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A brief history of life insurance

How life insurance went from coffee house side order to billion-dollar industry.

By **Corey Dahl** | September 09, 2013

Did you know that life insurance has been around since the days of ancient Rome? Or that Lloyd's of London got its start as a coffee spot for sailors?

In honor of **Life Insurance Awareness Month**

(<http://www.lifehealthpro.com/2013/08/22/how-to-leverage-life-insurance-awareness-month>), we've compiled a few

pivotal moments in life insurance history to give you a better idea of the product's storied past.

Use the knowledge to wow your clients with your life insurance expertise. To give yourself a better understanding of where life insurance is headed. Or maybe just to sweep any insurance-related category on "Jeopardy." The possibilities are endless, really.

Happy LIAM!

 **AP_Rome**

100 B.C.

The origins of the concept of life insurance, as we know it, can be traced to ancient Rome. Caius Marius, a Roman military leader, created a burial club among his troops, so in the event of the unexpected death of a club member, other members would pay for the **funeral expenses** (<http://www.lifehealthpro.com/2013/08/29/should-you-be-selling-final-expense-insurance>).

Many similar clubs originated in this era. Romans believed anyone who was improperly buried would become an unhappy ghost, so the clubs were embraced by the government and military because of the deep conviction that it was absolutely essential for each person, regardless of social standing, to be buried in the correct manner. The clubs later evolved to also provide a stipend to the survivors of the deceased.

The concept disappeared for a long period of time, however, after the Roman Empire fell around 450 A.D.

(AP Photo/Riccardo De Luca)

 **AP_Lloyds**

1688

Edward Lloyd's Coffee House, a small shop on London's Tower Street and a popular gathering place for ship captains, ship owners and merchants, becomes the go-to

place for shipping news and, eventually, marine insurance. It was there that the modern concept of an insurance company came into being.

In 1769, a group of professional underwriters broke off to establish New Lloyd's Coffee House, which would eventually grow up into **Lloyd's of London** ([//www.lifehealthpro.com/2012/01/01/a-hard-pill-to-swallow](http://www.lifehealthpro.com/2012/01/01/a-hard-pill-to-swallow)).

1759

The Presbyterian Synod of Philadelphia sponsored the first life insurance corporation in America for the benefit of Presbyterian ministers and their dependents. Episcopalian ministers organized a similar fund a decade later.

(The first insurance company in the American colonies was formed before this, in Charleston, S.C., in 1735, but it offered only fire insurance at first. It didn't add life insurance until 1760.)

(AP Photo/Lefteris Pitarakis)

1837

The panic of 1837 and the resulting financial crisis spurred a shift toward mutualization for **life insurance** (<http://www.lifehealthpro.com/life-insurance>) companies. Between 1838 and 1849, only one life insurance company raised capital on a stock basis. During the same period, 17 mutuals, requiring little initial capital, were chartered.

The spread of mutuals as well as other developments — like legal changes allowing women to purchase life insurance and a cultural shift away from preachers who demonized life insurance as “gambling” — created a boom period for life insurance companies. Many of today’s largest life insurers were formed in this period, including New York Life, MassMutual, John Hancock and MetLife.

1875

During the depression years of 1871 to 1874, 46 life insurance companies ceased operations, with 32 failing outright. The result: \$35 million in losses for policyholders.

In 1875, the Widows and Orphans Friendly Society was founded in Newark, N.J. with a single product: burial insurance. It was the first company in the United States to make life insurance available to the working class. That company eventually became Prudential.

(AP Photo/Rajanish Kakade)

Montgomery Ward

1911

Group life insurance was born when Equitable Life Assurance Society (now AXA Equitable) wrote a policy covering all 125 employees of the Pantasote Leather Company without requiring individual applications or medical exams. In 1912, Equitable organized a department to promote group coverage and soon began insuring employees of Montgomery Ward.

See also: Employees favor companies that offer voluntary benefits

<http://www.lifehealthpro.com/2013/07/18/employees->

favor-companies-that-offer-voluntary-ben)

1930

Life insurance sales rose dramatically after World War I, peaking at \$117 billion of insurance in force in 1930. By the eve of the Great Depression, there were more than 120 million life insurance policies — equivalent to one policy for every man, woman and child living in the United States at the time.

(AP Photo/M. Spencer Green)

Vietnam

1965

Serviceman's Group Life Insurance was enacted into law to provide life insurance to members of the armed forces on active duty. The insurance is underwritten by a pool of commercial insurers, and the federal government pays administrative expenses and the extra cost resulting from the increased risk of military duty.

See also: Military families top public in coverage
(<http://www.lifehealthpro.com/2013/08/14/military-families-top-public-in-coverage>)

1976

The end of World War II and the economic boom that followed boosted sales of life insurance in the United States. By the mid-1970s, 72 percent of the adult population of the United States and more than 90 percent of all husband and wife families owned some form of life insurance.

(AP Photo)

Sept 11

2001

A total of 2,977 people perished in the Sept. 11 terrorist attacks in New York, Washington, D.C., and Pennsylvania. The Insurance Information Institute estimates \$1.2 billion was paid out in life insurance claims.

2010

LIMRA's 2010 Life Insurance Ownership Study found that 30 percent of U.S. households (35 million) had **no life insurance protection**

(<http://www.lifehealthpro.com/2013/08/29/winning-the-underinsurance-battle>) at all, and only 44 percent of U.S. households had individual life insurance, marking a 50-year low for the life insurance industry.

Subsequent studies

(<http://www.lifehealthpro.com/2013/09/03/bridging-the-mortality-protection-gap>) in the years since 2010 have revealed that the gap has not improved.

(AP Photo/Gene Boyars)

For more life insurance coverage, see:

Life insurance by the numbers

(<http://www.lifehealthpro.com/2013/08/26/life-insurance-by-the-numbers>)

5 ways to use social media for Life Insurance Awareness Month — and beyond
(<http://www.lifehealthpro.com/2013/08/22/5-ways-to-use-social-media-for-life-insurance-awar>)

What we talk about when we talk about death
(<http://www.lifehealthpro.com/2013/08/27/what-we-talk-about-when-we-talk-about-death?ref=hp>)

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