

IV.—*The Government Assurance and Annuity Acts, 16 & 17 Vic. cap. 45; 27 & 28 Vic. cap. 43.* By Michael John O'Shaughnessy, Barrister-at-law.

[Read Tuesday, 20th February, 1866.]

THE habit of Life Assurance is now almost universal among the wealthier classes, who every day appreciate its uses more and more; but unfortunately its benefits rarely reach the poor, who stand much more in need of them. The small premiums which they can pay; still more, the small sums in which those premiums must be collected, and the facilities for fraud and personation given by a number of small assurances, constitute difficulties impossible to overcome. A poor man has little or no property; his only capital is his labour, the profit of which diminishes as his need for it increases. The capitalist, as he grows old, enjoys the fruits of his accumulations; but the labourer finds that advancing years deprive him of the only capital he possessed. If he dies early, he leaves probably a widow and a helpless family without any means of support. If he lives long, he finds, as years roll on, that exhausted nature gives way under burthens which the vigour of youth hardly enabled it to support. Thus in many cases he is obliged to end his cheerless existence in the poor-house.

This unfortunate condition of those of the poor who have made no provision against sickness and old age has long been perceived, and many expedients tried to encourage thrift and frugality among them. Of these, the earliest were Savings' Banks—institutions, however, not very successful in this country, though aided considerably by the Government. But it is chiefly through Friendly Societies that the labouring classes endeavour to provide against the chances of the future; and were they well-managed, no organisations could be more beneficial. Through their agency a member can assure a sum payable on his own death or on that of his child, or to defray the funeral expenses of any member of his family; or, again, he may provide for his own relief or that of his family during sickness or old age. No doubt, these and other similar objects are highly beneficial; and if they were carried out fairly and effectually by the associations for the purpose, any interference on the part of the Government would be not only unnecessary but highly injudicious. But, unfortunately, the greater part of them swallowed up the earnings of the poor, without giving them any adequate return. Their management, depending as they do on the most complicated probabilities, would tax the ability of the most skilful actuary; and we can hardly be surprised that it has broken down in the hands of ill educated men. Several Acts of parliament have been passed with the object of improving their constitution and management, but with very little success. In 1854, Mr. Sotheron Estcourt presided over a committee which framed an Act affording a legal basis to those Societies which chose to avail themselves of its provisions. Under its provisions a Registrar furnishes with rules, tables, and rates of

contribution, and registers as a legal association, any society desiring to establish itself on sound principles; and yet, out of the 30,000 Friendly Societies now supposed to exist in England, not much more than one half are registered. It is proved by experience that though most of them transact the business of assurance companies, it is impossible to make them adopt such rates as an actuary would certify; in fact, as a general rule, members, no matter what their ages, pay the same contributions. We cannot then be surprised to learn, on the authority of Mr. Tidd Pratt, that the majority of Friendly Societies see their end in twenty years. That is, the members find them bankrupt just as they begin most to need their assistance. But not only are these Societies defective in their organisation; they are also shamefully wasteful in their management. Their meetings are almost always held at a public house, and a monthly contribution must generally be spent on beer. In fact, publicans are often the originators of these societies. We also find that charges for feasting, processions, banners, ribbons, aprons, and personal decorations are frequent. No wonder that during the last ten years about 10,000 Friendly Societies have failed, depriving hundreds of thousands of the labouring classes of provision for the future.

I have taken these details chiefly from the report of Mr. Tidd Pratt, but I am sure that if the report of Mr. Griffin, the Irish Registrar, were published, we should have accounts of similar failures, and complaints of similar extravagance.

However much, then, we may object in the abstract to the interference of the State, and however injurious we may think its effects, all will agree that it was necessary to take some efficient measures to protect the savings of the poor, and to prevent their accumulations being useless to them in their old age. Impressed with this conviction, Mr. Gladstone introduced in 1864, and carried, amid considerable opposition, an Act (27 & 28 Vic. cap. 43) having this object in view. It is not, however, to be imagined that this was the first attempt to legislate on the subject. On the contrary, so far back as 1773 the comprehensive genius of Mr. Burke had devised and embodied in a Bill, which unfortunately never became law, a scheme enabling parishes to receive small sums from the agricultural and manufacturing poor, in consideration of which payments they were provided with a proportionate annuity after reaching fifty years of age. Had this act passed, the position of the labourer in these countries would have been very different at the present day. In 1829 a parliamentary committee investigated the subject, and in 1833 an Act (3 & 4 Will. IV. cap. 14) was introduced by Lord Althorp, to enable persons through the instrumentality of savings banks to purchase deferred annuities, varying in amount from £4 to £30, either by a single payment or by periodical instalments. This Act proved nearly inoperative, a result partly I think due to the want of an efficient machinery to make known and carry out its provisions, and partly to some injudicious conditions by which the purchase of annuities under it was hampered.

In 1853 another Act (16 & 17 Vic. cap. 45) was passed to facili-

tate the purchase of deferred annuities, and also to enable persons to assure their lives to an amount not exceeding £100. Those, however, wishing to avail themselves of this latter provision were obliged to purchase at the same time a deferred annuity. This condition naturally rendered the project of life assurance abortive, for few either wanted, or could afford to purchase, a deferred annuity and an assurance at the same time.

There was thus no clear and simple way in which a poor man could provide for his old age or for those dependent on him, until Mr. Gladstone introduced his bill in 1864; a Bill which, though purporting to be little more than an amendment of the Act of 1853, has for the first time brought the scheme of Government Assurance and Annuities home to the working classes. By this Act all restrictions are removed, and any one may now purchase an annuity, immediate or deferred, up to the yearly sum of £50, or assure for any sum over £20 or under £100. These limitations have been fixed to prevent the Government coming into competition with private assurance companies—a competition, however, which can never occur, on account of the low rate of interest the State can hope to realize in comparison with private individuals.

It was provided that this Act should not come into effect, until the tables on which it was to be based had been presented to and received the approval of Parliament. It was also enacted that all tables for payment at death should be calculated, so far as regards the interest of money, at the rate of 3 per cent. No such stipulation was introduced with reference to annuities, which accordingly we find have been calculated at one quarter per cent more. Either rate I think effectually precludes all possibility of loss to the nation.

The sixth section of the Act provides that the fund to be formed shall be sufficient not only for the payment of claims, but also for all the expenses of the system. Accordingly, to the net premiums the amount of which has been obtained from the English Life Table recently published, is added 20 per cent in case the premiums are payable more than once a year, and 10 per cent in other cases. The per centage of expense in well-managed assurance companies seldom exceeds 15 per cent, although large commissions are given to agents and others; so that, considering the low price of the Funds, and the cheap organisation which the State commands, I cannot but think that the loading of the premiums is excessive. It is a fault however on the right side, and if the Government find that their transactions are profitable, I have no doubt that they will either divide the profits among the assured by means of a bonus, or lower the rates charged.

Tables framed in accordance with these views were approved of by Parliament last session, and business commenced in England about six months ago. These tables are divided into two parts, the one giving the rates chargeable when the money paid is not to be returned, and the other when it is returnable. These now issued are for ordinary lives only. Persons engaged in dangerous or unhealthy occupations, such as miners, butchers, innkeepers, or publicans, cannot assure at the rates now published; but special rates are, I believe,

being prepared for their use. The system now being introduced has many advantages. First, there is the absolute and direct guarantee of the Government for every penny promised to be paid; and the value of this security cannot be over-estimated. Again, although the rates charged are dear—a result inevitable from the lowness of the Government rate of interest—this is more than compensated for by the facilities given for the receipt of premiums, and the payment of annuities as they become due—facilities such as no private companies could afford. Premiums are receivable every week, month, or year, as may suit the convenience of the contractor. They may be paid even in such small sums as 2s at a time. Assurers can arrange that payments will cease at sixty, if they think that about that time their physical strength and therefore their means of payment will decline.

Let us now take some illustrations from the tables—say the case of a tradesman in his twenty-fifth year, who wishes to assure £50 at death. To effect this, he may pay once and for all £20, or annually till his death £1 os. 5d. He may perhaps prefer to pay 2s. monthly, which will assure him about £53 at death. Again; it is surprising how soon a labourer in the decline of life wears out. Those who are employers on a large scale must be aware of this, and nothing can then be more deplorable than their fate. Take one of this class, now aged twenty-five, and willing to pay one shilling a week till his fifty-fifth year, at which time his physical powers will begin to decline. By that payment, small as it looks, he becomes entitled to £1 a month from fifty-five till the end of his life. Take, as another instance, an artizan marrying in his twenty-fifth year—the most usual age among the working classes—and wishing to assure his life. At present he cannot afford much, so he begins with 4s. 1d a year, for which he assures £10 at death. At thirty he can increase this payment to 14s. 5d, and thereupon his policy rises to £30. At forty he can afford 30s. annually, and he then secures £55 payable immediately on proof of death. This power of gaining a proportionate benefit from every increase of payment, no matter how small, is I think a great advantage. The sums which I have mentioned are such as the most indigent of the working classes could afford without difficulty. They would probably be saved from the public-house, where many of them spend ten times the amount during the year. Consider now female servants, persons during great part of their lives accustomed to a considerable degree of comfort, but who are generally the most destitute of all during their old age. At present, although most of their wants are provided for, their savings can hardly reach a sum sufficient to guarantee them against want when no longer fit for service. For this class the system of deferred annuities is eminently beneficial. For instance, a female servant in her twenty-fifth year, by paying £1 a quarter, may obtain when she has reached fifty an annuity for the rest of her life of about £13—a sum quite sufficient to keep her from want. If, as she advances in years, her wages increase, she can add by small payments to this provision. We find, by another table, that £40 paid down

in her fortieth year will secure a female £10 per annum from her sixtieth year till her death.

Let us now look at the Tables in which the money given will be returned, if the contingency to guard against which it has been paid never arises or has not yet arisen. Under this scale, the tradesman taken as an example above, who by paying one shilling a week from twenty-five to fifty-five, secured £1 a month for the rest of his life, would receive 16s. 6d. a month, or about 4s. a week; and, if during that period, he had desired to have the money he paid returned, it would at once be given to him—without interest, however. Or, if he died before reaching the age of fifty-five, his family would receive the benefits of all he had accumulated. This method, it will be observed, combines the advantages of a provision for old age with those of an assurance against an early death.

The servant, again, above mentioned, might wish to have her savings back in case she was being married, and the reservation of this power over her payments would only reduce her deferred annuity by £2; that is, from £13 to £11 a year.

The increased value of female life, so long known to actuaries, is well exemplified in these tables. Thus, a man aged sixty-five can purchase an immediate annuity of £10 for £88, while a woman should pay £103 to secure the same annual sum.

Instances of the beneficial application of this Act might be multiplied indefinitely. Any one examining the tables from which I have just quoted, will find that all contingencies depending on life are carefully provided for; and in a manner so simple that no explanation is needed. Every expense is included in the premiums payable—not only the cost of medical examination, but even that of the correspondence and papers necessary to carry out the contract. All the purchaser has to do is to prove his own age—a matter generally of no expense. Another great advantage of this measure is the popular and universal agency by which it is worked. It was here that former Acts chiefly failed—the mass of the people were ignorant of their existence. But Mr. Gladstone, developing the happy idea by which he availed himself of the machinery of the Post-office to establish and at once to popularise Savings' Banks, has adopted its organisation for his present scheme. Thus, in every part of the country, no matter how remote, is established an agency—cheap and effective—where annuities can be purchased, and assurances effected. The working man has only to go to the nearest post-office opened for the purpose, and answer a few printed questions as to his age, employment, health, &c. He is then handed over to the doctor, and if his report be satisfactory, the contract is at once concluded.

I have thus endeavoured, however inadequately, to explain and illustrate the provisions of a measure which will eventually, I am convinced, strike deeper at the roots of pauperism than any Act which Parliament has yet passed. The number of paupers in England is about one million. These consist for the most part of old persons—now, indeed, incapacitated from work by age or sickness; but who during many years earned an excellent livelihood. Who can doubt

that if this act had become law a generation ago, many of these unfortunate creatures would now be in receipt of a comfortable income in their old age—the reward of early frugality and self-denial? The poorer classes are often accused of carelessness and improvidence, and no doubt there is some truth in the charge, though the popularity of Friendly Societies shows that there exists a widespread desire to provide for the future. This improvidence, however, is very much due to the fact that the poor man sees that any sum he can put together, however useful for temporary wants, will prove entirely insufficient as a means of support. Show him that by saving a sum so small that, in the days of his vigour and prosperity, its payment will hardly be felt, he can make a certain provision against failing health and strength, and you will find him eager to make the necessary sacrifice. Thus, at the same time, the labouring man will be elevated by the consciousness of an independence won by his own exertions, and the rich be relieved from the burthen of their support.

The members of this Society will, I am sure, be surprised when I inform them that an Act so beneficial in its tendencies has not yet been brought into operation in this country, and that no time has been fixed or steps taken for that purpose. Yet in England it is being carried out with the greatest vigour, and, I believe, success. In almost every number of the *Times* I see notices of offices opened for the purposes of this Act, and already the handbills of the Post-office have been translated into Welsh. What makes this fact the more strange is that the Act is an Imperial one, and contains provisions with reference to the jurisdiction of Quarter Sessions courts, which could only apply to Ireland. It is bad enough surely that many excellent Acts do not extend to this country; but it is intolerable that those which do include it are not brought into operation. I have said that the tables quoted are based on the English Life Table published under the authority of the Registrar General, and it may be urged as an excuse for the non-extension of the act to Ireland, that the vital statistics of this country are not so complete as in England. This is doubtless true; but, in the first place, this backwardness is not our fault, and it would be hard that the Government should first neglect to establish in Ireland those registries which now exist in every civilized country, and should then, taking advantage of this want, exclude her from so beneficial a measure. Moreover, our vital statistics are rapidly improving, and the registry of births, deaths, and marriages being now compulsory, it will soon become easy to construct life-tables for this country. In the second place, this objection has in reality little weight, for we know that Assurance companies charge the same premiums here and in England, and no one imagines that their profits are less in the one country than in the other. There are, besides, special facilities for the development of such a scheme in Ireland. The chances of fraud and personation here would be much less than at the other side of the Channel, for we unfortunately possess none of those hives of industry in which a man's identity is so soon lost. Neither, I think, are our working population so migratory as in England. Thus;

take a case put by Lord Stanley in one of the discussions on this measure. "John Smith, born in Glasgow, a mechanical engineer, emigrates thence in search of employment, goes to Manchester, and passes some time there, and then comes to London where he remains for the rest of his life. Then it is alleged that John Smith of London has died, and his assurance money is claimed." Such a case as this presents considerable difficulties, and Lord Stanley was doubtless right in saying that you will have some trouble in tracing the identity of John Smith. But its occurrence would be much less frequent in this country than in England. Again, the system of Dispensary doctors, so long and so widely applied in Ireland, would render the expense of medical examination a mere trifle in each case.

Mr. Gladstone stated, in one of the discussions on this measure, that although the ascertainment of the value of life in the upper classes was a matter of considerable difficulty, in the case of the labouring man it was one of very simple calculation; the only points on which information was requisite being age, employment, and habits. These are matters which in our rural districts, and even in our towns, could always be easily ascertained.

I have shown what great facilities exist for the application to Ireland of this Act: need I prove how peculiarly necessary it is for this country? If it be true that Irishmen are wanting in forethought and prudence, is it not then the more our duty to cherish those qualities by every means in our power? They are deficient in sobriety: shall we not then apply to them a system so well calculated to make them sober and industrious? It is acknowledged that the poorer classes in this country are discontented with the Government; that they cannot be joined to it by the weak ties of a sentimental loyalty. Is it not then the plainest duty of the statesman to attach them to it by the strong bonds of material interest? So long as a man lives only from hand to mouth, labouring merely for his daily support, and careless of the future, he will never be a peaceful citizen, and will easily become the prey of the revolutionist. But if he has saved money; above all, if he has invested his savings in the securities of the State, and knows that their value depends on the existence of order and tranquillity, he is transformed at once from an enemy to a supporter of order and good governments.

But it is not only to the labouring classes that the extensive adoption of such a measure would prove beneficial; the whole nation would be greatly a gainer. Its wealth and prosperity depend on the general stock of industry, which would be largely increased. The poor rates in this country are so heavy as to materially depreciate the value of house and landed property. Yet many of those who are now supported by public charity would have been both willing and able to have paid their two shillings monthly when they enjoyed health and prosperity, and thus have spent their old age with comfort amid their family and friends, instead of in the solitary poorhouse. In this city the poor rates are very high, and if any one visits the gloomy institutions maintained by them, he will find the majority of their inmates to consist of old servants and

tradesmen, who could easily have laid by a sum sufficient under the present scheme to support their declining years.

This measure, if it gains all the popularity which I anticipate for it, will have several indirect effects which I have not time to mention. One, however, is so important that I shall briefly call attention to it. I think that for some years at least it will materially influence the price of the funds. All money received on account of assurances and annuities will be invested in the public securities, and Mr. Sheridan stated in the House of Commons that if Friendly Societies were superseded by the Government measure, its receipts would amount to at least £30,000,000 per annum—a sum constantly increasing. For twenty-five or thirty years its disbursements would not at all be proportionate. Suppose, then, that during thirty years the receipts of the government averaged £30,000,000 and its outgoings £10,000,000 annually, I find that the amount accumulated at the end of that period, improved at compound interest, would reach £900,000,000, or £100,000,000 more than the entire National Debt. But that is not all, for as the Government does not expect or desire to make any profit by these transactions, that enormous sum should soon after its accumulation be repaid to the assurers. Calculations such as these prove how vast is the measure with which we are now dealing, and how remotely its effects may be felt. I cannot but think, however, that Mr. Sheridan's statement was much exaggerated; but even allowing for this, it embodies a very great objection. Few would like to see the Government owing the working classes even £500,000,000 at the end of the present generation. I perceive that Mr. Gladstone has introduced a Bill this Session, with reference to the investment of Savings Bank funds, and the creation of two and a half per cent annuities. The provisions of this measure I have not seen; but it strikes me that it may be a step towards obviating the difficulties I have mentioned.

In conclusion, I shall only express a hope that the Government will at once extend to Ireland a measure so beneficial in its tendencies and so necessary at the present juncture.*

DISCUSSION.

Mr. MOWATT said that the evils of Friendly Societies in Ireland were much greater than Mr. O'Shaughnessy seemed to be aware of. Not one-fourth of them were registered, and the system of dividing all the capital at Christmas, and making the same rate payable by everybody, ruined them. It frequently happened that in order to obtain £10, the amount insured upon a husband's death, his wife had to take out administration, which would cost nearly all the money. But he did not believe that the Government system would do all that was required unless it provided for the payment of money in sickness, and that was a measure he believed no statesman would sanction. There were insurance companies, however, in existence,

* Since the date of the above paper the Act referred to has been brought into operation in Ireland.

which, at smaller premiums than the Government system required, granted insurances and annuities on a small scale.

Mr. LITLEDALE said that, from his official connexion with the Registrar-General of Friendly Societies in Ireland, he felt a great interest in the paper. It was true that but a fourth of these societies were registered. The present Registrar had endeavoured as much as possible to impress on them the judiciousness of abstaining from the injurious system of dividing the funds at Christmas, and in some instances had succeeded in abolishing it.

Dr HANCOCK thought that where Friendly Societies had failed was in attempting to do more than they could. They were very useful for temporary purposes, and for bringing men together to take an interest in each other's affairs; but they were totally inadequate to provide funds for old age, which required a long trusteeship, and could only be done by such an institution as the Government of the country. The people of this country had not availed themselves of the Post Office Savings Bank system to anything like the extent that the people of England had. Great numbers still cling to the charitable Savings' Bank system. This was the reason, perhaps, why the addition of the life insurance and annuities department had not been made to the Post Office savings' bank system in Ireland; but he was sure that it was only to be asked for in order to be obtained.

Mr. ALEXANDER KENNEDY concurred in the views of Dr. Hancock.

The CHAIRMAN (Mr. HAUGHTON, V. P.) said that Mr. Mowatt had pointed out the great defect in the old system, when he spoke of the difficulties caused by the necessity for obtaining administration in order to get money due to a deceased person.

V.—*Banking considered with special reference to a strictly limited issue of Government Paper Money.* By David Ross, LL.B.

[Read Tuesday, 22nd May, 1866.]

I PROPOSE to bring under your consideration the subject of Banking with special reference to a strictly limited issue of Government Paper Money.

Since I gave to the Council of our Society the title of my paper, an unusual interest has been given to the regulation of our present monetary system, by the suspension of the Bank Charter Act now for the third time since its enactment in 1844. Both on this account, and because the recommendation I shall take leave to support before you depends in one respect for its acceptance on the soundness of the principles of the Bank Charter Act, I shall notice the nature of banking operations and the general principles of currency and banking, so far as their discussion is necessary to an intelligent knowledge of the provisions of the Bank Charter Act, and then briefly state