

## POLICY CLAIMS—A MORAL TEST OF LIFE INSURANCE

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The subject which I have been invited to discuss at this meeting, namely, "Policy Claims—a Moral Test of Life Insurance," has at least one merit. So far as I have been able to ascertain from an examination of the programs of the annual conventions of this Association, the American Life Convention and the Association of Life Insurance Counsel, it would appear that papers have been presented dealing with the business of life insurance as viewed from almost every possible angle except the treatment of life insurance contracts when they become death claims. I can well understand that this subject may not possess a very considerable degree of interest to life insurance executives in such a meeting as this, but I can think of no other phase of the business which can be of greater interest to, or more readily understood by the millions of policyholders and perhaps by those who have yet to take out their first life insurance policy. On more than one occasion, in discussing with an outsider the magnitude of the business of the company with which I have the honor to be associated, and after reciting the very large number of death claims presented, I have been met with the statement, "That is very interesting, but what do you do with those claims? How many of them do you pay, and how long does it take you to do it?" It seems to me that such a question is a perfectly natural one. In the technical side of life insurance the public has comparatively little interest; but the percentage of those paid, and the time within which death claims are disposed of must hold a great interest for the public at large.

At the outset it is obvious that the handling of death claims is very different now than ~~what~~ it was in the early development of the business in this country. The change in the method of organization, if nothing else, would have its influence. A half century ago large numbers of companies were organized on the stock basis and for the perfectly honest purpose of making money. It naturally followed that death claims were closely scrutinized, largely to ascertain if there was any ground upon which they could be rejected. Warranties to be strictly construed were as common then as they are unknown today. Many years ago I was told by a very well-known and highly respected life insurance official, since deceased, how in the early days of his company, after the receipt of a few death claims he would put the papers in his bag, board a railroad train and personally interview the claimants in order to effect as favorable a com-

promise of the claims as possible. Then the test oftentimes applied was, "How many claims can we afford to reject?", where now only question is, "How promptly can we pay?" Not so long ago a man applied to me for a position in the Claim Division of our Company. He told me of his long experience with a company now out of existence. Turning to me with real enthusiasm he said, "I can find more reasons for refusing to pay a death claim than any other man in the business." He was profoundly shocked when I assured him that the only thing that interested us was how many claims we could be justified in paying immediately on their presentation. It is not only in the treatment of death claims that the attitude of the company towards the policyholder or his representative has been greatly liberalized. Formerly the policy contract was closely drawn and strictly construed and in favor of the company. The concessions and alternatives conceded to the policyholder were few and unimportant. He could take his contract or leave it, as he chose. A paid-up policy was more or less of a rarity and a policy loan something grudgingly made if at all. A surrender value was paid only in rare instances. What a contrast is offered by every company in contracts to-day! Policies become automatically paid up or extended, surrender values are paid after the second or third year; the amount of a loan depends only on the value of the policy; companies are as eager to revive lapsed policies and to prevent premium paying policies from lapsing as they are to write new ones; alternative modes of settlement are prescribed in such broad and unrestricted terms as recently to cause the Association of Life Insurance Counsel to adopt rules of construction which every company represented in the Association is asked to follow; premiums are waived and monthly annuity payments made where total and permanent disability occurs prior to age 60; a double indemnity is paid if the insured meets with accidental death; free periodical medical examinations are urged and all restrictions as to occupation, except in connection with the sale or manufacture of alcoholic liquors, have been removed. Policies are incontestable except for fraud after either one or two years. These and many other liberalizing provisions have so changed the life insurance policy of to-day that were it possible for one of the experts of half a century ago to come back to earth he would fail utterly to recognize his "infant pride" and I have no doubt would disown it most vehemently. The business of life insurance to-day in its relation to the policyholder is a purely co-operative one. While there are many companies organized on the stock basis, it is fair to say that approximately