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Pawning the Life Policy

THIS questionable practice of obtaining loans on life insurance policies may be penalized. Underwriting corporations sound the alarm in the interest of dependents who must pay millions of inherited debts.

THE growing practice of a life insurance policyholder borrowing from his widow or orphans is exercising the minds of insurance companies' executive officers. The problem of the policy loan is real. No matter from what angle one regards it, there is a problem, large or small, according to the viewpoint, in the loans which are obtained on the strength of the life insurance policy. The *Monetary Times* has conducted an investigation into this matter and has obtained the views of Canadian life insurance companies. Their opinions reflect a difference of opinion, although most of them agree upon the existence of a serious question.

The net amount of life insurance in force in Canada at the end of the year has grown from \$335,000,000 in 1903 to \$750,000,000 in 1913, a gain of \$415,000,000 or 123.8 per cent. The amount of loans on life insurance policies in force in Canada at the end of the year has increased from \$7,000,000 in 1903 to \$24,000,000 in 1913, a gain of \$17,000,000 or 242.8 per cent. The amount of insurance effected in the Dominion during the year was \$55,000,000 in 1903 and \$131,000,000 in 1913, an appreciation of \$76,000,000 or 138.1 per cent. The figures under these three headings for each year since 1903 inclusive, are given in the following table:—

(1)	(2)	(3)	(4)
Year	Amount of Loans on Policies in force in Canada at end of the year.	Amount of Insurance effected in Canada during the year.	Net amount of Insurance in force at end of the year.
1903	\$ 7,052,550.40	\$ 55,169,104	\$335,638,940
1904	7,871,591.43	59,051,113	364,640,166
1905	8,610,429.33	67,539,141	397,946,902
1906	9,607,707.75	62,450,253	420,864,847
1907	11,971,450.27	61,838,766	450,573,724
1908	14,225,501.33	69,029,583	480,266,931
1909	15,329,250.50	79,121,977	515,415,437
1910	16,842,188.38	90,362,678	565,667,110
1911	18,587,237.84	110,077,453	626,770,154
1912	20,738,193.93	141,267,596	706,656,117
1913	24,476,557.22	131,511,481	750,660,402

The amounts shown above are for the business of Canadian life insurance companies in Canada only, i.e., exclude business done by these companies in other countries. The business of assessment companies is also excluded. The amount of loans under column 2, is made up of non-forfeiture loans and ordinary policy loans, and does not include premium obligations or loans on the policies of other companies. The amount of insurance effected under column 3 is the amount of new business paid for in cash.

Some Striking Percentages

The accompanying chart gives a clear idea of the significance of the above statistics. The percentage ratio of policy loans to net amount of insurance in force in Canada in 1903 was 2.09. In 1913 it had increased to 3.2.

Not only has the amount of policy loans of the Canadian life insurance companies moved upward, but their proportion to both the amount of insurance in force and the total assets of the companies has increased. On 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. Ten years later, on December 31, 1912, the Canadian life companies had increased their insurance in force to \$706,661,120, policy loans and premium obligations upon policies reaching then 3 2/3 per cent. of that amount. When comparison is made with the life companies' assets, the growth in policy loans is seen to be still more striking.

The following figures, compiled by Mr. Rowland, of Montreal, 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' funds. These figures include foreign business.

