by the companies had been considered as an accumulation for the protection of the policyholders as a whole, and not as a collection of the individual deposits accumulated against each policy.

The granting by the companies of cash and loan values on demand, and later the requirement by law of the incorporation of this privilege in the contract, has led the insured to believe that the reserve fund is an accumulation of individual deposits and that he is entitled to his share of these deposits whenever he sees fit to ask for it. Moreover, in later years most companies, by necessity in some States, but by choice in general, have written their contracts with right of revocation of the beneficiary, thus making the contract an agreement between the company and the insured and absolutely depriving the beneficiary of his or her vested rights.

Finally, the courts have ruled, in view of the cash values granted in the contracts and in view of the insured's right of revocation, that the contract is a uni-lateral contract, thus relieving the insured of all responsibility on his part and leaving him free to do with his policy as he pleases.

From the standpoint of the insured, the contract now stands as a codicil, to be changed at will, and which he can legally surrender for his accrued deposits at any time he sees fit.

If the insurance company is to meet this situation, it must perform three independent functions:

First—It must furnish insurance to the public for only the net amount at risk in each case, *i.e.*, for the face amount of the policy less the reserve accrued thereon.

Second—It must accumulate the reserve on each policy, which is to be returned to the insured's beneficiary in event of his death, or to the insured himself in the event of the maturity of the policy, or to be used by the insurance company in keeping his policy in force.

Third—It must hold itself in readiness to return this fund upon demand to the insured as cash or in form of a loan.

This last function, especially the necessity of loaning funds to the insured upon demand, is so entirely foreign to all fundamental ideas of insurance as to make it a pertinent question as to whether or not this is a proper function to demand of an insurance company.

We can view this question from three standpoints —from the legal stand, from the moral standpoint, and from the standpoint of the best interests of the insuring public.

LEGAL STANDPOINT.

There is no question but that the law at the present time substantiates the present view of insurance. As a matter of fact, the law is the result of this view. In the words of Mr. J. B. Lunger, "The right of the insured to an equity in the reserve on his policy finds best recognition in granting loans at stated times upon reasonable conditions."

The fact that the law is the result of the present public viewpoint, however, is an encouraging feature in that if the public views on the subject be changed, then we can have hopes of a modification in the legal status of the matter.

MORAL STANDPOINT.

Although we allow that the accumulation of the reserve funds is made up from the insured's deposits, yet we do not admit his *inherent* right to borrow on this fund. This reserve is, as a matter of fact, a part of the protection which the insured is providing from his family and for the necessities of his own old age, and for which a part of his premium is annually paid.

The insurance company, then, should see to it that these funds deposited with it for the avowed purpose of protection should not be used for any other purpose. The account in a savings bank is the accumulation of a man's deposits, yet no one would think of requiring a savings bank to *loan* to each depositor the whole or any part of his deposits at a *definite* rate of interest. These funds are considered sacred, as representing the hard-earned savings of the individual. Yet are not deposits made for the protection of one's family far more sacred? Should not such funds be more zealously guarded against the dangers of withdrawal on demand than the deposits in a savings bank?

In subjecting this fund to loans, life insurance companies have left it open to any whimsical desires of the insured, and already too serious inroads have been made upon it. Too often these loans have been made without the knowledge or consent of the family interested, while the sorrow brought upon the families of those who intended to repay their loans —but did not—can best be testified to by those present who have had the care of this business in their charge. The average man hesitates before he surrenders his policy, but when he takes a loan and thus unknowingly or wilfully destroys a part of his insurance protection, thinking that he will some time or other pay it back, he does not realize that out of one hundred people who have done the same less than ten ever repay. It is against such inroads that we are morally bound to protect the business, if life insurance is to continue to hold the place in public confidence that it holds to-day.

INTEREST OF THE PUBLIC.

There are many reasons why the best interests of the public demand that the insurance companies guard with more care this reserve, upon which they are now freely granting loans.

First—The temperament of the public on this continent differs from that which one finds elsewhere. This country is a new country, where development has been very rapid, where opportunity to make money is ever presenting itself, and where the ruling ambition is to acquire wealth. In such a country temptations are constantly arising, urging men to invest all their available funds in enterprises which may or may not be profitable. In such a country this tendency naturally and easily leads men to desire to avail themselves of all ready means to procure funds to put into such inviting ventures. Therefore, it behooves the insurance companies to guard their insurance funds against the ravages of such a temperament.

I once heard a business man, who was connected with the insurance business, say that during the panic of 1907, when the prices of various stocks and bonds were so low that they offered the greatest temptation for investment and speculation, that nothing kept him from asking for a loan of $50,000 against his large insurance policies but his close connection with the business and his consequent realization of the sacred purpose for which these funds had been pledged.

Because the insuring public has not this realization of the sacred purpose for which these funds have been pledged, and because it is not closely connected