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Editorial: The Morality of Life Insurance

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For us who work in this industry, the provision of insurance is an inherently moral act. However, when discussing issues of insurance and morality—which I am defining as the principles that govern and concern distinctions between what is right and what is wrong—the landscape can be quite broad, and the issues many.

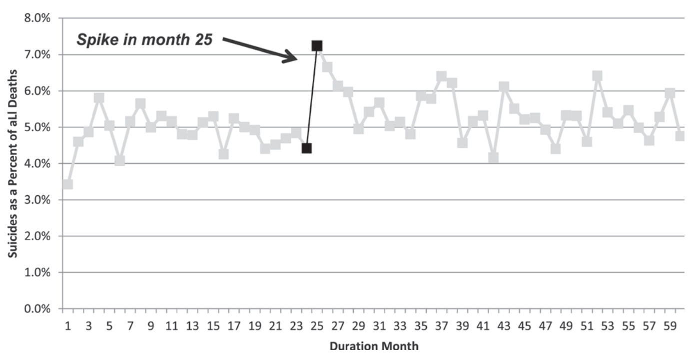
Life insurance, at its core, is a product that provides a financial benefit to the dependents of a buyer in the event of untimely death. Insurers price and sell contracts based on assumptions made about the policyholder's health and potential lifespan. Does that mean life insurance has characteristics that might make it seem like a game of chance? I would say no, as everyone dies, and protecting loved ones is a responsible act. Yet, some insurance products do have features that could be viewed as such. In Brazil, for example, one of the most successful life insurance products, Capitalização, has a feature where the contingency of the probability of mortality is wholly replaced with the probability of the "government lottery weekly draw."

Far away from any type of chance or uncertainty is the product known as takaful. This type of insurance, which originated with adherents of Islam, is based on a cooperative system of shared reimbursement in the event of loss. Takaful is permissible under the laws of Islam because the products do not participate in forbidden financial activities such as gambling, usury (earning of interest) and excessive uncertainty. Today, takaful and its reinsurance cous-

in, retakaful, are not only well established in Muslim countries, markets are also developing in non-Muslim countries among individuals proactively seeking "moral" and "ethical" financial and insurance products.

Let's also think about the morality inherent in the purchase of insurance—specifically among those covered individuals who commit suicide. Sadly, of the 10 leading causes of death in the U.S., only death rates by suicide are currently increasing. In this newsletter's March 2016 issue, in the article "Suicide Facts and Prevention," by Jason McKinley of RGA, an eye-opening trend highlighted was that in the U.S., suicides spike immediately after the end of the standard two-year suicide contestability period. Could some of these individuals have planned to end their lives when they bought the insurance? Perhaps. Yet how does a policy owner's intent to take one's life balance with the desire to protect the family financially after death? Would it be moral for someone to buy insurance when suicide is planned? On the other hand, what would be the most moral position for insurers to take? Food for thought indeed.

SUICIDES AS A PERCENT OF ALL DEATHS BY DURATION MONTH



I started thinking about issues pertaining to morality and insurance after reading the book "Sapiens: A Brief History of Humankind." This thought-provoking tome by Israeli author Yuval Noah Harari is an ambitious, sweeping look at intellectual and social aspects of the history of humankind. It made me quite mindful of what a small footprint our species has on planet Earth, and yet, how far we as a species have come.

To me, Harari's theory of how and why humans today are Earth's dominant life form and how this came about was quite provocative. His theory hinges on the changes to human thought of the Cognitive Revolution, a name given to a developmental shift that occurred approximately 70,000 to 30,000 years ago. This spontaneous evolution gained for humans a cognitive expansion into the capability of abstract and conceptual communication, which changed to a remarkable extent how humans relate with one another and view the world.

To Harari, humans, compared to most (although not all) animals, are born with many vital systems still underdeveloped. We as a species need adult care far longer than any other life form on Earth. He posits that this need may have prompted the formation of communities (or social networks). The Cognitive Revolution also gave humans the unique capability of participating in flexible cooperation structures—both in large numbers and with complete strangers—which enabled them to engage in group activities such as child care as well as cooperative hunting and agriculture. This enhanced cooperation capability enabled humans to eventually dominate less cerebral food chain competitors.

How might this relate to morality and insurance? Stay with me. The Cognitive Revolution, writes Harari, opened the door not just to more complex social structures, but to more complex conceptual structures as well. In its early years, stories, myths and legends were born, which lay the groundwork for the formation of religious belief systems. These belief systems as they evolved came to govern the morality of adherents and also incorporated the concept of monogamy, which over time consolidated the family as the central social unit.

All of this made me wonder if the development of human religious thought may have prompted more than just the monogamous family unit and the morality that came to govern human life. Could these developments, along with the generally short life expectancies of ancient times, also have prompted the concept of protecting members of families bound together by holy wedlock from various risks that could result in death of a family's head? Could all of these new conceptual frameworks have sparked the "eureka" that led to the development of the product we now know as life insurance? It's an interesting idea to consider.

When looking at insurance and morality, there are many questions, but answers tend to be as complex as insurance products. For me, it's simply interesting to muse about. Our industry has come a long way, and we as reinsurers continue to strive to offer our clients solutions to evolving protection needs of individuals and families. That, in and of itself, is definitely a moral act.

The views expressed in this article are solely those of the author and do not reflect the views of either his employer or the Society of Actuaries. ■

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