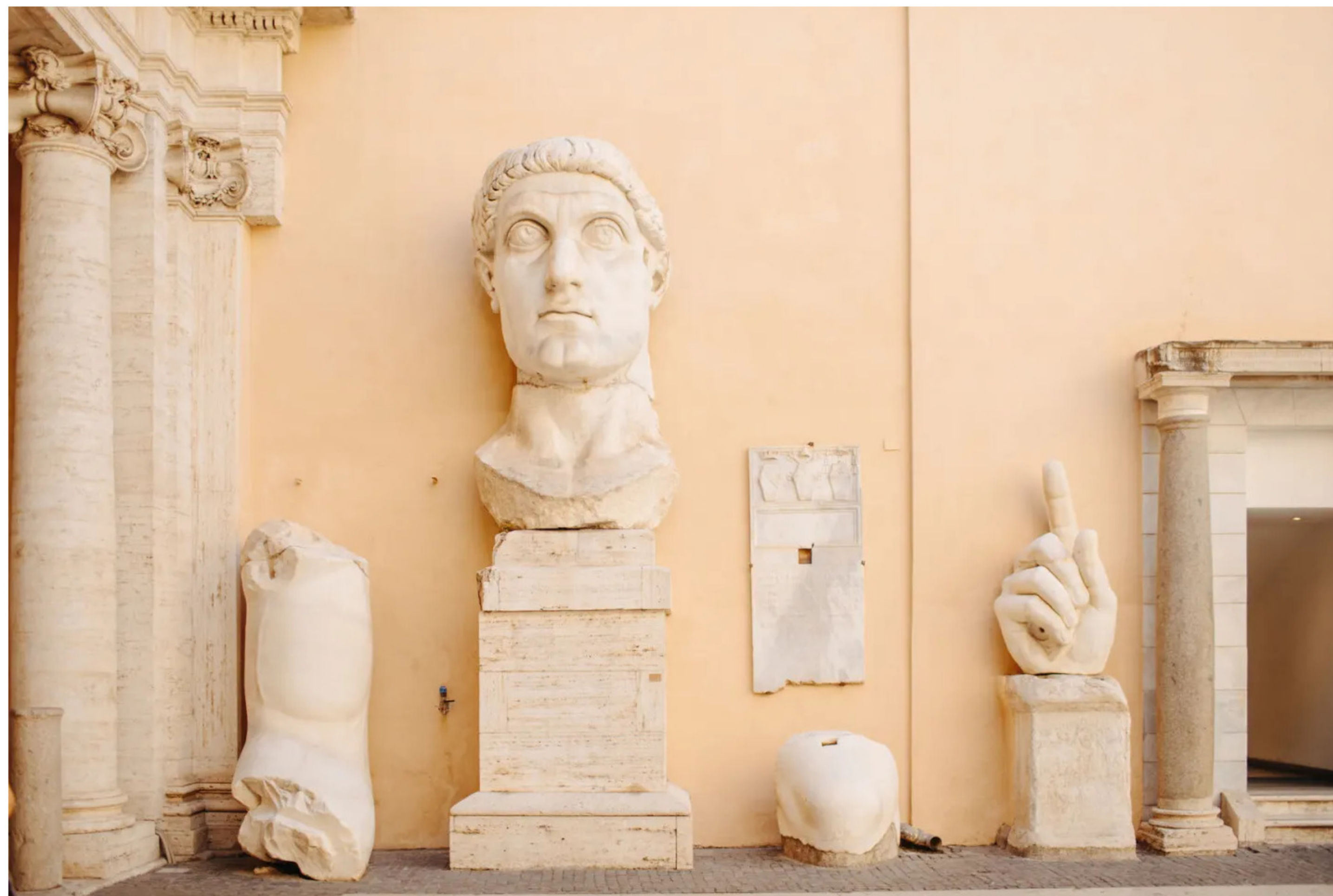


LIFE INSURANCE

A Brief History of Life Insurance

Diana Murphy | Nov 26, 2019



From its origins in antiquity to the modern innovations utilizing data and algorithms, the history of life insurance is pretty interesting.

— Did you know that [the Insurance Information Institute values the life insurance industry at \\$1.2 trillion in the United States alone?](#) If you've ever been curious about the history of life insurance and how it became the juggernaut it is today, we compiled a few pivotal periods in insurance history to help determine why it has continued to be an important facet in so many lives through the present day.

When was life insurance invented?

The answer to "when did life insurance start?" may surprise you. Though the concept seems like a feature of contemporary society, life insurance can actually be traced back to around 600–100 BCE in ancient Greece and Rome. These sophisticated early societies provided a form of both health and life insurance to some of their citizens. In ancient times in particular, the idea was initiated by a Roman military general, [Gaius Marius](#), who allegedly conceptualized a sort of "burial club" among his fellow soldiers. The idea was that should one of them be killed in a military campaign, the survivors would band together to pay for the funeral expenses.

While the idea at the time was initially only applied to soldiers, the concept later spread throughout ancient Rome and was eventually adopted by everyday citizens. This concept later expanded into a desire to provide a financial safety net for the family members of those who have fallen in battle. Sound familiar?

The evolution of life insurance: Lloyd's of London, 1688

Fast forward a few centuries, and the history of life insurance continues in a small coffeehouse in London in the 17th century. [Edward Lloyd's establishment](#) was a popular place for congregating merchants and sailors where the topics of conversation typically included some reference to insurance deals. These conversations were the antecedents that quickly turned into a more formal insurance association, Society of Lloyds (it later became known as Lloyd's of London).

Underwriters, who were typically rich members of society, assumed risk for the notoriously dangerous marine and trading industries. Later, in 1774, the Society folded their business into the royal exchange, thereby formalizing what was at first an informal business. In the same year, Great Britain established the Life Assurance Act in order to prevent corruption by insurance agents against their clients. Lloyd's of London now has a global reach and is probably one of the most well-known life insurance companies today.

Life insurance history in Colonial America

Life insurance in the American colonies was largely controlled by their churches. In 1759, the Presbyterian Synod of Philadelphia established the [Presbyterian Ministers Fund](#) as the very first life insurance company in the New World. Members of the company paid a fixed annual sum, the dividends of which would be collected by the wives and children of those that passed away. However, there was an underlying tension among the clergy regarding the very nature of an industry that essentially manages certain risks, with many priests arguing that life insurance is a form of gambling, which was frowned upon.

Life insurance in the 20th century

Despite bumps in the road and some changes along the way in the evolution of life insurance, the industry really got going in the 1900s. In 1911, an insurance company, AXA Equitable, drafted the first group life insurance policy for the employees of Pantasote Leather Company. This idea was so popular that by 1930, the life insurance industry in the United States alone boasted policies amounting to around \$117 billion.

Unfortunately, this insurance boom and the establishment of a slew of companies resulted in a high increase in fraud and deception. The most common cases included companies charging exorbitant premiums to clients and not being able to actually pay out a claim. The industry at this time in its history was largely unregulated, and some insurers clearly took advantage of having little to no oversight.

Still, many people still liked the idea of financial protection, and the industry kept developing. But once the Social Security Act was enacted in 1935, for the first time ever, retired and unemployed Americans had a financial safety net. As a result, the life insurance industry did lose some of its market share, and the government became more involved. Eventually in 1944, the Supreme Court ruled that the industry should be regulated at the federal level. This ruling was short-lived, however, and by 1945, Congress passed the [McCarran-Ferguson Act](#), which declared that the states should control how insurance was regulated. This state oversight continues to the present day.

Life insurance today

As far as insurance history goes, the industry has transformed, offering people customized products based on their unique financial situation. Technology and data has also helped change the face of life insurance, making it more accessible to people. Today's options include traditional insurers as well as [online life insurance](#), which typically has a more streamlined application process. In fact, people can sign up for life insurance in a matter of minutes.

No matter how much life insurance has changed, how people sign up, or how it is regulated, the original tenet of life insurance as a financial safety net is still basically the same as it was back in the days of ancient Greece and Rome. As life insurance history has shown, at its core, it's there to help provide financial relief and support in case the unthinkable happens.

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