Editorial

Mortality Rates and Life Insurance.

There are three things, the expense rate, the interest rate, and the mortality rate, of approximately equal importance besides honest and intelligent management, upon which the success of a life insurance company depends. But it has remained for one of this Journal's contributors, Hiram J. Messenger, of Hartford, to convincingly point out to Life Insurance Executives the comparatively inadequate attention hitherto paid to what is admittedly the most important side of the mortality rate problem. As actuary, acting for the Association of Life Insurance Presidents, in investigating the sanitary conditions of American cities, Mr. Messenger has just presented a most thoughtful, scholarly and logical report, supplemented by conclusions to the effect that in all the wonderful development of life insurance during the past 60 years, efforts to secure a favorable mortality have been practically confined to the benefits resulting from a careful initial selection of risks, while the question of what can be done to keep down the claims by efforts to postpone or prevent the death of the insured, after granting the policy, has hardly been given serious consideration.

It is possible to make this field of work of great importance. Life Insurance Executives have the reputation of being shrewd, practical level-headed business men who know their own interests, says Mr. Messenger. Here is an opportunity for them to perform a valuable service for humanity and at the same time directly benefit their own companies and policy-holders. There is no doubt as to the great improvement in the mortality rate of the country during the last half century as a result of progress in sanitary science and its practical application—policy-holders having gained millions of dollars thereby. And possibilities of further improvement in the future are fully equal to that which has already taken place.

It would, however, be a great mistake to attribute this gain to the benefit resulting from an initial selection of risks by medical examiners because a very large part of it is due to a lower mortality resulting from better sanitary conditions for which life insurance companies have very little right to take credit.

To come down to figures, the regular life insurance companies on this continent, exclusive of the industrial business, are paying about $150,300,000 a year for death claims, or about $12 per $1,000 of insurance in force. If the rate were reduced from $12 to $11 per $1,000 of insurance, the companies would gain in reduced claims about $12,500,000 every year. To secure a favorable mortality these companies are now paying about $6,000,000 per year for medical examinations and inspection reports before the risk is accepted, but practically nothing for this purpose after the policy is issued. Yet if they were to expend half as much in a combined effort to lower the mortality rate, probably the result in dollars and cents would be fully as great as results obtained from the money already expended upon initial medical examinations.

The average policy is about $2,500; the average premium about $100. If a company postpones the death of one of these policy-holders for one year it means an advantage to the life prolonged which could scarcely be measured in dollars and cents. To other policy-holders, who in the last analysis pay the death claims, it means that they receive one more premium of $100 and have another year's use of the amount of the claim ($100), making a total of $200 additional receipts as the result of postponing the insured's death for one year. If this could be brought about by the expenditure of $5 or $10 or $25, observes Mr. Messenger, it does not require any unusual acuteness to see that the investment is a good one for policy holders.

What is wanted then is additional co-operation with our Public Health organizations, because such organizations, if given to understand that they would be