, the growth in policy loans is more strikingly seen. The following figures show the loans and premium obligations upon policies of the Canadian life companies since 1901 and the proportion such loans and obligations bear to the companies' assets:

	Amount, Dec. 31.	Year's Increase.	Proportion to Cos's funds, Dec. 31.
1901.....	\$6,437,682		9.7
1902.....	7,044,111	\$ 606,429	9.6
1903.....	7,942,580	898,469	9.7
1904.....	8,812,029	869,449	9.7
1905.....	9,679,244	867,215	9.4
1906.....	11,091,446	1,412,202	9.7
1907.....	14,057,512	2,966,066	11.2
1908.....	16,750,846	2,693,334	12.1
1909.....	18,409,651	1,658,805	12.0
1910.....	20,409,223	1,999,572	12.3
1911.....	22,960,040	2,550,817	12.0
1912.....	25,879,863	2,919,823	12.2
1913.....	30,875,309	4,995,446	13.2
1914.....	36,208,467	5,333,158	14.1

Going back a further ten years to 1892, it is seen that in that period, policy loans and premium obligations on policies were generally about 10 per cent. of the Canadian life companies' assets. The highest figure reached was in 1896, 10.5 per cent.; the lowest in 1892, 8.7 per cent.

### INCREASE SINCE 1907.

From these figures it is seen that 1907 marks the beginning of a new period in regard to these policy loans. From that year forward, these loans have been uniformly at a higher level proportionately to the companies' assets than before. The reasons for this are well known. It was in 1907 that the merits of the life insurance policy as an easy means of raising ready cash at a cheap rate really became widely appreciated. The American life companies are credited with having loaned \$16,000,000 in one week during 1907. At all events that time marks the beginning of the great forward movement of borrowing on life policies, which has been continued

in Canada ever since, in periods of comparative monetary ease for the purpose, often it may be feared, of sheer speculation, and in those of stringency, also frequently enough, to replenish bank balances lowered by the same speculations. It will be seen that the advance in these loans last year exceeded by about \$350,000 that made in 1913, when an advance of over \$2,000,000 was recorded consequent upon the setting in of a period of stringency and the necessity imposed upon Tom, Dick and Harry to provide cash to meet the various commitments into which they had gaily entered during the preceding boom period.

On behalf of the American life companies, it is frequently said that only an infinitesimal proportion of these loans are ever repaid. This apparently is not the experience of the Canadian companies, since last year, loans amounting to \$2,963,333 were repaid. The suggestion frequently made that loans lead to lapses is also challenged by officials of some Canadian life companies, who argue that the man who will take the trouble to secure a loan upon his policy is by taking that trouble giving *prima facie* evidence of his intention to keep the policy in force, while he may avail himself of the loan value from time to time as, of course, he is perfectly free to do, for the purpose of financing a business transaction in which he is interested.

The kernel of the policy loan situation would seem to be that a privilege which has its perfectly legitimate uses is by some policyholders—possibly a good many—abused to the detriment of the protection which should be given to their dependants.

### TWO NEW BOOKS.

Two new books are at hand on the editorial roll-top from the Macmillan Company of Canada. In "International Trade and Exchange," Mr. Harry G. Brown, instructor in political economy at Yale University, discusses that subject which many commercial and financial men are brought into daily contact with but few understand—foreign exchange. Mr. Brown writes in his intricate subject informally and pays attention also to the subject of the gains of trade, then turns to the conditions determining the share which each of two or more countries gets from trade between them, and finally takes up such topics as revenue tariffs, protective tariffs, bounties, navigation acts, government construction of canals for the free use of commercial interests and land grants in encouragement of railroad building.

In "Income," Dr. Scott Nearing of the Wharton School, University of Pennsylvania, makes an examination of the returns for services rendered and from property owned in the United States. What division, Professor Nearing asks, is made among the members of a community of any given product of labor? How is the value that is created apportioned among the laborers, the managers and the capitalists? This, which the author sees to be the fundamental problem in every consideration of income, is fully discussed, after which other equally interesting issues are taken up.

The Standard Bank of Canada has declared the usual quarterly dividend of 3¼ per cent. (13 p. c. per annum) for the quarter ending July 31, payable August 2 to shareholders of record, July 23.