

## LIFE INSURANCE—ITS HISTORY.

## Sixteenth Century Underwriting—Notes of Modern Developments.

## II.

The Northampton Table had supplied what was then esteemed a sound basis for such calculations and the career of the Equitable Society had demonstrated the practicability of conducting life insurance business on a large scale. Within the period mentioned, four other life companies were established, one of which the Pelican, 1797, is now in existence. The 19th century thus commenced with eight companies transacting in a more or less complete form, the business of life assurance in Great Britain. But the success which attended those older societies, particularly the Equitable, soon led to the formation of other companies, and as these increased in number and activity, public attention became more and more attracted to life assurance both as a means of employing capital and as an advantageous form of co-operation for mutual benefit. Up to the year 1844, over one-hundred and forty companies and societies had been established in Great Britain on a more or less solid footing for the purpose of transacting life business either alone or in connection with other forms of insurance, and of these companies, about one hundred remained in existence.

But abuses had taken place with all kinds of joint stock enterprises, and this led to a parliamentary inquiry which resulted in the Joint Stock Company Act of 1844. This act especially provided for the regulation of life insurance companies and among other things, imposed upon them the duty of giving annual statements of their affairs to be placed upon public record. Not many years passed, however, before the attention of parliament was again called to life insurance in consequence of the exposure of certain unwise and fraudulent schemes. A select committee was appointed to make inquiries and they reported to the house in 1853, having examined several public officials and many leading actuaries of the day. They found the law as it then stood was defective, that it did not afford the security which had been contemplated by the Act of 1844, and that the provisions of that Act had been imperfectly carried out. Their conclusion was that insurance differed so much from ordinary business as to call for separate and special legislation, and in that view, they made certain recommendations, first as to precautions to be taken in regard to the formation of new associations and companies and (2) as to requiring the publication of valuation returns and accounts giving information in specified particulars.

## Of the Earliest Policy.

Assurance companies were excepted from the Government bill relating to joint stock companies, such as that proposed by the committee until the passing of the Life Insurance Company Act of 1870, in the framing of which, the assurance companies took considerable share. The earliest known policy of life insurance in Great Britain was made in June, 1583, for 383 pounds, at the rate of 16s. 8d. for twelve months on the life of William Gibbons. Sixteen underwriters signed it, each for his own share and the premium was 8 per cent., the rate on a similar policy at the present time, would probably be about 1½ per cent., or probably more, depending on the age, but certainly not to exceed 3½ per cent. or 4 per cent. if at an advanced age. The age of the insured was not referred to nor was it then considered in fixing the premium except when the age was far advanced. Gibbons died May 29th, 1584. Underwriters refused to pay it, alleging that twelve months in law are twelve times twenty-eight days and that Gibbons had survived the term. The court, of course, enforced payment.

A few instances of similar contracts are found mostly in judicial records during the 17th century, but every such transaction was regarded as a mere wager, at least on the part of

the insurer. It could not be otherwise until the principles of probability and the uniformity of large averages were understood and trusted, that is, until a new science should be created and its authority established in the business community. A few great thinkers were pondering on the subject, groping for some new principles. But their first work obtained wide recognition upon the publication of James Bernouille in 1713. Meanwhile the social need for life insurance continued to press itself and helped to make greater, the problems to be solved. In 1699 the Society of Assurance for widows and orphans was founded in London, a crude form of what is now called an assessment society. Each of 2,000 healthy men under fifty-five years of age, was to pay 5s. as entrance fee, 1s. quarterly for expenses, and 5s. at the death of another member and at his own death, his estate should receive five hundred pounds, less 3 per cent.

## Concerning the Principle of Life Assurance.

On default of any payment, his interest was forfeited. The conception of a corporation as an artificial person to hold property and to support obligations uninterrupted by the death of individuals, was found in Roman law and custom. Its first use in business enterprises was perhaps the Bank of St. George in Genoa, about A.D. 1200. A joint stock company with transferable shares whose owners were liable only to the amount of their shares. Experience showed that the corporate form was the proper remedy for the chief difficulties in the practice of insurance. Single risks were but speculative wagers. A great number must be taken together to obtain a trustworthy average.

(To be Continued.)

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