

POLICY LOANS OF THE CANADIAN LIFE COMPANIES

The policy loan figures of the Canadian life companies for the year 1919 are decidedly interesting. Not only is the year's net increase in these loans by far the smallest of any year in the last fifteen, but the ratio of these loans at the end of 1919 to the companies' net reserves was the lowest figure since 1910. The former figure of net increase in these loans is the more satisfactory one. The former figure of net increase in these loans is the more satisfactory one. The decrease in ratio to net reserves in undoubtedly largely a result of the immense increase in the business placed upon the companies' books in the last year or two; the small actual increase in these loans, only about two thirds of their growth in 1918, is excellent evidence of the decline, in the necessities of policyholders to borrow upon their policies.

It is instructive to compare the experience of the companies in this matter of policy loans in the years preceding 1914 with that subsequently. It will be noted from the table below that while policy loans reached their apex of increase in 1914, there were quite heavy increases in 1911 and 1912, which were certainly prosperous years in Canada.

The explanation of these increases at that time is to be found in the fact that many policyholders then used their borrowing power for the purpose of financing speculations. In 1913 and 1914, the borrowing power was used in largely increased measure to hide those speculations, particularly in stocks and land, over a period of adversity. In the gloomy year, 1914, the increase in policy loans reached a pinnacle of \$5,329,108, nearly eight times the increase of 1919. In 1915, also a poor year in Canada, there was a further heavy increase in these loans, but since then the annual increases have dwindled very considerably. Not only have the actual cash resources of the Dominion been immensely increased since 1916, but with the development of the so-called "war prosperity," new means have arisen for the financing of speculations and expenditures which previously would have been financed by borrowings upon life policies. The various War Loans have provided the basis for an immense structure of credit, while expenditures upon "unnecessaries have in many cases doubtless been made through the sale of these bonds instead of by the time borrowed methods of a mortgage on the house, or a loan on the life insurance policy. For the time being, in fact, the privilege of easy borrowing upon their life insurance policies has become a much less important factor to the majority of policyholders than formerly.

This is very much to the good from the point of view of the general welfare of the life insurance

business, and it is to be hoped that the present state of affairs will continue. That depends, however, upon the general financial developments in Canada. Any decided check upon existing prosperity would doubtless again send these loans up with a rush, although for the reasons stated above, it seems somewhat doubtful if policy loans will resume in the future, proportionately their old timed importance. On the whole, it seems clear enough for a year or two at all events, the annual increase in policy loans is likely to be small and their proportion to the companies' net reserves a declining one.

The following table shows the loans and premium obligations upon policies of the Canadian life companies since 1905 and the proportion such loans and obligations bear to the companies' net reserves:

	Amount Dec. 31.	Year's Increase.	% of Reserves Dec. 31.
1905.	\$ 9,679,244	\$ 867,215	10.6
1906.	11,091,446	1,412,202	11.0
1907.	14,057,512	2,966,066	12.7
1908.	16,750,846	2,693,334	13.8
1909.	18,409,651	1,658,805	13.8
1910.	20,409,223	1,999,572	13.9
1911.	22,960,040	2,550,817	14.2
1912.	25,879,863	2,919,823	14.4
1913.	30,875,309	4,995,446	15.7
1914.	36,204,417	5,329,108	17.0
1915.	39,303,673	3,099,256	17.3
1916.	41,134,378	1,830,705	16.7
1917.	42,749,481	1,615,103	16.0
1918.	43,884,451	1,134,970	15.1
1919.	44,611,927	727,476	13.9

TRAFFIC RETURNS

Canadian Pacific Railway				
Year to date	1918	1919	1920	Increase
June 30	\$70,213,000	\$74,867,000	\$90,030,000	\$15,193,000
Week ending	1918	1919	1920	Increase
July 7	\$2,787,000	\$3,120,000	\$3,373,000	653,000
July 14	2,688,000	3,325,000	3,854,000	529,000

Grand Trunk Railway				
Year to date	1918	1919	1920	Increase
June 30	\$22,972,154	\$33,464,248	\$37,051,295	\$3,587,047
Week ending	1918	1919	1920	Increase
July 7	\$1,093,492			
July 14	1,300,800	1,688,850	2,168,945	470,095

Canadian National Railways				
Year to date	1918	1919	1920	Increase
June 30	\$35,445,231	\$41,495,872	\$45,674,824	\$4,178,952
Week ending	1918	1919	1920	Increase
July 7	\$1,424,684	\$1,713,404	\$1,932,961	\$219,557
July 14	1,506,147	1,659,083	2,000,993	341,910