LIFE INSURANCE AND CREDIT FABRIC OF BUSINESS.

(Hon. A. Barton Hepburn, N.Y.)

(Continued from p. 397).

CREDITORS' STANDPOINT.

There is another feature of life insurance about which I would like to speak, and on which I would lay much emphasis, because I feel that it has not been fully appreciated. I hardly know what to call it, unless it be the psychological significance of life insurance as it should be viewed from a creditor's standpoint.

When it comes to extending credit, the average business man does not, perhaps, have in mind any set of rules or formulæ. He does not attempt to analyze and catalogue the qualities the applicants should possess as a basis for the credit they ask. He reaches a conclusion by the short cut to which he is accustomed, viz.: the man's manner, appearance, reputation, financial standing, and somewhat by his words and promises. He should in some way, either general or specific, by inquiry or intuition, seek and obtain answers to a number of questions such as these: Has the man ability, self-control, prudence and forethought? Is he cautious, frugal and normal in his habits of life? Has he a sense of justice and a proper regard for the rights of others? Is he accustomed to assume responsibility, and does he understand the need for being prepared to meet emergencies? Is he home-loving, industrious and mindful of duty? Is he progressive, and likely, therefore, to keep pace with his competitors? Does he know how to get money's worth for money expended? Is he fickle and erratic, or are his habits fixed and his purposes in life well-defined? Has he integrity and reputation and does he cherish his standing among his fellowmen? Is he selfish and self-centered, or does he think of others, and especially of wife, children and those who may be dependent upon him?

AN INDEX TO CHARACTER.

Surely it will require no argument before a group of life insurance experts to prove that a careful and detailed inquiry as to the life insurance a man carries would shed life upon each of the questions I have attempted to formulate and to which many others of similar import might well be added. Suppose, for example, in seeking information as to a man's forethought, prudence, caution, frugality, unselfishness, reliability and other qualities which go to make up high character and good repute, we should ask how much life insurance he carries, of what kind and for how long has it been carried, in what companies has it been taken out and is it for the protection of the family or the business or both? Could we find anywhere better evidence of the working of the man's mind, of his habit of life, of his sense of responsibility, and, in fact, of all those qualities upon which we must rely for fulfilment of promises so far as personality is concerned? Of course, inquiries concerning a man's life insurance will not answer all of the questions involved in the matter of extending credit, nor any of them conclusively, but I doubt if there is any one line of inquiry that could be made of a man who has reached middle age, after having been engaged in business for several years, that would come as near showing both ability and determination to meet obligations and keep promises.

A NOTICE TO CREDITORS.

The need for making such inquiries is of growing importance. There was a time when it was the rule, even among conservative business men, to carry largely, if not entirely, risks of fire, accident and death, against which to-day it is almost the universal custom to insure. Then a lack of life insurance did not carry special significance. Now the failure of a man to take the precautions which are commonly taken by his fellowmen is a fact of such importance as to put the prospective creditor on notice, and call for careful inquiry as to why he thinks he can disregard what has come to be the common judgment of mankind. Or, to put it another way, the man a generation ago who carried life insurance of large amount was so exceptional as to excite inquiry as to his reasons and motives for so doing, while to-day it is the man who thinks he can afford to do without life insurance that is subjected to inquiry.

Banks have long been accustomed to ask large borrowers for a statement of the life insurance they carry, and it seems to me that commercial agencies, like Dun's and Bradstreet's, should ask for similar information for use in reaching a conclusion as to the credit-rating to which a man is entitled. Such information is certainly valuable contributory evidence.

BUSINESS FAITH.

In urging the psychological element in credit transactions, as disclosed by the life insurance a man carries, I have in mind largely those dealings in which security is neither asked nor expected—dealings in which property is exchanged for mere promises to pay. As to such transactions, faith is, and must be, put in a man who makes the promise and in his habits of mind and conduct, which have crystalized into what we are accustomed to term reputation. I fear we sometimes overlook the fact that in making inquiry about a man's property and the profitableness of his business, we are really seeking information concerning the qualities which have led to his success in business. It has occurred to me that the combined records of life insurance companies, showing those who have insured and carried insurance for some time, those who have borrowed on their policies, and those who have not committed this offense against their beneficiaries, would afford an excellent credit-rating of the men whose names would thus appear. It is almost regrettable from the credit standpoint that such information must be deemed confidential by the life insurance companies. Men seem to pride themselves upon their property ownership and do not object to its being known in business circles, partly, no doubt, because this is customary and generally regarded as evidence of the possession of those characteristics which give reputation and standing among their fellowmen. Would not public knowledge of the insurance they carry also contribute to their credit-standing in the community?

INDISPENSIBLE TO CREDIT.

The potent factor, the all-important factor in every business, is the management. Would you insure the machine and not the man? By every rule of prudence and conservatism, is not life insurance just as indispensable to credit as fire insurance?