

LIFE INSURANCE FOR IMPAIRED RISKS

Suggested Scheme of Insurance for Disabled Soldiers— Combination of Private and State Insurance

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Among the many "after-the-war" problems to be solved, one of the most important is the question of insurance for disabled soldiers. There are already in the Dominion a large number of men, whose lives have been impaired to such an extent that either they are uninsurable, or the rate that they would have to be charged for adequate protection would be prohibitive. The number of such men will be largely increased in the course of the year.

There are on foot various schemes for taking care of the dependants of soldiers who die as a result of war service. But no scheme has yet been suggested which makes adequate provision for the dependants of soldiers who die from some cause not directly traceable to service. It is true that under certain conditions a pension is allowed, but it is fully recognized that these pensions are not adequate to make proper provision for the family, and it is doubtful if they could ever be made so.

Furthermore, it must be recognized that every husband and father fully realizes his responsibility towards his family, and is anxious to discharge that responsibility if it is within his power to do so, quite apart from any action that the government may take on his behalf. This is a point of view which should receive the fullest encouragement, not so much from the fact that it lessens the burden of the state, as from the fact that it adds to the self-reliance and confidence of the man himself. It was for this very purpose that the institution of life insurance was founded, and the problem is to devise some method by which the benefits of life insurance can be extended to those men who, by reason of their physical disability, are unable to secure it in the ordinary way. There are two avenues through which such insurance might be secured: First, by the establishment of a government scheme of insurance for returned soldiers; second, through the medium of the existing insurance companies. Let us first consider the question of government insurance.

Government Insurance Not Popular

Experience has shown that wherever government insurance exists it has succeeded in reaching only a small proportion of the people which it is intended to benefit, and has merely had the effect of increasing the business done by private companies. Various causes may be cited as contributing to the relative unpopularity of state insurance. It lacks those features which make insurance attractive to the people as a whole, features which have been incorporated from time to time into the policies issued by private companies, as a result of the keen competition existing among them. It makes unnecessary stipulations and conditions, which tend to stultify its benefits, as in the case of certain phases of our own civil service insurance. It fails to take into consideration the fact that insurance is sold and not bought, and seldom realizes the necessity of building up an efficient organization to undertake an aggressive selling campaign. This was strikingly illustrated in the early stages of the United States government soldier insurance. In a word, it lacks the human element, the element of individual service, that appeal to the sentimental side of human nature which is the very essence of life insurance, and which is seldom present in the administration of a government department. For these, and many other reasons, government insurance has never enjoyed the popularity and success attained by private companies, and probably never will.

Now, suppose the government were to inaugurate a department of insurance for returned soldiers, what would happen? The sound lives would hold back, as they always have held back, until induced by some skilful agent to take out a policy in a private company. The impaired lives would perforce seek their protection through the government, with the result that a prohibitive rate would have to be charged, or a heavy loss incurred in the handling of the business. It is true that if all returned soldiers were compelled to place

their insurance through the government the system might be conducted on a sound financial basis. It is evident, however, that compulsory insurance would be highly unpopular, and would create universal resentment.

State Could Supplement Premiums

Now, let us turn to the other source, and see if there is no method by which the business could be satisfactorily conducted by the existing companies. It is quite obvious at the outset that these companies could not, unaided, insure disabled men at standard rates without seriously undermining their financial stability. It would, however, be quite possible for them to insure every disabled man, subject to the charging of a rate commensurate with the mortality risk. Then, why not get together and work out a co-operative scheme, by which the burden would be equitably distributed between the government, the companies and the disabled man? Let the companies assume the handling of the business, let the man pay the standard insurance rate, and let the government pay to the companies the additional premium required to cover the increased mortality.

An insurance bureau could be established at Ottawa, consisting of representatives of the government and of the insurance companies, including the necessary medical and actuarial staff. Applications, together with medical examination, would be received from disabled soldiers, either direct or through the various insurance companies. The probable mortality would be estimated, and the additional premium required to cover the risk would be computed. The various risks would be distributed proportionately among the different companies, the applicant would pay the regular premium, the additional amount required being furnished by the government. The business would be handled on a non-participating basis, and would be kept by the companies in a separate class, as is done by many companies which accept sub-standard risks. At stated intervals a computation could be made of the cost of carrying the business, and the excess, if any, returned to the government. Policies would undoubtedly have to be issued subject to certain restrictions. There would probably have to be a condition as to the class of policy available, though there seems no reason why a "whole-life," or a "limited-payment life," should not be granted in the majority of cases. There would have to be a limit to the amount of insurance that would be granted, based, perhaps, upon the number of dependants. It might be desirable to provide for the proceeds of the policy to be paid in instalments, as in the case of the United States insurance. Provision might be made that in the event of a man surrendering his policy, the cash surrender value would revert to the government, up to the amount that the government had advanced on the policy. All these, and many other details, could be very readily worked out.

Should be no Duplication

At the present time, we have in Canada forty-five active life insurance companies, completely equipped to handle every detail of the business. Why not make use of these organizations, with their capable staffs, to help out our disabled men in a business-like way? Let it be noted that even this insurance would have to be sold in the majority of cases, and we have here at our hand an organization of salesmen, which could not be duplicated except at enormous trouble and expense. Arrangements could very readily be made to train returned soldiers, and place them in the various offices, for the purpose of specializing in this phase of the business. The existing rates allow for the payment of a commission which, though usually not very large in the case of non-participating business, is sufficient to enable a man to earn a good living. The vocational training schools could be made a medium of instruction, to familiarize the disabled men with the proposal, and show them the manner in which they could take advantage of it.

Probably the item of most interest to the government in considering a proposal of this nature, is the question of cost. This would be a difficult matter to estimate, but, perhaps, some idea of it may be obtained in round figures. Suppose 50,000 soldiers were to take an average policy of \$4,000—a very liberal estimate in both cases; suppose these 50,000