The PALIMPSEST

MARCH 1933

CONTENTS

Life Insurance

J. A. SWISHER

PUBLISHED MONTHLY AT IOWA CITY BY
THE STATE HISTORICAL SOCIETY OF IOWA

ENTERED AS SECOND CLASS MATTER JULY 28 1920 AT THE POST OFFICE AT IOWA CITY IOWA
UNDER THE ACT OF AUGUST 24 1912

THE PURPOSE OF THIS MAGAZINE

THE PALIMPSEST, issued monthly by the State Historical Society of Iowa, is devoted to the dissemination of Iowa History. Supplementing the other publications of this Society, it aims to present the materials of Iowa History in a form that is attractive and a style that is popular in the best sense—to the end that the story of our Commonwealth may be more widely read and cherished.

BENJ. F. SHAMBAUGH
Superintendent

THE MEANING OF PALIMPSESTS

In early times palimpsests were parchments or other materials from which one or more writings had been erased to give room for later records. But the erasures were not always complete; and so it became the fascinating task of scholars not only to translate the later records but also to reconstruct the original writings by deciphering the dim fragments of letters partly erased and partly covered by subsequent texts.

The history of Iowa may be likened to a palimpsest which holds the records of successive generations. To decipher these records of the past, reconstruct them, and tell the stories which they contain is the task of those who write history.

PRICE—10c per copy: $1 per year: free to members of Society
ADDRESS—The State Historical Society Iowa City Iowa

THE PALIMPSEST

EDITED BY JOHN ELY BRIGGS

VOL. XIV ISSUED IN MARCH 1933 NO. 3

History and Business

An eminent English historian once declared that "history is past politics and politics is present history." With equal truth he might have said that history is past business and business is present history. Particularly in this generation, history is vastly more than "past politics". It has a wider implication, a deeper meaning, and a more significant connotation. History includes wide social interests, varied fraternal activities, deep religious forces, and numerous economic aspects. There is, to be sure, a close connection between history and politics, but there is also an intimate relationship between history and business.

Business interests during the past decade instituted the National Thrift Week — a time set apart and dedicated to a stimulation of economic enterprises of all kinds. In previous years, one day of this week of special observance has been devoted to the activities of life insurance and has been designated as Life Insurance Day. On that occasion representatives of more than three hundred life insurance companies have met annually at central points to participate in programs of mutual interest.

Because of the increasing demands for information relative to life insurance and the almost universal present-day interest in this subject, life insurance companies have now withdrawn from the National Thrift Week program and have instituted a Life Insurance Week. The time designated for this observance this year is the third week of April, from the seventeenth to the twenty-third. At that time meetings will be held at various points throughout the United States. Representative insurance men from all parts of Iowa will meet at Des Moines to discuss present-day insurance problems. The occasion is suggestive of the significance of life insurance in the history of Iowa.

Look backward into the past! At the middle of the sixteenth century there was no life insurance anywhere — the term was totally unknown. Two hundred years later — a hundred and fifty years after the landing of the Pilgrims — life insurance in America was in its infancy. Another century passed. The United States had become a powerful nation and survived the devastation of civil war, pioneers had crossed the mountains and plains to extend the national domain from sea to sea, and Iowa in the heart of the continent had become a State, vigorous and progressive in the enthusiasm of youthful growth. Meanwhile the business of life insurance achieved respectability, became scientific, and developed apace. Less than sixty-five years ago the first policy was issued by an Iowa company.

Life insurance is only a single province in the larger realm of business. At first glance it may appear to be almost wholly economic, but a retrospective view will reveal the fact that the annals of insurance contain much that is political, social, and humanitarian. If this be true, the story of life insurance in Iowa may well be accorded a place in the history of this Commonwealth.

J. A. SWISHER

Dollars for the Future

About the middle of the sixteenth century a vessel with a valuable cargo was putting out to sea. It was known that the sea was not without pirates, that the vessel was not storm-proof, and that the waters were rough. But on that particular voyage there was an additional hazard. If one man — the captain of the ship — should die, everything would be lost. The owner of the cargo, a shrewd merchant, reasoned to himself and at length conceived a unique plan of protection against too great a loss. He would pay a reasonable amount to a group of men who would share with him the burden of the risk. Thus it came about that, for eighty dollars, thirteen men agreed to pay to the merchant the princely sum of a thousand dollars if the captain did not survive the voyage. An interesting contract, indeed — a wager and a gamble. But it was more than that. It was the first life insurance contract of which there is record.

Insurance in the United States was first instituted by the church. About the middle of the eighteenth century the Presbyterian Synods of New York and Pennsylvania organized a company, the predominant feature of which was a system of deferred annuities for the widows of Presbyterian ministers. But the early growth of life insurance in this country was slow. In fact, the idea of protection of this type was not entirely disassociated from speculation in human life, and to that extent it was regarded as immoral. Indeed, the purchase of insurance was sometimes considered sacrilegious, inasmuch as its application was intended "to mitigate the evils of death" and to circumvent "the will of the Almighty".

In more recent years, however, life insurance has passed from the realm of superstition, speculation, and disrepute, and has been established upon a scientific basis. It is no longer looked upon with disfavor. Neither is it a matter of wager as it was in former years. If thousands of men at a particular age are selected at random, a definite percentage of them will survive the exigencies of life for any given period of years. The life span of an individual is still uncertain, but the average lifetime of a group of men can be determined with sufficient accuracy. Accordingly, insurance policies are written and premiums are computed on the basis of a mortality table which indicates the rates of death precisely enough for the practical purpose of determining premiums and estimating when policies will mature. Thus it is possible to design insurance policies the annual premiums of which, invested at a reasonable rate of interest, will produce an amount sufficient for the payment of the policies when they mature. Insurance is no longer a wager or a gamble. It is a systematic and scientific method of providing "dollars for day after tomorrow".

The business of life insurance is "affected with a public interest" and peculiarly subject to supervision by governmental agencies. Indeed, unusual vigilance has been exercised in that direction. In times of financial stress and strain — in panics and depressions — banks have failed, factories have closed their doors, and commercial institutions have become bankrupt. But, in general, life insurance companies have stood firm and secure. This has not been accidental, but due in a large measure to the well-formulated plans under which these companies are organized, and to the laws which control their operation.

Whence came the first life insurance policy that was brought to Iowa soil? When was it transported across the Mississippi? Was it brought by boat or by overland transportation, by train or by emigrant wagon? By what company was it issued, and under what State legislation was it made binding and effective? History does not record sufficient data to make these matters clear, and interested parties may continue to search for the missing facts. It is known, however, that prior to 1867 there were no life insurance companies located in Iowa. Whatever policies were in force here before that date were issued by companies of other States and controlled by the laws of those States. They were in Iowa only because they were brought here by the early settlers or purchased by them after moving westward.

In those early days eastern companies sometimes invested in "securities of a doubtful character" — speculative railroad bonds, bank stocks, and shares of the capital of manufacturing companies. In this regard the laws of Iowa in 1868 "set a worthy example to our older sister States", by providing that a company organized in Iowa should have a capital stock of at least one hundred thousand dollars, one-fourth of which was required to be paid in cash. Moreover, surplus funds should be invested in United States bonds, the securities "of this State, or in bonds and mortgages upon unencumbered real estate in the State of Iowa, worth exclusive of improvements, at least double the sum loaned thereon".

Not only are State laws favorable to public interests, as well as being conducive to the substantial growth of the insurance business, but State and Federal courts are inclined to favor the wellguarded rights of beneficiaries. The accepted rule of contracts, that an agreement should be construed more strictly against the author of its provisions, is followed in the interpretation of insurance contracts. Thus the Supreme Court of Iowa has held that an insurance policy must be liberally construed in favor of the insured "so as not to defeat his claim for indemnity". Moreover, "when the words used may without violence be given two interpretations, that which will sustain the claim and cover the loss should be adopted."

In addition to the protection afforded by statute laws and by court decisions, insurance companies, themselves, are favorably inclined toward a liberal interpretation of their contracts. Such an attitude is conducive to good business. Advertising of this type always pays. Contests are costly and disputes are disadvantageous to all parties concerned. Accordingly, life insurance policies usually contain incontestability clauses which are strictly construed, and beneficiaries are given the benefit of any reasonable doubt. Indeed, ninety-eight per cent of life insurance contracts are paid without protest or delay of any kind.

Since business is business with life insurance companies, care must be taken not to incur too great a risk. To look behind the scenes and observe the manner in which companies select their business from the applications submitted by agents is to gain a valuable insight into insurance procedure. Not every one can be insured. Companies reserve the right to classify some risks as substandard at higher premium rates — recognizing always their public responsibility and the necessity of conducting business on sound principles.

In accordance with the Iowa law relative to medical examinations, an applicant for insurance is first "rated upon his build" — the relation of his weight and height, with due regard to age. Overweight is looked upon with disfavor. It may indicate an unnecessary strain upon the heart. Or there may be a connection between overweight and diabetes. Underweight, on the other hand, may indicate a tendency toward tuberculosis or similar ailments.

In the satirical words of Josh Billings, an insurance company may ask:

1st — Are yu mail or femail? if so, Pleze state how long you have been so.

2d — Are yu subjec tu fits, and if so, do yu hav more than one at a time?

3d — What is yure precise fiteing weight?

4th — Did yu ever have enny ancestors, and if so, how much?

5th — What iz yure legal opinion ov the constitutionality ov the 10 commandments?

6th — Du yu ever hav enny nite mares?

7th — Are you married and single, or are yu a Bachelor?

8th — Do yu beleave in a futer state? if yu du, state it.

9th — What are yure private sentiments about a rush ov rats tu the head; can it be did successfully?

10th — Hav yu ever committed suiside, and if so, how did it seem to affect yu?

This catechism is of course entirely fanciful. Yet, in reality, questions of a personal and intimate nature are significant. Special attention is given to the applicant's lungs and to his cardiovascular-renal system. His habits, occupation, environment, and even his moral and speculative hazards become determining factors in the question of obtaining life insurance. The applicant's past physical condition — the history of some ailment, now temporarily abated, may increase his risk and render it difficult for him to obtain insurance. Family history, likewise, has a bearing upon the case. The age of the applicant's father or mother, or the physical condition of his sister or brother may be significant. During the past few years as never before the applicant's financial condition has been one of the hazards considered for new insurance, especially large policies.

In the beginning, the primary purpose of life insurance was to provide a small burial fund. Later it was used almost exclusively as a protection to widows and orphans upon the death of the insured. Now it is utilized for a wide variety of purposes, and is employed to meet a multitude of needs. Ambitious parents buy life insurance to provide ready annuities with which to educate their children. Home seekers procure endowment policies for the purchasing of homes or for the payment of mortgages. Partnerships insure members of their firm to meet the exigencies of dissolution in the event of the loss of one of the partners, and business men quite generally insure their business against eventualities that may come through the death of the manager of the firm. In the parlance of insurance this is known as corporation or business life insurance.

So universally have life insurance methods been adopted that policies now seem to be designed to meet the demands of every fad and fashion. It is asserted that "life insurance will solve or improve every future financial need." A careful examination of conditions reveals the fact, however, that despite the various forms of insurance contracts, the selection of a policy is not primarily a matter of whim. Policies are carefully planned to meet the varying needs of the individual purchasers. In selecting the form of a policy the "latest model" is not so likely to be chosen as the plan best adapted to particular needs.

Moreover, of all the forms of insurance that are on the market, there are five standard contracts which include a large percentage of all the insurance that is written.

The simplest form of life policy is "Term Insurance". If a partnership is created for a few years or a sum of money is borrowed for a short period, or some other business arrangement is made in which the life of one of the contracting parties is an important factor in the fulfillment of the transaction, a life insurance policy of a term equal to the period of the business operation is taken as a protection. For example, a life may be insured for a term of five years. If the insured dies within that period the face value of the policy will be paid to his beneficiary, but if he survives the five year period he receives nothing from the company except the protection that he has enjoyed in the interim. Usually, however, term policies contain a provision for conversion to some other form.

If insurance of a more permanent nature is desired the next higher premium plan may be chosen — "Ordinary Whole Life Insurance". This usually affords maximum protection at a minimum cost. In this form of insurance a man at the age of thirty years may purchase a non-participatory $1000 policy by the payment of an annual cost of approximately $17. Premiums are continued, however, throughout life, or, should the policyholder live to the age of ninety-six, he then receives the face of the policy in cash, as such policies are calculated to become endowments at ninety-six. In other words, "if he is not dead by that time, he should be." Moreover, this policy does not emphasize the investment features. The policyholder, personally, receives money from the company only in the event that he surrenders the policy for its cash value.

For a slightly higher premium rate than is required in the non-participating policy, a life policy on a participating plan may be purchased. The additional payments thus become an investment which may be returned to the policyholder in the form of dividends or it may be used to increase the ultimate amount payable by the company to the beneficiary. If the insured desires to pay a still higher premium rate for a limited number of years and then be relieved of further payments he may obtain a "Limited Payment Life" form of policy. Life insurance may be purchased by the payment of a single premium, or premiums distributed over a period of ten, twenty, or thirty years. In any form of "Whole Life Insurance", the policy does not mature until the death of the insured.

If the investment feature of insurance is to be emphasized, the "Endowment Policy" is useful for accumulating a fund equal to the face of the policy at the end of a stated period of years. A pure endowment policy is exactly the opposite of a life insurance policy. A pure endowment is paid only if the insured survives the endowment period, while life insurance is paid only in case the insured dies. The most common form of endowment, however, is a combination policy which provides for the payment of the endowment to the insured if he survives the period, or the payment to his beneficiaries if he dies.

A recent development in insurance has provided "Annuity Policies", which guarantee to the insured an annual or monthly income for life. This, like the pure endowment, is not life insurance in its strictest sense. Yet this form of policy has been sold extensively in recent years to persons who wish to provide a regular income after a certain age.

The great majority of beneficiaries under life insurance policies are women and children. Frequently they are inexperienced in the handling and investing of funds, and losses sometimes result. To prevent losses of this kind, insurance companies in recent years have devised a plan of settlement on a deferred payment or permanent income basis. Life insurance has long been recognized as a creator of estates. This modern method of settlement, which may be applied to policies of any type, has rendered it a conservator of estates through the payment to the beneficiary of a monthly or annual income instead of payment of the claim in a lump sum.

Life insurance, with its many forms and varied aspects of human interest, is not of recent origin, but its advancement in modern times has been accumulative and progressive. It came to America, in a modest way, about the middle of the eighteenth century. At first it moved slowly westward as did the "old weatherbeaten emigrant wagon" and the household goods of the pioneer — arriving in Iowa in a substantial way in the late sixties. During recent years it has developed with great rapidity and fused its life-blood into the veins of modern business. It has grown and increased and multiplied a million fold. It has protected childhood, educated youth, purchased homes, cancelled mortgages, established factories, paid annuities, and maintained honor and credit in many fields. There was a time when life insurance was a gamble, but it has become a scientific method of providing for the future.

J. A. SWISHER

Insurance and the State

It was late in the sixties when the project of erecting a new Capitol for the Commonwealth of Iowa was undertaken. Fifteen years were spent in its construction, and more than three million dollars were expended for land, labor, and materials. When at length the great edifice was completed and its golden dome shone forth in the brightness of the summer sunlight, it was regarded as monumental — the outward evidence of internal wealth and stability. But in a larger sense this spacious building with its towering dome is more than wood and stone and mortar. It is a symbol of all that is good in government and an insurance against the advent of an evil day in the body politic.

States, for many generations past, have found it expedient to invest millions in great buildings which shall make governments more secure. In like manner thrifty and frugal individuals find it desirable to invest their savings in some form of insurance as a protection to their families and personal effects. This has given rise to the incorporation of many insurance companies within the State. As a great capitol symbolizes protection and connotes stability of government within a Commonwealth, so the laws emanating from that government symbolize protection and connote strength of corporate activities. A river can not rise higher than its source: neither can the good that flows from life insurance rise higher than the laws of the State in which the company is located or operates and by which it is protected and controlled.

Insurance laws in Iowa have developed as the business has grown. During the Territorial days there were no insurance companies and consequently no insurance legislation. Indeed, at that time, there were no general incorporation laws of any kind in Iowa. Corporations were formed only by authority of special acts of the Legislative Assembly, a procedure which proved to be very unsatisfactory. In the first constitution of the State was inserted a provision that "Corporations shall not be created in this State by special laws, except for political or municipal purposes", though all corporate institutions except banks could be created in conformity to a general incorporation act. Accordingly, the First General Assembly, on February 22, 1847, passed a general measure providing that any number of persons may incorporate themselves for the transaction of any legally authorized business, "including the establishment of ferries, the construction of railroads, or other works of internal improvement." This law did not refer specifically to the incorporation of insurance companies, yet in 1867, when it seemed desirable to establish a life insurance company in Iowa, this act of 1847 was made the basis of organization.

The desire for expansion in this field of endeavor gave rise in 1868 to the passage of new legislation designed especially for the benefit, protection, and control of life insurance companies organized within the State. This act provided that each company should invest its reserve in government bonds and real estate securities, and deposit with the Auditor of State resources equal in amount to its outstanding liabilities. The law further directed that money received by a beneficiary of an insurance contract should be exempt from liability for debts of the insured. It also required that the Auditor of State should make an annual report to the Governor relative to the status of companies organized within the State.

Since the year 1868, the insurance laws of Iowa have been amended many times, but there has never been a complete and thorough revision of them. One group of amendments has been designed to protect the insured. These have provided restrictions relative to medical examinations, established rules concerning the issuance of reports, made funds received by beneficiaries exempt from execution for debts, and designed methods for the prevention of fraud. Thus, as early as 1890, the law provided that "no life insurance company doing business in Iowa shall make or permit any distinction or discrimination in favor of individuals" obtaining insurance. Rebates of premiums "or any special favor or advantage" was declared to be illegal, and companies were denied the right to make any contract or agreement "other than is plainly expressed in the policy issued".

No less than twelve acts of legislation have been passed regulating the investment of funds by Iowa insurance companies as a protection to policyholders. Other regulatory measures have been enacted with regard to the duties and responsibilities of insurance agents, the loan value of policies, the purchase of corporate stock, the writing of health, accident, and employers' liability insurance, the forms of policies issued, and the administrative supervision of companies by State officials.

Despite the numerous and valuable safeguards thrown around the insurance business, difficulties sometimes arose. The early laws of Iowa provided for two types of life insurance companies.

Stock companies might be formed upon subscription by the stockholders of one hundred thousand dollars of capital stock. One-fourth of this amount was required to be paid in cash and invested in government bonds or in mortgages upon unencumbered real estate, which were deposited in the office of the Auditor of State. Companies might also be organized upon a "mutual plan", if bona fide applications were made by at least two hundred and fifty persons for insurance amounting on an average to $1000 each. The mutual company was required to deposit with the Auditor of State cash or securities equal in amount to three-fifths of the annual premium on each application. The cash or securities deposited by either the stock or mutual company were intended to serve as a guarantee of their policies.

In addition to the regulation of these two types of companies the law provided for the organization of mutual benefit associations which were not required to have a legal reserve. During the early eighties the State was overrun with agents of this type of organization, and many innocent and unsuspecting persons were induced to become members. These companies were not fraudulent *per se*, but were attempting to operate on a basis that was not scientific and at a premium rate that was not economically sound.

In 1883, however, Auditor J. L. Brown refused to issue certificates to such companies, and recommended to the General Assembly that a State Insurance Department be established and that the statutes be amended to prevent unsound companies from operating. In making this recommendation he said: "Hard indeed must be the heart, and ruthless the hand, that seeks, by ingenuity, prompted by greed of gain, to undermine the public confidence by the substitution of a semblance of life insurance for the reality, and a shadow of indemnity for the substance."

"Insurance without absolute indemnity is a misnomer", he said, "yet such is the propensity of many individuals to speculate off the misfortunes of others, and to impose upon the credulity of those who are ignorant of their schemes, that thousands have been deluded by the snare of cheapness, into accepting as life insurance that which furnishes no indemnity whatever, and is at best but a game of chance, with the chances largely, if not altogether, in favor of the authors of the scheme."

Despite this urgent request for revised legislation, the General Assembly adjourned without having passed the desired measure. But the end was not yet. Brown was persistent in his requests for remedial measures. In his report of 1884, he remarked somewhat satirically that inasmuch as the "General Assembly in its wisdom" had seen fit to continue the supervision of insurance in the Auditor's office, the work would be assumed "with all the cheerful fortitude that can possibly be summoned". He explained, however, that although the law required the publication of annual reports by the "Insurance Department", there was in fact no such department, and the work of supervision had been assigned to one of the clerks in his office. Under these conditions, he said, the annual reports must necessarily be "meager" and supervision would continue to be quite inadequate.

As a result of this agitation the General Assembly in 1886 passed an act to regulate the organization and operation of mutual benefit associations. This law was rewritten in 1900 and later it was amended to provide that assessment life associations should not thereafter be organized within the State and such companies already organized were required to reincorporate as legal reserve companies.

Fraternal insurance presents another aspect of the subject which has many ramifications. Lodges, secret orders, and associations are widely interested in insurance and are subject, in a measure, to insurance laws. In former years their interests were largely fraternal and their insurance incidental. In more recent years, however, their insurance has become a prominent feature, and many of them have been reorganized upon a legal reserve basis. Notwithstanding this fact they have always been considered in a separate category. Any detailed consideration of their development, operation, or the legislation applicable to them would constitute a narrative in itself.

In response to many urgent requests for improved insurance legislation, the Thirty-fifth General Assembly in 1913 established an "Insurance Department of Iowa" and provided for a "Commissioner of Insurance". Under the provisions of this law the Commissioner has general supervision and direction of all insurance business transacted in Iowa, and the administration of the insurance laws of the State is placed in his hands. All of the powers and duties formerly possessed by the Auditor of State in connection with insurance are now vested in the Commissioner of Insurance. All records, reports, and securities relative to insurance are deposited in his office, and all fees and charges are payable to the State through the office of the Commissioner.

Under the law requiring insurance companies to deposit securities with the Insurance Department, such assets have accumulated to an amount approximating $410,000,000. A large part of these securities are in a semi-liquid form, readily available to meet any emergency.

In response to the sound provisions of the law as it has developed since 1868, the insurance business has experienced uninterrupted growth in Iowa, and many of the weaknesses that have appeared in other States have been avoided. In the first insurance report issued in 1868, Auditor John A. Elliott said: "Among the greatest dangers threatening life insurance companies is the feverish anxiety to obtain business." Their incautious haste to grow, "their ambition to exhibit as great an array of figures as that shown by the statement of other companies, lead them to pay too much commission to agents, and induce them to declare larger dividends than the retention of a safe reserve fund would warrant."

During the first decade of the operation of the initial Iowa insurance law, only one company, the Equitable Life Insurance Company of Iowa, was organized. From the time of its incorporation it was brought into direct competition with the older companies of other States doing business in this Commonwealth. Notwithstanding this fact the Iowa company proceeded on a conservative basis and did not attempt to match figures with its competitors. Accordingly, reports show that a fair advancement was made in local business and that the company had carefully avoided the dangers set forth by Elliott in his annual report. The liabilities of the company during the first year of its operation were $30,339. In order to be quite secure, the company deposited with the Auditor of State securities to the amount of $50,000 — almost $20,000 more than the law required. Moreover, during the early years of its operation the company declined to extend its business into other States where the insurance laws were less rigid.

In 1868 life on the Iowa prairie was simple, business interests were few and life insurance was almost unknown. In the years that have passed since then, Iowa has made great advancement. The open prairie has become a vast field of oats and wheat and corn. Small hamlets have become great industrial and manufacturing centers, and business interests have developed beyond the fondest hopes of the early settlers. Meanwhile, insurance legislation has kept abreast of the times. Under the protection of these laws, citizens of the Commonwealth have been enabled to secure ample protection, and to make investments which have been profitable and secure. In the words of "Ding", the eminent Iowa cartoonist, one living under these conditions may well say: "Every day, I thank God for Life Insurance."

J. A. Swisher

Iowa Is Insured

In the year 1855 a youth of sixteen years came to the village of Des Moines in search of opportunity. The trip westward from Connecticut had been of itself a momentous event in the life of this young man. The railroad then extended only as far as the Mississippi River. There he had been compelled to take a steamboat downstream to Muscatine and thence he had traveled overland by stage to Des Moines.

Young Frederick Marion Hubbell, for that was the boy's name, was thrifty and saved his money. About ten years later, when he sought to invest his earnings profitably and with security, his attention was called to life insurance. But, in those early days, there were no Iowa life insurance companies, and so he procured a policy with a company in an eastern State. One day as he stood at the window of a bank, buying a draft to pay his premium, he became concerned about this method of procedure. Why should he be sending his savings to the East, where money was already plentiful, when there was great need of accumulated funds with which to develop the natural resources of the Middle West? Moreover, money invested by insurance companies in the East yielded at that time no more than four per cent interest, while funds invested in the best real estate securities in Iowa were paying more than that amount.

As a solution to the investment problem, Hubbell suggested to his friends the desirability of organizing an Iowa insurance company, the surplus of which might be invested in profitable securities. This idea was favorably received and on January 25, 1867, the first Iowa life insurance company was organized in Des Moines. Besides Hubbell, other prominent men interested in the formation of the Equitable Life Insurance Company of Iowa included Judge Phineas M. Casady, first president of the company; B. F. Allen, vice-president; and Hoyt Sherman, a brother of General William Tecumseh Sherman, who became the first actuary of the company.

Twelve years elapsed before the second company, the Bankers Life Association, was formed in Des Moines. This company, as its name implies, was an association of bankers organized for mutual aid and benefit. Later, persons other than bankers were insured. The moving spirit in the organization of this company was Edward A. Temple, then cashier of the First National Bank at Chariton, who believed that insurance should be procured at a lower premium rate than was offered by the legal reserve companies. Associated with Mr. Temple in forming this company were Phineas M. Casady, Simon Casady, Lynn Cook, and M. S. Smalley. Of these men perhaps the most prominent "not alone in banking, but in legal, legislative, judicial and political circles as well", was Judge Casady.

A reorganization was effected in 1911 under the name of the Bankers Life Company, and its growth in recent years has been constant and gratifying. It is licensed to operate in thirty-four States of the Union. In volume of business it is the largest company in Iowa and ranks eighteenth in the United States. Gerard S. Nollen is president of the Bankers Life and his brother, Henry S. Nollen, is president of the Equitable. Thus a single family furnishes presidents for the two oldest and largest life insurance companies of Iowa.

In addition to these two oldest life insurance companies of the State, there are now fifteen others located in Iowa. Three of these companies — the Register Life Insurance Company (Davenport), the Central Life Assurance Society of the United States (Des Moines), and the National American Life Insurance Company (Des Moines) — were organized before 1900. Six companies were organized in the years between 1900 and 1921. Of this group the Royal Union Mutual Life Insurance Company located at Des Moines is the largest. Six companies were organized in the State between 1922 and 1931. No companies have been formed since that date.

Life insurance policies are surrounded by many of the interests, activities, and uncertainties of life itself. Some of them are of brief duration and result in a rapid accumulation of funds for the use of the beneficiary. Other policies are maintained in force over a long period of years and represent the long accumulated savings of an industrious and frugal life. In the latter event, policies may, if written on a participating plan, pay returns to the holder for many years.

Policy number one in the annals of Iowa insurance was issued to Frederick M. Hubbell, founder of the Equitable of Iowa, for the sum of two thousand dollars. It was dated February 9, 1867. This policy proved to be unique, indeed, in the fact that it remained in force for more than sixty years, paying dividends to its holder for more than half a century. Thus, while Mr. Hubbell clung to life like "the last leaf upon the tree in the spring", this first Iowa policy was a source of comfort and satisfaction to him. Issued in 1867, it did not mature until his death in 1930.

During the years in which this policy was in force, insurance grew to be a major business interest in Iowa. When the policy was issued, there was only one Iowa life insurance company and it had no other policies in force. When the policy matured there were sixteen Iowa companies, which had issued more than nine hundred thousand policies, representing more than $2,200,000,000 of insurance then in force — a sum almost equal to a thousand dollars for every man, woman, and child living within the borders of the State. In addition to these local companies, there were one hundred and four non-resident companies authorized to sell life insurance in Iowa.

Iowa insurance companies are typical in the wide variety of policies which they issue. There is the ordinary life plan and the endowment plan — ten-year endowment, twenty-year endowment, endowment at the age of sixty or sixty-five or seventy, endowment for education, for income upon retirement, for institutional relief, and for the making of bequests. There is the ten payment life policy and the twenty payment life. There is the double indemnity feature and the permanent disability clause. There is term insurance, single premium insurance, the joint life policy, and group insurance. Indeed, insurance has more than fifty-seven varieties, each presenting special features and each proclaiming the fact that the good that men do is not interred with their bones.

The size and corresponding advantages of insurance contracts in Iowa are quite as varied as the forms of policies and the methods of settlement. There is the rich man's policy designed to protect and perpetuate large business interests — to provide liquid funds for the payment of inheritance taxes, administrator's fees, and other expenses incident to the death of the insured. Insurance may be of further aid to the rich man since life insurance funds to the amount of forty thousand dollars directed to a named beneficiary is exempt from the United States estate tax.

Men of wealth have recently invested in insurance to such an extent that it is not difficult to find some insured for a million dollars or more. Elbert Hubbard once said that "Million dollar men of old, like Napoleon or Caesar, manifested their power mostly in destruction. The modern million dollar man, however, is a creator, a conservator and a builder." Accordingly, in these days of concentrated wealth and of high finance, great factory owners, builders, and men of affairs frequently insure their lives heavily. Million dollar life insurance estates are not unknown even in Iowa. Indeed, there are five men residing within the borders of the State to-day who are each insured for a million dollars or more. In the aggregate their policies total more than $6,200,000. Moreover, according to published reports, there are 160 men in Iowa, each of whom is insured for at least $100,000. And there are nearly five hundred persons — an average of about five persons for each county — who are insured for $50,000 or more. "Life insurance can not make a man immortal," but the payment of fifty or one hundred thousand dollars to his beneficiaries "can prevent an earthquake shock to his estate when Charon beckons and he has to go."

In contrast to the rich man's protection there is the poor man's insurance, which furnishes a degree of protection to the laboring classes at a slight cost. There is insurance for the professional man, and insurance for occupational risks where the hazards are great. There is insurance for education and development of youth, insurance for protection in years of maturity, and insurance for support in old age — all of which are represented in large numbers by policyholders in Iowa and the Middle West.

Iowa insurance policies have long been known and purchased throughout the United States. As early as 1888, John Wanamaker, the New York merchant prince, contracted for twenty thousand dollars of life insurance in Iowa. Although Wanamaker was then fifty years of age he preferred to purchase endowment insurance. Accordingly, he took two policies — one for $15,000 written on the ten-year endowment plan, and another for $5000 on the ten payment fifteen-year endowment plan. He received the face value of the first policy, plus a substantial dividend accumulation, at its maturity twenty-four years before his death, while he enjoyed the use of the proceeds of the second policy for a period of more than nineteen years. More recently George M. Reynolds, Horace M. Towner, Henry A. Wallace, William Wrigley, Jr., John McCormack, J. C. Penney, and other men of national repute, either directly or indirectly, have purchased life insurance of Iowa companies.

In life insurance, as in other business engagements, activities are not confined to the limits of any Commonwealth. Iowa companies operate widely in other States and companies incorporated in other States do an extensive business in Iowa. In order to provide closer coöperation and unity of interests among insurance workers, the National Association of Life Underwriters has been formed. In this organization, Iowa is represented by Mrs. Jennie F. Pritchard who serves as Director of the Department of the American Family. The work of this department has to do largely with stimulating a deeper interest in life insurance among the women of the nation. To this end there is close coöperation with the Federated Women's Clubs.

Affiliated with this national association are similar organizations in some of the States as well as in many of the larger cities. Municipal associations of life underwriters are active in Des Moines, Sioux City, Council Bluffs, Davenport, Cedar Rapids, Mason City, Fort Dodge, Marshalltown, Waterloo, and Burlington.

Throughout Iowa, insurance is one of the major business interests, while Des Moines ranks well with the larger cities of Saint Louis and Minneapolis as one of the insurance centers of the Middle West. The extensive wealth of the East has developed large companies with great assets and many large policyholders in that region. But in the number of companies and in the relative amount of time and energy devoted to the insurance business, Des Moines is sometimes referred to as "a second Hartford". With seventeen life insurance companies located in Iowa and more than one hundred other companies doing business within the State, it is not strange that Iowa should be widely known for its life insurance, nor is it mere euphony to say that "Iowa is insured".

J. A. Swisher

Comment by the Editor

THE IMPLICATIONS OF INSURANCE

When Frederick M. Hubbell conceived the idea of starting an Iowa life insurance company, his purpose was to provide a means of investing local capital. Where money is needed, there it can be loaned profitably. And in 1867 the natural resources of Iowa awaited only the magic application of labor and capital to transform potential wealth into actual riches. Here was a paradise of opportunity for the seekers of fortune. The value of land was bound to rise, farm mortgages were as secure as the soil itself, and interest rates were high. Founded upon faith in the future of this Commonwealth, the life insurance companies of Iowa have invested in local agriculture and industry. Their prosperity has been a barometer of State welfare.

While the primary purpose of life insurance companies is to make money, the method of operation is essentially social. In contrast to the individualistic ideal of the stockholders, the sharing of costs to alleviate the hardship of a common risk is obviously collectivistic. A community of interest is made the basis of a coöperative enterprise to benefit the group. Although the purchase of a policy is entirely personal, the association of individuals in that undertaking is the element that makes insurance valuable. Underlying every insurance contract is confidence in the good faith of those who participate in the business, either as managers or as policyholders. Weaken that confidence and the whole structure will be shaken.

It is axiomatic that any scheme of social welfare can succeed only to the extent that people are willing to work together for mutual advantage. If people are predominantly selfish, efforts in the direction of general good will be nullified and advancement will be limited to the ability of the individual. But if people are disposed to use a portion of their energy for the assistance of others with similar aims, then progress in civilization will be hastened tremendously. Voluntary coöperative endeavor is indicative of an enlightened society. The complexity of modern social relations makes collectivism mandatory. Life insurance is one manifestation of that principle. But a people who employ the tools of civilization must be worthy of the trust.

J. E. B.

THE STATE HISTORICAL SOCIETY OF IOWA

Established by the Pioneers in 1857
Located at Iowa City Iowa

PUBLICATIONS OF THE SOCIETY

The Quarterly Journal of History
The Palimpsest—A monthly magazine
The Public Archives Series
The Iowa Biographical Series
The Iowa Economic History Series
The Iowa Social History Series
The Iowa Applied History Series
The Iowa Chronicles of the World War
The Miscellaneous Publications
The Bulletins of Information

MEMBERSHIP

Membership in the State Historical Society may be secured through election by the Board of Curators. The annual dues are $3.00. Members may be enrolled as Life Members upon the payment of $50.00.

Address all Communications to

THE STATE HISTORICAL SOCIETY
Iowa City Iowa