HOW MUCH INSURANCE SHOULD A MAN CARRY?

(By Arthur Hunter.)

The British view of the amount of life insurance which should be carried by each citizen is readily obtained if we assume that the laws of the country reflect the views of the citizens. It is provided in the laws of Great Britain that a man may use one-sixth of his income in paying premiums on insurance policies and not be called upon to pay income tax on that amount. In other words, if a man uses one-sixth of his income in purchasing protection for his family, or for himself against old age, then he is called upon to pay tax on five-sixths of his income. The law does not discriminate between life and endowment insurance, so that a bachelor without any one dependent on him would be entitled to spend one-sixth of his income in providing for old age by purchasing endowment policies only.

At age thirty-five, on an income of $2,000 a year, one-sixth of that amount—$333—would purchase $12,000 of ordinary life participating insurance. If that sum, $12,000, were invested at 4 per cent. interest then the family would receive $480 annually. This makes rather a small amount of money during the time when the children are likely to be growing up and when the expenses are heaviest. The plan introduced by many of the insurance companies to obviate this difficulty is called the continuous instalment plan. It provides that the amount of the insurance shall be transferred into an annuity at the death of the insured, so that not less than twenty annual instalments shall be paid. If the beneficiary named in the policy survives twenty years, then the annuity shall continue so long as he (or she) shall live. Under this form of policy, if the wife were aged thirty-five, then $333 annually would purchase a little over $700 a year at the death of the bread-winner, which would be paid so long as the widow lives. If she should die within twenty years, then the $700 would continue to the children until twenty years after the death of the insured.

A SATISFACTORY INVESTMENT.

Is there anything which can give a man more satisfaction than such a protection? He has the knowledge that the money cannot be lost by bad investments, and that his widow will be protected against poverty however long she may live. That is the form of policy which I most strongly advocate. As a man increases his income, his insurance should keep pace with the increase, not less than one-sixth being used for insurance. Instead of taking all his insurance on the ordinary plan, it is an excellent idea to take the higher priced plans, as his income increases, such as limited payment life and endowment policies, so that he would provide old age benefits for himself.

There is a strong feeling among the thinking people of Britain that the increase of insurance means the decrease of poverty. There is good reason to believe that such is the case, as the taxes for the relief of indigent poor have decreased over $15,000,000 a year within the last fifty years, notwithstanding the increase in the population. The decrease is largely attributed to the activities of the regular insurance companies, and to the friendly societies. It often happens that actuaries are called upon to give evidence of the value of a man's life in case of his death through accident. In such cases, the lawyers usually request the actuary to show the present value of the man's future earnings based upon his total income. This is not at all fair because the man himself used a goodly portion of his own income, and, accordingly the true monetary value of his life to the widow and family is the present value of the amount which he contributed each year to their support.

EXCESSIVE LOANS ON LIFE POLICIES.

To be Given Serious Consideration at Meeting of Life Presidents' Association—Investigation now being Completed—Many Policy Loans Unnecessary.

The increasing practice of policyholders all over the country of mortgaging their life insurance, thereby reducing the amount of protection for their beneficiaries, will be a matter of serious consideration at the seventh annual convention of the Association of Life Insurance Presidents to be held at the Hotel Astor, New York, on Thursday and Friday, December 11th and 12th.

Robert Lynn Cox, general counsel and manager of the Association, states that an investigation, under the auspices of the Association, is just being completed as to the amount of money now borrowed on life insurance policies in the United States, the relative increase in recent years, the apparent reason for the same, the uses to which these hundreds of millions of dollars are put, and other factors in the situation. "The result of this investigation," says Mr. Cox, "will be presented to the meeting, following which there will be discussion as to finding a way properly to retard the tendency toward a constant increase in policy loans and at the same time not hinder such loans when actually needed by policyholders."

MANY LOANS UNNECESSARY.

"The right to borrow on the policy, at first given by some companies as a competitive feature, has for years been a matter of statutory requirement by the States," continues Mr. Cox. "The rapid increase in policy loans has, however, led many companies to put clauses in new policy contracts permitting them to defer the making of loans for from sixty days to six months, so as to avoid the effects of unusual demands that might be made during a general financial stringency, such as that of 1907. Some of the States are now enacting legislation along this line also. This, of course, answers the problem of preventing the sacrifice of valuable assets during hard times. But it does not meet the every-day problem of preventing a shrinkage of life insurance protection to the beneficiaries. It must be remembered that a policy loan not only actually reduces the amount of protection provided for the individual beneficiary, but usually results in finally lapsing the policy, thereby wiping out the protection altogether. Of course, some policy loans are actually necessary, but experience shows that many are obtained merely to provide funds for speculative purposes or for luxuries."

The following appointments are announced by the Excelsior Life:—Clifford A. Bonds, of Vancouver, manager for British Columbia; Donald J. Dewar, inspector for Southern Alberta, with headquarters at Calgary; J. A. Hebert, inspector for the Province of Quebec; J. R. Tremblay, in charge of Montreal and District.