

POLICY LOANS OF CANADIAN LIFE COMPANIES.

In the article of 19th ult., referring to the investments of the Canadian life companies, reference was made to the continued growth in policy loans. It is well known that during the present period of monetary stringency the borrowings of policyholders have been exceedingly heavy, and in view of this fact and of the agitation, particularly in the United States, against the continued and rapid growth of these loans, it will be interesting to show the present position of the Canadian companies in this connection.

For some years past the policy loans of the Canadian life companies have been 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. Ten years later, at December 31, 1912, the Canadian life companies (including two fraternal organisations), had increased their insurance in force to \$706,656,117, policy loans and premium obligations upon policies reaching then three and two-thirds per cent. of that amount. At the close of last year the Canadian life companies' insurance in force had risen to \$750,637,512, and policy loans to \$30,876,973, a proportion of over four 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' funds:—

	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.....	30,876,973	4,997,110	13.3

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 as well as in those of stringency. The figures of 1913 are a long way ahead of any previous years in regard to the maximum net increase in these loans, being indeed nearly \$2,000,000 ahead of the next largest net increase, that in 1907. In view of Canadian conditions at the present time, it would not be surprising if a further advance in the proportion of loans to assets were made this year.

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 well over \$2,000,000 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.

EXPERIENCE OF AMERICAN COMPANIES.

It is interesting to compare with the experience of the Canadian life companies in regard to loans on policies that of the American companies. At January 1, 1913, according to statistics compiled by the *Insurance Age* of New York, the assets of the American life companies were \$2,062,430,804 and their loans on policies, \$108,152,613, a proportion to assets of 5.24 per cent. By January 1, 1913, assets had grown to \$4,137,121,015 and loans on policies to \$525,589,086, a proportion of 12.74 per cent. The proportionate growth by years during the period is shown in the following:—

	p.c.		p.c.
1903.....	5.24	1909.....	11.29
1904.....	6.09	1910.....	11.44
1905.....	6.67	1911.....	11.95
1906.....	7.42	1912.....	12.23
1907.....	8.90	1913.....	12.74
1908.....	10.50		

Comparing these figures with the ratios of the Canadian companies, it is seen that while in the early years of the period Canadian policyholders borrowed upon their policies proportionately rather more freely than American policyholders, the proportion of American policy loans has since become higher, though possibly the 1914 figures will show a change in this respect. The figures suggest that while our people have been accustomed at all times to borrow upon their life policies to finance business deals or speculations, that American policyholders have only within recent years awakened to the possibilities of the policy loan, and are, perhaps, using them less for business purposes than for luxuries. The automobile and the cost of high living are largely blamed for policy loans in the United States; apparently the effect of these in Canada in this connection is not nearly so pronounced.

Judging by the figures in former years, of the British and Australian life companies' policy loans, in comparison with life companies elsewhere the present experience of the Canadian life companies in regard to policy loans is normal.