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*History of Life Assurance in the United Kingdom. By*  
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(*Continued from Vol. xxv, p. 437.*)

### 3.—PERIOD OF SCIENTIFIC EXACTITUDE—(*continued*).

A CASE arose about this time—the middle of the eighteenth century—which, as it illustrated some points in practice and an important principle in the law of Insurance, I will briefly review. It is the case of *Cleeve v. Gascoigne*. In June 1749, the defendant (Gascoigne) had applied to an Office-keeper, or Broker, to insure £1,600 for one year at 5 per-cent on the life of one Poulton, from whom the defendant had agreed to purchase an estate, whereof Poulton had the reversion in fee, and also an intervening interest for his own life. The Broker answered that the course of the office was to produce the person whose life was to be insured, in order to be inspected by the Insurers or Underwriters; to which the defendant replied that the person lived a great distance in the country; and that it was very inconvenient for him to come to London: and on the Broker asking the defendant whether he was a good life, answered in the affirmative, and added, that he would leave a note of his name and place of abode, which he accordingly did. On this declaration of the defendant, the Broker procured 16 persons to

underwrite a policy of assurance for £1,600 on Poulton's life at the rate and for the time before mentioned. About six months afterwards Poulton died. In 1750 the defendant brought an action on the policy in the Court of Common Pleas and obtained a verdict; in consequence of which, the present plaintiff, who was one of the Underwriters, paid him £98, as for his part of the Insurance-money. He then brought his suit in the Court of Chancery to obtain repayment of the money, on the ground that the Insurance had been obtained by fraud and imposition. The defendant admitted in his answer that Poulton was a drunken fellow; upon which the Lord Chancellor directed an action to be brought which was done, and there was a verdict for the present plaintiff; but the jury acquitted the defendant of fraud. The case now came before the Lord Keeper for further directions. He spoke of Sir Crisp Gascoigne, the present defendant as being as worthy a gentleman and in as full credit as any merchant in London; and proceeded: "*I have constantly attended at Guildhall during the last war, and was concerned in various causes of this nature; and by all the foreign books as well as our own, the learning concerning Insurances, as well of Lives as of Ships, was thoroughly settled and established: every party concerned in an Insurance must communicate every circumstance he knows, in order to ascertain the premium, which otherwise will be affected and the policy void. . . . I should not sit here were I to suffer a man to receive a sum of money, and keep it without making any satisfaction for the detention: What would the merchants of Lombard Street think of such proceedings?*"

It will be an instructive, as well as a necessary part of our review of the History of Life Assurance, to take note of the class of cases here referred to by the Lord Keeper, in which he had been "concerned." To this end I quote the following account from David Scott's *Every Man his own Broker*, first published in 1761, where, in reviewing the Gambling Insurance transactions of that period, he says:

"Another manner of spending the vacation formerly was in insuring the lives of such unfortunate gentlemen as might happen to stand accountable to their country for misconduct. I am not willing to disturb the ashes of the dead, or I could give an account of this cruel pastime, the like of which is not to be met with in any civilized nation. . . . A practice likewise prevailed of insuring the lives of well-known personages, as soon as a paragraph appeared in the newspapers announcing them to be dangerously ill. The insurance rose in proportion as intelligence could be procured from

the servants, or from any of the faculty attending, that the patient was in great danger. This inhuman sport affected the minds of men depressed by long sickness; for when such persons, casting an eye over a newspaper for amusement, saw their lives had been insured in the Alley at 90 per-cent, they despaired of all hopes, and thus their dissolution was hastened. But to the honour of the principal merchants and underwriters, they caused an advertisement some years since to be fixed up at Lloyd's Coffee-house declaring that they would not transact business with any Brokers who should be engaged in such infamous transactions."

That such practices prevailed, does not rest upon the sole testimony of any one writer; but this author had exceptional means of knowledge.

The formation of Assurance Associations had remained in abeyance for more than an entire generation—from 1720 onwards. It is true that various Annuity Institutions had in the interval been founded, but there were not many of these. It ought also to be stated that when the collapse of the South Sea scheme occurred, certain Annuity Societies of earlier date did not succumb. It was now shown by De Moivre and other writers how Life Assurance might be employed as a means of making Annuity dealings much more secure than they had previously been. (*See* 4th edition of De Moivre's *Treatise on Annuities* published 1752; also Simpson's *Select Exercises*, of the same year; James Hardy's *Complete System of Interest and Annuities founded upon New, Easy and Rational Principles*, 1753; and Dodson's *Mathematical Repository*, 1755: in which last, Life Assurance was made the subject of distinct calculation without being deemed necessarily conjoined with Annuity Transactions). The process of constructing Tables of *graduated* premiums for Life Assurance was now made plain.

*New Epoch.*—The year 1760 constitutes a new and important epoch in the history of Life Assurance, for reasons which will soon appear. This, then, is a fitting point whereat to take a brief review of the situation of the business. In doing this I must bring to bear not only the facts which have been recorded in the preceding summary, but also the result of a vast amount of information (here unrecorded) which such an historical examination to be thorough entails. Volume after volume of contemporaneous events is explored, and the results are, in a direct sense, *nil*: but the very absence of information conveys a significance. Finally then, we will say, almost in the language of Mr. Frederick Hendriks, after a like investigation conducted some thirty years since:

There is no doubt "that the insurance of a sum payable under a " contract designed to extend over the whole duration of life, and " either at a graduated or an equalized premium, was, at the time " to which we are now referring, a contract very rarely entered " upon either by the Commercial or other Classes of the com- " munity; and we may take it as established that no plan of Life " Assurance, as we now understand it, had been contemplated by " any Company or Society, or had been considered by any " Legislature in Europe prior to the year 1760" (*Vide Assurance Mag.* iv, pp. 308-9). From this point therefore a fresh start may be made.

*The Equitable Society.*—The year 1760 saw the commencement of steps taken in view of establishing a plan of Life Assurance upon the principle of exact scientific computation, the premium being a fixed annual charge, determined by the age of the insured, at the time of entering into the contract; and the sum insured being likewise a fixed and determinate sum, subject to no diminution on any ground whatever. The computation of Mortality Tables based upon the data of the London Bills of Mortality, by Smart, Simpson, Hodgson, Stonehouse, Brakenridge and Postlethwayte respectively (leaving entirely out of account Halley's labours), justified such a step; as the calculation of the *Northampton* Tables of Mortality by Dr. Price, a few years later fully confirmed it, and indeed showed that the rates of premium previously charged were largely in excess of the actual risk involved in the business. The moving spirit in the formation of the Society which proposed to undertake the business of Life Assurance upon this much improved system, was Mr. Edward Rowe Mores; and he was supported by many persons of good social position.

It is not necessary here to inquire how the application for a Charter for the establishment and conduct of such a Corporation was refused, on the advice of the Law Officers of the Crown, and how the promoters determined to confederate together and constitute a Society or partnership for carrying on the business; or to recount the difficulties encountered and the final success achieved. It was upon the foundation of the *Equitable* Society, as finally established in 1762, that the entire superstructure of modern Life Assurance has been raised. Neither is it necessary here to suppose that, if the *Equitable* Society had never got beyond the first stages of promotion, the state of knowledge which had been developed was such as to have soon broken down the former de-

fective modes of practice, and placed the business on a more just, equitable and permanent basis; and so, perhaps, to have avoided some of the faults and difficulties which were incident to a mere partnership association in the then state of insurance practice; but we must take the facts as we find them.

What seems desirable, is to estimate the amount of Life Assurance business which may have been in force about the date of the foundation of the *Equitable* Society, in order to gain an accurate idea of its growth in subsequent periods. The materials for such a purpose are in some part directly available. The managers of the *Royal Exchange* Assurance Corporation opposed the grant of a Charter to the *Equitable* Society; and for the purpose of showing what small need there was of any other Life Assurance Association, stated, on affidavit, that from the time of its commencement (in 1721) it had received in Life premiums but £10,915. 2s. 2d. and had disbursed in losses [claims] on life policies £8,263. 17s. 8d.—showing only about 25 per-cent surplus for expenses and profits. Keeping in mind the rate of premium charged for the annual contracts entered into, it seems clear from these figures, that the Corporation had only issued policies covering about £5,000 per annum, on an average of the period.

Regarding the *London Assurance* Corporation, no such early details were furnished. There was, indeed, a tradition that its managers, having at an early period found Life Assurance contracts unsatisfactory, confined themselves chiefly to the other branches of their business. How long this resolve may have been adhered to is not known with precision. But some details are available. Up to the end of 1751—that is during a period of 30 years—the *London Assurance* had issued 1,472 life policies, being on an average 49 per annum, or less than one per week. In the last year of the term (1751) there had been issued 86 policies insuring £23,681. None of these contracts extended beyond one year's duration, and in no case was the rate of premium less than £5 per-cent;—being sometimes 5 guineas, and sometimes 6—the premium income being thus about £1,200 per annum. The sums insured on any one life varied from £16 (lowest) to £2,500 (highest). There were only 6 policies of £1,000 and upwards; the sums usually ranging from £100 to £300, and being obviously taken out to protect business transactions: being generally “on the life of another.” There were no insurances on Female lives. The business was decidedly on the increase then; and probably by 1760 had reached some £40,000 or £50,000 of yearly contracts.

In the *Amicable* Society the business during the 39 years 1710-49 had resulted in 2,967 claims, 76 per annum, on which had been paid £277,104, "and upwards." In 1757 the accumulated fund of the Society had become reduced to £25,000—about half the amount it stood at in 1720—and I suspect the business had been steadily decreasing from that date until 1757. The founding of the *Equitable* Society tended to restore confidence; and by 1770 the accumulated fund had increased to £33,300. This fund at each date included the amount due on account of Annuities, which had been a branch of the business of the Society since 1713.

As to the amount of Life risks annually written by individual underwriters, it is impossible to discover any data for an estimate. The stamps used on Life policies were the same as those used for Marine or Fire Insurance policies, and no light can be obtained from this source.

The following estimate is ventured upon as being an approximation of the sums insured on lives in Great Britain in 1760 :

In the <i>Amicable</i> Society . . . . .	£250,000
„ <i>London Assurance</i> Corporation . . . . .	£50,000
„ <i>Royal Exchange</i> . . . . .	£20,000
By private Insurers . . . . .	£30,000
Total sums insured on Lives . . . . .	<u>£350,000</u>

I have assumed in the case of the *Amicable* Society that it had its full 2,000 nominees, and that the amount of each death-share would realize £125.

It will be noted that this estimate relates to a period only one century and a quarter ago. It is necessary to keep this fact in view, in relation to the rapidity of its progress since. It may with equal advantage be noted that Life Assurance has certainly been in practice here for nearly two centuries; probably longer.

We must again revert to the *Equitable* Society. It will be instructive to glance at a few of the reasons which the Law officers of the Crown advanced against the grant of a Charter to the new enterprise; and which reasons had been formulated after hearing all the objections which could be urged by those who supposed they had an interest in opposing the project :

"Upon this petition your Lordships will observe :

"1. The petitioners propose to insure upon cheaper terms, and for a longer time than is practised at present in any offices, to which end they have specified the rates at which the assurance is to be done.

"2. They propose to raise a Capital by investing the premiums,

together with a small additional sum of 40s. to be deposited by every person insured, to answer all losses, and by way of further security to oblige every person insured to become a member of the Corporation, and to declare or covenant that he will bear his proportion upon any call, if the premiums and deposits should prove deficient. . . .

"We are humbly of opinion to advise his Majesty not to comply with the prayer of this petition, for the following reasons:

"1st. Because it appears to us altogether uncertain whether this project will or can succeed in the manner in which it is proposed. . . .

"2nd. The success of this scheme must depend upon the truth of certain calculations taken upon Tables of Life and Death whereby the chance of mortality is attempted to be reduced to a certain standard: this is a mere speculation never yet tried in practice, and consequently subject, like all other experiments, to various chances in the execution.

"The tables upon which the calculations are built are the Bills of Mortality of London, and the Breslau Tables, and admitting them to be strictly accurate (of which there is strong reason to believe the contrary), they are compounded of diseased as well as healthy persons, of those who are embarked in dangerous as well as other employments, without pointing out the proportions they bear to each other; and yet, as the petitioners propose to insure only such even of the healthy as are not employed in dangerous occupations, the register of life and death ought to be confined, if possible, for the sake of exactness, to such persons only as are the objects of Insurance; whereas the calculations offered embrace the chance of life in general, the healthy as well as unhealthy parts thereof, which, together with the nature of such persons' occupations, are unknown numbers. . . .

"The Crown has very wisely been always cautious of incorporating traders, because such bodies will either grow too great, and by overwhelming individuals, become monopolies; or else by failing will involve thousands in the ruin attendant upon a corporate bankruptcy. . . .

"3rd. The Parliament, in erecting the two great Companies already mentioned [*London Assurance* and *Royal Exchange Assurance Companies*], have sufficiently declared their opinion that such Charters ought not to be granted without some benefit accruing to the public, and were not sure when they passed the Act whether they were not erecting a nuisance; to prevent which a power was reserved to the Crown to abolish the Corporations at any time within the term of 31 years, if they should be found upon trial to be mischievous or inconvenient; and we cannot help observing that, except only in the case of the *Amicable Society of Serjeant's Inn*, and which is formed upon a very narrow bottom, the Crown has never of itself, so far as appeared to us, granted such a Charter as the present, in any case whatsoever; and as the two great Companies paid a very large sum to the public for the privilege of their Charter, we cannot advise the Crown to entrench upon their rights on the bare request of any set of men, without a clearer and more certain prospect of the public good."

For these reasons (given in greater detail) they advised against the Charter, and it was not granted. The closing words clearly indicate that a considerable payment was expected. It is a

matter of history that the two Insurance Corporations of 1720 had promised to pay the enormous sum of £300,000 each for their Charters, and did actually pay £150,000 respectively.

The rates of premium charged by the *Equitable* Society under its original scheme, and as increased two years later, were as follows, at the ages stated :

Ages	ORIGINAL RATES, 1762		INCREASED IN 1764	
	One Year	Whole of Life	One Year	Whole of Life
8	£1 10 6	£2 4 10	£1 15 6	£2 6 4
14	1 11 9	2 7 7	1 16 9	2 9 1
20	1 15 6	2 15 4	2 0 6	2 16 10
30	2 4 6	3 12 3	2 9 6	3 13 9
40	3 2 0	4 12 2	3 7 0	4 13 8
50	4 8 3	5 18 4	4 13 8	5 19 10
60	6 4 10	8 5 2	6 9 10	8 6 8
67	7 18 1	11 18 8	8 3 1	12 0 2

These rates only applied to *healthy males* for all ages, as *girls, women* under 50, and males of hazardous occupations, were to be charged extra "adequate to the hazard." Joint Lives and Survivorship Assurances were granted "upon terms equally just and reasonable." There was an "Entrance-fee" of 15s. in respect of each £100 insured. In 1765 the rates of premium were increased in the cases under the age of 30; also on all Military persons, and persons not appearing before the board for "inspection." An extra premium was charged for gout. At a later date extras were charged for hernia; also for beer retailers.

The form of *proposal* to be filled up by persons desirous of entering the Society was as follows :

- "(1) Name and profession of the life to be assured.....  
 (2) Place and date of birth..... (3) Present residence.....  
 (4) Age..... (5) Sum..... (6) Term..... (7) By  
 whom made..... (8) To give a reference to 2 persons of good  
 repute (one if possible of the medical profession), to ascertain the present  
 and general state of health of the life to be assured..... (9) If  
 had the smallpox?..... (10) If had the cowpox?.....  
 (11) If had the gout?..... (12) If ever ruptured?....."

"NOTE.—Persons who do not appear before the court of directors, or who cannot refer to a person of the medical profession, are required to give a reference to 3 persons for an account of the present and general state of their health."



And in addition to this, the Deed of Settlement required a "Declaration" to be made that the preceding statements were true. There was as yet no formal medical examination of the persons proposed for insurance; although it was one step in advance that reference to a medical man was required.

The conditions of Assurance were not incorporated in the *Policy*; which document indeed was little more than a certificate that the person named therein was insured for a given sum, at a given rate of premium. The "General Regulations" of the Society were supposed to bind all the Members, and in a Mutual Society no doubt did so. Amongst these were the following:

"4. Every person desiring to make an assurance with the Society must sign a declaration, setting forth the age, state of health, profession, occupation, and other circumstances of the persons whose lives are proposed to be assured. This declaration is the basis of the contract between the Society and the person desiring to make such assurance; and if any artful, false, or fraudulent representation shall be used therein, all claim on account of any policy, *so fraudulently obtained, shall cease, determine, and be void.*

"5. Every person making assurance with the Society becomes a member of the Society, and enters into a covenant, that he will so continue during the term of his assurance; and that he will conform to, observe, and keep the bye-laws, rules, orders, and ordinances of the Society.

"6. No person can make assurance upon the life, unless he make it appear to the court of directors of the Society that he hath an interest in the life of such other person at least equal to the sum which he proposes to assure.

"19. If any premium remain unpaid 30 days after the time stipulated in the policy for payment thereof, such policy becomes void; but if the defaulter shall, within 3 calendar months after the time so stipulated (the person on whose life the assurance was made being then alive and in good health), pay the said premium, together with the added sum of 10s. for every £100 assured by such policy, then such policy is revived, and continues in force to all intents and purposes whatsoever.

"23. All claimants upon the Society must produce authentic certificates of the time and place of the death of the persons under whom they claim.

"24. The books of the Society are open to the inspection of any member of the Society for life or years at any Court or Meeting of the Society without fee or reward."

And there was an "arbitration" clause.

I suppose it is known to every one that the high rates of premium charged to its members, combined with fortunate investments in the National Funds (when prices were very much depressed), led to accumulation of a large surplus fund—and

hence to large divisions of profits—then termed “Dividends”, and more recently designated “Bonuses.” The original Deed of the Society had provided for a periodical investigation into the sufficiency of the “Stock”—which we now term the “Life Assurance Fund”—to meet all the liabilities under policies. The first annual investigation of this character took place in 1776; and this constitutes an historical incident. *It was the first Valuation of the affairs of a Life Office* (always properly regarded in all offices as an eventful period) *ever made!*

The “Bonus System” of Life Assurance arose out of the circumstance that even when reasonably reliable data had been obtained for the conduct of the business, yet Life Assurance on a fixed basis was deemed an experiment; and there being no outside capital—beyond the premium contributions paid by the members—an overcharge was essential to safety. And, equitably, this overcharge was to be returned to the members to whom of right it belonged. It was for a long period dealt with much on the footing of a Lottery: some getting more, some getting less, than their fair share. But this feature contributed largely to the expansion of the business.

I cannot pretend to trace in detail the growth of the business of this Society; even although that growth does admittedly constitute a very important feature in the history of Life Assurance—particularly for the first half-century of the Society’s existence. Perhaps all that is necessary for present purposes may be accomplished by means of the following Table, taken bodily from the *Insurance Cyclopædia*, with the addition of the figures at the period of the last bonus division in 1879:

*Progress of the Equitable Society.*

Year ending 31 Dec.	Total Policies in force	Total Insurances in force	Life Assurance Fund	Surplus distributed
1776	913	...	£60,000	£11,000
1786	2,100	£977,330	...	54,000
1792	4,640	2,976,476	500,000	99,000
1799	5,124	3,900,000	1,000,000	258,000
1809	7,320	8,024,000	4,330,000	975,224
1819	9,650	..	6,235,000	2,000,000
1829	8,867	12,417,630	10,411,540	3,408,552
1839	7,481	14,080,247	10,689,932	2,969,502
1849	6,044	8,305,495	8,858,047	2,113,372
1859	4,679	6,262,000	6,564,671	1,514,066
1869	3,785	4,911,496	4,609,736	1,155,339
1879	3,967	4,886,835	4,360,661	1,893,704

The total amount paid in claims and bonus additions up to the end of 1882 had been over £34,000,000.

The falling-off in the business of the Society after 1829 was an almost necessary consequence of the competition which had then arisen ; and it is perhaps hardly necessary to state here that the soundness of the Society was in no way necessarily impaired by the reduction in the number of its members. This falling-off can have resulted only in part from the altered plan of allocating the profits to the oldest 5,000 policies, adopted in 1816.

In 1769 there was founded in the City of Philadelphia (in the Commonwealth of Pennsylvania, then an English Plantation) an Association for the "Relief of the Widows and Children of Clergymen." It was in the main an Annuity Association, and hence calls for no detailed mention here. It still exists.

It has been stated by various writers, upon the assumed authority of Mr. Francis Baily, that soon after the establishment of the *Equitable* Society a great number of Assurance Societies sprang up, &c. What Mr. Baily says (*Doctrine of Life Annuities and Assurances* 1813, p. 491) is "Soon after the establishment of "the *Equitable*. . . a number of Societies sprung up (all about "the same time) which assumed the false and alarming title of "Institutions for the benefit of old age! The Institutions were, "for the most part, gross impositions on the public; proceeding "from ignorance or knavery, and encouraged by credulity and "folly." The institutions so referred to were in fact, without any exception, Annuity Societies. In recklessness of statement they much resembled the Life Assurance projects of 1699-1720. Yet the good which, indirectly, came out of them was considerable. They attracted the attention of two powerful writers—Price and Dale: the latter the more able, the former the more popular. Their works claim passing attention.

In 1769 Dr. Price published his work: *Observations on Reversionary Payments; on Schemes for providing Annuities for Widows and for Persons in Old Age; on the Method of Calculating the Values of Assurances on Lives, &c.* The earliest edition usually met with is that for 1771; it passed through many later editions, and became very famous. He examined the methods of Halley, De Moivre and Simpson, and gave various illustrations of problems in Life Assurance.

*The Northampton Table.*—The chief feature of his work was that it presented two new Tables of mortality, based upon the

Bills of mortality of the Town of *Northampton* and the City of *Norwich* respectively ; to the results of which he found De Moivre's hypothesis very closely approximated. I believe there are grounds for stating that Dr. Price himself considered the *Norwich* Table the more accurate of the two ; but it came to pass that the *Equitable* Society selected the *Northampton* Table for the purpose of deducing its new scale of premiums ; and the prominence thus gained gave to the Table a fame which we now know it never to have merited ; but which it maintained until far into the present century. A detailed record of the part which the *Northampton* Table played in the assurance and financial transactions of this Country, would furnish a history of some importance.

In 1772 there appeared the other works referred to : *Calculations deduced from First Principles, in the most familiar manner, by Plain Arithmetic : for the Use of Societies instituted for the Benefit of Old Age ; intended as an Introduction to the Study of the Doctrine of Annuities.* "By a Member of one of the Societies." The author was William Dale, a man occupying a somewhat humble position, and whose exposure of the fallacies of the various Annuity Associations already referred to was productive of much good. A supplement to this work was afterwards published, bearing the initials "W. D." It is rarely met with.

It should be recorded here that in 1770 Isaac Steel, "Teacher of the Mathematics", published in Dublin : *Tables for Computing the Value of Leases, &c.* ; Wherein was included "a section containing the methods of estimating the Value of Annuities upon Lives." This is one of the few works on Life Contingencies which have been issued in Ireland.

With the advent of the *Northampton* Table, and the coincident work of Dr. Price, it may be said, in a general sense, that the efforts towards Scientific exactitude in Life Assurance culminated. As I have already said we now know the inherent defects of that Table, and even the causes of them. But for a full generation it was the recognized standard of Life-measurement ; and Life Assurance having thus attained a recognized status, I propose to adopt other land-marks by which to note its later progress in the United Kingdom. The subsequent divisions will mainly represent legislative epochs ; but will embrace the leading incidents affecting Life Assurance generally, and the Life Assurance Associations specifically falling within each.

## 4.—LIFE ASSURANCE 1774 TO 1824.

At this period it becomes desirable to review the State of Legislation regarding Assurance Associations, in order to understand their legal Status—their privileges, obligations and powers generally. To this end we must retrace, and supplement to a brief extent, our previous chronological survey.

In 1610 James I issued a Proclamation against Grants and Monopolies generally. In 1622 the same king organized a Commission of enquiry concerning the decay of the Commerce of England, and one of the Subjects of such enquiry was: How far Joint Stock Companies are beneficial or otherwise? This was followed (1623) by the Statute against Monopolies (21 James I, c. 3), whereby persons were forbidden to form Speculative Associations, or to raise *transferable Stocks*, except in the case of Letters Patent for new manufacturers, and Charters granted to Corporations, Municipal or Trading.

On the occasion, in 1687, of two Fire Insurance Offices contending for a Charter before James II in Council, it was declared and recorded, that no such undertaking as the said persons were concerned in establishing ought to be carried on without Royal Warrant and authority.

The Bubble Act of 1720 (6 George I, c. 18) we have already in part reviewed. It contained the declaration: "And whereas the sole right and prerogative of granting (Charters of Incorporation), not being such as are repugnant to any laws or statutes of this realm, doth belong *to your Majesty*." One of the chief points aimed at by this Act was to prevent the raising of a Capital Stock by means of transferable shares: for by section 21 brokers were made liable to a penalty of £500 for buying or selling shares in such unauthorized undertakings.

But in this Act there was no restriction as to the operations of individual insurers—underwriters; and section 25 provided that the Act should not be construed to extend to prohibit or restrain the carrying on of any home or foreign trade in *partnership*, "in such manner as hath been hitherto usually and may be legally done according to the Law of this realm now in force, excepting only as to the Insuring of Ships and Goods or Merchandize at Sea, or going to Sea." Hence partnerships could carry on all Insurance business except marine; and as to individuals there was no limitations.

In consequence of this exemption of individuals it came to be determined by the Law Courts that a dozen persons might insure or guarantee each other; and if 12 then any other number; but, whatever the number, they could only be partners at common law, subject to all the rights and liabilities of partners, under which state of things each partner was individually liable for all the debts and engagements of the partnership, and might be personally sued therefor. This was exemplified in the case of *Vansandan v. Moore*, relating to the affairs of the *British Annuity Society*, as recently as 1826.

How difficult it became to obtain a Charter of Incorporation, we have already seen in the case of the *Equitable Society* in 1761. There cannot be much doubt that the events of 1720, with regard to the two Corporations created that year, had led the law officers of the Crown to regard the privilege of a Charter as a thing to be paid for; and to be paid for at a very exorbitant rate.

Far greater wisdom characterized the legislation of the sister-isle. By the *Irish Statutes*, 21 and 22 George III, Chapter 46, any number of persons might join in partnership by Deed for 14 years or less, with a joint Stock of not less than £10,000, or more than £50,000. Acting partners might be appointed who should be liable for engagements of the Company; the others, called the anonymous partners, not to be liable beyond their Shares, this being on the model of the French law of Joint-Stock Companies.

The law in England remained in the unsatisfactory state above indicated down to the year 1825, when a useful modification was obtained. I must now resume the chronological narrative.

In 1774 a very useful measure was enacted, namely, 14 George III, Chapter 48, which recited, "Whereas it hath been found by experience that the making Insurances on Lives, or other events, *wherein the assured shall have no interest*, hath introduced a mischievous kind of gambling"; wherefore it was enacted that no insurance should be made on the lives of persons who had no interest in the events insured against; the names of the persons interested to be inserted in every policy issued; no greater sum should be recovered than the amount of the interest insured against. The Act was not to extend to Marine Insurance, where, "interest or no interest", policies were still indulged in—leading to many kinds of frauds. This Act, which is still in force, has been of frequent service in defeating frauds, while some difficulties in practice have arisen under it, to which reference will be made later on.

In 1777 the premiums in the *Equitable* Society were reduced 10 per-cent on the advice of Dr. Price. In 1772 Females were insured at the same rate as Males ; while in 1770 the Entrance-fee had been reduced to 5s. in respect of each £100 assured.

In this same year there was projected or founded the *New Laudable* Life Office, concerning which we have met with no details.

*Insurance Patent.*—In 1778 John Knox presented to His Majesty George III a petition wherein he stated that with great assiduity, art and pains, and at considerable expense, he had invented a plan, different to any before that time discovered, for assurance on lives from ten to eighty years of age, upon a two-fold beneficial principle, making a certain provision as well for Subscribers or their representatives upon the death of the person on whose life assurance should be made within the term assured for, as also by means of a reserved capital for the Surviving Subscribers whose nominees should be living at the expiration of such term ; and that the said scheme or institution was adapted to the different ranks, professions and circumstances of mankind, wherein Subscribers might insure on the lives of themselves or of others for their own benefit or that of their assignees, and would, if carried into execution, prove of great advantage to His Majesty's subjects, and likewise contribute to the increase of the public revenues by a very considerable consumption of Stamps. A Patent was accordingly granted for a term of 14 years (No. 1197), the only patent so far as the writer is aware ever granted to the promoters of an Assurance Association, although some later schemes have sought protection under the laws of Copyright.

The Scheme was simply one of Mutual Contribution, the members being ranged in 6 classes ; and, instead of advancing the business of Life Assurance, was proposing to carry it back to a state of things existing at the commencement of the century, as already fully described. The only new feature was "a separate class to include the Army and Navy without any distinction of age." The office was at No. 76, near the Adelphi, in the Strand.

During the same year there was founded the *Universal Institution for Assurance of Lives*, "calculated on a new principle, "whereby the benefits to Subscribers are already defined and "established upon a double security." The prospectus contained three schemes of Assurance—one for the public at large ; the next for persons serving in the Army ; the third for those serving in

the Royal Navy. Each scheme to consist of ten divisions, each division to contain three distinct grades of age, and each class to consist of 500 members, and to extend over a term of ten years. In the first scheme persons of both sexes between 10 and 80 years of age were admitted to insure either on their own lives or the lives of nominees. The first class of age ranged from 10 to 40 years; the second from 40 to 60; the third from 60 to 80. There was a graduated scale of payments for each division. The scheme in truth was a most complicated one; it was a sort of inverted Tontine, the benefits going to the nominees of those who died within the ten years; but the claims of those who died thus early were subjected to a deduction ranging from 29 per-cent downwards, according to the year of death; and these accumulated deductions were to be divided amongst the survivors at the end of the ten years, when each class was to be renewed. Each policyholder was to pay 7s. 6d. for expense of policy. The ultimate fate of the project is unrecorded.

In the 6th Edition "corrected" of Cunningham's *Law of Bills of Exchange and Insurance* (1778), section X, which treats of "Insurance on Lives", opens thus:

"Men's lives with good reasons are and may be insured, to secure to a creditor the reimbursement of a sum advanced to his debtor, for purchasing a post or place, out of the income of which he may have a sufficiency besides his maintenance and expenses and interest and premium, to pay off yearly part of the Capital. However, the lender ought not to insure the life of the borrower without his consent. In some places Insurances are not permitted on the lives of persons at the head of the Government; but in *London* people take the liberty to make Insurances on any one's life without exception; and the Insurers seldom enquire much if there are good or bad reasons for such an Insurance, but only what the person's age is and whether he be of a good constitution. The common premium on a good life from 20 to 50 years of age is 5 per-cent, and from 50 to 60 years old 6 per-cent per annum: *But these premiums are higher than any computation founded on observations concerning the probability of human life will warrant.* People ought by all means to be prevented from getting insurances done with sinister views, especially that inhuman one of committing murder to gain the sum insured; an instance of which villainy happened a few years since in a London Apothecary who, having got his wife's life insured, soon after killed her . . . . ."

The first edition of this work was published in 1759.

Mr. W. Morgan, long the Actuary of the *Equitable Society*, and nephew of Dr. Price already spoken of, published in 1821 a second edition of *Principles and Doctrines of Assurance, Annuities*



on *Lives*, &c. (first edition 1779); and in the preface thereto, referring to certain of the contents of that first edition, said :

“In the year 1779, when those observations were written, the business of Assurances on Lives was but little understood and but little practised. Excepting the Society in Sergeant’s Inn (the *Amicable*), which assured lives at all ages under 45 at the same annual premium, and never exceeded £300 on the same life, and the *Royal Exchange* office, which made a few assurances for a single year at the general premium, I believe, of £5 per-cent, the *Equitable* Society had no competitors, and was the only Society which varied its premiums according to the age of the person assured. The assurances for the benefit of surviving families at this period were but few in comparison with those which were made on the lives of those improvident persons who, in the disposal of their property, seemed to have as little consideration for their families as for themselves; and as the price of an annuity on a life, however young, very rarely exceeded seven years’ purchase, the Assurances were seldom made for a longer time: so a very small proportion was made on the whole continuance of life, or with any other view than to secure a purchaser from the risk of losing the price of his annuity . . . . .”

I have taken some pains in the course of this history to consult and record the views of contemporary writers. Such records ought to possess great value. Mr. Morgan was contemporary with the events of which he here narrates; but his omissions of all reference to the *London Assurance*, which as I have shown was, a few years previously to the date to which he is referring, transacting, apparently, a larger Life business than the *Royal Exchange* (see p. 6), throws a doubt over the entire passage. Here was a writer recording incidents with which he must have been quite familiar in his youth, and which in the main, I am disposed to think, he has correctly rendered; but there is the defect indicated. In other cases I have found his statements either general, or so partial, that I shall not again introduce him as an authority in this narrative, if other testimony can be made available.

*National Assurance project.*—Mr. Francis (“*Annals*, &c.”) refers briefly to a proposal set on foot this year (1779) for a scheme of *National Assurance*—“Universal” he calls it—by means of a tax to be levied by the Government. By this all want was to be abolished, and various Utopian benefits were to be received. He adds “as, “however, the scheme was never carried out, it is only worthy of “notice, as indicative of a growing spirit of enquiry. Such “projects still continue even in the present day”—(see 1807).

*Health Warranty.*—In 1780 there came before our Courts the case of *Willis v. Poole*, the result of which impressed upon the Life Offices the importance of seeking more precise information regarding the existence of constitutional diseases in persons proposed for assurance. The Insurance had been granted on the life of Sir Simeon Stuart, Bart., against the life of Eliza Edgly Ewer, from the 1st April 1779 to 1st April 1780. The Policy contained a warranty that Sir Simeon was about 57 years of age, *and in good health*, on the 11th May 1779; and that Mrs. Ewer was about 78 years of age. Sir Simeon died within the year. On action brought, the defendant pleaded the warranty of health. It appeared in evidence that although Sir Simeon was troubled with spasms and cramp from violent fits of gout, he was in as good health when the Policy was underwritten as he had been for a long time before. It was also proved by the Broker who effected the Policy that the underwriters were told that Sir Simeon was subject to gout. Dr. Heberden and other gentlemen of the faculty were examined, and proved that spasms and convulsions were symptoms incident to gout. Lord Mansfield, before whom the case was heard, said in his judgment: "The imperfection of language is such that we "have not words for every different idea; and the real intention of "parties must be found out by the subject-matter. By the present "policy the life is warranted to some of the underwriters, 'in health', "to others in 'good health'; and yet there was no difference "intended in point of fact. *Such a warranty can never mean that "a man has not the seeds of disorder.* We are all born with the "seeds of mortality in us. A man subject to the gout is a life "capable of being insured, if he has no sickness at the time to "make it an unequal contract." Verdict was given for the plaintiff. The policy it will be observed was issued by underwriters.

*Life Assurance in Glasgow.*—Hitherto, with the single exception of a provincial Assurance office (*The Berkshire and Counties*), founded 1709, all Life Assurance business here recorded had been transacted in London. But it may be well assumed that wherever the business of Marine underwriting was carried on in the United Kingdom, the business of underwriting lives also prevailed. We have now to record an instance of a policy effected in *Glasgow* in 1785. Here is the contract, which tells its own tale, and tells it well and briefly:

"For and in consideration of Three pounds three shillings sterling for one hundred pounds sterling, and so in proportion for any greater or lesser sums by us severally hereunto subscribed and to us

respectively paid by Robert Walkinshaw, Sheriff Clerk of Renfrewshire, the receipt and payment whereof We do ourselves severally and respectively, every one for himself, his heirs, executors, and administrators, and not jointly nor one for the other of us, by these presents undertake and promise to pay or cause to be paid unto y<sup>e</sup> Executors, Administrators or Assigns of the said Robert Walkinshaw, The full sum or sums of money hereunto by Us subscribed as aforesaid. In case the said Robert Walkinshaw shall die or cease this Life by any ways or means whatsoever, Suicide and the hands of Justice always excepted, between the seventh day of September current and the seventh day of September next, both days included.

"In witness whereof we the Assurers have subscribed our names and sums at Glasgow this eighth day of September 1785 years, before these Witnesses, John Boyle, Merchant in Glasgow, and Charles Finlay, his Clerk, by whom these presents are written.

"The above-named Robert Walkinshaw, Warranted in good health the seventh current, and not to depart the Kingdom of G<sup>k</sup> Britain during the term of this policy.

"MICHAEL ERSKINE,	One hundred pounds.
"JOHN ASTON, Jun.,	One hundred pounds.
"JOHN GORDON,	Two hundred pounds.
"ARCH <sup>d</sup> . GOVAN,	One hundred pounds.
"GEORGE BOGLE,	One hundred pounds.

"JOHN BOYLE, Witness.

"CHARLES FINLAY, Witness."

This most clear and business-like document, written on a sheet of foolscap paper, bearing impressed stamps 1s. 6d. and 2s. 6d., displays great familiarity with the essential conditions of a Life Assurance contract; and the fact of its being prepared by a merchant indicates familiarity with the business. The insured was 28 at the time of insuring; and the 3-guinea rate was a modification of former practice in Life underwriting—but was also probably due to its being entirely a "home" risk.

In 1787 appeared the first edition of a work which speedily became famous: *A System of the Law of Marine Insurances, with three Chapters on Bottomry; on Insurance on Lives; and on Insurances against Fire*. By James Allan Park, Barrister-at-Law. The single Chapter on Life Insurance dwelt most upon its advantages in connexion with loans on personal security.

*Proprietary Insurance Offices*.—A revival of the feeling in favour of Joint-Stock (afterwards termed "proprietary") Life Offices, which had begun to manifest itself early in the century, was now apparent. The first practical outcome from this occurred in 1789, when a Bill was introduced into Parliament to incorporate one hundred gentlemen, by the name of "*The Westminster*

*Society for granting and purchasing Annuities and Insurances upon Lives and Survivorships*", with a Joint-Stock of £300,000, to be divided in Shares of £3,000 each, on which the sum of £1,000 was to be paid within 21 days after the first General Meeting of Proprietors, and the remainder at such times as it should be called for. It was further provided by the Bill that £100,000 should be immediately invested in the 3 per-cent Consolidated Bank Annuities, and the further sum of £10,000 in like manner annually, until the full sum of £200,000 of 3 per-cent Consols should be purchased; that this fund should not be alienated without the authority of Parliament; and that the Society should not divide more than its net profits.

The *Amicable Society* opposed this Bill. The principal argument was that the Capital, professing to be £300,000, would in reality be no more than £100,000, and might therefore prove a fallacy if not properly guarded; since the Subscribers, from insolvency and various other incidental chances in life, though then perfectly solvent, might not be able to advance the second and third £1,000 when called upon.

The Bill passed the Commons, but was thrown out in the Lords, upon the motion of the Chancellor (Lord Thurlow), who among other objections stated that in his opinion the Capital proposed to be raised was not a sufficient security for the public.

The *Westminster Society* thus failed to obtain a Charter, but was established three years later (1792) on the foundation of a Deed of Settlement. Its Capital was £150,000, in shares of £500; and £50,000 was paid up and invested in the public funds in the names of five Trustees chosen from among the proprietors. The prospectus issued by the founders said:

"Among the many Institutions formed for the Benefit of mankind, those for provision from old age and for the Widow and the Fatherless have been thought most worthy of encouragement; but from the formation or conduct of several, they have frequently failed to produce the beneficial consequences intended and have occasioned indigence and disappointment.

"This Society, apprehending that the offices existing for these purposes are not sufficiently extensive for the accommodation of the public, and considering the good arising from a well-digested plan, suited to every condition of persons, have established a Capital sufficient to answer every demand, and offer in the annexed Table such terms as will, they trust, be considered advantageous to the public.

"The benefits and conveniences of Insurance on Lives, if better understood, would make the practice more general. A person may,

for a small annual premium, secure to his Widow, his Children, or Dependents, a sum to keep them from the distresses and poverty which his death might otherwise occasion.

“A Creditor by insuring the life of his debtor may secure a debt.

“A man in Trade by an assurance on his own life may strengthen a security so as to be enabled to increase his Capital.

“One whose income depends upon the life of another may have such income secured during his own life, after the other's Decease.

“And those who purchase Employments or Annuities depending on the Lives of themselves, or others, may secure the purchase-money paid for the same.”

The remainder of the prospectus is devoted to Annuity business, wherein several useful features were introduced. Finally it stated:—

“And they purpose carrying their plans into execution on so fair and equitable a scale as they are confident cannot fail to secure general approbation.”

The following is an abstract of the Table of annual premiums for Life Assurance :

Age	£100 for 1 Year	£100 for 7 Years	£100 for Whole Term of Life
8 to 14	£1 0 1	£1 4 1	£2 2 4
20	1 10 8	1 13 1	2 9 1
25	1 14 5	1 16 3	2 14 3
30	1 17 5	1 19 5	3 0 1
40	2 5 11	2 9 9	3 15 8
50	3 2 0	3 8 5	5 2 2
60	4 8 0	4 18 0	7 3 5
67	5 18 10	7 0 10	9 13 9

Then there were tables of premiums for the first of two lives “within the limits of Europe, but not upon the Seas.”

The proposal form was identical with that of the *Equitable Society*. Reference was to be given . . . “to one or more persons of repute (one of whom must be a medical man) to ascertain the identity and present state of health.”

“Policies are void if the person whose life is insured shall depart beyond the limits of Europe, or shall die upon the Seas, or enter or engage in any Military or Naval Service, when the policy is on the Insured's own Life, the same is void if he comes to his death by Suicide or Duelling, which is not the case when the Insurance is on the Life of another.

“Persons to be insured not appearing at the office, or to one of the Society's Agents, must pay a fine of 10s. per-cent for an Insurance for one year; 15s. per-cent for seven years; and 20s. per-cent for the whole continuance of life; in the first payment only.

"Persons in the Army or Navy must pay an additional £1 per-cent on the sums insured; and those who have not had the small-pox must pay an additional premium of £10 per-cent, to be computed on the premium.

"Admission 2s. 6d. per-cent on Insurance on lives, and 5s. per-cent on Consideration-money paid for Annuities.

"Attendance daily given from ten till three o'clock."

A perusal of these Regulations shows that all the essential conditions of Life Assurance were then well understood; and that the projectors knew perfectly well the nature of the business they were undertaking. The rate of premiums were in every sense most moderate for this period; and must have greatly interfered with the business of the Life underwriters.

*Agency System.*—The really novel feature in the Scheme is the appointment of Agents. This was a means of carrying the facilities of Life Assurance into the Provincial Towns of the Kingdom, which had not before existed. It became a feature of most of the subsequent proprietary Life offices, and of some of the mutual ones.

A last special feature remains to be noted: "Every person must sign an agreement which will be the basis of the Contract between him and the Society, prior to the granting any Insurance or Annuity." The meaning of which was that the assured agreed to accept the security of the Joint-Stock, and not resort to the individual Stockholders—a point of much consequence, upon which some observations will be offered later (*see* 1825).

The office transacted a moderate business only; and when (in 1799) the promoters of the *Globe* Insurance Company applied for a Charter, it opposed the same, on the ground that, if granted, that Company would obtain "various privileges and advantages over your petitioners."

This being the first of a series of Proprietary Companies organized for carrying on the business of Life Assurance—unconnected with any other branch of Insurance—for profit, has seemed to demand especial mention.

About 1795 there was floating in the parliamentary atmosphere a proposal to tax the premiums of Life Offices. In Hutton's *Mathematical Dictionary* (1795 Edition, volume ii. p. 727) there is the following reference to it: "The present rates of Assurances on lives are in the Table below. And though a duty on these Assurances should take place on the plan lately proposed by the House of Commons there is no great probability that these prices will be increased." I have nowhere met with the details of this proposal.

In 1797 the *Pelican* Life Office was founded as a proprietary company. It is intimated by Eden, in his valuable little work on *Insurance Charters* (1806) that the promoters of this office had been engaged for nearly ten years previously in investigating the then rates of mortality, and in collecting other Statistics and information relative to the business of Life Assurance. It is to be hoped that the information so acquired may some day be made available for the common good. It was probably upon the basis of such information that office adopted a Scale of premiums much lower than had previously prevailed; of which the following are examples:

Age	One Year	Seven Years	Whole of Life
14	£0 17 6	£1 0 6	£1 15 9
20	1 6 0	1 9 3	2 1 6
25	1 10 2	1 13 4	2 6 4
30	1 12 10	1 16 0	2 11 6
40	2 2 3	2 5 9	3 6 3
50	2 15 6	3 1 4	4 10 0
60	4 1 0	4 10 4	6 9 0
70	5 9 6	6 12 8	8 19 0

In 1798 some slight reductions were made on the later ages in life. In opposing the grant of a Charter to the *Globe* Insurance Company a few years later, the Manager of this office asserted that the public was *supplied with insurance to any amount upon the lowest terms on which it could be afforded*. This office originally accepted £3,000 on one Life; in 1799 this was increased to £5,000.

It was announced "this office does not buy or sell Life Annuities." A special feature of the business of this office was Endowments for Children.

*Income-Tax.*—I have mentioned various attempts, or rumoured attempts, to impose fiscal burdens upon Insurance Offices, and am glad therefore to be able to record a movement in another direction—an exemption in their favour, made by that great Statesman, William Pitt, in proposing his Income-Tax scheme in 1798. He spoke of those who had "recourse to that easy, certain and "advantageous mode of providing for their families by assuring "their lives"—and proposed to exempt from the tax that portion of their income so applied. This step was highly beneficial to Life Assurance at an important juncture.

In the Income-Tax Act of 1852 (16 & 17 Vict. c. 34) a like exemption was made, but such deduction was not to extend to

premiums paid beyond one-sixth of the amount of the income of the person claiming such exemption.

A return of the amount of Income-Tax paid by the various Insurance Offices upon their profits, then and now, would be of much interest. Mr. Morgan said in his Address of 1809, that during the preceding four years the *Equitable* Society had paid upwards of £35,000 on account of such tax.

*(To be continued.)*

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