

POLICY LOANS: DOMINION SUPERINTENDENT'S VIEWS.

In the course of a recent address before the Ottawa Life Underwriters' Association, Mr. G. D. Finlayson, the Dominion Superintendent of Insurance, referred at length to the subject of policy loans. He said in parts:—

Policyholders were compelled in olden days to take what they could get, and that was often nothing at all, and when they were unable to pay their premiums they forfeited all right to any share in the assets of the company. This was unfair, and it has now come to be recognized that when a policyholder adopts a level premium policy instead of a step rate plan, he has an equity in the portion of the assets of the company represented by the excess of the amount of the net premiums contributed by him over and above that necessary to carry the risk, and the amount of the equity has generally been recognized as the amount of the reserve, less the amount necessary to enable the company to replace its policy with another just as good. The step from recognized surrender values to recognized loan values was not a long one. Granted the existence of a cash value on surrender, why not a cash value to prevent surrender. The company simply invested its reserve in a different form of security from that existing before, and was spared the necessity of replacing the policy on its books.

CHANGING CONCEPTION OF LIFE INSURANCE.

With the advent of guaranteed loan and surrender values, insurance companies became, in a sense, savings banks, with large amounts payable on demand. Perhaps no development in recent times in insurance has done so much to popularize insurance policies, and at the same time to change perhaps the popular conception of the objects and purposes of life insurance, and field men must ask themselves, first, whether the new conception is an improvement on the old, and, secondly, to what extent they have been instrumental in creating this new conception. It is believed that too often there is held out to the prospect, not so much the idea of protection for his dependents, but the idea of an investment which can be realized on at will, and this is borne out by the rapid increase in recent years, not only in the absolute amount of loans on policies, but in the ratio of loans to reserves.

INCREASE IN POLICY LOANS.

Dealing with Canadian companies only, the policy loans in 1893 amounted to \$2,600,000, or 11 per cent. of the companies' reserves. Ten years later, in 1903, the amount was approximately \$8,000,000, but still only 11 per cent. of the reserves. In 1913, ten years later, the amount was \$30,800,000 but the ratio to the reserves was 16 per cent. In 1914, from figures at present available, the amount of the loans will be over \$36,000,000, and the ratio to reserves 17 per cent. With this rapid increase in the tendency to borrow on policies, the question arises as to what position a company will be in when, say 15 or 20 years from now practically all its reserves become liable for loans or surrender values, and how it will meet a heavy demand for loans in time of financial panic or financial boom, for it must be remembered that the demand for policy loans increases not only in times of stress and war, but also in times of extraordinary mining and oil-well development.

DEFERRING LOANS.

The danger of the demand being too great for the immediately available cash reserves of the companies has already been recognized, and provision has been made that applications for loans may be deferred for various periods; in some cases three months, in others six months, and it is probable that the future will see an agitation on the part of companies for an enlargement of these periods. The effect on the deserving borrower must not be overlooked.

He who is in financial straits and desires to save his legitimately-acquired property by a loan from the insurance company may be put off under such a provision until it is too late. If loans were applied for only in cases of urgent necessity such provisions would not be necessary, but the danger is that the deserving borrower will suffer by reason of the abuse of the privilege by the undeserving borrower.

EDUCATION NECESSARY.

A check on unnecessary borrowing is provided by the requirements in Canada that the beneficiary must be a party to the loan agreement, but the salutary effect of this provision is often avoided by having the insured name as his beneficiary, not one or more of his dependents, but his estate. This practice has probably something to commend it, but its effect is undoubtedly to aggravate the policy loan question. The remedy for this state of affairs would appear to be again the education of the insuring public, and here the scope of influence of the field man is immeasurable. It rests with him very largely to determine what the conception of insurance formed by the policyholder is to be and whether the beneficiaries are to have the full protection apparently granted them by the policy, or a measure of protection largely impaired by the amount of loans often unnecessarily obtained.

SCRAPPED EXCUSES.

Many an ancient (not to say shop-worn) excuse for not taking life insurance is taking a well deserved rest just now. What of these old excuses now?

1. I am buying real estate which gives higher returns than life insurance.
2. I can invest my money to better advantage.
3. I can leave my family sufficient revenue-bearing property for all their needs.
4. All my money is being used in buying bonds.
5. If I die my family can easily realize on the property I leave them.
6. Never in better health—don't mean to die for a long time yet.
7. I have a thriving business in just the shape I want to see it.
8. My line of credit at the bank is more than I can ever need. Don't require additional business ballast.
9. I have plenty of spare cash and do not need life insurance.
10. I am doing well and can foresee no emergency that could affect my family's welfare.—*Great-West Bulletin.*

Mr. Bruce Smith, manager of the St. Catharine's branch of the Bank of Montreal, has been appointed Toronto manager of the Royal Trust Company.