

# LAW AND CONTEMPORARY PROBLEMS

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## FOREWORD

Though "wage-earner's life insurance" is not a category to be found in law books or actuarial treatises, the reality of the division which it implies is vouched for by the existence of two great branches of the life insurance business which owe their origin chiefly to the special needs of the working classes. The legal, economic, and social problems raised by Group and Industrial life insurance have become as important as any in the whole field. Yet these forms of insurance continue to live a kind of footnote existence in the standard treatises. This neglect may be explained on a number of grounds—the humble status of the clientele involved, the inaccessibility of the relevant materials of research, the rapidity with which these branches of the business have developed. Perhaps it may be said that until recently the wage-earner's life insurance has been too busy being born to present problems. This is particularly true of Group insurance, which has only with the last few years become a significant source of litigation.

The present seems an appropriate time for a survey of the wage-earner's life insurance. The President has recently proposed measures for mitigating some of the "major hazards of life." Ambitious as is the scope of the legislation he has recommended to Congress, it does not include, except in an indirect and somewhat fragmentary way, those hazards against which the worker has hitherto found his only protection in a life insurance policy. The loss of family income through the premature death of the breadwinner and the financial loss which death itself brings in the form of burial costs remain in large part matters for individual initiative. Some insurance officials conceive that the program for social security may lead to a great expansion of the life insurance business by making the public "security-minded." However much hope may tincture this particular prediction, it is certainly true that there are significant points of interaction between the President's program and the existing institutions of Group and Industrial life insurance. If the aspirations contained in the program are realized they may so alter the status of the wage-earner as to affect the type of policy appropriate to his needs, and thus bring about fundamental changes in the insurance business. The government in its venture into new actuarial

fields may find itself retracing and perhaps profiting by the experience of the companies, usually miscalled "private," which now offer the wage-earner some protection against the hazards of life and death. In any event, an interest in the existing mechanisms of insurance protection should be increased rather than diminished by the President's proposals.

For the benefit of those unfamiliar with the nomenclature of insurance a word of explanation might be helpful. The life insurance business is customarily divided into three branches, Ordinary, Industrial, and Group. Ordinary and Group insurance are probably familiar. The term "Industrial insurance" generally proves misleading to the uninitiated. It is simply Ordinary life insurance, cut down and remodelled to fit a smaller purse. It is chiefly distinguished by the fact that premiums are paid once a week and are collected at the home of the policyholder. It is sold directly by an agent of the company—never through the employer. Since the premium collection system necessitates an accessible clientele and renders impracticable rural solicitation, it is chiefly sold to the urban industrial classes. In this sense only can Industrial insurance be said to be industrial insurance. This branch of the business now has outstanding in this country about eighty million small policies, totalling in their death benefits over seventeen billion dollars.

The term "wage-earner" as used in the title is not intended in any restrictive sense. What is meant primarily is the man with a small pocket book. The term was preferred to other expressions—"the poor man," "the lower income classes,"—because they seemed to have about them an inappropriate flavor of condescension or euphemism.

The content of most of the articles in the symposium is sufficiently indicated by their titles. In several cases, however, it is possible that the reader might be misled. Professor Patterson's article, "The Distribution of Wage-Earner's Life Insurance," discuss the various mechanisms by which the wage-earner has been provided with life insurance. It may serve as a general introduction to the symposium. A description of the way the Industrial life insurance business is conducted is contained in the article, "The Special Nature of the Wage-Earner's Life Insurance Problem," which also discusses the law peculiar to that branch of insurance. Though the article, "Group Life Insurance: Its Legal Aspects," conforms to the implications of its title by placing primary emphasis on legal problems, Professor Hanft brings out in the course of his discussion some of the respects in which this form of insurance fails to meet the wage-earner's needs.

L. L. F.