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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No.	1089	Press / Mis.
146-147.		146-147
Dated	19-5-	1875.

5/16

Not to be folded or roughly handled

Government Life Insurance Office.

No. 146. Read the following Proceedings of the Government of India, in the Financial Department, dated Fort William, 31st March 1875, No. 2029:—

Pensions and Gratuities.

Read—

A demi-official circular letter, dated the 22nd September 1873, and addressed as per margin, referring for consideration the questions cited below, as to the desirability or otherwise of the establishment by the Government of India of a system of life assurance mainly for the benefit of those natives of India who may desire to avail themselves of it :—

To His Excellency Mookhtar-ool Moolk Sooja-ood Dowlah, Nàwab Salar Jung Bahadoor, K.C.S.I., Hyderabad (Deccan).
,, Rajah Sir Dinkur Rao Rughoonath Muntezim Bahadoor, K.C S.I., Agra.
,, Sir T. Madava Row, Diwan to the Maharajah Holkar, Indore.
,, The Private Secretary to His Excellency the Governor of Madras.
,, ,, ,, Bombay.
,, ,, to His Honor the Lieutenant-Governor of Bengal.
,, ,, ,, ,, Punjab.
,, ,, ,, ,, North-Western Provinces.
,, ,, ,, Chief Commissioners of British Burmah, Oudh, Central Provinces, and Mysore.
,, Dr. George Smith, *Friend of India*, Serampore.
,, Henry Andrews, Esq., Calcutta.

If the Government of India were to undertake the assurance of lives of natives and others, that is, were to engage to pay a certain sum on the death of the subscriber in consideration of his paying a certain rate of subscription during his life, on the principle that has for long been adopted by private Companies for the assurance of European lives, would such a project be regarded by the natives as beneficial? Would it be considered by them as a benefit, as being a measure affording them the means of providing for their families, the said provision being insured by the security of the Government itself?

Ought the rates of subscription (premium) charged by Government to be fixed slightly in excess of the average of the rates charged by private Companies for European lives, or would it suffice for Government to charge for native lives the same rates as the average rates of European lives?

Do you think that much difficulty would be experienced in regard to the preliminary steps to the assuring of native lives by a Government Life Assurance Department, such as the proof of the age of the applicant, the obtaining satisfactory references from him, the medical examination, the regular payments of his premia, the evidence of his death, &c., &c.?

What amounts should you be inclined to consider the proper minimum and maximum for which any one individual might be allowed to insure his life, so as to secure to the poor native a pittance for his survivors, and the middle-class man a moderate competency for his family? For instance, it may be assumed that a minimum should be Rupees 500 and the maximum either Rupees 20,000 or Rupees 30,000; in other words, that a man should not be able to insure his life for less than Rupees 500 or for more than Rupees 20,000 or Rupees 30,000. Have you any suggestions to make in respect to these amounts?

Would you make all natives, both those in the Government service and those not in the service, eligible for life assurance by the Government?

Read replies to above.

Read also—

Minutes by the Hon. Sir R. Temple, dated the 22nd October 1872, 9th April 1873 with Appendix, 23rd June 1873, and 18th August 1873.

OBSERVATIONS.—The Governor-General in Council observes from the several replies received, that, while the advantages of a Government Insurance Office have been very generally recognised, various objections have been raised to the establish-

ment of such an institution in India. The chief of these may be classed as follows :—

1*st.*—The Government of India is not in possession of any sufficient statistics of the value of native life, and as European vital statistics could not be adopted for the natives of this country, it will be long before materials of the kind can be compiled: meanwhile, in the absence of this information, it would be impossible to construct the actuarial tables on which a system of assurances must be based.

2*nd.*—Even with accurate statistics of native life, the data for the ascertainment of the age of natives of the country are generally uncertain.

3*rd.*—The people themselves are not prepared for the practice of assurance; so that it would be inoperative beyond the Presidency towns and the comparatively small body of native gentlemen throughout the country who are accustomed to European ideas. The number who would avail themselves of the concession would therefore in all probability be infinitesimally small as compared with the public at large, and would not be such as to justify the constitution of an Insurance Office.

4*th.*—Unless the institution were largely resorted to, the cost of management would bear a large proportion to the income, and to guard the Government from loss on this account, and also on account of the uncertainty as to the value of native life, it would be necessary to fix upon a low rate of interest. This would prove an additional discouragement to assurance in a country where the people are accustomed to a high return for their money.

5*th.*—To start a scheme of the kind, which might either occasion loss to the exchequer or become abortive from its being unsuited to the state of the country, would cast discredit on the Government.

6*th.*—There would be special difficulties in the way of procuring the necessary certificates of death, and the inexpediency of any system of assurance by which a motive should be given for the shortening of life has been noticed by native gentlemen themselves.

7*th.*—In so far as the projected institution might be for Europeans or Eurasians, it would come into competition with existing Assurance Societies, and enter on a sphere which would not be the proper business of Government.

Before coming to a final decision, His Excellency the Governor-General in Council would be glad to receive the opinion of the various Governments and Administrations on the subject.

ORDERED that the foregoing observations, together with the minutes of Sir R. Temple, read in the preamble above, in which the scheme was first brought forward, be communicated to the several Local Governments and Administrations for the purpose indicated in the last paragraph.

(Signed) R. H. HOLLINGBERY,
Asst. Secy. to the Govt. of India.

Proceedings of the Madras Government, Financial Department,
19*th May* 1875.

No. 147. ORDER THEREON, 19th May 1875, No. 1089.

The Governor in Council is of opinion that it is very desirable to try the experiment of establishing a system of state Life Insurance in India. The first objection to the scheme, which is suggested in the above Proceedings, can be met by adopting at first a slightly higher rate of premium than would otherwise be necessary. It is doubtful whether the second objection really exists in respect of the classes of people with whom the State would have to deal in the matter.

2. The Government attach little weight to objections 3, 4, and 5, anticipating a ready response to the Government proposal, and that the business will grow rapidly.

3. Objection 6 is not, in the opinion of this Government, likely to prove more serious here than in Europe, and the abuse will be as easy of detection here as there.

4. This Government do not think that any preference shown by Europeans or Eurasians to the Government scheme as compared with private institutions can be deemed an objection to the scheme, when the great importance of encouraging these classes in habits of thrift by the assurance of a State guarantee for the stability of the investment is considered.

5. Ordered that copy of these Proceedings be forwarded to the Government of India.

(True Extract.)
D. F. CARMICHAEL,
Officiating Chief Secretary.

Exd. J. Wright.

Govt. of [1875] Madras.

FINANCIAL.

Dated May, 19th.

Issued

Recd.

G.O., 19th May 1875, No. 1089.

MAY.
Nos. 146—148.

Government Life Insurance Office.—The views of this Government expressed on the question of the desirability or otherwise of establishing a Government Insurance Office.

Govt. Life Insurance Office

146

5--

No. 2029.

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

Pensions and Gratuities.

FORT WILLIAM, *the* 31*st March* 1875.

Read—

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" The Private Secretary to His Excellency the Governor of Madras.
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" " to His Honor the Lieutenant-Governor of Bengal.
" " " " Punjab.
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Assistant Secretary to the Government of India.

Circulated

O. S. G. P.—No. 1113 C. F.—31-3-75—125.

Minutes by the HON'BLE SIR RICHARD TEMPLE *on Life Assurance by the Government in India.*

It has long appeared to me, on consideration of the results of Savings Banks established by Government in India, and of the aid afforded by Government to provident funds belonging to its own services, that, on similar principles, the State might proceed one step further, and establish Life Assurances.

2. Besides the well-known arguments in favor of life assurance generally, there is one particular argument in respect to the assuring of life by Government, in India, which is this: there would be many applications from natives of India; and every applicant who might be accepted for assurance would feel himself in some degree bound up with the Government. In my opinion it is well that the Government should, if it fairly and reasonably can, do that which encourages provident habits among important classes of its people, and also constitutes a beneficial tie between itself and them.

3. I feel sure that many, perhaps most, persons conversant with native thought and feeling would consider that if the natives had opportunity of assuring their lives on such security as that of the Government, they would avail themselves of it to a considerable extent, even at first; and the practice might increase indefinitely. If the business should assume ultimately important dimensions, it would really strengthen the hold of Government on certain classes of its subjects.

4. It is justly held to be desirable that natives should deposit their savings in Government Banks, and should invest their money in Government securities.

5. But if these things be desirable, how much more it is desirable that the natives should learn to set aside a part of their income to be paid to a Government Assurance Fund in consideration of a policy payable by Government!

6. Heretofore the natives have received almost no encouragement from the Government, or from their European fellow-subjects, in respect to life assurance. Those natives who belong to the service of Government cannot join the family provident funds aided by the State. If a native obtains admission to the covenanted civil service, he may, indeed, belong to the Civil Fund. But these cases are, as yet, exceptional. If he belongs to the uncovenanted service, he cannot belong to the Uncovenanted Service Fund unless he be a Christian. If he is in the army, there is no such fund which he can join. Again, until a recent year, about 1867, no Assurance Company accepted native lives. The first Company which did so was the Albert. I understand that it issued about one hundred assurances on native lives before it failed in 1870. At present I only know of one important Company (in the Bengal Presidency), the Commercial Union, which accepts native lives. Certainly the Companies, of which there are many in Calcutta, do not, as a rule, accept these lives. Whether they may see fit to do so, or whether they may any of them have begun actually, I cannot say. But I believe that there is no doubt of the general fact that natives cannot insure with the European Companies; and even if they had the opportunity, it is doubtful whether they would avail themselves of it. The falure of the Albert had this unfortunate circumstance, in addition to all other unhappy circumstances, that it impaired the confidence of the natives in life assurance. This Company, the first Company that accepted native lives, and that issued a certain number of assurances to natives, failed shortly afterwards. The same failure, too, caused wide-spread distress among Europeans in India, which the natives of course observed. About the same time, too, questions were raised about the safety of life assurance generally; and one conspicuous failure in England was much commented on in India, and must doubtless have been observed by the natives.

7. I have had the advantage of conversing with some educated natives who insured in the Albert. They say that confidence is shaken in respect to assurance on private security, but that assurance on public security, that is Government security, would be very acceptable to the educated classes of their

countrymen, and would be much desired by numbers among the native servants of Government.

8. The Government may well desire to give this material benefit, and this great moral stimulus to its own native servants,—a class who have special claims on it. But there is a class of natives rapidly growing in numbers, employed in a variety of non-official employments, who have acquired English education, and have, to some extent, abandoned their indigenous modes of thought in order to adopt our ideas, and this class has an almost equally strong claim on the good offices of the State.

9. These are the classes peculiarly bound up with our Government who would, no doubt, be the first to insure their lives in a Government Office. In all probability, their example would be gradually followed by other classes.

10. That assurance business conducted by Government would be safe financially is demonstrable by ordinary actuarial calculations. There are certain doubts, special perhaps to native lives, but these are not formidable.

11. There is in India a deficiency of those vital statistics which are now obtainable in respect to Europeans. This matter is, however, being attended to more and more in India, and, in due time, there doubtless will be vital statistics available. In the first instance, rates slightly above those of the approved European rates might be demanded on native lives in order to cover risk. The Albert used to ensure native civil lives at European military rates. The Commercial Union adopts, I understand, an arbitrary rate fixed somewhat in excess of the last-named rates. I cannot doubt that if Government desired to determine rates for native lives, it would easily arrive at a satisfactory conclusion.

12. It might, perhaps, be said there is more difficulty in proving exact age in India than in European countries. No doubt India is wanting in parochial registration. Still in all native families of the upper and middle classes there are family registers, horoscopes and the like, regularly kept up. Practically, the exact age can always, or almost always, be proved; and for the testing of approximate age there are the same facilities in India as in any other country.

13. Although, primarily, my recommendation has reference to natives, yet the principle is as good for Europeans, Eurasians, and all other British subjects in India. In regard to Europeans, Eurasians, and others not natives, there is the argument that the Assurance Companies are open to them, and that if Government undertook to assure their lives, it would be doing that which is already done by private enterprise; whereas by assuring native lives, Government would only be doing that which is desirable to be done, and which is not done by private enterprise. In regard to private enterprise in assuring European lives I should think that few impartial persons acquainted with the unmerited distress which befell so many helpless persons in India by the failure of the Albert could fail to desire that the recurrence of such a calamity should be prevented. Practically, one mode of prevention is to establish a Government Assurance. If it happens that, in a country like India, Government can do a particular business better than it can be done otherwise, then such an undertaking should not be barred by the mere argument of interference with private enterprise. If the argument were, however, admitted to any extent, then it might suffice to demand a higher rate than the average rate of the Companies. And it is probable that many European applicants would come forward to assure at the said higher rate for the sake of the better security.

14. I desire to submit my views to the Governor General in Council in this general form, on a matter which I have much at heart. If the proposal should find favor with His Lordship in Council, I could readily suggest all the requisite details.

The 22nd October 1872. R. TEMPLE.

On the 22nd October last, I wrote and submitted a note on the subject of Government Life Assurance. As I am not aware that any action has been

taken by the Government of India with regard to this note, or that the paper has been circulated, I venture again to bring the subject before His Lordship the Governor General.

2. I do this the more readily, because I perceive that there is likely to be less difficutly in regard to assuring the lives of natives than I at first anticipated.

3. There may, indeed, be some difficulty as to the vital statistics, but as to the wish of natives to become assured, there will, I now believe, be even less than I at first thought.

4. I could give several illustrations of this, but perhaps the two following will suffice:—

(1). The Insurance Company which was lately started in Calcutta under the name of the "Positive Government Security Life Assurance Company" had no sooner opened its office than it was obliged to telegraph to England for definite instructions as to the acceptance of native lives; so numerous were the applications made by natives.

(2). The *Agra Akhbár* of 30th October last noticed with approval a "movement set on foot by a body of philanthropic Hindoos of the North-Western Provinces for establishing a society to be called the 'Hindoo National Improvement Society,' with the object," among others, "of founding Hindoo Family Fund and Life Assurance Committees."

5. I submitted my note of 22nd October confidentially to Mr. A. Monteath, C. S., who has given a good deal of attention to the general question of annuities, and I now put up a memorandum* with which he was so good as to furnish me.

* Printed as an Appendix.

6. Mr. Monteath goes a good deal more into details than did my note of 22nd October, which was only intended to give a broad and general view of the question of Governmental Life Assurance.

7. Mr. Monteath's note supplies much valuable information, carefully collected, in regard to the system of insurance and annuities as carried on by the British Government through the Post-Master General. These matters of detail, however, it would, I think, be premature to scrutinise at present. But as I am not able to concur in some of Mr. Monteath's deductions, I may, perhaps, make the following remarks:—

8. In paragraph 2 of his memorandum, Mr. Monteath advocates insurance of a double character, (*i. e., against* life by agreement to pay in the event of death, and *for* life by agreement to pay annuities during the term of life) on the supposition that vital statistics being wanting in India, if the risks undertaken under each of the two heads be approximately equal, errors in the basis of calculation become of less importance.

9. But I do not think that vital statistics *are* altogether "wanting" in India: and there can be no doubt that this difficulty is much exaggerated; see paragraphs 11 and 12 of my note of 22nd October. And further, if there were errors in the basis of our calculations, I do not think that the risks undertaken under each of the two heads *would* be "approximately equal," so as to counteract the errors. The effect would almost certainly be that the assured would soon find out by experience whether it was most profitable to assure themselves for annuities during life, or for lump payments in the event of death, and would take up the one business only. It is as if a tradesman were to suppose that though his wines were priced too low, it would not matter, because his groceries were priced too high, so that what he lost on one commodity, he would gain on the other. Whereas the real effect would be that all his wines would be bought up, and his groceries left on his hands; whereby he would incur a double loss.

10. I agree with what Mr. Monteath writes in his paragraph 3 as to the advisability of limiting the amount for which Government should assure any one individual. The case of Government Insurance would, in many respects, be parallel to that of Government Savings Banks and Government Money Orders. All Government aims at in these undertakings is to put advantages within reach of the more needy classes, which advantages the latter could not without the aid of Government obtain. But Government does not wish to deprive Banks or Insurance Companies of their legitimate business, nor to encourage speculation, nor to undertake heavy risks: as, therefore, it places

limits on the amount for which it will grant any one money order, and the amount of deposit which it will receive into its Savings Banks from any one individual, so it should place a limit on the amount for which it will assure any one person.

11. Passing over the tables and other details given by Mr. Monteath, about which much might be said were it not premature to discuss them at present, I have next to remark on his paragraph 14. I cannot allow that we are in a position to make the broad statement that "money in the hands of a native in India will produce to him at least 12 per cent.," nor do I think the statement relevant. At least, it is just as much, or nearly as much, the case with Europeans as with natives. For 1 per cent. per mensem (= 12 per cent. per annum) is the regular rate for loans by the European mofussil banks on good security; and higher interest on money is obtainable by various means within the reach of Europeans as well as of natives. But we cannot conclude that therefore natives, as well as Europeans, would not avail themselves of Government Life Assurance. For the speculative transactions, whereby 12 per cent. return is obtained, require a comparatively large amount of capital to commence with; whereas the insurance would require only a small periodical payment. There is no reason why the two businesses should clash; and, for reasons indicated above and in my note of 22nd October, I do not think they would clash.

The 9th April 1873.

R. TEMPLE.

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1. Since my hon'ble colleagues all agree as to the general principle, it appears to me that the time has come for us to make some definite proposal, and I would address His Grace the Secretary of State accordingly.

2. I have had the prospectuses of the principal Insurance Companies in India collected and put up herewith. I also put up a comparative statement which shows at a glance the rates of premium charged by ten of the chief Life Assurance Companies for civil lives and without profits, both for a whole life and for a term of years.

3. The first point of vital importance to be determined is the rate of premium which should be charged by Government in its Life Assurance Branch. There is much disparity in the amount of the premia charged by the various Indian Offices; but for the most part, they range, in the case of a man assuring at 30 years of age, between Rs. 35 and Rs. 37½ per annum for Rs. 1,000, or £3-10 and £3-15 for £100.

4. Now, if we look at the amount of new assurances effected by the various Companies (which may be taken as a rough test of the acceptability of the rates of premia charged by them), we shall see that the three Companies which head the list are the Standard, the North British and Mercantile, and the Royal, whose premia are, for the whole term of life commencing from 30 years of age, as follow for Rs. 1,000:—

		Rs.	A.	P.
Standard		37	8	9
North British and Mercantile		36	0	0
Royal		35	15	0
	3)	109	7	9
Average ...		36	7	11

or say Rs. 36⅓ average.

5. But further it is to be observed that, neither do high rates of premium always drive business away, nor low rates attract it. For the fourth on the list is the Liverpool, London and Globe, which charges a life premium of as much as Rs. 40, commencing at 30 years of age, while the Universal, which charges Rs. 35, is only eighth, and the London and the Lancashire, which charges only Rs. 34-10-8, is tenth on the list.

6. The plain fact is, that Insurance Companies are started, and insurances therein are effected on this axiomatic basis. The Companies, having regard to the profits which they desire to make, look—

(1) at the means at their disposal to obtain such profits by investments of parts of their accumulated fund of premia at compound interest, and so forth:

(2) at the amount of premium which they must charge their constituents in order to make up the deficiency between the profits made by investment as above indicated, and the profit which they desire to make in order to give the requisite dividends to their shareholders, and to keep their affairs in a firm and satisfactory condition.

7. The individual insurer, having regard to his expectation of life, looks—

(1) at the security given him by the Company. This must ever be, in the majority of cases, the paramount consideration:

(2) at the amount of premium. For, if he believes the security of two Companies to be equally good, while the premia charged by them differ in amount, he will be apt to select the Company whose rate is lowest.

8. Now it is manifest that a Government Life Assurance Department annot have at its disposal the same means of increasing its capital by invest- aent as private Insurance Companies may have. And therefore, *cæteris aribus*, it may be said that Government should charge more in the way of remium than private Companies should charge. Similarly, since the security ffered by a Government Life Assurance Department may be looked upon as hey very best in the whole community, Government would be justified in harging, *cæteris paribus*, a higher rate than any private Company. So that rom both points of view, from that of the insurer and from that of the insured, t seems that the Government premium should be slightly above the average harged by Companies.

9. But this view is liable to some modification when the question of *profits* omes to be considered. Government would not desire to make any consider- ble profit out of its Life Assurance business, but merely to guard itself against oss, and to secure yearly a small balance of net revenue for safety's sake. Whereas the Companies are able to afford large dividends, sometimes as high as 15 per cent., to the shareholders, besides bonuses to the insured.

10. I, therefore, think that Government would be sufficiently protected in his matter if it were to proceed on the basis of the average premium charged by he three Companies above-mentioned, *viz.*, the Standard, the North British and Mercantile, and the Royal. Only I should at the same time consider it a *sine quâ non* that Government should reserve to itself the right of altering the rate of premium when it sees occasion, in respect to insurances effected subsequently to the date of the notification announcing such alteration. The assets and liabilities of the Government Insurance Department should be submitted periodically to close actuarial scrutiny, and any necessary or advisable modification in the rate of premium should be advertised in the *Gazette of India*. If this were done, there would be little or no danger of Government being involved in any pecuniary embarrassment, provided the rates of premium were fixed sufficiently high at the commencement.

11. As to amounts for which insurance might be effected, I would fix the minimum low enough to offer the poor native a chance of insuring a pittance for his family, as he probably could not afford to do more; and the maximum high enough to provide a very moderate competency for a family, but not high enough to answer any ulterior object of importance, such as the security for debt, and the like.

12. I would take no final step without the approval of a competent professional Actuary. And in this view I would send a despatch to the Secretary of State, embodying the following proposals, and would ask His Grace to lay them before an Actuary, and to communicate the result of the reference to the Government of India, together with any further suggestions which His Grace migh see fit to make:—

I.—The minimum amount for which a life may be insured might be Rs. 500, or £50, and the maximum Rs. 50,000 or £5,000.

II.—An applicant should be permitted to effect insurance on his own life only, not on the life of another party.

III.—The policy should be considered void if the insured die in duelling, by his own hand, or by the act of justice, unless such policy shall have been endorsed or assigned *bonâ fide* to another.

IV.—The usual declarations should be made; and the usual references to medical attendant, to friends, &c.

V.—A policy should lapse by non-payment of the premium on the date specified thereon. But if the premium, *plus* a fine of half per cent., were paid within 30 days of that date, the policy might become again valid.

VI.—The rates of premium chargeable on civil lives might, at the commencement, be calculated on the following basis, prepared as above stated on the average of the rates of the three Companies named :—

TO ASSURE Rs. 1,000.

I.—For whole term of life.

Age.	*Annual premium.* Rs. A. P.
25 years	33 5 7
30 „	36 7 11
35 „	43 5 9
40 „	45 10 8
45 „	54 11 9
50 „	59 15 9
&c. &c.	&c.

Note.—These are the average of the premia charged by the Standard, North British and Mercantile, and Royal Offices. The premiums paid for the whole term of life are somewhat *less* than those similarly charged by the Standard, while the payments for the term of years are somewhat *more*.

II.—For a term of seven years.

Age.	
25 years	26 8 1
30 „	29 0 4
35 „	31 4 8
40 „	35 0 8
45 „	40 7 3
50 „	47 5 1
&c. &c. &c.	

Note—The average extra charge for military lives is—

By the Standard	6·73712
„ North British and Mercantile	11·63195
„ Royal	10·43478
	3)28·80385
Average ...	9·60128

VII.—Military lives might be charged the same premium as civil lives *plus* 10 per cent. thereon for the extra risk.

VIII.—The assets and liabilities of the Government Insurance Branch should be submitted to periodical valuations, and Government would reserve to itself the right of raising or lowering the rate of premiums chargeable, such altered rates being advertised in the *Gazette of India*, and being held applicable only to insurances effected subsequent to the date of such advertisement.

IX—Lastly, and with reference to paragraph 6 *et seq.* of Mr. Monteath's memorandum, printed as an appendix to my note of 9th April last, the grant of immediate and deferred annuities might be permitted in lieu of a lump payment on the death of the insured. That is, that—

1*st*.—On the death of the insured, his widow, heir, or assign, might, instead of taking the lump payment named in the policy, be allowed to surrender his or her claim to this sum of money, receiving in its stead an annuity, calculated on the basis of the expectation of life as laid down above in the rates of premia payable. The age of the recipient being given, this annuity would simply be the annual payment whereof the amount named in the policy would be the present value: or

2*nd*.—A man might, by payment, for a term of years, of a certain premium—whereof the amount would be calculated on the same basis, and with regard to his age at the time of his making the first payment—secure to himself a certain annuity, commencing from the date of the last payment, and lasting, of course, till the death of the annuitant. The amount of premium to be paid by men of different ages and for different terms could be calculated without difficulty on the basis of the expectation of life as shown in the rates of premium charged above.

13. Should these proposals be favorably received by His Grace the Secretary of State, it will be a work of little difficulty to frame, on this basis, detailed

rules and conditions for the working of a Government Insurance Department, and to prepare forms of applications for insurance policies, &c.

14. And I once more earnestly commend the principle to the consideration of the authorities as being a powerful engine of moral and material good to the general community.

R. TEMPLE.

The 23rd June 1873.

All the objections and suggestions made by my hon'ble colleagues with regard to the proposals put forward in my note of 23rd June may be thus summarised—

1*st*.—That both the minimum and maximum amounts for which a life may be insured (Rs. 500 and Rs. 50,000, respectively) are too high.

2*nd*.—That the rates of premium suggested have not been fixed sufficiently high.

3*rd*.—That no attempt has been made to arrange for the insurance of native lives at differential rates.

2. With regard to the first point, I have no very strong objection to lower the maximum, but I do not feel disposed, at present at any rate, to lower the minimum. A less sum than Rs. 500 could hardly afford much permanent relief to the survivor of even the poorest of such people as will be likely to make use of the Government life assurance system if it be established. And if the minimum were to be lowered, the work of the Insurance Department would very probably be largely increased by applications from persons desirous of borrowing small sums from money-lenders, who would not lend the money without the security of a policy of insurance for the amount. So that, whatever may be said about reducing the maximum to Rs. 10,000, I would maintain the minimum at Rs. 500.

3. With regard to the second objection, that the rates suggested by me have been put forward upon an insufficient basis, I would draw attention to the fact that the rates are purely inchoative, and that I specially deprecated any action being taken on my suggestions until the rates had been either approved or amended by a competent professional actuary. The given rates are, as shown in my note, based on the average rates charged by well-to-do Insurance Companies in Calcutta. But it appears to be considered that I have too much ignored the question of profits, and that there is a danger of the proposed Insurance Fund not being self-supporting on the proposed terms. If this can be shown to be the case, of course the rates must be raised.

4. But in first fixing a table of rates of premia, it is of course well known that the calculations are made—1*st*, on the proven average duration of life; 2*nd*, on the estimated rate of interest which the Insuring Office will be able to obtain on the accumulated subscriptions of the insured. Now, in India, where vital statistics are not in nearly such a developed state as in England, the constant elements would be the estimated rate of interest to be obtained upon the accumulated subscriptions. Government is borrowing money at 4 per cent., and I should, therefore, consider it to be perfectly safe to take 3 per cent. as our estimated rate of interest. If my figures be tested on this assumption it will be found that a man who commences insuring his life at the age of 25 will have more than paid the amount of his policy at the age of 46; a man that commences at the age of 45 will have more than made up the amount at the age of 59; a man that commences at the age of 50 will have more than made up the amount at the age of 63; and so forth. In other words, my figures are based upon the assumptions—1*st*, that we shall only get 3 per cent. (or the value of 3 per cent., which practically comes to the same thing) on the accumulated subscriptions of those who ensure their lives with us; 2*nd*, that the lives accepted by us for insurance (which will be "good lives," reported on by our own medical officers, and rejected if thought below the average) will only endure to ages between 46 and 63 on an average.

5. The assumption regarding the different duration of lives, according to the period from which insurance is commenced, is manifestly fair in principle. A young European, 25 years of age, will have very many unforeseen obstacles to the duration of his life to contend against; but if it has been proved, by

the fact of his being a "good life" still at the age of 50 years, that his constitution and habits are such as to have carried him through the dangers of Indian climate for quarter of a century, it may fairly be inferred that he will last some time longer.

6. Again, I would solicit a comparison between my figures and the result of the experience of a well-known actuary, Mr. Samuel Brown. The rates of mortality per cent. given in Brown's combined Civil Table are as follows:—

Age.	Death rate per 100 Civil Lives.
25 to 35	1·68
35 to 45	2·08
45 to 55	2·14

Now the average premium payable to secure Rs. 1,000 is, according to the proposals put forward in my note of 23rd June, as follows:—

Age.	Average premium.
	Rs. A. P.
25 to 35	36 7 11
35 to 45	45 10 8
45 to 55	59 15 9

It appears, then, that, according to the very weighty authority of Mr. Brown (who, during the 12 years previous to 1871, reported, on, I believe, no less than twelve occasions, upon the position of the Indian Civil, Military, and Medical Funds), we should, by establishing the rates of premium set forth by me, obtain the following results of receipts and charges, per 100 lives assured *from the receipts of premia and payments of policies alone, i. e.*, leaving out of the balance sheet, for the present, all our receipts of interest on the accumulated funds, as well as any payments for "office expenses," &c., &c.:—

Age.	Receipts, per cent.	Payments, per cent.	Surplus.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
25 to 35	3,649 7 8	1,680 0 0	1,969 7 8
35 to 45	4,566 10 8	2,080 0 0	2,486 10 8
45 to 55	5,998 7 0	2,140 0 0	3,858 7 0

Again, if my suggested rates of premium be compared with the "net or risk premia" as worked out by Mr. Brown, which will be the most direct method of instituting a comparison, the following result will be obtained.

Age.	My Note of 23rd June.	Brown's combined Civil Table.
	Rs. A. P.	£ *s.* *d.*
25	33 5 7	2 3 7
30	36 7 11	2 7 5
35	43 5 9	2 12 3
40	45 10 8	2 17 9
45	54 11 9	3 4 9
50	59 15 9	3 14 11

It is true that Mr. Brown's calculations are made "without addition for expenses;" and also that his observations were made with reference to, perhaps, a better class of civil life than the average civil lives which would be accepted by a Governmental Life Assurance Department. Still the excess difference between the rates proposed by me, and the rates which were thought sufficient by Mr. Brown, appear to me sufficient to defend my rates from being considered unduly low. And, especially when, with advertence to the 8th proposal

in my note of 23rd June, it be borne in mind that the rates of premium may be revised and adjusted whenever Government think proper, I cannot believe that, by the time that sufficient experience shall have been gained for the adoption of more certain tables of mortality, the amount of loss (if any) incurred through my suggestions (if sanctioned by the Secretary of State) would be more than could and should be afforded from the general revenues for securing the advantage of establishing the habit of life assurance among the residents in, and natives of, India with their Government.

With regard to the third objection, namely, the difficulty about native lives, I may mention *in limine*, that there seems to be a strong feeling against this class of risk among most of the best Indian Insurance Offices. I only know of four offices which accept them, *viz.*, the North British and Mercantile, the Indian, the Commercial Union, and the Positive; and of these offices the "Indian" was established here in 1869, and the "Positive" has not been a year in existence.

The North British has no fixed rate for native lives, but submits each application to the Head Office for consideration on its own merits. Of the others, the Indian adopts its own military rates (which is what the late Albert Office also used to do); the Commercial Union adds 5 per cent. to its civil European rates, which makes its rates for natives much less than its own European military rate; and the Positive seems to fix an arbitrary rate for native lives, in excess of its rate for European lives, in the proportion of from 20 to 30 per cent.

Some of the results of these arrangements may be seen by the following comparative statement:—

Addition to premium on a policy for Rs. 1,000 *for European Civil Lives in the case of Native Lives.*

Age.	Indian.	Commercial Union.	Positive.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
	4 2 0	1 12 0	7 1 4
30	4 2 0	1 14 5	7 6 0
35	4 2 0	2 1 7	8 4 8
40	4 2 0	2 6 5	10 15 4
45	4 3 0	2 12 0	.....
50			

The rates adopted by these Companies must be considered purely empirical and, for the most part, arbitrary. I was, and indeed still am, disposed to consider the prejudice entertained by Insurance Companies against the acceptance of native lives to be without foundation, provided, of course, that the lives be selected with due caution. I believed, and still believe, that from all I have seen and read and heard upon the subject, good native lives are no more risky, if, indeed, they be not actually safer, than the lives of Europeans in India. If, however, my hon'ble colleagues feel indisposed to acquiesce in this view, I should have no objection to recommend that operations should be started by charging natives with somewhat higher rates of premium than those charged in the case of Europeans. If this were to be insisted on, I think a safe and simple course would be to accept native civil lives at European military rates (*i. e.*, 10 per cent. in addition to European civil rates), until we shall be enabled to judge by experience whether this rate be fair and equitable or not.

I may point out the fact that these proposals of mine are not necessarily final. My earnest desire is to have the proposal for a Government Life Insurance sent to the Secretary of State *as soon as possible*, that we may see in what light His Grace will regard it, and that, at any rate, a beginning may be made of a work which I believe to be of high importance. The India Office, with the assistance of the best professional actuaries in England, will be quite competent to challenge and suggest modifications of any suggestions which may appear to require amendment; and I do not flatter myself that even the general proposals which I have made will be accepted in their integ-

rity; while I am perfectly well aware that some details, upon which I have not touched, may have to be added. But what I just now wish to do is to *initiate* what will probably be a more or less protracted correspondence.

In conclusion, although the 7th proposal in my note of 23rd June, regarding the adjustment of military rates, has not been challenged, it might, perhaps, save future discussion if I were to contrast the military rates proposed by me with those which were calculated, first, by Mr. Samuel Brown on the basis of his combined Military Table (which is founded on an experience of nearly 6,000 deaths), and second by Mr. Woolhouse on the basis of his "Bengal Military Table" (which contained the experience of military officers from 1760 to 1834) :—

Age.	My Note of 23rd June.	Brown's Combined Military.	Woolhouse's Bengal Military.
	Rs. A. P.	£ s. d.	£ s. d.
25	36 10 0	2 18 0	3 8 1
30	40 2 5	3 0 9	3 14 2
35	47 11 1	3 3 7	4 1 6
40	50 3 9	3 7 5	4 10 7
45	60 3 4	3 13 0	5 1 11
50	65 15 9	4 1 4	5 16 8

It will be observed that not only are the rates proposed by me in excess of the tables prepared with reference to Indian military risks by Mr. Brown (which tables, however, were, as before observed, prepared "without addition for expenses"), but my rates are higher even than the rates founded on Woolhouse's Bengal Military Table; although recent facts, such as the experience of some of the Indian Annuity Funds, tend to prove that the death rate of Europeans in India is somewhat over-rated by the tables last mentioned. So that, from the best data we have, I think it must be allowed that my proposal with regard to military lives is as safe as my proposals with regard to European civil lives.

With this further explanation I beg to submit the whole matter for the favorable consideration of His Lordship the Governor General and my hon'ble colleagues.

The 18th August 1873.

R. TEMPLE.

APPENDIX TO SIR R. TEMPLE'S NOTE ON LIFE ASSURANCE BY THE GOVERNMENT IN INDIA, DATED 9TH APPRIL 1873, BEING A MEMO. BY A. M. MONTEATH, ESQ., B. C. S., DATED 22ND FEBRUARY 1873.

British Government Insurances and Annuities.

Under the Act 27 and 28 Victoria, Cap. 43, Her Majesty's Postmaster General is empowered to grant insurances and annuities, or, in other words, to insure against life by agreement to pay in the event of death and to insure also for life by agreement to pay in the shape of annuities during the term of life.

2. The double character of the insurance above referred to is a point to be noted in reference to the question of the insurance of native life in India, where the required vital statistics are wanting, because, if the risks undertaken under each of the two heads be approximately equal, errors in the vital statistics forming the basis of calculation become of less importance. For instance, an assumption of excess average duration of life, though causing loss to the Government which insures the life, gives rise to a corresponding gain in respect of annuities granted under the same tables. And I think it an object, therefore, in any system of insurance of native life to endeavour to eliminate risks as much as possible by balancing them in this way.

3. Another feature of the British Government system of insurance consists in the limitation of the risks on any one life by refusing on the one hand to insure more than £100 in the event of the death of any individual, or to guarantee the payment of more than £50 a year during the life of any individual. I think it probable that this limitation was introduced partly with the object of avoiding risks, and partly with that of not interfering to an unnecessary extent with the operations of private companies. I have not before me any of the papers connected with the passing of the Act of Parliament, but I think it very probable that the above-mentioned considerations had large weight in determining the course pursued by the legislature; and, perhaps also, it was felt that the chief call upon the Government was one on behalf of the poorer classes of the community, whose wants would be fully met by a system of insurance dealing only with very moderate amounts.

4. In devising the English Government system of insurance, every effort appears to have been made to meet all the varying conditions of individual convenience, and I shall give below instances of the different provisions made with this object.

5. And first as respects life insurance. Any man or woman in his or her 30th year may be insured for £100 under any one of the following arrangements :—

	£ s. d.
By a single payment of	43 3 7
By an annual payment throughout life of	2 6 7
By a quarterly payment throughout life of	0 13 0
By a monthly payment throughout life of	0 4 4
By an annual payment until the insured person reaches the age of 60 of ...	2 13 10
By a quarterly payment until the insured person reaches the age of 60 of ...	0 15 0
By a monthly payment until the insured person reaches the age of 60 of ..	0 5 0

The above are mere instances: the payments would of course be much less if the life insured were a younger life, *e. g.*, a life of 20 years instead of a life of 30 years as above assumed; the amount of insurance may be any sum between £20 and £100. The life insured must not be under 16 years of age or over 60. There is a further provision in the English rules to the effect that a person, having duly made his payments for a period of five years, and being unable to continue or desiring to discontinue them, shall be entitled to a return of a portion of the premium paid, which portion can in no case be less than one-third of the whole sum paid.

6. Turning now to the provisions made for the grant of life annuities, it may be observed that these annuities are divided into (1) immediate annuities, and (2) deferred annuities—

	£ s. d.
A man aged 65 can purchase an immediate annuity of £10, payable half-yearly, for	88 18 4
A woman of the same age can purchase a like annuity for	103 16 8
A man aged 70 can purchase an immediate annuity of £10, payable half-yearly, for	73 3 4
A woman of the same age can purchase a like annuity for	84 19 2

7. Such annuities may be purchased on the lives of persons of any age of 10 or upwards.

8. Deferred annuities, *i. e.*, annuities to commence not at once but after a period of years, are similarly provided for; but a broad distinction is drawn between contracts where the money paid is returnable, and where it is not so. By the condition of money returnable, it is meant that, if at any time prior to the commencement of the deferred annuity the person who is paying for it dies or desires to withdraw from the contract, the money paid (without interest) shall be returned to him. The following instances under both heads may be given :—

Money not returnable.

	£ s. d.
A man aged 30 may purchase a deferred annuity of £10, to commence on his reaching the age of 60, and to be payable half-yearly either by an immediate payment of	21 3 4
Or by an annual payment until he reaches the age of 60 of	1 8 4
A woman of like age may purchase a like annuity by an immediate payment of	32 8 4
Or an annual payment up to 60 of	1 17 6

Money returnable.

	£ s. d.
Under this condition, a man aged 30, may purchase a deferred annuity of £10, to commence when he attains to 60 years of age, and to be payable half-yearly either by an immediate payment of	40 9 2
Or by an annual payment until he attains to 60 years of	2 0 10
And a woman of like age may purchase a like annuity either by an immediate payment of	47 0 10
Or by an annual payment of	2 7 6

9. Annuities are, strictly speaking, yearly allowances, but under this head come also monthly allowances. The tables of terms for purchase of annuities provide of course for all ages of the insured lives above the prescribed limit of 10 years; and provision is also made for the purchase of annuities on joint lives with or without continuance of annuity to the survivor. Further, it is not necessary that the whole amount of an annuity should be purchased at one time, provision being made for increasing the amount by supplementary purchases from time to time.

10. By way of an illustration of the practical application of the above provisions, I may take the case of a family consisting of a husband aged 40, a wife aged 32, a daughter aged 14, and a son aged 10. The husband I will suppose to contemplate retirement from business in the course of (say) 10 years, and to be desirous of making some provision for himself and family after that time. He may, perhaps, be entitled to a Government pension at the time of his intended retirement, but he feels that the pension will die with himself, and that instead of adding to it he would rather make some provision which will extend over the lives of those who look to him for support. He does not therefore purchase an annuity on his own life, but he purchases one for £50 a year on his wife's life, and one of like amount on the lives of each of his children. If the family live for the period of 10 years, he will then cease paying, and begin to receive £150 a year, which he may continue to enjoy, leaving the several annuities at

his death probably to those on whose lives they are dependent. If before the 10 years of payment have expired the husband dies, or becomes unable to continue payment, or if his wife, or any of his children die, the arrangement may be cancelled, the money already paid being returned by the Government. For this accommodation the man in question would have to pay *for ten years* at the following rates, *viz.*:—

	Yearly sums. £	*s.*	*d.*
For the annuity on his wife's life	68	19	2
" " daughter's life	80	4	2
" " son's life	75	16	8
TOTAL ...	225	0	0

11. I am not aware what rates of interest have been assumed in the construction of the English tables, but it is probably not more than 3 per cent.; and as the current rate of interest is higher in India, the Government would be able either to offer better terms, or, if it offered the same terms, to have a larger margin of profit, which might fairly be set against any greater risk involved in dealing with Indian lives.

12. The English rules require medical examination in respect of lives proposed for insurance, but of course no such examination is necessary in respect of lives on which annuities are purchased. In all cases, however, evidence of age is required, which, under the system of baptismal registration in England, is a matter of no difficulty.

13. The main object which appears to have been kept in view in the construction of the British Government system is the encouragement of provident habits and the adaptation of the measure to the wants of the poorer classes. The proposals for insurance, as well as the payments of annuities, are made through Post Offices authorised for the purpose, and the applicant or annuitant may select such Post Office as suits him best.

14. In the above remarks I have confined myself almost entirely to the British Government system of life insurance, and have not expressed any opinion respecting the applicability of the system to India. I have myself doubts as to whether the natives of India would take to such a system, until, at all events, they knew something more of its working than could be obtained from Government notifications. The natives of India, as a rule, provide for their relations in old age, and expect to be provided for in like manner when they themselves become old. Again, it must be remembered that the same circumstance which acts as a bar to the investment of native money in Government securities would act also as a bar to investment in Government insurance: I refer here to the fact that money in the hands of a native in India will produce to him at least 12 per cent., whereas the Government, both in the matter of loans and in that of insurances, can only offer terms based on a calculated interest of (say) 4 per cent. On the other hand, the Government may reasonably look to the gradual influence of European ideas upon the customs of native life as tolerably certain before very long to work out much change in the family arrangements of native society, and to give rise to a real need of some system under which provision may be made in active life for the period of old age and the contingency of death; and I should be far from saying that a system of Government insurance would not in no very long period take root in India. But I think that the best way of letting the natives see the advantage of the system is to commence by applying it to that portion of the community whose demand for it is even at present a matter of absolute certainty. I refer to the rapidly increasing class of Europeans and Eurasians who are to be found scattered throughout the country on the railways, in the Government offices, and in the various spheres of trade and public works which are now going on. As a rule, I believe that the habits of the lower grades of these classes are peculiarly improvident, and that a system of Government insurance would greatly stimulate, by offering the opportunity for, prudential arrangements. Our presence in the country has given birth to a large proportion of these classes, and the Government certainly have a duty in connection with their well-being. If the system were in the first place applied to the Europeans and Eurasians of India, its practical working would be the best advertisement of the advantages of the system to the native community, and with the foundation thus laid the Government would be in all the better position to arrange for the extension of the benefits to such extent and in such direction as might from time to time seem practicable and expedient.

15. My opinion, as above stated, is, I admit, based to a considerable extent on the assumption that a system of Government insurance is for the present somewhat in advance of the requirements of native society. In making this assumption, I may be wrong, and if a recent Hindoo movement in the North-Western Provinces towards the establishment of a "Hindoo National Improvement Society" may be taken as an index of the social tendency of the present day, it might not be out of place to refer here to the enumeration* of the objects which the movement had in view, and which include among their number that of founding "Hindoo Family Fund and Life Assurance Committees."

* *Vide* selections from vernacular newspapers published in the Punjab, North-Western Provinces, Oudh, and Central Provinces for November 1872.

The 22nd February 1873.

A. M. MONTEATH.

(True Copies)

O. S. G. P.—No. 1280 C. F.—31-3-75.—125.

Financial Department

21-1

No. 868.

From The Govt. of India - Financial Dept.

Dated 31st March 1875.

For Orders

I am strongly in favor of this provident movement for the benefit of the Natives of this Country - and I have no doubt that the opportunity of assuring lives will be largely availed of by a class of people whom it is politically very desirable to connect in some such way with the State.

As regards the special points of

Financial (187 .) Department.

(Life Assurance)

From The Government of India Financial Dept

Dated 31 March
Recd. 9 April 1875.

Enclosures. 1
S. C. 2

No. 868

Communicating papers on the subject of the desirability or otherwise of establishing a Post Insurance office -

Circulated
Hon Members

No 146.

of objection - a slightly higher rate of premiums at first will cover all risk arising from uncertainty of Statistics urged under the 1st head of objection. In fact this is the way this uncertainty has been met Everywhere. The rates of all good Societies have been too high at first and have gradually been reduced as the Statistics of life become available.

Objection No 2 - does not really Exist amongst the higher classes of the population. The reverse is the case Amongst the classes of people with which such a branch of that Finance Depart^t would have to deal -

I attach little importance to 3rd objections 3, 4 & 5. It is of course a matter of opinion - but I believe that there would be the readiest response to a call of this kind and that the demand would grow rapidly.

The difficulty suggested under para 6 will not prove more serious here than it is at Home & will be quite as Easy of detection.

With reference to objection 7 - Europeans & Each Indians would doubtless avail themselves of Government assurance and the aid of Govt. is well-bestowed on such classes in a Country where honesty is so difficult to find. Are there to bolster up a few European Societies who have branches here - & local

Each

East Indian & European provident Societies at the Expence of the whole Native population - because a few of their European & East Indian Constituents will naturally prefer the Security of Govt. Assurance

Estabg Govt of India of a Life Insurance Office

For Orders

probably prevent themselves at first. It seems to me that all the objections have little or no force in them - but Mr Robinson has now adduced reasons in diminution of their force: - and they will all (except the last which is really a very slight objection) diminish in force as time goes on.

I think it is very desirable to try the experiment. The rate of premium should be higher than the average European rate, both because of the better security, and of the comparatively few applicants who will

Sepn with his Ex. No. R.C.

19/4

I think it is very desirable to try the experiment. The rate of premium should be higher than the average European rate, both because of the better security, and of the comparatively few applicants who will

19/4

Govt. Letter from Govt of India to Govt of Madras No 1090. dated 19th May 1875

8

25

Financial Department.

PROCEEDINGS of the MADRAS GOVERNMENT.

Read the following Extract from the Government of India, Finl. Dept. No. 731 dated 31st March 1875 No 2029.

Order thereon - Circulated 19th May 1875 No. 1089

The Governor in Council is of opinion that it is very desirable to try the experiment of establishing a system of State Life Insurance in India. The first objection to the scheme, which is suggested in the above Proceedings can be met by adopting at first a slightly higher rate of premium than would otherwise be necessary. It is doubtful whether the second objection really exists in respect

respect of the classes of people with whom the State would have to deal in the matter

2. The Govt attach little weight to objections 3, 4 & 5, anticipating a ready response to the Govt proposal, and that the business will grow rapidly

3. Objection 6 is not, in the opinion of this Govt likely to prove more serious here than in Europe, and the abuse will be as easy of detection here as there

4. This Govt do not think that any preference shewn by Europeans or Eurasians to the Govt Scheme as compared with private institutions can be deemed an objection to the Scheme, when the great importance of encouraging these classes in habits of thrift by the assurance of a State guarantee for the

stability of the investment is considered.

Ordered that Copy of these Proceedings be forwarded to the Govt of India

L.B.

Par of Govt of India Order 24th July

20 April 20 - Mem 0 to L

Govt. of {1875} Madras.

Finance

To

Dated 19 May
Recd. 1875. No. 1089.

Nos. 146-148.

Govt. Life Insurance Office

Reports the views of the Govt. of Madras on the subject of the question of the desirability or otherwise of re-establishing a Govt. Insurance Office.