

## 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 com-

pany, 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 well-

guarded 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 ob-

serve 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 protec-

tion 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.

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