

HUNT'S MERCHANTS' MAGAZINE. FEBRUARY, 1843. • Abt. L— LIFE INSURANCE IN THE UNITED STATES.

Acquisition of property is our national characteristic. For this, we emulate the dawn, we exhaust the lamp ; no weary toil, the unhealthfulness of no occupation, deters us ; the distance of no voyage stays us ; and no postponement of the result, limits our perseverance or diminishes our ardor. We calculate receipts among fractions, and watch outgoes to the verge of parsimony ; we marry at an early age, in Scripture expectation of a helpmeet, to get a living ; we estimate our children by a money standard, and bound our duty to a fortune for them. But, if by their fruits ye shall know them, we cannot have set forth our characteristic in disparagement. Our astonishing ingenuity, our unspeakable activity, our transcendent enterprise, resolve themselves into this ; by this, we have outrun time, subdued a wilderness, and matured a nation. Can it be supposed, then, that our people will be inattentive to hedging their various and hazardous operations with safety, or careless of securing the certainty of their good results, and placing those results beyond reach of the universal accident of death ? The practice of life insurance companies, including their correlate branches of annuities and trusts, offers that safety, certainty, and security. Strange to say, it has never been popular in the United States. He who knows the shrewd appropriation of means among our citizens, cannot hesitate to ascribe this neglect to an ignorance or a misunderstanding of the operations and advantages of such companies. As society is constituted in this country, the tone of popularity on such subjects must be taken from the reading and thinking ; an understanding of an object is the element of success. We have, therefore, thought we could not occupy in a more useful, if more interesting manner, the pages of a public journal, than in explaining the operations and advantages of life insurance, and giving an historical list of the sources of information on this important and national subject. With the principles of insurance in general, all are well acquainted — the division of the loss, when it happens, so that it is compensated by payment of small sums on many contracts, to receive a greater, upon the happening of that specified risk. The disproportion of the aggregate of losses to the aggregate number of contracts and their premiums, makes the ability of the insurer, and that ability constitutes the security of the insured. So general is now the practice of marine fire insurance, against the partial accidents of flood and flame, that he who, without having so many or so much as to become his own underwriter, leaves his ships or property uninsured, suffers in credit for wisdom or honesty. We are subject to losses from crime, against which government is bound to protect ; and from casualties, for which provision is made by insurance only. It forms one of the luxuries of a comfortable and quiet home, and is one of the chief ingredients of the certainty and confidence of commerce. Without the aid that it affords, comparatively few individuals would be found disposed to expose their property to the risk of long and hazardous voyages ; but by its means, insecurity is changed for security, and the capital of the merchant whose ships are dispersed over every sea, and exposed to all the perils of the ocean, is as secure as that of the agriculturalist. He can combine his measures and arrange his plans, as if they could no longer be affected by accident. The chances of shipwreck or of loss, by unforeseen occurrences, enter not into his calculations. • He has purchased an exemption from the effects of such casualties, and applies himself to the prosecution of his business with that confidence and energy which nothing but a feeling of security can inspire. The French Counsellors of State, M. M. Corvetto, Begouen, and Maret, in their report to the Legislative

Chambers, 8th September, 1807, at the time of the adoption of the Code de Commerce, say : " Les chances de la navigation ontreraient le commerce. Le syst6me des assurances a paru ; et il a dit au commercant habile, au navigateur intrepide : certes, il y a des desastres sur lesquels l'humanite ne peut que gemir ; mais quant a votre fortune, allez, franchissez les mers, deployez votre activite et votre industrie, jc mc charge de vos risques" — " The perils of navigation were stumbling- blocks to commerce. The system of insurance stepped forth to say to the able merchant and the intrepid seaman : there are, indeed, disasters, which humanity can only mourn ; but, as to your fortune, traverse the ocean, lay out your activity and your industry, I take upon myself your risks." Notwithstanding these advantages, and the extent to which marine insurance has now reached, it has been practised but four centuries ; and fire insurance, not more than one hundred and fifty years. They have their Magens, Emcrigon, Valen, and Phillips, as their historians or illustrators. In England, with fifty or sixty offices, several having declined fire-risks, there were insured in the year 1832, two billion four hundred and seventy- four million eight hundred and forty-five thousand dollars' worth of property. To this it had grown in about a century and a half. In the city of Boston alone, there were, in 1841, about fifty millions of dollars' worth of fire risks, and about thirty-nine millions of marine risks, making together eighty-nine millions.

Let us now turn to the history of life insurance. Comparatively, very few have ever thought at all on the subject ; and it must be well to excite the public curiosity, and to furnish, so far forth as we may, the means to satisfy it. Upon this matter, too, we must recur to the British isles ; for, curious as it may appear, the civil law having long before said, " *Liberum corpus sestimationem nonrecepit*" — "A freeman's life cannot be valued," the Dutch statute, in the year 1612, forbade it. In the year 1681, the French law, ordinance of Louis XIV, on the above maxim of the civil law, did the same ; and repeated it in their modern code of 1807, that is, if we follow the maxim, " *Expressio unius est exclusio alterius*," — " That direct affirmation prohibits what is omitted." Life insurance is certainly not mentioned among the objects of the contracts of assurance, recognised in article 334 of that code, as confirmed by Louis XVIII in 1814. Baron Locre, Laporte, Delancourt, and Estrangin, and Boulay Paty, excellent commentators, construe the omission as a prohibition. M. Pardessus, also an able jurist, is in favor of the legality, in France, of life insurances ; and in 1820, the French government established a chartered office, and there is now one other or two. It was likewise prohibited by the ordinances of Amsterdam, Rotterdam, and Middleburg. The cause of the earlier prohibitions is probably fortified by a superstition, similar to the common one against making a will, the absurd notion sometime prevalent ; and we will not undertake to say that it does not exist in these days and among our people, that it is an impious attempt to prevent or control the will of Providence, and will hasten, by way of judgment, as it is phrased, the event about which it calculates. The best answer to this absurdity, if it deserves any, is found in the tables of mortality, which show that the actual average of life of the insured is greater than that of the uninsured ; as a philosophical view of the subject would lead us to infer from the increased tranquillity of mind, and comfort, and ease. It has not, however, been really worth the while for common sense to disabuse the public mind of such nonsense, or for prudence to advocate the practice of life insurance, which necessarily extends so far in time, and rests upon permanency, on the continent of Europe ; where all institutions have constantly been uncertain and shifting, in silent change or awful convulsions. Like marine insurance, life insurance has been strongly argued, for and against. Emerigon termed the former a kind of game, that demanded the utmost caution in those who played it. But our people, who are to

be insured in life companies, have to look, not to the details of organization, but only to their results, and to the skill, honesty, and ability of the directors to fulfil their contracts. The French committee of 1807, still speaking of marine insurance, call it " Un beau contrat, noble produit du genie de l'homme, et le premier ga- rant du commerce maratime ;" — " An excellent contract, noble product of human genius, and best security of commerce." And our admirable jurist, Chancellor Kent, adopts from Valin, the sound and luminous commentator on the French ordinance of Louis XIV, relating to insurance — " That maratime commerce cannot well be sustained without it ; under its patron age, and with the stable security it affords, commerce is conducted with immense means and unparalleled enterprise over every sea." It has been suggested, that national character has something to do with the reception of the practice of life insurance ; if so, then we may expect

it to flourish, as soon as it is understood, among the enterprise, intelligence, caution, -and shrewdness of the United States. The practice in Europe, of life insurance, is, in a great degree, confined to England ; elsewhere, the legislation on this subject, from Justinian to Louis le Grand, and Napoleon, inclusive, as we have seen, has been founded on the principle that it was unfit and improper to allow such insurances. Writers have been earnest on both sides. " Le Guidon," a treatise on mercantile law, written in the sixteenth century for the merchants of Rouen, condemns life insurance as " contrary to good morals, and as being the source of infinite abuse." We shall see, however, that the modern contract or policy of life insurance, can be, and is so worded, as to take away almost all the chances for such abuse. Boulay Paty, in his Commentaries on the French Code, above referred to, inveighs bitterly against policies on human life as being gambling transactions of the most pernicious kind ; see Kent's Commentaries on American Law, when he also quotes — " Ista conditiones sunt plena? tristissimi eventus, et possunt invitare ad delinquendum ;" — " Such contracts are full of the worst consequences, and may possibly invite to fraud." And what human, we had almost said, divine institution, is there in the freedom of man's erring will, of which such a possibility cannot be predicated ? Boulay Paty says, further, " they ought to be left to their English neighbors." On the other hand, life insurance was tolerated in the famous commercial ordinances of Wisbug in the Baltic, in those of Naples, and of Florence ; and in Lombardy, the practice of such insurances, called viialigio, exists without the formality of chartered companies. M. Pardessus, a commentator, also of the highest merit, on the French code, is in favor of their legality ; and so is the French government, as we have seen. In France, however, though the premiums are moderate, more so, in fact, than in England, and the companies in good credit, they have met with little encouragement to their strenuous exertions to spread the practice ; nor have they been more successful in carrying those exertions into Italy or into Switzerland. As an offset to Boulay Paty's sneer on this subject at the English, Marshall suggests that the prohibitions and objections to life insurance, in France and Italy, proceed from motives of policy, founded on a startling sense of the great infirmity of their public morals, which would expose to hazard lives so insured. In the Netherlands, three life insurance companies were established previous to 1827, with reasonable anticipation of success, though we are not aware how that has been fulfilled. They were granted a monopoly against foreign companies. The same exclusion exists in Denmark, where there are several offices ; but it is stated that, up to 1827, the companies there had done very little. An able and well-informed writer in the Edinburgh

Review, to whom, as well as to Professor Vethake's edition of McCulloch's Commercial Dictionary, we would, once for all, make our acknowledgments, seems to think that the Netherlands, Holland, and the states of the Germanic Union, have a strong disposition in favor of the practice of life insurance, and from recent (1827) appearances will, ere long, generally resort to it; "because," as he says, "it is more congenial to their frugality, industry, habits, and tastes, than to the character of their more lively neighbors." Yet he, at the same time, states, that one small society established at Elberfeld, in the Dutchy of Berg, was, in 1827, the only institution to be found in Germany, including Austria and Prussia. Denmark, with the habits supposed to be so congenial, does nothing; and he gives, as a reason for the inhabitants of Germany resorting to the Alliance Assurance Society, in London, that they have confidence in it, partly on account of the large capital invested in the undertaking, (it is over twenty-two millions of dollars,) but chiefly, from the names of some of its supporters being universally known in the mercantile world. We find N. M. Rothschild and M. Montefiore, are among its presidents. From this account of the different manner in which the subject has been received, in southern and northern nations, and among those of the same character and habits, it would seem that the notion of the effect of manners is rather fanciful than otherwise. Ignorance, misunderstanding, instability, and insecurity of financial condition, have most to do with the retardation of life insurance; but no one all-sufficient cause can be pointed out. Commercial activity, knowledge, good organization and conduct, experience, stability of institutions, and security of investment, in short, confidence, must be the elements of the prosperity of life insurance in any country; and will, wherever they exist, compel the appreciation and the use of such a benevolent and philanthropic instrument. The following table shows the corporate and literary history of our subject at a glance, and may serve as a useful reference to sources of information: — 1706, England,.... Amicable Life Assurance Society, Mutual Co. 1720, ".... Royal Exchange Life and Fire Society Proprietary Co. 1762, ".... Equitable Life Assurance Society, Mutual Co. About this time some four, five, or more fire and annuity companies were commenced, and abandoned for want of success, as predicted by Mr. Price, being founded on wrong principles and calculations. 1803, ".... Globe Assurance Company, Proprietary So. 1792 180 Ten Life Assurance Societies, Proprietary. Two Life Assurance Societies, Mixed. 2 f s , an~ , r. ... f Twenty were established be- 1 M , , ? I » S T M 9°Cle. J tweek 1823 and 1828, and I Mutual. 1ff- \ " " •) t , . "i five discontinued ab't 1824, fP,roPn.etar>- 182,, > t Twenty-stx co's. [tw0 being combined in one! J M,led- 1818, U. States,... Massachusetts Hospital Life Insurance Co., Proprietary. 1820, France..... La Compagnie' D' Assurance Generate, " " " La Compagnie" Royale D' Assurance, " 1820 Netherlands Three companies, " I Denmark,... Four (?) companies, " ICO- 1 Germany,...) 01 Austria, > One, at Elberfeld, Dutchy of Berg, . Prussia, j 1832, U. States,... Baltimore Life Insurance Co " " " ... Pennsylvania Life Insurance Co., " «« " No., V,,rL-T. ifia In.,ran.0 .nJ Tm.l f.n "

See website for the rest of the article and a time table of the history of life insurance. Pages 109-130.

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