

WISE WORDS FROM ESSAYS

PRIZE AND OTHERWISE

LIFE INSURANCE AS A FACTOR IN SOCIAL ECONOMICS.

By Charles H. Armstrong, Toronto.
(Winner of Cup)

That the business of life insurance has found a place in present-day commercialism and home-life, and that such place can be supplied in no other manner, is a fact which is not only generally believed, but is being incontrovertibly proved as the years roll on. The enormous growth and the rapid development of the business during the last few decades furnish ample food for thought to the skeptic. The statistics of some other countries might be used with more force than those of our own country, but it is the intention to deal with the growth of the business as evidenced by the abstract of the report of the superintendent of insurance of the Dominion of Canada, just published, and to endeavor to deduce therefrom the relation of the business to the social problems of mankind.

Thirty years ago, during the year 1882, there were policies issued in Canada to the extent of \$20,112,755, while last year, 1912, the policies issued totalled in amount of insurance \$219,205,103, an increase of more than ten-fold in a generation. Considering the comparatively slow growth in population during the period, this is an enormous increase, paralleled by possibly not another commercial industry in the country. This expansion can be grasped more thoroughly perhaps if we take the net amount of insurance in force at the close of the years referred to. In 1882 there was in force \$115,042,048, and in 1912, thirty years later, \$1,070,265,559. Existing insurance in the Dominion

Now, as the population of Canada is about 7,500,000, this means a policy of over \$140 for every man, woman and child in the country. Or again, as approximately half the population are infants, and half the adults are women, there remain less than 2,000,000 men in the country, a large number of whom are uninsurable, and also a large number of whom are foreigners or belong to the submerged tenth. Assuming that half the adult male population is insured, each one will leave an estate of more than \$1,000 of insurance when he dies. Is not this a wonderful state of affairs? In what other manner could such a happy condition be consummated? Of course, this is an average; we know that many leave much more insurance than this, while many leave none at all. But as an average, it speaks volumes for the possibilities of the business.

If, then, the protection afforded by life insurance, as the average found in the preceding paragraph illustrates, can be taken as a criterion of the manner in which the Canadian public views the situation, should not the actual benefits conferred by such thoughtful provision justify the all-discerning public in its unique position in this respect? In order to demonstrate the fact that Canadians are not suffering from any illusion in regard to the meaning of life insurance, it is only necessary to examine the figures as published in the Report referred to. During the year 1912 the companies operating in Canada received in premiums \$45,917,774, and paid to policyholders \$22,956,526. (These figures, of course, do not include business done outside of Canada by British and United States companies.) That is, the companies paid in benefits 50 per cent. of the gross amount paid to them by way of premiums, the balance being either used for operating expenses or held in the reserve and surplus funds of the companies. And this is the history of every year for a generation back. The public receives in one year half of what it pays in during that year, and still enjoys the protection, as exemplified by the average pointed out above.

Protection for Home and Business.

Aside from the relative bearing of the amount paid to that received, is not \$22,956,526 a stupendous sum to be paid in one year, for the most part to widows and orphans? Who can estimate the extent to which homes are brightened, or distress relieved by the distribution of this amount? Or in what other manner could a like happy result be attained? Considering the case from this point of view, the business of life insurance takes upon itself something of the eleemosynary, which lifts it above the commonplace money-making enterprises of this extremely commercial age. It is, in fact, a boon to humanity, for it is known that a large percentage of the criminal cases is the direct result of poverty, and in the proportion that poverty is relieved, there should follow a diminution of crime.

Within the last few years, moreover, another office has been discovered for this modern Penates. If homes can be protected against financial loss caused by the death of the bread-winner, why cannot business institutions in like manner be protected against a similar loss, or, as has frequently happened, utter ruin caused by the untimely death of some man, whose ability, intelligence and experience were the backbone of the business? The answer is not only that they can be, but that they have been and still continue to be protected in this manner. Business men awakening to an appreciation of the usefulness, nay even the necessity, of life insurance as a safeguard to business. The need of such protection has spread so that not only large corporations but also small partnerships are availing themselves of the benefits derived from the carrying of commercial life insurance. Many are the uses to which such insurance can be put in this regard, and many are the ends it can serve. It strengthens a firm's credit, it insures stability, it is an ever-increasing asset and in the case of the death of the person insured, it often averts financial embarrassment.

Privileges and Options of Contracts

As the business transacted in Canada has increased in volume, and as its sphere of influence and usefulness has widened, a proportionate advance has been registered in the liberality of the contracts offered. The provisions relating to days of grace for payment of premiums and time allowed for applying for the restoration of lapsed policies have been improved, so that the policyholders of to-day are in a much better position in respect to these features than were those of thirty years ago. Foremost, however, among the innovations, must be mentioned the various provisions dealing with non-forfeiture. The practice of the different companies is not equally advantageous to the insured, but the general trend of each in this matter is toward the

most generous treatment of its policyholders, and every step in this direction is a source of gratification to those far-seeing individuals who have made, or intend to make provision for their dependents by means of this scheme. Nor are these increased privileges granted to policyholders the result of legislation, but rather are they the outcome of a healthy competitive growth. Any development fostered under such circumstances is bound to culminate in a better commodity, which does not necessarily follow if attempts are made to force the companies by peremptory parliamentary reform.

As the majority of the beneficial privileges and options of the present contracts offered by Canadian life companies are the result of a healthy competition, so also are the diversified forms of insurance which may be purchased. These various plans are calculated to meet the heterogeneous circumstances of all, and also can be regulated in many cases to suit the vicissitudes of fortune of the individual. No one, therefore, need feel that life insurance cannot fill the requirements of his particular case, as the elasticity of the principle involved obviates the necessity of anyone harboring such an erroneous conception.

Companies Employ About Ten Thousand

Not least of the considerations which render this business such a factor in the eternal round of human activity, is the fact that it furnishes employment to such an immense army of men. In Canada there are forty-six active, operating companies, with their office staffs and their field staffs, and although it cannot be accurately ascertained at the moment to what number the aggregate of employees of these companies amounts, a conservative estimate would place it at something approaching ten thousand, many of whom have families dependent on them. The arms of this business stretch from coast to coast, giving employment to a large number and prepared to provide ample protection for every insurable person.

In view of the employment furnished, the aid rendered to business concerns desiring expansion and the strengthening of their credit, the protection afforded, and the large sums paid annually under contracts, it may be confidently asserted that the importance of this business to the entire social and financial fabric of the country cannot be over-estimated. In view, also, of the rapid progress made during the last quarter of a century, and of the latitude for expansion, it is not only a possibility, but may be considered as highly probable, that the average of protection enjoyed by the entire adult male population of the country will be augmented in the near future in no unsatisfactory manner. When this average attains to such a figure that each will leave, at death, a fair competency to his dependants, then may this same business of life insurance lay claim to have fulfilled its mission to society perfectly. And there is no reason why this goal may not be reached.

LIFE INSURANCE AS A FACTOR IN SOCIAL ECONOMICS.

By M. Monaghan, Quebec.

Two concrete cases which within the present year have come under my own observation will elucidate how not only the widows and orphans respectively were protected during the current stringency in the money market, but they will clearly exemplify as well how they were enabled to weather the storm and stress, pay their debts, and ward off a forced sale, which would have been imperative in both cases, had not the insurance companies placed the lifeboats at their disposal.

In the first instance, the husband who died at age 40, had a \$5,000 policy on his life. The claim was immediately settled, all the deceased's debts were paid, leaving the balance of \$4,000 deposit for the savings bank. His widow had some valuable property which the insurance money enabled her to have a clear title to, and a few days ago she placed it in the market and realized, owing to adventitious circumstances, a very handsome sum thereon, which will place her and her children beyond peradventure of a doubt, if not in affluence, at least in comfortable circumstances. A forced sale in this case, had not the insurance lifeboat come to the rescue, was a foregone conclusion.

The second instance was not only eminently philanthropic, but it was singularly pathetic. The policyholder B. was for two long and weary years afflicted with a painful and fatal malady. He was reputed rich by his neighbors, but the great expenses incurred during his illness completely absorbed all the ready cash he had laid aside. After his death, his will was probated, and it was found, as in the first instance above cited, that he was rich in property, that his debts had to be liquidated in order to satisfy his heirs. His wife was, however, but the relic of her former self. Two long years of assiduous attention both night and day left its traces. Her husband, who was a proud man, once confided to me what strenuous efforts he had made fifteen years ago, when he was comparatively poor, to carry on his insurance. To use his own expression, "he begged and borrowed" sooner than let it lapse. His insurance policies amounted to \$15,000. This sum was paid in due course; all debts were liquidated and the widow was ordered to the seaside by her physician for a few months' rest. She slowly but surely recuperated her almost vanished strength, and is to-day conducting her husband's business aided by her children, who are coming of age.

Every experienced life underwriter has met many such cases in the course of his career. They indicate most clearly how the social equilibrium is not only maintained but created and fostered. Humanitarian Factor in Social Fabric

The benefits of life insurance, however, are not restricted to the relief of the widow and the orphan; they reach out to the general public just as the sun shines and with its beneficent rays illumines the earth, giving life, joy and happiness to all created things. It is no easy matter to realize to the full extent the enormous sums that were distributed last year alone in Canada and in the United States, among widows, orphans and policyholders.

It will be readily understood, as these results of life insurance are adequately appreciated by the public from a commercial and financial point of view, the role it plays as a factor in social economics. Industry is cultivated, thrift is encouraged, prosperity and happiness are advanced inversely, as vice, poverty and laziness are uprooted and cast aside.

If we could but realize how many women and children in every county, city, town and village, are rescued from the grip of poverty and degradation every year by the strong arms of life insurance; if we could duly appreciate the comforts which accrue to old age from endowment policies; if we contemplate the many, and multiform benefits which the business man receives under the aegis of life policies, we should arrive at no other conclusion than that as a means in social uplifting it is the most beneficent, the most utilitarian and the most humanitarian factor in building up and consolidating the social fabric.