



LIFE-ASSURANCE.

A FAMILIAR DIALOGUE.

Thomson.—Mr Jones, do you happen to know anything of life-assurance? My wife's father has lately been speaking to me of it, as a thing calculated to be useful to me. But I must candidly say, although I have seen all kinds of advertisements on the subject in newspapers and under the covers of magazines, I am still as ignorant of it as if I were an infant.

Jones.—If that is the case, Mr Thomson, I would recommend your giving the subject some attention immediately; for, as you are a recently-married man, with children beginning to drop in upon you, you are quite the sort of person to whom it should not be unknown.

Thomson.—I am willing enough to know a little of it, Mr Jones, but don't know how that is to be brought about. Somehow, whenever I look into an encyclopedia for anything, I find they tell me so much, and go so deeply into it, that I remain about as ignorant as I was. Perhaps you can give me such an off-hand account of life-assurance as I can understand?

Jones.—I am willing at least to try; but let me remark in the first place, that I don't like to hear you, or any other man, complaining of the difficulty of understanding what you read of in books. There are many subjects which no writer on earth could make intelligible at merely a superficial reading. When a subject is out of the common line, involving calculations and complicated details, we cannot expect to run over it as glibly as

a fairy tale, and yet catch up its whole sense and bearings. In such a case, I humbly conceive we ought to exercise a little patience, and give a degree of attention proportioned to the nature of the subject; albeit, I own, it is well that every writer should endeavour, on the other hand, to make himself as readily understood as possible.

Thomson.—Well, I daresay you are right, Mr Jones; but still I think I should be much more likely to understand life-assurance if you were to *tell me about it by word of mouth*, than if I were to read about it in any book whatever. I know you are acquainted with the subject, for I have often seen your name in the list of directors of one of the societies.

Jones.—Yes, I have a general acquaintance with it, from long connexion with its business; but if I attempt to sketch the subject as you propose, you must allow me to introduce a few statements of an arithmetical kind, without which it could not be made intelligible. On that condition, I shall do my best.

Thomson.—Agreed, so that you don't take me too deep; for I fairly tell you beforehand I cannot follow you there.

Jones.—Well, well (*smiling*), I shall endeavour to be as shallow as possible. You of course know the nature of the benefits sought for from life-assurance? Not distinctly? Well, they are simply these. The most common case is when a man, such as yourself, wishes that his widow, children, or other dependent relatives, should have a certain sum secured for their use, in the event of his being suddenly removed from the midst of them. Another not unusual case is where a creditor, fearing that his debtor may be long in paying him, or may die before he acquires the ability to discharge his debts, assures that, at the debtor's death, he may receive a sum sufficient to cover the debt. There are other uses for life-assurance; but the first of these is the principal; namely, to make provision for helpless persons against the possible sudden death of the person on whom they depend.

Thomson.—But how can such benefits be secured? It is all very well for a man to secure a good round sum for his widow or children; but either he must pay an equivalent, and therefore would be no benefiter, or the office must be a loser by him?

Jones.—Neither is the case. The beauty of life-assurance is, that you or any man may, for a small sum, secure these desired benefits; and yet no one is, or can be, a loser by him.

Thomson.—What! That seems to me self-contradictory. But explain yourself.

Jones.—Your remark, Mr Thomson, only shows that life-assurance is yet little understood even amongst the classes to whom it holds forth most advantage. I could almost wish to see a peculiar class of missionaries going about to make it known to all such as you. But to proceed. Life-assurance is, in its fundamental principle, like a benefit society. A certain number of persons club payments, that those who die within a certain

time may receive—or rather that their heirs may receive—the aggregate amongst them. Here every one takes his chance. Each pays a small sum, that, in a certain contingency, he may get back a large one. Though the occasion for getting the large sum should not arise, he has still had value for his money, for he has been assured that, in the event of his death, the large sum would have been realised. The non-receivers are therefore no losers, while the heirs of the deceased are, I may say, enriched.

Thomson.—All this I can understand. But you speak rather ideally than formally. Please tell me what the arrangements actually are.

Jones.—With pleasure. Life-assurance depends, then, upon what is comparatively a modern discovery amongst mankind; namely, that life, while proverbially *uncertain* in the individual, is *determined* with respect to a multitude; being governed, like everything else in nature, by fixed laws. It is found that, out of any large number of persons at a particular age, the deaths during the ensuing year will be a certain number. Suppose we take ten thousand Englishmen of the age of 52, we are as sure as we are of times of eclipses, and the rising of the sun and moon, that the deaths amongst them in the next year will be just about 150. This is learned from experience; that is, by the keeping of tables of mortality. The number is liable to be different in different countries and in different ages. In England, a century ago, when the circumstances in which the people lived were less favourable to health, there would have been a greater mortality than 150. So also would there probably be in some other European countries at the present time. But, taking England as it is, such is a specimen of what experience tells us respecting the chances of death amongst our population. Of course, amongst ten thousand younger persons, the deaths are fewer; and of older persons, more. Every age has, in short, its proportion.

Thomson.—I have heard something of this before. But how does it serve for the business of life-assurance?

Jones.—Why, simply thus. Supposing that ten thousand persons at the age of 52 were disposed to associate for the purpose of making sure that the heirs of all those who died within a year should have each £1000. It would only be necessary, in that case, for each person to contribute as much to a common fund as would make up the sum of £150,000, or a thousand times 150; that is to say, each of the ten thousand persons would require to pay in £15. With a small additional allowance for the expense of transacting the business, the resulting sum of £150,000 would serve to give the representatives of each deceased party the desired £1000. This is still so far an ideal case. But it is easy to suppose a large number of persons at all ages, or at least at certain ages determined on, say between 15 and 60, paying into a common fund, each according to his age, and the sum he wished secured; and then we should have a mutual

assurance society at once; there being only this additional feature, that generally men do not insure for one year only (though this is possible), but for the whole remainder of their lives; for which reason an average is struck, and they begin paying at a rate which will continue the same to the end, the excess of payment in the early years making up for its smallness in those near the close of life. Such being the common practice, life-assurance societies necessarily accumulate large funds, which they require to improve at interest in safe investments, in order that the most postponed engagements may be made good in due time.

Thomson.—But does not this introduce another element into the business? The result must be in some degree affected by the rate at which you improve the money.

Jones.—Doubtless; and I am glad to hear you make the remark, as it shows you are following me. Besides calculating the probable rate of mortality, the conductors of life-assurance business must have tolerably certain prospects with regard to the interest which they are to obtain for their funds. Suppose they can make sure of four per cent. at an average—and this, I believe, is below what is usually realised—they have to calculate accordingly. A depression of the rate of interest is of course as unfavourable to the interests of a life-assurance society, as would be a rise in the rate of mortality.

Thomson.—I can readily imagine all that, without your going into details. But are there not different modes of conducting life-assurance business, as far as concerns the managing parties?

Jones.—Yes. Life-assurance offices are of two leading kinds. Sometimes we have a joint-stock company coming forward with a large subscribed capital, and professing to undertake risks upon lives, looking of course for a profit upon their transactions. Other offices are upon the principle of what is called mutual assurance; that is, the parties insuring make of their payments a common fund, out of which the heirs of deceased members are paid.

Thomson.—What are the comparative merits of the two plans?

Jones.—I shall for the present limit myself to stating the advantages attributed to them by their respective supporters. By the first plan, the insurer has usually to pay according to rates calculated merely to allow a profit to the company upon the transaction; that is, the rates are usually moderate. He has also the security derived from a subscribed capital and the credit of the shareholders. In the second class of offices, the rates are usually higher, in order that ‘ample scope and verge enough’ may be allowed for unfavourable contingencies. But any surplus that thus arises belongs to the insuring parties, and is usually employed in two ways—first, a portion goes to form a reserve or guarantee fund, which may be considered as standing in much the same predicament as the capital of a ‘company,’ though seldom so large in amount: second, another, and for the most

part larger portion, is allocated, at intervals of several years, among the members, who may take advantage of it either in the form of an addition to the sum ultimately to be realised by them, or as a deduction from their future annual payments, or as a sum in hand. The 'companies' boast of their system as the safer for the insuring party. The 'societies' set-forth that, while all desirable security is given by them, they enable insurers to do their own business at prime cost, bating only the office expenses. The mutual offices are few in comparison with the proprietary; but they seem to increase at a greater rate. There are also some offices in which the two plans are in some measure combined. They are generally called 'mixed' offices.

Thomson.—Can you give me any particulars as to rates and surpluses? I sometimes observe offices in their advertisements laying great stress upon bonuses.

Jones.—There are some very remarkable instances of benefit thus coming to the insured. The Equitable of London is a mutual office, dating from 1762. It did a vast amount of business at rates formed upon the Northampton tables of mortality, which give an unfavourable view of life, and while the state of the country was such as to cause accumulated funds to fructify very fast. Accordingly, I was not surprised the other day to hear of a five thousand pounds policy, commenced about forty-five years ago, being ultimately expanded to several times its original amount.* Mutual offices, with safe rates, and improving their money at not less than four per cent., may, if they exercise care in selecting their lives, find no great difficulty in placing a bonus of one and a half, or two per cent., per annum, to the policies of all insured above a few years, besides throwing something respectable into the guarantee fund. It must be evident that such a system involves a savings' bank besides the business of life-assurance. And it will not matter to an insurer that he pays liberal rates, if he be satisfied that the extra money will be disposed of in a way that will turn it to the best account. However, there are also mutual offices which proceed upon the principle of charging moderate rates, and holding forth less temptation in the way of bonus.

Thomson.—You speak of care in selecting lives. I was not quite unaware of this being deemed necessary, for I remember my cousin Wetman being refused admission to a life-assurance society, because of his being thought to have suffered a little

* £100, assured in the London Equitable Society in 1816, had become £212 in 1840, twenty-four years after the commencement of the policy. Any one who assured £1000 in 1806, had he died in 1840, would have left £3020 to his heirs. Policies effected in 1796, for £2000, had a bonus or addition of £6340 put to them at 31st December 1839, making £8340 in all. A policy effected before May 1777, which survived the year 1839, had 657 per cent. added, being between six and seven times its original amount.

from over-free living. But do not tables comprehend all kinds of lives?

Jones.—Of course they do; but it is not on that account necessary to admit any unhealthy man who seeks, when too late, thus to make provision for those in whom he is interested. It is necessary, in a society, that all should be presumed as equal in point of health; otherwise they do not start fair. A company, again, has its own interest in keeping out men not likely to live their full time. There is therefore great pains taken to ascertain of any proposing insurer that his health is good. Usually, one schedule of queries is sent to his ordinary medical attendant, which he is requested to return filled up. Another is sent for the same purpose to some private friend whom he may have nominated for the purpose. These interrogatories are generally with reference to the ordinary state of health of the party, the diseases he has had, or is liable to, the health and longevity of his relations, particularly parents, and his personal habits. And, after all, the proposer is personally examined by a medical officer of the company or society, to ascertain as far as possible that nothing has been misstated or overlooked by these parties. It is but proper to be thus strict, because, if an unhealthy person is admitted, an injury so far is done to all the rest of the society. There is, however, at least one office in England which gives assurances upon invalid lives, charging, of course, premiums high in proportion; and it is quite possible to conduct such a business successfully, for there is a law presiding over the decrement of life among invalids, as well as in the bulk of society.

Thomson.—The lives being, as it were, picked, must, I should think, tell upon the funds of the office very materially.

Jones.—It does. The rates being calculated from tables which give *safe* views even of general life, there is, of course, a greatly diminished mortality, and consequently less demand upon the funds of the office, when only first-class lives, as they are called, are admitted. In one society known to me, the experience of mortality during the first twenty years was only 57 per cent. of what might have been expected from the mortality tables upon which their rates were founded. Consequently, in that office large bonuses were given.

Thomson.—I think I now understand pretty clearly the principles of life-assurance. Would you give me some idea of the practical procedure connected with it, and its results?

Jones.—With pleasure. I shall suppose that you are thirty years of age, and wish to insure five hundred pounds to your family in the event of your death. You may effect the assurance of this sum in a proprietary office, of sufficient respectability, at about £2, 2s. per cent., or £10, 10s. in all. This is a simply commercial transaction; a *quid pro quo*. The company of course looks to make a profit on it, and you look to the realisation of the precise sum of five hundred pounds. Suppose you prefer becoming

a member of a mutual society, you will pay, in most of the offices of that class, a somewhat higher rate—ranging from £2, 8s. to £2, 11s.—or about £12, 10s. in all;* and in that case you will be entitled to expect that, should your policy run for ten years, it will bear six instead of five hundred pounds; or you would be entitled to have your rate of payment considerably reduced for the future. In mutual assurance, there is formally the risk of a falling short of funds, and in that case you might be disappointed of the full sum you had insured; but practically, there is no such danger; for, when well conducted, the business of mutual assurance invariably flourishes; and there is hardly an office of that kind in Britain where you would not be safe from everything but a universal ruin of British credit. In fact, not only are safe views of mortality always assumed in such offices, but there are so many means of employing the funds to advantage, that mutual assurance is unlike every other kind of business, great prosperity being the rule, instead of the exception. There are some, however, who think the guarantee of a trading company so desirable, that they are willing to forego ultimate advantages on that account, or to content themselves at least with that share of the profits which certain companies agree to give to the assured.

Thomson.—In what form does a private party receive assurance of the payment which he bargains for?

Jones.—He receives it in the shape of a bond, on stamped paper, usually called a Policy of Assurance, in which the company, by its directors, binds itself to make good the sum at the decease of the party, provided that decease be not by suicide or in a duel, or beyond certain prescribed geographical limits; provided also that the stipulated payments called premium have been duly made, and that no untrue averment was made as to the state of health and habits of the insured at the date of the insurance. The bond of the society, again, binds the several members to make good the sum, on the like provisions, but only as far as the funds of the body may, at the fall of the policy, be sufficient for that purpose. A policy of assurance is usually obtained on the condition of an annual payment, because this is the plan which suits the circumstances of most persons; but it may also be had on the payment of one sum. For instance, a gentleman of 37 years of age will have an assurance for £1000, with prospect of large additions, on paying about £450 at a mutual office. In the latter case, the policy is at all times a bank-note for at least the sum which was paid for it. But, even when it is obtained for annual payments, it soon acquires a certain value.

* One or two mutual offices of recent origin have rates somewhat lower, and more nearly abreast with those of the companies, yet still sufficiently safe. It may, however, be held as a ground of presumption against either the honesty or prudence of a scheme, if it insures life at thirty years much below £2, 2s. per £100, and other ages in proportion.

For example, an insurer enters, we shall say, at thirty, and has paid for ten years. Being now forty, he has only to pay for the remainder of life at the rate proper to thirty, which is much smaller. *In the proportion of the one rate to the other is his policy of value.* And he can accordingly use it as a security for any debt he may incur, or as a means of raising a loan; or he may sell it for a sum; which, however, I do not like to see anybody do, as it is like killing the goose for the eggs, and can only be justified by the pressure of extreme necessity.

Thomson.—I would like, however, to understand the advantages of life-assurance to an individual a little more clearly. If I am a healthy person, and live to a good old age, I shall of course pay a great deal, and get back nothing; and perhaps, after all, what is got by my heirs may be much less than I have paid, besides perhaps not being needed by them; for before that time my children may be all well provided for otherwise. I think I have heard my neighbour Jackson occasionally indulging in a laugh at life-assurance: all outlay, he says, and no return.

Jones.—And will you allow yourself to be carried away by a thoughtless laugh? Take life-assurance at its own pretension. It is only a kind of lottery, and does not offer prizes to all. Strictly speaking, the surviving pay for the benefits given to the dead; but then who is to say, at the beginning of any year, which are to be the paying, and which the benefitting parties? When you conceive of a person paying for forty or fifty years, till his aggregate outlay greatly exceeds what his heirs ever can receive, you merely think of the blanks in the lottery. The fortunate in length of days are the unfortunate in the distribution of the funds. But then, consider—though you are a young man, you may die to-morrow. Die when you like, if you have only just paid your first premium, your heirs are entitled to the sum assured. You may be said in that case to draw one of the highest prizes. All having here an equal chance, nothing can be more fair.

Thomson.—Still, it is a lottery, or a species of gambling; and I can imagine a nicely conscientious mind being at first sight a little startled by it.

Jones.—Such is really the case. There are many excellent persons who do not think themselves at liberty thus to speculate upon the events of Providence. But I humbly think they are wrong. If it is a lottery, it is, I would say, one of a legitimate and even laudable kind. Taking its rise in one of the most respectable features of human nature—foresight, or a provision against contingent evils—and having most particularly in view the succour of the widow and fatherless—it is essentially a moral and humane institution. And surely, if it be allowable for any man to seek to gather actual property wherewith to endow those dependent upon him, it is allowable, where that is impossible or difficult of attainment, to secure the same end, since it can be

done, by a combination of means and a brotherly participation of risks. I contemplate life-assurance, not as an interference in any degree with the course of Providence, which some rashly assume it to be, but, on the contrary, the taking advantage of a means kindly offered by Providence for our benefit. For, consider on what it rests. That regularity in the ratio of mortality, without which there could be no life-assurance, is an institution of divine wisdom, as clearly as any other of the great arrangements of nature. When we assume this as a guide for certain conduct, not in itself reprehensible, we do no more than when we regulate a journey by what we know beforehand of the season and the length of the day. If we knew from infallible signs that there was to be a failure of grain crops five years hence, would it not be quite right to save up corn against that time, and thus equalise the evil over a wider surface? Now, if a thousand persons know that a certain number of them will die next year, are they not to be at liberty to act upon that knowledge, and insure each other against the calamities that might flow to their families in the event of their being left without sufficient property to protect them from the evils of poverty? I humbly conceive that we are called upon, by the most sacred considerations, to adopt such an expedient, seeing that it is attended by no practical evils of any kind, but, on the contrary, produces an unmixed good.

Thomson.—I admit the force of your arguments there; but it just occurs to me that an objection still lies with regard to the mercantile view of the subject. Say that I am a young hale man, carrying on a good business which fully employs my capital. I am likely to live for twenty years at least, and in that time have every reason to expect I shall provide for my family very amply. If I take money out of my business to insure upon my life, I so far diminish my means of carrying on business; and my chance of ending with brilliant success is lessened. This I feel to be a hardship, and it may even be the worse in the long-run for my family. You will see, then, that I have a great temptation, circumstanced as I am, to abstain from laying out money in this way, and rather to keep employing it in business, which makes me in the meantime such good returns.

Jones.—You have stated an objection which, I believe, is extremely apt to arise in the minds of men of business, but which I equally believe to be ill-founded. The question is simply this—are you to trust the comfort of your family to a chance, albeit a promising one, or are you not rather to make quite sure of it so far? Why, you speak of life-assurance being a kind of gamble. In many circumstances, *the keeping out of it is a greater gamble.* The plan which you propose instead, is like risking everything you have in the world upon a single throw of the dice, for the sake of a possible great gain, in which you may be disappointed. Resorting to life-assurance, on the other hand, is like simple trade, where little is risked, and a moderate but certain profit

secured. It seems to me the only rational, and, considering the interests concerned, conscientious course, while you are trusting most of your means to the risks of trade, to set apart a portion, on which you may rely at all hazards, for the benefit of your family, should you be unexpectedly taken from them. The stock in trade of even prosperous men often turns out of little value when they are removed from the head of their business. This is what all are exposed to while we continue mortal: not even the healthiest man can say for certain he is ever to be in his shop or counting-house again. Now, is it not a gratifying reflection to a person in such circumstances, that, though the stroke come to-morrow, and make the value of his stock and trade ever so doubtful, there is at least one clear certain sum to accrue to those about whose welfare he is most anxious—something which they cannot be deprived of, so that he only die in solvent circumstances. To me, at least, with the element of caution pretty strong in my constitution—though not stronger, I daresay, than is necessary in this trying world—it seems so indispensable thus to have *a something* certain for my wife and children to look to, that I feel as if I could not have a minute's comfort at any time, if I were trusting their future comfort wholly to the chance of how my business might turn out after my death.

Thomson.—May I ask if you have known many instances of life policies proving a stay, where other means that had been chiefly trusted to failed?

Jones.—I could relate several cases in point, and I therefore believe they must be frequent. Speaking generally, my experience says that, of all the possessions of mercantile men, there is none more stable, none more to be depended on, than sums secured upon life.

Thomson.—It will of course sometimes happen that individuals benefit in a remarkable degree by life-assurance, seeing that their death may take place at any hour after having effected their policies.

Jones.—It does; and I could tell you several remarkable anecdotes of that kind. An instance of death during the *week* following the payment of the first premium once occurred in Edinburgh. In the records of one particular office, I have found a considerable number of cases in which only one premium was paid. I find, for instance, £500 realised after the policy had run 262 days; £800 after 330 days; £600 after 206 days; £500 after only 74 days; £1000 after four months; and so forth. A few years ago, there occurred one particular case of a very striking nature. An industrious man, engaged in flax-spinning, and who had sunk most of what he possessed in a concern of that nature, insured £500 in the month of February, for which the usual comparatively small sum was paid by way of premium; in the ensuing April, not satisfied with the first sum, he insured £500 more. *Next month*, after the second policy had run only *twenty-*

two days, he died in consequence of a severe injury from his own machinery. Thus his family obtained the welcome sum of £1000 to help them on in the world—a sum which they could not have had, if their parent's death had taken place three months sooner! Such incidents serve to place the value of life-assurance in a very striking light. We see, indeed, in this institution, one of the grand differences between a barbarous age and one of high civilisation. Long ago, the condition of the widow and the fatherless, in all departments of society, was generally very deplorable, for they were in most instances dependent on mere charity. Now, by a present expenditure of no great magnitude on the part of the father of a family, he may secure them against that wretched state of dependence in the event of his death, happen when it may. Men who are indisposed to make this little sacrifice, talk of leaving their little ones to a kind Providence, in the certainty that they will not want. This is, in reality, to shift their own burden upon the shoulders of other people. He, on the other hand, who sacrifices some of his present comfort to secure the independency of his little ones, is manifesting, it appears to me, an equally implicit, and far more rational trust in Providence, in as far as the arrangements of life-assurance depend thereon, while he is acting a more heroic and spirited part merely as a man.

Thomson.—What you say is very convincing, and I no longer see any occasion to hesitate before effecting a policy for the benefit of Susan and the young ones. There is only one other point I wish to have explained. I see that most insurance offices offer to grant annuities to applicants. Is that on the same principle as insurance for sums to be paid at decease?

Jones.—The granting of annuities is a distinct branch of insurance office business, and is conducted on the same principles as to probability of length of days as the branch we have been talking of. Insurance for annuities is chiefly adapted to persons who can sink a certain sum at once in exchange for a certain sum annually—this last being much more than they could realise by any process of lending the principal. The amount of the annual sum or annuity depends of course on the age of the insurer. An old person will get a much larger return than a young one. Men retiring from business with a moderate sum, and who have no immediate relatives depending on them, find this species of insurance exceedingly suitable. But the plan of annuities is very various, and may be applied to many kinds of cases. A man may buy an annuity for himself, or for himself and wife jointly; or he may sink money for an annuity to his widow; or he may begin paying a sum annually, to cease in a certain number of years, and then his annuity is to commence—such being called *deferred annuities*; or he may arrange that, in the event of his death, his young children shall have an annuity till they are of age; and so on.

Thomson.—Now that you put me in mind of it, I have heard

it said jocularly, that people who insure for annuities generally live longer than those who don't. Surely that must be nonsense.

Jones.—I am not sure that such an idea is altogether visionary. People whose lives are insured for annuities, may be supposed to feel considerably at their ease. They are not troubled with those cankering cares which distract men in busy life. They are left to enjoy their old age undisturbed. Seeking the 'chimney-nook of ease,' they tranquilly spend their declining years; and, finally, with life drawn out to its utmost span, they sink quietly to their rest.

Thomson.—Now that I know something of insurance, and am determined on effecting a policy, my only concern is to know in what kind of office I ought to transact the business. Can you give me any direction on this point?

Jones.—It might be invidious to speak of particular offices as preferable to others. But I can give you some general directions, which may be of service to you. You must understand that life-assurance, like every other kind of business, is liable to have more or less sordid views connected with it; and instances are sometimes known of business being conducted on an unsound footing, either through erroneous calculations, or with a view to the immediate benefit of certain adventurers concerned. Generally, however, the British offices, whether proprietary or mutual, are conducted in a way that promises perfect security to the assured. You have heard me describe the opposite advantages arrogated for the proprietary and mutual systems by their various patrons. I am not disposed to go deep into that question; but I may state, as my own mature opinion, that mutual assurance gives all desirable security, while it must make, in general, greater returns to the assured. There is something in the object of life-assurance so sacred in my estimation, that I dislike seeing common commercial interests mixing themselves up with it. Were such aid necessary, it would of course be right to have recourse to it; but experience, I think, shows that it is not wanted. Let men unite as brethren of one kind in this holy duty of insuring each other against one of the greatest of calamities, that of leaving a family in indigence; and let whatever surpluses may accrue from a successful management of the business be divided among those alone whose benefit was primarily contemplated. There is, I believe, a growing conviction in favour of the mutual system, and hence we see offices of that kind multiplying faster than the others, while companies are every day mixing up more and more of the surplus-dividing system with their own, granting policies at certain rates, with what they call 'participation of profits.' Indeed, so strong is this movement, that pure companies, especially those with high rates, could not now maintain their ground any longer, if they did not resort to an expedient which I am sorry to characterise as immoral. They give commission to any one, whether a man of

business or a private person, who brings them customers; thus inducing individuals in trust to recommend their clients to particular offices, where, perhaps, they will pay more and receive less than elsewhere. Ignorant as most persons are of life-assurance, and unable to discriminate for themselves between the claims of contending systems, they are naturally disposed to listen to the counsels of a friend or legal agent on the subject; but behold, where they expect true intelligence and sound advice, they confer with a party who is secretly under the temptation of a *bribe*—for such it is—to give them the reverse; and it often happens, accordingly, that they are taken unsuspectingly to an office which gives their children, some years after, hardly three-fourths or two-thirds of the sum which they would realise in other quarters for the same outlay. Seeing such results, I cannot but condemn the system as one disgraceful to all parties resorting to or profiting by it. And one strong reason with me for preferring the mutual offices is, that, with hardly an exception, they reject this mode of obtaining business.

Thomson.—I really feel surprised that such a practice should exist in an age like the present. Why, it reduces educated men to a level with cooks and butlers taking fees from tradesmen for their masters' custom. I shall of course avoid connecting myself with any office which acts in a way so directly contrary to good morals. But, to pass from this subject, I should like to know if life-assurance is taken advantage of by any large portion of the community. To speak the truth, although the advertisements of the various offices are seen everywhere, I hear of few persons who have taken out policies of life-assurance. And, for my own part, I never till now had any clear idea of what life-assurance meant, or what it could do.

Jones.—I thoroughly believe you. The subject is extremely little understood by the public at large, and as yet, accordingly, its advantages exist in vain for the great mass. So lately as the year 1839, there were only 80,000 policies of life-assurance in the United Kingdom, many of which must have been transactions entered into, not for the benefit of families, but in connexion with money-raising and security. We might therefore presume that hardly one head of a family in a hundred had any money assured upon his life. This gives a distressing view of the improvidence of men with respect to their families; but I am happy to think that the *blessings of life-assurance*, as I may well call them, are rapidly extending. One fact clearly shows this; namely, that into Scottish offices alone, and they are but a handful compared with the rest, no less than a million sterling is poured every year. Such a large subtraction from the current enjoyments of the population, for the supply of needs yet in the remote future, speaks strongly, not merely for the increasing wealth, but the improving civilisation of our country. It is to be greatly wished that the benefit should spread further down in

society. As yet, it is almost confined to the upper and middle ranks; but there is no reason why a respectable artisan or small tradesman should not have his family assured against the calamity of his early death as well as his richer neighbours.

Thomson.—Certainly not. But do the ordinary insurance offices accommodate working men?

Jones.—They do. I believe most, if not all of them, grant policies for £50. However, there is a class of insurance associations more peculiarly adapted to the wants of artisans and others with slender means, to which they can very easily resort.

Thomson.—I suppose you allude to what are called benefit clubs, or friendly societies. From what I have heard of most of these concerns, I should not willingly recommend any man to trust his money in their hands.

Jones.—That is too sweeping a condemnation. There are, no doubt, many got up on erroneous principles, and perhaps some are conducted by designing individuals for their own ends; but there are likewise several established and managed on principles as sound as those of respectable insurance companies.

Thomson.—Name one of these if you please, and let me know something of its details. I take an interest in everything bearing on the welfare of the working-classes.

Jones.—The one I happen to be best acquainted with is the Edinburgh School of Arts' Friendly Society, established about sixteen years ago. This society, although originating with certain of the members of and friends to the School of Arts (a species of mechanics' institution), and taking its name, is not otherwise connected with that institution, but is open to all persons, male and female, residing in Edinburgh. It has three separate funds or schemes—namely, a *Sickness Fund*, *Deferred Annuity Fund*, and a *Life-Assurance Fund*. One share of the sickness fund entitles the member during sickness to 10s. a-week for 52 weeks, 7s. 6d. a-week for other 52 weeks, and 5s. a-week for all future period of sickness until the age of 60 or 65, according to the age of superannuation fixed at entry; thereafter, his contributions cease, and he enters to the enjoyment of the *Deferred Annuity Fund*, one share of which entitles the member to an annuity of L.8 a-year, commencing at the age of 60 or 65, as fixed at his entry. One share of the *Life-Assurance Fund* is a sum of L.10 payable at the member's death. In this case, as in others, the contributions cease at the age of 60 or 65. The rates are calculated from the Highland Society's sickness table, increased by 50 per cent., which in this case may be considered as sufficient (seeing that only sound healthy men are admitted), and a mortality table compounded of the Northampton, Carlisle, and Swedish, assuming the rate of interest at 4 per cent., accumulated yearly; and the only charges for management are 2s. 6d. entry money to each fund, and 1s. a-year payable by each member of each fund. The life-assurance fund of this society stands apart from the other

two, and may be entered independently; if, however, you wish to know the scale of contributions, you must study the society's tables. I shall only here mention a single case by way of example. In order, then, that a member's heirs shall be entitled to draw L.10 at his death, he pays in one sum, when 25 years of age, L.3, 4s. 7½d, or, instead of one sum, 3s. 9½d. annually, or 1s. 0½d. the first month, and 3d. every other month—contributions to cease at 65. Payments beginning at other ages are in proportion. I need say no more of this class of societies, except that I wish they were extended to every large town in the empire. From what I have stated, you will observe that operatives as well as others may now insure their lives on safe principles. And surely it would be delightful to hear of such persons regularly spending a pound or two per annum, or a few pence weekly, in securing to their widows and children what would place them above everything like immediate want.

Thomson.—Would you prefer seeing men effecting an insurance to laying aside money in a bank?

Jones.—I do not think the two things should be brought into comparison, because each is right in its way. I would, however, repeat, that the first duty of every man is to provide to the best of his ability for his wife and family in the event of his death, and the most convenient way of doing so is to effect an insurance on his life. At the same time, I do not imagine that this is incompatible with other economical practices. Let every man save as much as he can by all means—the operative resorting to his savings' bank, and those with larger means at disposal seeking all proper investments for the surplus gains of their labour. In point of fact, I believe it will be found that the man who insures his life is the first to save otherwise. The very easy way in which insurance can be effected enables a person to economise. Instead of struggling to lay past a large sum, small instalments at distant intervals suffice, thus enabling him to put aside whatever other sums he may chance to have at his disposal.

Thomson.—Well, I believe that life-insurance does not necessarily prevent other means of economising, even as regards working-men in good employment; and I shall recommend some artisans whom I happen to know to join either an insurance-office, or a friendly society such as you mention.

Jones.—Do so; but do not confine your advices to them. Try to influence every person to insure, whatever be his station. Indeed, till this practice becomes the rule amongst men of all classes, instead of being, as now, the rare exception, I cannot believe that we have attained such a point in civilisation as we have any title to boast of. For what is the predicament of that man who, for the gratification of his affections, surrounds himself with a wife and children, and peaceably lives in the enjoyment of these precious blessings, with the knowledge that, ere three moments at any time shall have

passed, the cessation of his existence may throw wife and children together into a state of destitution? I hold it to be the duty of every man to provide, while he yet lives, for his own: I would say that it is not more his duty to provide for their daily bread during his life, than it is to provide, as far as he can, against their being left penniless in the event of his death. Indeed, between these two duties there is no essential distinction, for life-assurance makes the one as much a matter of current expenditure as the other. One part of his income can now be devoted by a head of a family to the necessities of the present; another may be stored up, by means of life-assurance, to provide against the future. And thus he may be said to do the whole of his duty towards his family, instead of, as is generally the case, only doing the half of it. Men are only comparatively indifferent on this subject, because there has as yet been but a brief experience of a system for redeeming widows and orphans from poverty. When life-assurance is as universally understood and practised as it ought to be, he who has not made such a provision, or something equivalent, for the possibility of his death, will, I verily trust, be looked on as a not less detestable wretch than he who will not work for his children's bread; and his memory after death will be held in not less contempt.

[*Jones and Thomson bid each other good-by, and separate, Thomson resolving not to go home till he has called at an office to fill up a proposal for an assurance upon his life.*]

NOTE.

The assurance principle has within the last few years been applied, with the prospect of success, to the guaranteeing of fidelity in persons holding situations of trust. In this case the calculation is, that out of a large range of instances where individuals of good moral character are intrusted with sums belonging to their employers, a nearly regular amount of defalcation will take place annually, or within some other larger space of time. This may give an unpleasant view of human nature, but it is found to be a true one, and the question which arises with men of business is, by what means may the defalcation be best guarded against. The choice is between a guarantee from one or two persons, and from a trading company. By the former plan, the risk is concentrated upon one or two, who may be deeply injured in consequence: by the other plan, the risk is not merely diffused, it is *extinguished*, for the premiums paid by the insuring parties stand for the losses, besides affording a profit upon the business. Nor have we only thus a protection for private parties against the dangers of security; but individuals, who have the offer of situations on the condition of giving a sufficient guarantee, may now be able to take, where formerly they would have had to decline them, seeing that they might have failed to induce any friend to venture so far in their behalf. Practically, it has also been found that, so far from parties being more ready to give way to temptation when they know that the loss will fall upon a company, they are less so, seeing that the company exercises a more rigid supervision, and presents a sterner front to delinquents, than is the case with private securities in general. Guarantee companies are now established in London, Edinburgh, Glasgow, and other large cities; and as they serve a useful purpose, and rather support than deteriorate individual morality, we cordially trust that they will go on and prosper.—Ed.