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Le vocabulaire technique de l'assurance sur la vie

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DOCUMENTS

Le vocabulaire technique de l'assurance sur la vie.

134 Nous avons mentionné, il y a quelque temps, la formation d'un comité chez nos voisins du sud, destiné à étudier le vocabulaire technique de l'assurance sur la vie. Ce comité s'intitule *Committee on Life Insurance Terminology* et il fait partie de *The Commission on Insurance Terminology of the American Risk and Insurance Association.* Son programme est tracé en marge de cet exergue: « *Dictionaries do not make the language; language makes the dictionaries* ». C'est-à-dire, en somme, la langue est une chose vivante, qui évolue, tandis que le dictionnaire se contente de retenir le sens des mots à un moment donné. Ce n'est pas le dictionnaire qui fait la langue, affirme-t-on, c'est elle qui s'affirme. L'intention du comité, c'est d'exposer le sens de certains termes techniques qu'emploie l'assurance sur la vie. Dans un premier article paru dans *The Journal of Insurance*, sous la signature du professeur David A. Ivry et sous le titre « *Historical Development of Some Basic Life Insurance Terminology* », le comité présente la discussion qui a porté sur les points suivants:

« *1. Is « Life insurance » a good generic term?*

« *2. Should « annuities » be bracketed within « life insurance » in a generic sense, or should annuities be considered as separate from life insurance?*

« *3. Are the terms traditionally used to describe the various types of life insurance, namely, « ordinary », « group », and « industrial », good terms?*

« 4. What is appropriate terminology to distinguish between group and other forms of life insurance ?

« 5. What is the proper terminology to describe the life insurance field man who contacts the public ? »

Peut-être certains de nos lecteurs voudront-ils exprimer leur opinion, comme les y invite le très dynamique président du comité, M. S. S. Huebner, qu'on retrouve un peu partout dans les mouvements où s'affirment aux États-Unis les initiatives théoriques de l'industrie de l'assurance. Afin de le leur permettre, nous reproduisons ici le texte du professeur Ivry, avec son autorisation et celle du *Journal of Commerce.* (N.D.L.R.)

One of the responsibilities assumed by the Editor of the Committeee on Life Insurance Terminology is to conduct research on the historical development of basic life insurance terminology. This article reports some of the findings. The terms to be discussed are these : Life Insurance, Annuity, Ordinary Life Insurance, Industrial Life Insurance, Group Life Insurance, Life Insurance Agent and Life Underwriter.

Life Insurance

When did the specific term "life insurance" originate ? No precise answer to this question is available. The combination of the insurance mechanism applied to the subject matter of human life appears to have evolved quite naturally over time.

It has been aptly stated that "the origins of life insurance are obscured in the mists of antiquity." Life insurance historians are in agreement that the concept of protection against loss of human life values may be traced to ancient civilizations — to ancient Babylon, Greece, Rome, and China. Some historians claim that the earliest type of insurance on lives was on slaves. These early precedents to modern life insurance were extremely crude and bear but the slightest resemblance to life insurance as currently practiced.

Life insurance in crude form existed during the Middle Ages. The Guilds had as one of their major purposes the relief of members and their families in time of distress. Burial benefits were part of the program. The Friendly Societies that followed the Guilds in England continued granting this form of protection.

By the sixteenth century, marine insurance had been firmly established in England. The insurance, of course, was written by individual underwriters. As a natural development from marine insurance, private underwriters began to issue policies insuring a ship captain against capture or death on a voyage.

136 Mention must be made of the most famous of early life insurance policies. On June 18, 1536, a one-year policy was issued on the life of William Gybbons. Gybbons died on May 29 of the following year. The underwriters refused to pay on the technical plea that the insured did live twelve full months, accounting at the rate of twenty-eight days to the month. The court ruled against the underwriters and enforced settlement of the claim.

In 1699, a life insurance association was founded in England known as the Society of Assurance for Widows and Orphans. The association was to be limited to 2,000 members. It was assessment in character and mutual in organization. There was selection of risks by the trustees and a written policy was issued to members. The Society lasted only a short time.

In 1706, the Amicable Society for a Perpetual Assurance Office was founded. The founding of this company marked the beginning of the end of the dominance of individual underwriting of life risks. The Amicable offered insurance for the whole of life instead of for a temporary period. However, the permanent policies did not have a fixed face value.

It may be said quite properly that modern life insurance dates from the founding of the Society for the Equitable Assurance on Lives and Survivorships in 1756 ("Old Equitable"). The company offered whole life, level premium insurance for a fixed face amount. The premiums were graded according to age at entry, and the policies were participating in nature. Policy provisions included a period of grace and reinstatement. The "Old Equitable" issued its first policies in 1762.

In 1759, the first life insurance company was formed in America. This company was organized by the Presbyterian Synods in New York and Philadelphia for the purpose of insuring the lives of their ministers. The Presbyterian Ministers' Fund issued it first policy in 1761.

Annuity

The concept of annuities goes back to Roman times, if not earlier. There is definite historical evidence that the first mortality table was used for annuity arrangements — the Ulpian Life Table, constructed by Praetorian Prefect Domitius Ulpianus. Annuities were first granted in England in the early 16th century.

The term "annuity" was used by John Dewitt in the seventeenth century. He wrote a *Treatise on Life Annuities*. The word, annuity, is clearly derived from the Latin "annus" (a year).

A definition of an annuity was set forth by Sir Edward Coke while sitting as Lord Chief Justice of the King's Bench. This event occurred in the early part of the seventeenth century. Lord Coke defined an annuity as "a yearly payment of a certain sum of money granted to another in fee for life or years, charging the person of the grantor only." This concept has persisted with some modifications and is the foundation of many definitions of our American courts.

Ordinary Life Insurance

There are few, if any, terms in life insurance terminology that are as widely criticized as *ordinary life insurance*, the major segment of the life insurance business. Certainly the term leaves much to be desired. It has a poor connotation and does not adequately describe this major branch of the life insurance business.

How did this term evolve? Surprisingly, there is little reported as to the evolution of the term. All the basic reference books on the historical development of life insurance ignore this question.

The following explanation is suggested, for which the author is indebted to Mr. Malvin Davis, Senior Vice President of the Metropolitan Life Insurance Company.

Until the advent of industrial life insurance in both England and the United States, there was no need to have a word preceding the term "life insurance." In other words, the early companies sold *life insurance*. When the Prudential of England began selling weekly premium policies for small sums, while at the same time conducting their regular business, the need developed for differentiating between these two classes of business. A similar situation occurred in the United States when, in 1879, two going organizations — the Metropolitan and the John Hancock — also entered the industrial life insurance business.

The word "ordinary" has a number of definitions in everyday usage. One definition is *usual,* and the evidence seems to indicate that it was in this sense that ordinary came to be used in life insurance. When referring to the usual type of life insurance in contrast with the new, less important segment (industrial life insurance), the term "ordinary life insurance" came into vogue. Statistics clearly reveal that industrial life insurance *always* has been significantly smaller than ordinary when measured by amount of insurance in force.

A letter from the publicity manager of the Prudential of England to the Metropolitan gives some interesting information. When the Prudential of England began writing industrial insurance in 1854, the terms used to differentiate between the two branches were "industrial assurance" and "general assurance". The term "general assurance" appeared in the minutes of the company up to 1873. In that year, managers were appointed to take charge of the industrial branch and the *ordinary branch.* This appears to be the first occasion for the use of the term "ordinary" by that company.

Group Life Insurance

It is relatively simple to research the development of this term. Although there is some historical evidence of groups of lives being covered in slave trade days and of some experimentation by a German life insurance company in group coverage in the nineteenth century, group life insurance may be said to have been born in 1911. In that year, the Equitable Life Assurance Society of the United States issued a group policy to the Pantasote Leather Company, covering 121 employees. This occurred while negotiations were proceeding for a group contract for Montgomery Ward.

The policy form in connection with the Pantasote Leather Company was filed with the New York Insurance Department under the title "Yearly Renewable Term, Employees' Policy." The policy form filed with the Illinois Insurance Department in 1912 for the Montgomery

Ward case was listed as "Group Policy, Employees' Yearly Renewable Term."

The Equitable files disclose that the terms "group insurance," "group life insurance," "life insurance in groups," were used interchangeably in early discussions within the company relative to the Montgomery Ward case.

The term "group insurance" was used most frequently by the life insurance companies which early entered the business. As other forms of group coverage developed, the term "group life insurance" became standardized.

The definition of the term "group" was stabilized in 1917 when the National Association of Insurance Commissioners appointed a committee to study group life insurance and to report on acceptable standards for the business. The first standard definition was promulgated in 1918 by the N.A.I.C. and was subsequently adopted by many states. This definition has been amended several times over the years.

The term "group life insurance" is a most appropriate term for describing this segment of the life insurance business. It is a logical term within the framework of life insurance terminology.

Industrial Life Insurance

In contrast with general satisfaction for the term "group life insurance," there appears to be a great deal of dissatisfaction with the term "industrial life insurance." Certainly this term is not descriptive of a particular segment of the life insurance business. It is a term that leads to confusion both within the industry itself and with the general public.

Tracing the development of this term presents no problem. The term was adopted in England in the nineteenth century because the primary market for this type of insurance was the English industrial worker. This form of life insurance was a concomitant of the Industrial Revolution, designed to provide some minimum protection to industrial workers. The premiums were collected weekly at the homes of policyholders, and the insurance was for small sums.

The first British industrial life insurance company was founded in 1849. The company was known as the Industrial General. It remained in business for only a short time. In 1852, the British Industry Life Assurance Company was organized to write industrial life insurance exclusively. This company was eventually taken over by the Prudential of England.

The advent of the Prudential of England into the industrial field in 1854 marked the true beginning of modern industrial life insurance. The Prudential was a reputable ordinary company. In 1854, it began issuing policies for small sums to insureds from age 10 to 60. The premiums were to be collected weekly by company representatives at the homes of policyholders. A few years later witnessed the company issuing industrial insurance on the lives of infants.

Industrial life insurance began in the United States with the incorporation of the Prudential Insurance Company of America in New Jersey in 1875 (the company was known originally as the "Prudential Friendly Society"). Four years later, the Metropolitan and the John Hancock entered the field of industrial life insurance. The Metropolitan and the John Hancock until this time had been "ordinary" companies exclusively.