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Life and Health Assurance

FOR THE WORKING CLASSES.

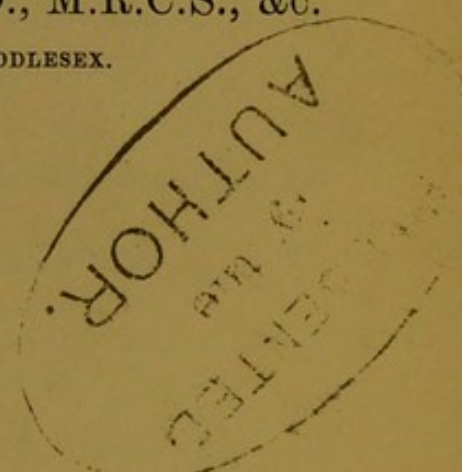
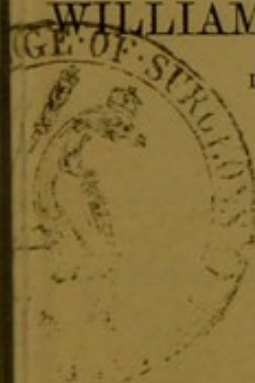
An Answer to the Question

HOW THE GOVERNMENT MAY PROVIDE A COMPREHENSIVE
PLAN OF LIFE ASSURANCE FOR THE WORKING
PEOPLE OF GREAT BRITAIN.

BY

WILLIAM HARDWICKE, M.D., M.R.C.S., &c.

DEPUTY CORONER FOR CENTRAL MIDDLESEX.



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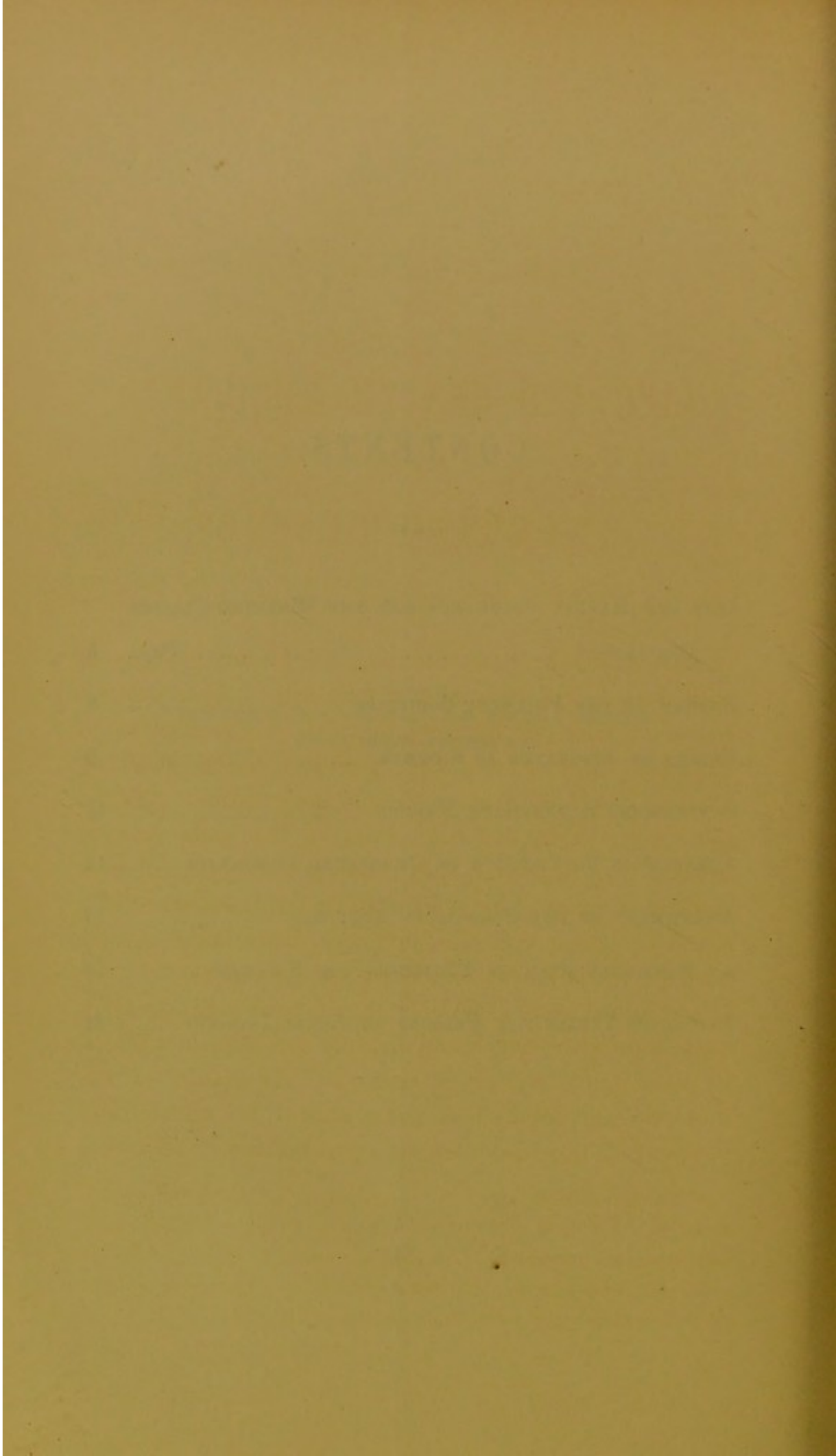
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LIFE AND HEALTH ASSURANCE

FOR THE

WORKING CLASSES.

AT the present time, when the Legislature is occupied with the inquiry, How best it may acquit itself towards the great mass of the community in the production of a comprehensive plan of Life Assurance for the Working Classes, I shall be glad to discuss the question, and offer some suggestions thereon. I do so the more readily, because I am convinced that there is a wide field of Life Assurance occupied by comparatively few institutions of a sound character, and that, therefore, there is the greater need for Government legislation on the subject.*

I have had great experience, during twenty-five years, in connection with benefit and friendly societies, in addition to other opportunities of studying the habits of the industrial population, both in an agricultural district and in town. I have also possessed opportunities of observing

* The interest at stake is represented by 20,000 to 30,000 societies. A failure of 7,000 or 8,000, or about 100 every year, causes a great amount of loss to old members.

☞ Mr. Salt says he could name scarcely any society in which a poor man might invest his small earnings with safety.

the working of the Poor-laws, as regards their operation upon the industrial and provident poor. That experience has tended to confirm my belief that some modification is desirable to secure a provision for them, and that a national system of Life Assurance, adapted to the necessities and enlisting the co-operation of masters and men, would be likely to effect a great social revolution in the lower orders of this country. It is mainly on these grounds that I would presume to speak on a subject which has occupied the attention of statesmen from the time of Pitt to that of the present Chancellor of the Exchequer. Other persons have, during this century, considered the system of life assurance and deferred annuities to be one of the easiest and most advantageous provisions that could be adopted by the working classes. Bills have, accordingly, from time to time, been proposed to Parliament to grant facilities for carrying out these objects.

Although these efforts have hitherto very partially succeeded, the fact still remains, that the life assurance and deferred annuities system (with a plan of health assurance, which may be easily combined), is in reality the only plan which offers to the class who live by wages the certainty of avoiding eleemosynary aid at some period of their lives, either from their becoming recipients of public or private charity, or from their being compelled to seek the more inhospitable succour of the Poor-law.

How few of the working classes are aware that in parting with a sum of eightpence to one shilling a week* in early life out of their wages, they may purchase for themselves in old age well-fed comfort; or, in the event of their untimely death, may leave to their father-

* See Table I.

less children and widows a small inheritance! They cannot too frequently be reminded of this fortunate circumstance, first, I believe, prominently noticed by Dr. Farr, in his letter to the Registrar-General, 12th Annual Report. He says, very justly, "that clerks, artisans, and the labouring classes generally, obtain salaries and wages, that is, incomes, much earlier in life than the higher professional classes." He shows, "that by setting aside every year (or say quarterly) a small sum, for eight or ten years after their earnings commence, they can *insure their lives, purchase a pension, and make provision in sickness*, before they are married, and thus leave the whole of their incomes after marriage free, to meet the increased expenses of housekeeping."

Before the beginning of the present century, life assurance doctrines were as little known and appreciated by the middle classes as they at present are by the working class. When we reflect that there is an enormous interest at stake, consisting of £100,000,000 capital, annual premiums amounting to £14,000,000, and a future life interest to the extent of £370,000,000, we may safely predict that a time will soon arrive when the industrial classes, in respect to life assurance, as in other matters, will imitate the example of the middle and higher ranks, and "make such a provision for the future as will be satisfactory to their own minds throughout life, preserve them from humiliation in old age, and, in the event of untimely death, secure, as an inheritance for their widows and fatherless children, a decent livelihood, instead of a life of anguish, infamy, and crime."

There are four main channels in which life and health assurance may be carried out, in each of which legislation may materially assist.

1. By a reform in the Friendly Societies Acts.
2. Through the medium of the Joint-Stock or Chartered Life Assurance Companies.
3. By the present Government Life Assurance and Deferred Annuities Bill, in connection with Savings-Banks.
4. By an amendment of the Poor-laws.

In the examination of these plans in detail, some important questions connected therewith must be briefly noticed.

One is the necessity of recognizing a difference in the words *poor* and *pauper*. Without some distinction of this kind, the honest poor may be confounded with professional paupers. This is a distinction too often lost sight of, which has thus led to frequent errors in legislation.

The other question for consideration is the unjust means, too generally adopted, of providing for sickness in the friendly societies and benefit clubs throughout the kingdom.

We will now examine the Friendly Societies Question.

REFORM OF FRIENDLY SOCIETIES NEEDED.

A reform of the three Acts* relating to friendly societies would be another means of improving the machinery for extending life assurance, and for affording protection to the vast amount of capital at stake.

It cannot be denied that great errors in the Friendly Societies Act remain to be remedied by future legislation. It would be very impolitic of any statesman to damage the position the friendly societies at present occupy, and

* 18 & 19 Vict., cap. 59; 21 & 22 Vict., cap. 91; 23 & 24 Vict., cap. 58.

weaken the hold they have upon the industrial population. Those who have duly considered the question of life assurance, and who are interested in the success and management of local friendly and benefit clubs, could not but welcome any reform in their societies, and cannot, with justice, offer any great opposition to that reform.

The objects and advantages belonging to well-conducted friendly societies entitle them to rank as some of the most valuable institutions of our country. Many responsible persons devote much time to their management, thus affording the greatest proof of our improving capacities for local self-government and organization.*

The anniversary of the society's foundation is now generally kept up as a well-spent holiday, not frequently as in former times, a day for riot and drunkenness. The audit of accounts, and the election of officers at the general meeting, bring out the powers of judgment of the members, whilst the social intercourse with the patrons and trustees of these institutions helps to break down the distinction of class. The dinners and public speaking (though apparently too trifling for serious mention) have a very important bearing upon the habits of all concerned, tending, as they do, to strengthen the character and train men up for higher duties in society.

ERRORS OF ASSURANCE IN SICKNESS.

We may here advert to a question that has never yet had sufficient attention given to it, viz.: How far is it

* On the part of the Government, any attempt, observed Mr. Roebuck, "to take from the people the management of their concerns, would only tend to make them helpless and incompetent to conduct business for themselves. Then, what would become of the greatness of the country?"

possible for those living exclusively by labour to attempt a mutual provision in sickness or in old age? The true answer to this is, that unless the improvident poor (who are too frequently the infirm and intemperate members of the community) be eliminated from the healthy working men, the resources and powers of the latter will be unfairly taxed in endeavouring to support the former throughout their entire life. The burden ought not to fall exclusively upon them, although the friendly societies' operations on a large scale are in a great measure attempting it.

In stating this, I wish to cast no unjust reflections upon the feelings and wishes of the working men. They may be convinced how futile would be their aim, by observing the large amount of rates levied for the support of the poor, in addition to public charity devoted to the same object, and the destitution still left unprovided for. How great must therefore be the resources required to grapple with such a benevolent but Utopian design! Yet the working classes have been flattered with an idea of their power of carrying out mutual support on an independent principle. It is, however, fortunately unnecessary for them to trouble themselves with such a gigantic scheme. The wisdom of our ancestors has established the great principle of our Poor-law, viz. : that of taxing the property of the wealthy population to insure the improvident poor against absolute starvation. We again refer to this matter in another part of this paper. (*See page 16.*)

I will illustrate this proposition still further, and point out the financial errors of assurance against sickness and infirmity in the Benefit Club system.

The idea of a society attempting to provide for sickness and infirmity, throughout life, of all its members,

by mutual co-operation, must be viewed as a philanthropic effort, only to be consummated at the expense of those who have had least illness, the longest life, and have made the fewest applications to the funds for their support! The evil would be made more manifest than it now is, in the failure of friendly societies, but for the medical certificate of health excluding many prematurely infirm members. Another cause by which this evil is alleviated is by members either being thinned out of the ranks, by exhausting whatever they are entitled to in sickness and death, or by their improvidence, causing them to fall into arrears before they become a heavy burden. It is a very rare occurrence to find many members of twenty years' standing. I have repeatedly known the most deserving old members (some of whom for twenty years have kept up payments sufficient to purchase independence in their old age) find themselves unable to keep up their club contributions. Thus the less deserving members of the society reap the benefit of the hard-earned savings of their more deserving but less fortunate brethren!

Very few societies have survived the entire life-period of their members, without showing the evidences of what I wish to prove, viz.: that the long-lived and frugal member places himself in an unfair competition with sickly, short-lived men. The former have contributed longest and receive back least, whilst the latter pay least and receive most from the society. In strict accordance with the assurance value of money, as a provision for old age and death, the very reverse of this should be the case. Other evils happen in the event of the society continuing solvent, for the oldest members in many cases drop off, being unable to pay, and thus lose the benefit of their prolonged

contributions ; or, should the old members keep up their payments, younger members are deterred from enrolling themselves in a society which has an undue proportion of old members, who appear likely to become a permanent burden upon its funds.

Few societies could meet their engagements if every member continued in it all his life, as he ought to do in a normal state of things. For a more equitable plan *see* page 18.

GOVERNMENT SUPERVISION.

The great need for supervision of societies under the Friendly Societies Acts, relates principally to the investment of the funds, to the nature of the calculations on which the contributions are founded, and to the audit of accounts. Most other matters may be safely left to the management of the members, whose capacity for administering their own affairs has materially increased during late years. The causes of the ultimate failure of many societies are found in the fact that the uneducated portions of the community attempt to divert the funds from their legitimate purpose, by indulging in various kinds of extravagant expenditure. The most enlightened and philanthropic members unfrequently form the minority, and they have not always sufficient determination to contend against the ignorant views of the less educated portion of the members.

The investments of the funds ought to be strictly guarded by parliamentary enactments, and not only should a legal authority be consulted, but the consent of trustees and a majority of the members be obtained.

An annual audit of accounts should be made by a

legally appointed and duly qualified actuary, who should have power to disallow any illegal payments, and compel the restitution of these, if necessary. I am surprised to find the Chancellor of the Exchequer looks upon this as an impracticable suggestion,* for we see parochial and other equally complicated matters so managed. Every secretary should be capable of drawing up an annual report,† and every member should be entitled to it gratuitously.

In establishing any new societies under the Friendly Societies Act, reasonable grounds should be shown to the Registrar for their stability, either by a sufficient number of bonâ-fide members, by a deposit of money as a security, or by the reassurance of the benefits offered to members in other societies of known solvency. This last-named is a method, practically, of easy adoption.

A distinct separation of funds ought to be legally insisted upon; that is to say, the Life Assurance and Deferred Annuities Fund ought not to be liable for sickness, or for expenses of management, the latter ought not to exceed a certain percentage of the contributions of members. For the sake of uniformity, and for general application, the calculations of tables should be taken from the English Life Tables published under the sanction of Government, wherein every kind of calculations on contingencies

* Mr. Gladstone says he is not aware of any plan by which the compulsory regulations of these societies can be undertaken by the Government, mainly for this reason—because it would be dealing with so large a body of secretaries, managers, auditors, and trustees, besides involving the interests of above one and a half million of men.

† It may appear an almost incredible assertion, that a Secretary of an institution could be found incapable of drawing up a report; but it is nevertheless strictly true, as may be seen by consulting the reports of the Registrar of Friendly Societies.

affecting human life may be found. This would obviate the necessity of employing special actuaries for each society.

It would be a great boon to members if they could have a legal claim, for restitution of a portion of their payments, in the case of lapsed policies. The practice hitherto adopted in clubs,* and in many life assurance offices, is manifestly unjust, but necessarily yields a large revenue to the societies.

The last point to which I would allude, is the custom of holding meetings of benefit societies at public-houses. This is an evil that cannot be prevented by legislation, but will be remedied in time. The more trustworthy and enlightened members now decline to hold offices in these societies; wives are also beginning to advise their husbands not to join societies which hold their meetings in public-houses, but to give preference to others which, by meeting at a public school-room, do not expose them to the temptations and expenses inherent in the public-house system.

AGENCIES IN JOINT-STOCK COMPANIES.

The Old Joint-Stock or Chartered Life Assurance Offices have, as yet, failed in extending their business with the industrial classes. The various benefits, and

* The Friend-in-Need Society reports 18,000 lapsed policies; the Royal Liver Society, Liverpool, 70,000, out of 135,000. This, in one year, exhibits a great loss to certain members, and proportionate gain to the society. Many cases of extreme hardness might be adduced, in which neglect in paying the premium for a few weeks has caused the forfeiture of the benefits arising from previous years of frugality.

undoubted security offered by them, might be supposed to have had attractions for these classes. The business transactions, although minute, promise to be sufficiently numerous, under simple organization, to be carried on with profit. I have not the least doubt, that when the operatives obtain a more perfect acquaintance with this subject, their prudent savings will become worth the attention and invite the competition of some of the well-established Life Assurance Companies.

One great help these offices would derive would be in the interest which the managers and partners of large business firms (who are themselves often directors and shareholders of Life Assurance Offices) would take in their working. It would be to their advantage to encourage the men in their employ to provide for physical infirmity, temporary sickness, and to make a permanent provision for old age. Such business, in the form of an agency of a Life Insurance Society, might be easily managed by a clerk in the firm, assisted by a medical officer, appointed to guard the interests of the company. This would soon bring a large amount of life assurance business to a well-established office, which offered liberal terms; and this in spite of the security guaranteed by the Government plan, or the more convivial attractions of the friendly societies' meetings. A few well-known firms who take an interest in the welfare of their *employés*, (and whose benevolent intentions, if carried out and appreciated by those engaged in their service,) would soon succeed in establishing a creditable and permanent bond of union between employer and employed.

The Government might favour life assurance in connection with the present offices, by offering the privilege of

policies under £100 free of stamp duties, or the deferred annuities under £20, also free of stamps, as it at present does with societies under the Friendly Societies Acts, or proposes to do under the Government Assurance and Annuities Bill.

AN AMENDMENT OF THE POOR LAWS NEEDED.

When we look into the condition of the poor of this country, we find two distinct classes. These, I maintain, it would be desirable to recognize, if possible, as distinct.

There is a class of persons to be found who live only for their present gratification, and never think of a time when sickness, accident, or old age, may cut off their ordinary means of support. They are unable or unwilling to provide out of their present earnings a store for the future, and habitually neglect the means of warding off the destitution that awaits them. They form the true pauper class; they make up the mass of the improvident, vicious, and criminal poor; and they are a constant burden to the poor-rates. The other class of persons who become poor from causes beyond their control, are the once independent and industrious working men, who have struggled for years to maintain large families. We must include the widows and children of these men amongst this class. We may suppose their husbands and fathers to have been cut off by preventible disease or accident, thus depriving them of support. Amongst these we find ruined tradesmen, and other persons, who have fallen from affluence into poverty, and who were once themselves ratepayers.

These, too frequently, are compelled to associate with professional beggars, the victims of drunkenness, and criminals.*

To eliminate this latter class, has always been felt by guardians and magistrates to be a desideratum in the administration of the Poor-laws. Believing as I do, that a large number of poor are entitled to a more honourable means of existence, I wish to propose a plan by which their impending fate may be avoided. This I shall do by pointing out the means by which they may claim exemption from the harsh operation of the Poor-laws.

The methods by which this object may be accomplished are twofold. One would be to allow a credit for all previous contributions to the poor-rates, on a calculation, which could form a fund for those *who, falling into a state of poverty,* may claim certain exemption from the laws applicable to paupers. In pleading poverty, on certain conditions, it would be possible for them to have an honourable claim without any violation of independent feeling or humiliation to themselves. The other method would be to allow this fund to be open to all persons, who, by a trifling outlay in early and middle life, would be thus enabled to secure *an absolute claim in the case of poverty.* Any neglect or refusal to adopt some easy means of escape from becoming chargeable to the poor-rates, would cast a just stigma upon most of those who subsequently become paupers.

* The extent of poverty and destitution in the streets of London and large towns is made up of a high percentage of those who prefer voluntary starvation to the application for relief, in its present form. The annually reported deaths from starvation alone scarcely give an idea of the numbers who are constantly suffering and dying from want.

A PLAN OF PROVIDING FOR SICKNESS ON EQUITABLE PRINCIPLES.

We have yet to point out how Life Assurance may combine Health Assurance, and how it may be equitably carried out in practice.

For instance, Mr. Gladstone's plan, or ordinary Life Assurance Offices, offer for quarterly premiums—1st. A specific sum payable at death. 2nd. A pension or sum commencing at 60 years of age. 3rd. A return of a certain sum of money in case of discontinuance of payments.

Thus, even payments of 6d., 9d., or 1s. a week beginning at the age of 20, purchase a certain sum at death, or insure a pension at 60 years of age, as shown by Table I. ; or (as shown in Table II.), an even sum of £50 or £100 at death, and a pension of £10 at 60 years of age, is assured by certain annual or quarterly payments.

Besides these two plans of taking out a policy, an assurer may choose a third, viz., that of paying only for a fixed number of years, say 15, the sum of £1 for life assurance, and £1 for a deferred annuity, which, at the age of 20, will secure £49·091 at death, or £12·377 annuities (*see* Table III.), beginning at 60. In whatever way the parties may decide, after two or more years' annual payment, the policy has a well-known increasing value.

I propose that a policy holder may demand, on a notice being given to a secretary, manager, or agent, a weekly sum in proportion to the value of the policy (*see* Example in Table IV.). The demand being granted on the security of his policy, would have to be accompanied by some agreement for repayment, or become liable for deduction from

any future prospective claims. These sums advanced on small policies as loans, at the rate of from 1s. to 1s. 6d. a day, might be granted to members who require them, for periods varying from 2 to 20 weeks; the total amount of them far exceeding the average duration of sickness in the life of a healthy man. The application ought to be accompanied with a medical certificate or other statement showing inability to earn wages. This plan is also applicable to any other exigency which from the bye-laws of any societies may arise.

This system, besides being an equitable one, has many advantages over the old plan of providing for sickness. It is but right that each member should rely on his own merits, and it gives to each the full advantage of his own energies, his own good health, temperance, and prudence.

He has likewise a constant motive before him for endeavouring to avoid accident, loss of time, and secure work. The old system offers no special incentives for honourable exertion, good resolutions, and self-reliance; but generates a feeling of dependence upon others, and favours the intemperate and improvident, who are, in a pecuniary sense, the gainers.

Another advantage is this,—where the above-mentioned benefits are secured in a respectable office, which offers either a sum at death or an annuity beginning at 60, it may happen that the contributors may be unable to keep up the latter payments. An investment of this character would then be looked upon by the relatives of the assured as something of considerable value, and would render them willing to undertake the responsible charge of an aged relative.

How many masters would rejoice to see some faithful

old servant, in his latter days, thus provided for! Many would advance £10 or £12 a year for the remainder of a life, on the security of a policy for £100 in a good office.

Many offices would act unwisely in refusing business of this kind, which could be readily transacted by agents, in connexion with large firms.

Some of the following examples of Life Assurance, Annuities, Sickness, Allowance, Claims on Loan, are taken from the elaborate English Life Tables, calculated under the superintendence of Dr. Farr, and published in the 12th Report of the Registrar General's Returns.

The Tables are simply offered as examples suitable to persons of small income, and intended to show the various modes in which provident savings may be invested.

Having thus passed in review the principal topics affecting Life and Health Assurance for persons of limited means, I conclude by expressing an opinion that the Bill of Mr. Gladstone will be a very acceptable, but that it must not be regarded as a final measure.

There is a general feeling, in which I fully concur, that the condition of the Friendly Societies is capable of improvement, and would be benefited by Government supervision.

I believe, also, a still further development of the Life Assurance system will enable the Guardians of our poor to offer to the large class of industrious and provident persons a form of relief which they may accept without the slightest feeling of humiliation.

MAUDE COTTAGE, 70, MORNINGTON ROAD,

April 8, 1864.

TABLE I.

Showing the Sums at Death, or Annuity at 60, that a Weekly or Monthly Payment, commencing at the Age of 20, will Assure.

	6d. a Week.	1s. a Week.	1s. a Month.
	£. s. d.	£. s. d.	£. s. d.
Sums at Death ...	65 5 6	130 11 0	30 5 0
Annuity at 60 ...	11 17 0	23 14 2	5 11 4

TABLE II.

Showing the Annual Sums required, commencing at 20 Years of Age, to Assure for

£50 at Death.	£100 at Death.	£10 per Annum after 60.
£. s. d.	£. s. d.	£. s. d.
0 19 0	1 18 0	1 0 5
Or if Payable for 20 Years only	Or if Payable for 20 Years only	If Payments are returned in the event of Premature Death
1 3 4	2 6 8	1 6 11

TABLE III.

Showing what a Fixed Annual Deposit for 15 Years, of £2 (£1 for Life Assurance, and £1 for the Annuity), will Assure if commenced at the Age of 20.

An Annuity of			Sum at Death of			Sum that may be Borrowed or Withdrawn.		
£.	s.	d.	£.	s.	d.	£.	s.	d.
10	2	8	38	5	3	16	16	6

TABLE IV.

Showing the Amounts that may be Borrowed at Interest, or Withdrawn after a given number of Years, on the Security of a Policy for £100.

	After 2 Years.	After 3 Years.	After 5 Years.	After 10 Years.	After 20 Years.
	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.
Age of 20...	1 4 0	1 16 0	3 0 0	6 0 0	12 0 0

In addition to Bonuses, or other advantages, that many Offices may offer.



