

CANADIAN LIFE COMPANIES' POLICY LOANS.

Comparison of the position of the Canadian life companies' policy loans as at 31st December, 1917, with the record of preceding years indicates that war prosperity in Canada is having an important effect in this connection. The net increase for last year is reported as only \$1,615,103, a lower figure than in any preceding year since 1906, at which date, of course, the possibilities of borrowing in this way were very much less than they were in 1917. The 1917 increase in these loans is actually little more than one-fourth the increase which took place in the year of the war's beginning, when as a result of the pronounced slump in security values and other causes, policy loans were expanded during the twelve-months' by \$5,329,108. The 1917 growth is also less than one-third the increase of 1913, when the after-effects of an era of pronounced expansion and speculation were beginning to be felt in Canada.

As a result of the relatively small increase last year in the aggregate of these policy loans, their proportion to the companies' re-insurance reserves, which decreased sharply in 1916 from the record level of 17.3 per cent. recorded in 1915, was further reduced in 1917 from 16.7 per cent to 16.0 per cent. But this proportion is still in excess of the 1913 proportion, a fact which suggests that the 1917 decrease in proportion is due more to a falling-off in new borrowings than to any marked improvement in repayments. The record intimates the probability that no very considerable proportion of the large borrowings made in 1913 and 1914 have since been repaid.

The following table shows the loans and premium obligations upon policies of the Canadian life companies (including two fraternal organisations) since 1901, and the proportion such loans and obligations bear to the companies' net reserves:—

	Amount, Dec. 31.	P.C. of Reserves.	
		Year's Increase.	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

The year 1905, it may be noted, marked a low point in the proportion of these loans to the companies' reserves, though for several years previously, there had been no very pronounced fluctuation in this proportion. As the table shows, the discovery of the possibilities of securing easily and cheaply ready cash by means of borrowing on life policies really dates from the panic year, 1907. From time to time, there is a certain amount of

lamentation by life insurance officials regarding this discovery, and in the United States, it has even been proposed that efforts should be made by the companies to obtain legislative restriction of the facilities for borrowing. In point of fact, wholesale condemnation of the practise of borrowing on life policies is not justified. Admittedly, there is a good deal of foolish borrowing, but on the other hand, borrowing on policies in certain cases is not only legitimate, but good business. Certainly any attempt to restrict a privilege, by which a policyholder, who meets with sudden financial misfortune, can raise funds easily and cheaply, would re-act very unfavorably upon the business of life insurance. What companies, and their agents can do, is to provide easy facilities for the repayment of loans, and to use their opportunities of dissuading policyholders from borrowing except in cases of misfortune or necessity or for purposes at whose legitimacy no sensible business man will cavil.

MY FIRST INSURANCE LESSON.

About twenty years ago, when a very young man, I was travelling through China in my search for experience and knowledge I came one day upon the execution ground in the ancient city of Canton. The executioner, to whom my guide introduced me, regretted that I had arrived too late to see the day's executions, to which the headless bodies which were strewn carelessly around the narrow yard, bore tragic witness.

"It is unfortunate," said the guide, "but if you would like to witness the skill of the executioner it can be arranged. There are no more criminals awaiting execution but I can soon find a coolie who will take the place of one so that you may see how it is done. It will cost you fifty dollars."

The horror of the suggestion was for the moment lost in my wonder as to how the guide could so easily find a coolie who was willing to have his head chopped off.

"There are thousands of coolies who would be willing to give their heads for fifty dollars," explained the guide. "With fifty dollars a coolie could leave his father and mother in luxury for the rest of their lives, and that to a Chinese is the greatest of all things to be desired."

Surprised beyond measure, but not doubting the truth of the statement, knowing what I did of Chinese character, I left the place, but I took from there my first and best lesson in the greatness of life insurance.

An ignorant, down-trodden, miserable Chinese coolie would give his head so that those he loved might live in ease. And yet in the Western world there were millions who refused to sacrifice a small portion of their income to accomplish the same purpose.

I have often told this story to prospects when soliciting and have put to them this pertinent question—

"If you do not carry adequate life insurance can you truthfully say you are as good a man as that lowest Chinaman?"—Albert Goldie, Continental Life.