HERE IS INSURANCE

What is described as "the insurance feature" of the proposed optional bonus measure for soldiers in the United States now pending in Congress, is calculated to injure the business of life insurance. The scheme as described is to issue to all soldiers who choose it a certificate of paid up insurance in varying sums according to length of service and pay. The average certificate it is estimated would be $1,857. It is to become a cash endowment payable to him, at the end of twenty years, or to his beneficiaries upon the event of his previous death. The most astonishing feature is that at the close of the third year of issue, the certificate will have a cash loan value of $551. This is only the average or mean of the "insurance," plan, from which the benefit grades up or down according to length of service and pay. Our contemporary *The Insurance Field*, says:—

A certificate of this nature issued by the government is of course "insurance" in the sense that it insures the carrying out of the obligation under its terms. The Liberty and other war bonds are just as surely "insurance." But neither can properly be called insurance and the giving of such a name to the certificates providing for sliding benefits to be conferred but not to be paid for in money is a distinct injury to the legitimate business known as Life Insurance. It will give to four millions of men the idea—vaguely, maybe—that if the government can furnish insurance without premiums and in such sums, then the premiums for ordinary commercial life insurance of all kinds must be excessive.

With the name "insurance" tagged to such certificates there would instantly be instituted outrageous comparisons with the commercial insurance contracts that would tend to arouse unfair prejudices without the slightest foundation to support them. It would be asked why, if the government could loan $551 on an $1,875 policy in three years, companies could not do so out of their large accumulations and the premiums collected? The answer is obvious to every insurance man and to every experienced business man, of course. But there will be several millions of these young men without much business experience, whose knowledge of life insurance is to be gained from the gradual efforts of life insurance agents to whom the answer will NOT be obvious. They will get the idea that government can by some miraculous hocus-pocus do easily what private enterprise cannot do. It will feed the socialistic idea of turning to and depending upon the government to do everything and so subordinate individual initiative to official dry rot.

Such comparisons would not stop there. Much could and undoubtedly would be said in criticism of the government plan that would arouse prejudices against the government among holders of the certificates. Since the certificates are not to be assignable or transferable, as real insurance is, then prejudice could be aroused against the plan as a government trick.

We are not criticising the plan itself but the name of it. The government may well perhaps offer some such plan of deferred bonuses with guaranteed values and protection so as to spread the payments over longer terms and thus relieve the tax situation—but it is not insurance as insurance is universally understood. It should not be called insurance. One of the committee proposed has already declared that it is "a misnomer" and "misleading." So it is, and to give the plan that name is to load it with trouble.

The False Economy of "Saving the Broker's Commission"

We quote from the "Policy" the following examples illustrating the fact that where insurances are effected direct with the Company the assured does not really benefit. In the first case the insurances refer to a large retail shop. "Fire insurances have been effected at different times, there being fire policies for an amount at risk of £32,000. There are two instances of exactly duplicate policies in amount and date: two for £5,000 each and two for £6,000 each, and all with the same company. Examining the policies, it is revealed that the item for fixtures, fittings, etc., is about one-fifth of the actual value, while the item for stock is about double the amount at risk. There is no item for rent in these policies, nor do the divisions refer to any machinery and plant, of which there is a certain amount. Consequential loss has not been covered. The employers' liability risk policy dates back twelve years, and the premium charged is to put it mildly, quite enough. There are several risks which have not been covered in connection with this particular business, and altogether the insurances are far from being in a satisfactory order."

Another case is quoted. "Curiously, this is another instance of over-insurance in one kind of risk, and no protection in others. Consequential loss, burglary, fidelity, and third-party risks had not been effected, to say nothing of riot and civil commotion, water damage, and others. This firm at two periods of the year for about one month carries a stock of about £30,000. For the rest of the year the stocks are never over £10,000. Yet the premiums are paid for the full year on the higher amount. The chief partner thinks he pays quite enough in insurance premiums without going in for any others; so he does—he is paying—or rather was—about £76 more than he need. For this sum they will get cover for the other risks in the future."