



CHAPTER VII.

ECONOMY IN LIFE-ASSURANCE.

"Do not, for one repulse, forego the purpose
That you resolved to effect."—SHAKESPEARE.

"We are helpers, fellow-creatures,
Of the right against the wrong."—E. BARRETT.

"Life was not given us to be all used up in the pursuit of what
we must leave behind us when we die."—JOSEPH MAY.

"Le bonheur ou le malheur de la vieillesse n'est souvent que
l'extrait de notre vie passée." (The blessedness or misery of old
age is often but the extract of our past life.)—DE MAISTRE.

TWO other methods of co-operative saving remain to be mentioned. The first is by Life-assurance, which enables widows and children to be provided for at the death of the assured; and the second is by Friendly Societies, which enable working-men to provide themselves with relief in sickness, and their widows and orphans with a small sum at their death. The first method is practiced by the middle and upper classes, and the second by the working-classes.

It might possibly take a long time to save enough money to provide for those who are dependent upon us; and there is always the temptation to encroach upon the funds set apart for death, which—as many people suppose—may be a far-distant event. So that saving bit by bit, from week to week, can not always be relied upon.

The person who joins an assurance society is in a different position. His annual or quarterly saving becomes at once a portion of a general fund, sufficient to

realize the intention of the assured. At the moment that he makes his first payment, his object is attained. Though he die on the day after his premium has been paid, his widow and children will receive the entire amount of his assurance.

This system, while it secures a provision to his survivors, at the same time incites a man to the moral obligation of exercising foresight and prudence, since through its means these virtues may be practiced, and their ultimate reward secured. Not the least of the advantages attending life-assurance is the serenity of mind which attends the provident man when lying on a bed of sickness, or when he is in prospect of death—so unlike that painful anxiety for the future welfare of a family, which adds poignancy to bodily suffering, and retards or defeats the power of medicine. The poet Burns, in writing to a friend a few days before his death, said that he was "still the victim of affliction. Alas! Clark, I begin to fear the worst. Burns's poor widow, and half a dozen of his dear little ones helpless orphans; there, I am weak as a woman's tear. Enough of this, 'tis half my disease!"

Life-assurance may be described as a joint-stock plan for securing widows and children from want. It is an arrangement by means of which a large number of persons agree to lay by certain small sums, called "premiums," yearly, to accumulate at interest; as in a savings-bank, against the contingency of the assurer's death, when the amount of the sum subscribed for is forthwith handed over to his survivors. By this means, persons possessed of but little capital, though enjoying regular wages or salaries, however small, may at once form a fund for the benefit of their family at death.

We often hear of men who have been diligent and useful members of society dying and leaving their

wives and families in absolute poverty. They have lived in respectable style, paid high rents for their houses, dressed well, kept up good visiting acquaintance, were seen at most places of amusement, and brought up their children with certain ideas of social position and respectability; but death has stricken them down, and what is the situation of their families? Has the father provided for their future? From twenty to twenty-five pounds a year, paid into an assurance society, would have secured their widows and children against absolute want. Have they performed this duty? No, they have done nothing of the kind; it turns out that the family have been living up to their means, if not beyond them, and the issue is, that they are thrown suddenly bankrupt upon the world.

Conduct such as this is not only thoughtless and improvident, but heartless and cruel in the last degree. To bring a family into the world, give them refined tastes, and accustom them to comforts, the loss of which is misery, and then to leave the family to the work-house, the prison, or the street—to the alms of relatives, or to the charity of the public—is nothing short of a crime done against society, as well as against the unfortunate individuals who are the immediate sufferers.

It will be admitted that the number of men who can lay by a sufficient store of capital for the benefit of their families is, in these times of intense competition, comparatively small. Perhaps the claims of an increasing family absorb nearly all their gains, and find that the sum which they can put away in the bank is so small that it is not put away at all. They become reckless of ever attaining so apparently hopeless an object as that of an accumulation of savings for the benefit of their families at death.

Take the case of a married man with a family. He

has begun business, and thinks that, if his life were spared, he might in course of years be able to lay by sufficient savings to provide for his wife and family at his death. But life is most uncertain, and he knows that at any moment he may be taken away, leaving those he holds most dear comparatively destitute. At thirty he determines to join a sound life-office. He insures for five hundred pounds, payable to his survivors at his death, and pays from twelve to thirteen pounds yearly. From the moment on which he pays that amount, the five hundred pounds are secured for his family, although he died the very next day.

Now, if he had deposited this twelve or thirteen pounds yearly in a bank, or employed it at interest, it would have taken about twenty years before his savings would have amounted to five hundred pounds. But by the simple and beautiful expedient of life-assurance, these twenty-six years of the best part of his life are, on this account at least, secured against anxiety and care. The anticipation of future evil no longer robs him of present enjoyment. By means of his annual fixed payment—which decreases according to the profits of the society—he is secure of leaving a fixed sum at his death for the benefit of his family.

In this way, life-assurance may be regarded in the light of a contract, by which the inequalities of life are to a certain extent averaged and compensated, so that those who die soon—or, rather, their families—become sharers in the good fortune of those who live beyond the average term of life. And even should the assurer himself live beyond the period at which his savings would have accumulated to more than the sum insured, he will not be disposed to repine, if he takes into account his exemption from corroding solicitude during so many years of his life.

The reasons which induce a man to insure his house and stock of goods against the accident of fire ought to be still more imperative in inducing him to insure his life against the accident of disease and the contingency of sudden death. What is worldly prudence in the one case is something more in the other; it has superadded to it the duty of providing for the future maintenance of a possibly widowed wife and orphaned children; and no man can justly stand excused who neglects so great and binding an obligation. Is it an obligation on the part of a husband and father to provide daily bread for his wife and children during his life? Then it is equally an obligation on his part to provide means for their adequate support in event of his death. The duty is so obvious, the means of performing it are so simple, and are now so easily placed within the reach of all men; the arrangement is so eminently practical, rational, benevolent, and just; it is, moreover, so calculated to increase every wise and prudent man's sense of self-respect, and to encourage him in the performance of all proper social duties—that we can not conceive of any possible objection that can be urged against it; and it is only to be regretted that the practice is not far more general and customary than it is among all classes of the community.

The friendly or benefit societies of the working-classes are also co-operative societies under another form. They cultivate the habit of prudent self-reliance among the people, and are consequently worthy of every encouragement. It is certainly a striking fact that some four millions of working-men should have organized themselves into voluntary associations for the purpose of mutual support in time of sickness and distress. These societies are the outgrowth, in a great measure, of the English love of self-government

and social independence—in illustration of which it may be stated, that, whereas in France only one person in seventy-six is found belonging to a benefit society, and in Belgium one in sixty-four, the proportion in England is found to be one in nine. The English societies are said to have in hand funds amounting to more than eleven millions sterling; and they distribute relief among their members, provided by voluntary contributions out of their weekly earnings, amounting to above two millions yearly.

Although the working-classes of France and Belgium do not belong to benefit societies to anything like the same extent, it must be stated, in their justification, that they are among the most thrifty and prudent people in the world. They invest their savings principally in land and in the public funds. The French and Belgians have a positive hunger for land. They save everything that they can for the purpose of acquiring more. And with respect to their investments in the public funds, it may be mentioned, as a well-known fact, that it was the French peasantry who, by investing their savings in the National Defense Loan, liberated French soil from the tread of their German conquerors.

English benefit societies, notwithstanding their great uses and benefits, have numerous defects. There are faults in the details of their organization and management, while many of them are financially unsound. Like other institutions in their early stages, they have been tentative and in a great measure empirical—more especially as regards their rates of contribution and allowances for sick relief. The rates have in many cases been fixed too low, in proportion to the benefits allowed; and hence the “box” is often declared to be closed, after the money subscribed has been

expended. The society then comes to an end, and the older members have to go without relief for the rest of their lives. But life-assurance societies themselves have had to undergo the same discipline of failure, and the operation of "winding up" has not unfrequently thrown discredit upon these middle-class association.

To quote the words of the registrar of friendly societies, in a recent report: "Though the information thus far obtained is not very encouraging as to the general system of management, on the whole, perhaps, the results of the investments of the poor are not worse than those which noblemen, members of Parliament, merchants, professed financiers, and speculators have contrived to attain in their management of railways, joint-stock banks, and enterprises of all kinds."

The workmen's societies originated for the most part in a common want, felt by persons of small means, unable to accumulate any considerable store of savings to provide against destitution in the event of disablement by disease or accident. At the beginning of life, persons earning their bread by daily labor are able to save money with difficulty. Unavoidable expenses absorb their limited means and press heavily on their income. When unable to work, any little store they may have accumulated is soon spent; and if they have a family to maintain, there is then no choice before them but destitution, begging, or recourse to the poor-rates. In their desire to avoid either of these alternatives, they have contrived the expedient of the benefit society. By combining and putting a large number of small contributions together, they have found it practicable thus to provide a fund sufficiently large to meet their ordinary requirements during sickness.

The means by which this is accomplished are very

simple. Each member contributes to a common fund at the rate of from fourpence to sixpence a week, and out of this fund the stipulated allowance is paid. Most benefit societies have also a widows and orphans' fund, raised in like manner, out of which a sum is paid to the survivors of members at their death. It will be obvious that such organizations, however faulty they may be in detail, can not fail to exercise a beneficial influence upon society at large. The fact that one of such associations (the Manchester Unity of Odd Fellows) numbers about half a million of members, possesses a funded capital amounting to £3,706,366, and distributes in sick-relief and payments of sums at death above £300,000 a year, illustrates in a striking light their beneficial action upon the classes for whom and by whom they have been established. By their means, working-men are enabled to secure the results of economy at a comparatively small cost. For mutual assurance is economy in its most economical form; and merely presents another illustration of that power of co-operation which is working out such extraordinary results in all departments of society, and is in fact but another name for civilization.

Many persons object to friendly societies because they are conducted at public-houses; because many of them are got up by the keepers of public-houses in order to obtain custom from the members; and because, in their fortnightly meetings to pay their subscriptions, they acquire the pernicious habit of drinking, and thus waste quite as much as they save. The friendly societies doubtless rely very much on the social element. The public-house is every body's house. The members can there meet together, talk together, and drink together. It is extremely probable that had they trusted solely to the sense of duty—the duty

of insuring against sickness—and merely required the members to pay their weekly contributions to a collector, very few societies of the kind would have remained in existence. In a large number of cases, there is practically no choice between the society that meet, at a public-house and none at all.

It so happens that the world can not be conducted on superfine principles. To most men, and especially to the men we are speaking of, it is a rough, working world, conducted on common principles, such as will wear. To some it may seem vulgar to associate beer, tobacco, or feasting with the pure and simple duty of effecting an insurance against disablement by sickness; but the world we live in is vulgar, and we must take it as we find it, and try to make the best of it. It must be admitted that the tendencies to pure good in man are very weak, and need much helping. But the expedient, vulgar though it be, of attracting him, through his appetite for meat and drink, to perform a duty to himself and neighbors, is by no means confined to societies of working-men. There is scarcely a London charity or institution but has its annual dinner for the purpose of attracting subscribers. Are we to condemn the eighteen-penny annual dinner of the poor man, but excuse the guinea one of the rich?

A vigorous effort was made by Mr. Akroyd, of Halifax, in 1856, to establish a Provident Sick Society and Penny Savings-bank for the working-men in the West Riding of Yorkshire. An organization was set on foot with these objects; and though the penny bank proved a complete success, the provident society proved a complete failure. Mr. Akroyd thus explains the causes of the failure: "We found the ground pre-occupied," he says, "by friendly societies, especially by the Odd Fellows, Druids, Foresters, etc.; and

against their principles of self-government, mutual check against fraud, and *brotherhood*, no new and independent society can compete. Our rates were also of necessity much higher than theirs, and this was perhaps one of the chief causes of our failure."

Low rates of contribution have been the principal cause of the failure of friendly societies. It was of course natural that the members, being persons of limited means, should endeavor to secure the objects of their organization at the lowest cost. They therefore fixed their rates as low as possible; and, as the results proved, they in most cases fixed them *too* low. So long as the societies consisted, for the most part, of young, healthy men, and the average amount of sickness remained low, the payments made seemed ample. The funds accumulated, and many flattered themselves that their societies were in a prosperous state, when they contained the sure elements of decay; for, as the members grew older, their average liability to sickness was regularly increasing. The effects of increased age upon the solvency of benefit clubs soon becoming known, young men avoided the older societies, and preferred setting up organizations of their own. The consequence was, that the old men began to draw upon their reserves at the same time that the regular contributions fell off; and when, as was frequently the case, a few constantly ailing members kept pressing upon the society, the funds were at length exhausted, "the box" was declared to be closed, and the society was broken up. The real injustice was done to the younger men who remained in the society. After paying their contributions for many years, they found, when sickness at length fell upon them, that the funds had been exhausted by expenditure for superannuation and other allowances which were not provided for by the rules of the society.

Even the best of the benefit societies have been slow to learn the essential importance of adequate rates of contribution to enable them to fulfill their obligations, and insure their continued usefulness as well as solvency. The defect of most of them consists in their trying to do too much with too little means. The benefits paid out are too high for the rates of contribution paid in. Those who come first are served, but those who come late too often find an empty box. Not only have the rates of payment been generally fixed too low, but there has been little or no discrimination in the selection of members. Men advanced in years and of fragile health are often admitted on the same terms as the young and the healthy, the only difference being in the rate of entry-money. Even young lodges which start with inadequate rates, instead of growing stronger, gradually grow weaker; and in the event of a few constantly ailing members falling upon the funds, they soon become exhausted, and the lodge becomes bankrupt and is broken up. Such has been the history of thousands of friendly societies, doing good and serving a useful purpose in their time, but short-lived, ephemeral, and to many of their members disappointing and even deceptive.

Attempts have been recently made—more especially by the officers of the Manchester Unity of Odd Fellows—to improve the financial condition of their society. Perhaps the best proof of the desire that exists on the part of the leading minds in the Unity to bring the organization into a state of financial soundness, is to be found in the fact that the board of management have authorized the publication of the best of all data for future guidance—namely, the actual sickness experience of the order. An elaborate series of tables has accordingly been prepared and published for their in-

formation by Mr. Ratcliffe, the corresponding secretary, at an expense of about three thousand five hundred pounds. In the preface to the last edition it is stated that "this sum has not been abstracted from the funds set apart for relief during sickness, for assurances at death, or for providing for necessitous widows and orphans, but from the management funds of the lodges—funds which, being generally raised by direct levy on the members, are not, therefore, readily expended without careful consideration on the part of those most interested in the character and welfare of their cherished institution."

We believe that time and experience will enable the leaders of friendly societies generally to improve them, and introduce new ameliorations. The best institutions are things of slow growth, and are shaped by experience, which includes failures as well as successes; and finally, they require age to strengthen them and root them in habit. The rudest society established by working-men for mutual help in sickness, independent of help from private charity or the poor-rates, is grounded on a right spirit, and is deserving of every encouragement. It furnishes a foundation on which to build up something better. It teaches self-reliance, and thus cultivates among the humblest classes habits of provident economy.

Friendly societies began their operations before there was any science of vital statistics to guide them; and if they have made mistakes in mutual assurance, they have not stood alone. Looking at the difficulties they have had to encounter, they are entitled to be judged charitably. Good advice given them in a kindly spirit will not fail to produce good results. The defects which are mixed up with them are to be regarded as, but the transient integument which will most probably fall away as the flower ripens and the fruit matures.