

Business Insurance---Its Meaning and Importance

Part of Address of W. J. Graham, of New York, Before the
Life Underwriters' Association of Canada.

The proceedings of the Hamilton Convention, Life Underwriters' Association of Canada, has been placed in permanent form under the title of "With the Life Insurance Men of Canada," by the enterprising secretary of the Association, Mr. J. H. Castle Graham. Much valuable material was given at that Convention. Mr. W. J. Graham, of New York, delivered an address on the subject of the rapid growth of business insurance and its importance in business affairs. Lack of space will permit only excerpts of that address to be used.

Business insurance, as we will consider it here, will be confined within the three subheads of co-partnership insurance, corporation insurance and credit insurance.

Co-partnership insurance is the designation usually given to insurance that indemnifies the surviving partner or partners against the financial hazard of a partner's death. It is effected more usually by the different partners taking insurance policies directly for the benefit of the firm with firm as beneficiary or indirectly by making the beneficiary one another.

Corporation insurance is in essence the same as co-partnership insurance for its purpose is to indemnify a corporation or a business for the loss of a life or lives whose energy, brains, credit are factors in the prosperity of the company.

Credit insurance is the branch of business life insurance which means the protection of loans and collaterals against the untoward contingency of death, by providing in such event life insurance to wipe out the debt.

So far as a man's estate is involved in the success of the business after his death it is plain that an insurance to indemnify the business against the loss of his life directly enhances the value of his estate. If the estate holds interest in the business, anything that improves the business directly improves the estate. In many cases a policy payable to the business might prove more valuable to the estate than the same policy payable directly to the estate. This is particularly true of small businesses. It is true in degree of many credit insurances where the loans conserve the private estate and where it may prove far more valuable to have the loan liquidated by the insurance and the collateral released than to have the collateral sacrificed to pay the loan or taken over by the loaner.

Business life insurance in its every phase is indemnity and protection against money loss that may follow decease of lives financially valuable. The best of business insurance utility in a particular situation is this query: To what extent may financial loss follow to the business and its credit without it? Consideration of this question uncovers the enormous field that exists for the exploitation of business life insurance.

There are many large businesses in this country, in some of which life insurance would play a big part in protecting valued lives in the case of indemnifying against their loss. But more than this, there are scores of small businesses which need our insurance efforts more keenly than the larger ones. In the 1915 Bradstreet publication there were listed 21,661 failures in the United States and Canada. Of these failures 20,251, representing 93½ per cent. of the whole, were capitalized for \$5,000 or less. While there are many reasons for failure to which life insurance does not apply, it is interesting to note that the different causes of failure are classified under two heads:

- (a) Due to faults of those failing, and
- (b) Not due to faults of those failing.

The business which fails by reason of the loss of credit or capital or of ability previously supplied by a deceasing life would now be listed as not due to faults of those failing, whereas by means of life insurance we have a remedy here which will take it out of this category. Is it not the work of all holding up our national credit fabric to see that nothing remains undone that can be done, to eliminate faults that bring failures?

Who can say that business insurance can be had when called for by the exigency of the minute? It is possible to obtain fire insurance, casualty, burglary, liability or other forms of insurance upon request by the banker or credit man, but not always life insurance. Here the need should be anticipated—and this brings into camp many who will find it wise to provide not against the fact but against the possibility of future need.

The Bradstreet Company reports the deaths of individuals, partners or officers in corporations notifying interested subscribers in such case. There can be no other reason for a credit company making such report other than the assumption that the death of such a man is of financial importance to all interested in that particular concern. In response to a question as to whether or not they reported the amount of business insurance carried in event of such deaths exactly as they would be expected to report the amount of fire insurance carried in event of fire in such concern they replied as follows:

"Our inquiry blanks do not contain a printed question referring to life insurance and the extent to which we make inquiry into the subject of life or business insurance depends upon whether or not it is referred to as a factor, and whenever it comes up in that manner we give it consideration to the same extent that we give consideration to any other form of insurance carried by the subject of the report."

It is also interesting to note that the Federal Reserve Bank of New York in its individual statement form, which it is attempting to get its member banks to use, inquires as to the amount of insurance carried and as to who is beneficiary. Other Reserve Banks are endeavoring to get the same schedules used. It seems a fair hypothesis that the member banks who desire to get their securities in the most excellent shape for rediscount purposes will be quick to see the reasons behind the suggestions of the Federal Reserve Bank of New York and to employ this question in the schedule supporting their notes. And the question itself tells the whole story of the need.

"When it comes to extending credit," says Chairman A. Barton Hepburn, of the Chase National Bank of New York, "the average business man does not, perhaps, have in mind any set rules or formulae.

"He does not attempt to analyse and catalogue the qualities the applications 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: