

Speech:

Life Underwriters' Association.

THE LIFE UNDERWRITERS' ASSOCIATION OF S.A. ANNUAL DINNER

Speech by Councillor P.R.B. Lewis, Deputy Mayor of Johannesburg.

2nd May 1968

It is indeed a privilege for me to have the opportunity of meeting members of your Association. Although I have lived in Johannesburg all my life, there are many activities with which I have not been associated and it is giving me great pleasure to meet organizations such as yours.

Of your Institute I knew little until I met Mr. Rubin. If ever there was an evangelist for a cause it is Mr. Rubin.

I know blue books are not usually a source of material for after-dinner speeches, but I felt it would help me to get an insight into the life insurance field if I had a glance at some returns. Some of the figures made me realize the important role that life insurance plays in the economic life of this country. What struck me too was the rapid growth in the assets under the control of life insurance companies and what it means to the economy, having the annual premiums available for investment in a vast field of activity. I became interested and hope you will not mind some impressions of an outsider looking in. Insurance premiums on life policies increased from R46-million in 1950 to R72-million in 1956 and in the next ten years more than doubled to over R165-million. The actual income of life insurance companies from the operations in the Republic amounted to R272-million in 1966. Quite a staggering growth. Think of the repercussions on the country of the interest of the sum each year.

In 1950 the number of new life policies effected during the year was 161,000 with a premium income of R8,8-million. By 1966 this had increased to nearly 300,000 policies with annual premiums of R19-million. When I say the increase in commission paid to agents I realized I had trained for the wrong profession. While R4-million was paid in 1950 and R6-million in 1956, by 1966 it was R18-million.

Unfortunately, the information in the blue books was not always recorded in the same way each year, which has made comparison difficult.

All these figures impressed me immensely. Then I came upon an aspect that worried me. It struck me that all was not well. It struck

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me that the credulity and lack of knowledge of the public was being exploited. I refer to the great wastage due to lapsed and surrendered policies. In the returns for the year 1950 it gave 40364 policies lapsed, of which 17016 were in respect of policies where premiums had been paid for less than a quarter, 14137 for more than a quarter but less than a year. The sums insured were R58-million and the annual premiums R1,675,874. During the same year 24831 policies were surrendered. In 1966, 181,807 policies with premiums of R8,800,000 were lapsed or surrendered. This has raised many queries in my mind:-

Do people know what they are doing when they take out policies?

Do the agents who write these policies take sufficient care to explain the long-term implications when persuading persons to take out policies?

Do the companies take sufficient care in appointing agents and scrutinizing the policies?

Is it in the best interests of the economy that savings are wasted in this way?

I am told that policies lapsed in this way are not beneficial to the companies. What are the agents' motives in writing policies of this nature?

Do the public understand what they are doing?

I am asking the questions, you folk know the answers.

As an example, when selling policies which qualify for the R2,000 deduction from taxable income, on what is your emphasis? On the value of the intrinsic investment of the R2,000 proving that the policy is well worthwhile, because with the saving of tax the real cost to the taxpayer is considerably less and its on this lesser amount that the taxpayer is getting value for his money.

You may think I have a colossal cheek in asking these questions, but if I have read your literature correctly, it seems to me that this unsatisfactory state of affairs is the justification and reason for the founding of your institute.

Life insurance is too important in its social consequences both from the great benefits that can be derived if correctly used and from the misuse of the present state of affairs to <sup>be</sup> left to the casual unskilled and avaricious agent, whose sole interest is his commission.

To me a life offices' target should not be set on the new

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policies written during the year, if those policies will shortly be lapsed or surrendered.

I heartily support your insitute's objectives and hope that the life companies will give attention to the reduction in lapses and surrenders and this can only be achieved by better screening and more responsible selling. Life insurance agents should not be recruited from persons who have failed in other walks of life and who are turning to the selling of life insurance as a last resort.

You wish to make the selling of life insurance a profession. What is a profession?

The dictionary says that a profession is that which one practices as a calling or a vocation and suggests that a person who is a member of a profession has a special fitness or aptitude for that profession. I would like to suggest the following seven pillars of a profession :

Firstly, technical skill and craftsmanship received by education and study. This education must be continuous to keep up to date in a profession.

Secondly, to me it is of the essence of a profession that members who have acquired these skills are prepared to spend infinite time and patience in training new members of the profession, so that the standard of the profession be retained. In this competitive world this is a hard thing to ask.

Thirdly, there must be loyalty and pride in a profession, so that standards are maintained and failure of one reflects on the profession as a whole. If one fails, one is not only letting oneself down but also one's colleagues. In your case, with affiliation with similar institutes in other lands there is a larger fellowship to which one owes an allegiance. Fourthly, there must be a sense of social responsibility. In your case you must consider the effects on families. What satisfaction it must give you when you know that through your efforts widows and orphans have been saved from catastrophe. Life insurance correctly used and correctly sold can be of great benefit to the community.

Fifthly, I would suggest personal integrity, because how can one advise unless one has the full facts. How can one get the facts unless

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are trusted and regarded as a person who will give the correct advice based on the needs of the client, for in many instances you are dealing with people with very little knowledge who have not the capacity to judge the merits of the various policies available to them.

Sixthly, I would suggest that one must have a sense of purpose and faith that there is some meaning in life. That what one is doing is worthwhile and for the good of the community.

Lastly, speaking from my personal knowledge, I count as among the greatest in my profession people who are quiet, unassuming, with a sense of dedication to their work and their colleagues, people of great humility.

Last year I attended a world conference in Toronto. The subject of the conference was the development of metropolitan areas. Johannesburg was one of the 40 cities with populations of over one million that was asked to attend. I will deal with only one aspect which was forcibly brought home to me, and that was the population explosion.

From the year 350A.D., to a period of 1,500 years, the population of the world doubled. The next doubling took place in a period of only 100 years, 1850 to 1950. It is now predicted that it will only take 40 years, I.E. 1950 to 1990. Another phenomenon in the world today is the shift of the population from the rural to the urban areas.

It is anticipated that Johannesburg's European population will increase from 413,153 in 1960 to 943,000 in 2000 and that in the same period the total population will increase from 1,158,525 to 2,867,000. With the growth in the income of the country what a great prospect for the writing of life insurance. Will this be exploited or will the needs be correctly catered for? It is up to you as to whether these policies will fulfil their purpose and run their course or policies which will lapse. Which shall they be?

May your Institute continue to prosper. Bear in mind that honesty is the best policy, provided the policy does not lapse.

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