

GROUP INSURANCE

(V. R. Smith, A.I.A., *Confederation Life, before Insurance Institute of Toronto.*)

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So far only one plan of insurance has been generally issued, that is, the yearly renewal term plan. While in theory there is no objection to issuing any of the usual plans, yet in practice the plan adopted has few, if any, objections and gives equitable results. Unless there is some cause at work in the group to increase the percentage of old ages and reduce the percentage of young ages, the natural, or yearly renewable term plan will furnish in effect when applied to a group, level premium insurance. Of course, it is possible the insurance benefit when applied to the group will tend to reduce withdrawals, especially at the older ages, and the voluntary withdrawals at the older ages will be few also, but the effect of this in increasing the premium rates will be gradual and not felt for some time while there is the counterbalancing feature that an employer paying the premiums will endeavor to obtain only young employees. Renewable term insurance has the additional advantage that it avoids all question of surrender values on withdrawal, as there is no accumulation of reserve under this plan and any other plan would introduce this troublesome question. The average premium rate under any plan, under which the premium was based on age at entry, would give a high premium at first, decreasing rapidly as the old ages at entry disappeared till a practically stationary premium was reached. As a rule under limited premium plans there would be a sudden drop when the original group reached the end of the premium-paying period. The ultimate premium rate, after deducting allowances for surrenders, would be less than the renewable term premium since a substantial reserve would have been accumulated, the interest on which would help pay the claims. So far the renewable term plan has proved very satisfactory in taking care of the life insurance even when combined with the features of accident, total disability and pension schemes.

COST OF PREMIUM COLLECTION REDUCED.

Premiums are usually collected monthly. Withdrawals and new entrants are taken care of automatically by the so-called negative accounting system. Each month's premium is adjusted for withdrawals or new entrants for the preceding month. The large amount of insurance carried reduces the percentage of cost of collection to a very low figure and is not as costly as one accustomed to annual premiums would suppose.

It is outside the scope of this paper to endeavor to lay down a scale of premiums that would be applicable to all companies. The first essential is that the premiums should be adequate, taking into account the cost of collection of the premiums, the commission to the agent for introducing the business, the cost of head office work necessary to handle the business and the cost of the mortality that is to be experienced in the group. In view of the experimental character of the business group insurances should be on the non-participating plan, but if it is written on the participating then it should be considered a special class for dividend purposes.

GROUP INSURANCE DOING A REAL WORK.

In a paper with a limited time allowance it is im-

possible to deal with this subject in an exhaustive way, but no discussion of group insurance would be complete that did not give some consideration to its merits, its claim to supplying a real demand, and to doing a real work in the community. I touched, in the beginning, upon that phase of modern civilization, the wave of social betterment—ideas that are sweeping over the world, the recognition on the part of the employer of labor of his obligation to his employees, causing him to endeavor to provide against those contingencies which threaten the dependents of the wage earner with dire distress if no provision has been made for their protection. Group insurance provides the means whereby the employer can provide for his employees against the contingency of "premature death," and so doing satisfies his sense of obligation in one very important particular at least. The need and demand for this class of insurance is clearly shown by the amount of social insurance legislation that is being daily demanded and passed in our legislatures. The employer by removing from his employee's mind the dread of the results of such a contingency as premature death obtains a better and more efficient employee, attracts and keeps with him the best workers in his field. The employee obtains insurance free or substantially so, during the active period of his life when his responsibilities are heaviest, and he obtains a reward for efficient and persistent service. The community at large benefits by reason of the fact that families are protected, who, through the inability of the wage earner to obtain insurance through the regular channels or through his procrastination or neglect are suddenly thrown with crushing force from respectable comfort into distressing poverty. The wage earner is educated too, in the advantages of insurance through personal concrete examples and the agent is often able to place further insurance in the regular way.

Group insurance claims that it is more economical and furnishes insurance at a low cost because there are no medical fees, no cost of soliciting individuals, because there are administrative economies from dealing with a large group through a single individual and finally but not least because there is lower lapse rate.

It was to be expected that a departure from the usual methods of insurance, so radical and novel as the insuring of a large number of individuals without medical examination would call forth some adverse criticism, but I doubt if the originators of the scheme were prepared for the bitter hostility that came from the fraternal insurance organizations. The Associated Fraternities of America have drafted an act which they are endeavoring to have passed by the various States of the Union, requiring medical examinations of life insurance, other than industrial, prohibiting so-called group insurance and providing a penalty. Their opposition rests upon the charge that the "old line" companies are endeavoring to secure the reinsurance of a whole lodge. This is really twisting and is vigorously denied by the insurance companies who point out that it was never the intention of group insurance to take such contracts, because a lodge consisting of members engaged in different occupations, in different localities, banded together for the principal purpose of insurance, are not groups recognized by the definition of group insurance as given at the beginning of this paper.

OPPOSITION OF FRATERALS.

A reason for the opposition of the fraternal which